

ASTON MARTIN LAGONDA



2019 ANNUAL REPORT

WITH OVER A HUNDRED YEARS OF HISTORY, ASTON MARTIN LAGONDA* IS ONE OF THE WORLD'S MOST ICONIC LUXURY COMPANIES FOCUSED ON THE DESIGN, ENGINEERING AND MANUFACTURE OF HIGH LUXURY CARS



* Aston Martin Lagonda Global Holdings plc



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CHAIR'S STATEMENT



PENNY HUGHES, CBE

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THIS HAS BEEN A DISAPPOINTING YEAR FOR ASTON MARTIN LAGONDA. REVENUES OF £997M, (9% LOWER) AND A SIGNIFICANT FALL IN ADJUSTED EBITDA TO £134M (DOWN 46%), HAVE CONTRIBUTED TO SEVERE PRESSURE ON LIQUIDITY WHICH HAS LEFT THE COMPANY WITH NO ALTERNATIVE BUT TO SEEK £500M OF ADDITIONAL EQUITY FINANCING, WITHOUT WHICH, THE BALANCE SHEET IS NOT ROBUST ENOUGH TO SUPPORT THE OPERATIONS OF THE GROUP.

The Second Century Plan, to which the business was committed since 2015 and through IPO, ultimately proved to be too ambitious and was not able to withstand the demanding scale of investment required including committed new manufacturing facilities, and the unexpectedly large downside risk of underperformance that the business has experienced. This has required decisions of the Board in relation to the capital structure of the Company and the business plan.

US\$190m additional debt was raised in April 2019 to maintain liquidity but trading performance weakened further resulting in the Trading Update and Revised Outlook announced on 24 July 2019.

Trading through Q3 continued to be weak, putting further pressure on liquidity and so the Board authorised the drawing of further debt. This resulted in the raising of US\$150m of Senior Secured Notes announced in September 2019, with a potential to raise an additional US\$100m of Delayed Draw Notes. As a result, the Board called for a fundamental operational, financial and strategic review of the business.

With debt at heightened levels and cost of new debt onerous, the Board agreed a sizeable capital raise was necessary in order to continue operations. Trading continued to underperform through the peak December delivery period resulting in a further Trading Update on 7 January 2020. Despite the financial condition of the Company, the brand and the excellence of its cars attracted significant interest from high quality strategic and financial investors.

A thorough process was conducted which resulted in the unanimous decision of the Board to announce on 31 January 2020 a proposed strategic investment of £182m by a consortium led by Lawrence Stroll and an underwritten Rights Issue supported by major shareholders, Prestige/SEIG and Adeem/PW, of £318m to raise combined gross proceeds of £500m.

A reset business plan was also announced with a focus on (i) adjusting production to prioritise demand over supply, thereby building a stronger order book and regaining price positioning, (ii) delaying investment in electric vehicles to no earlier than 2025 and to move out mid-engined model roll out to 2022 with the Valhalla to be revealed then, (iii) focusing on the successful launch

of DBX, the relaunch of Vantage and commencing deliveries of Valkyrie in 2020 and (iv) reducing operating costs and capital expenditure and giving priority to improving the Company's cashflow.

This work towards a more realistic reset of the business plan and repair of the balance sheet has required a very high level of Board engagement, meeting 20 times in the period from August to our announcement on 31 January.

During the course of the year, information provided to the Board evolved in response to feedback to the Executive management and to the changing dynamics of the business, which has made forecasting, for example, challenging. The Board recognised that strengthening was needed and management has already put in place an externally supported project to drive substantive improvements.

The Board and Executive team were both challenged and supported in these efforts by refreshed external advisors on business forecasting and short term cashflow modelling and on the longer term strategic and investment choices. Throughout this period the Board has received formal advice from Freshfields on their directors' duties, Morgan Stanley as Independent Financial Advisor on the capital markets transactions and held discussions with auditors EY on going concern and viability. Further information on this work is set out in this Annual Report and the Prospectus published on 27 February in connection with the equity raise.

The year has not been without some notable achievements which provide optimism for the future success of the Company. Core retail sales (dealer sales to customers) increased 12%, with significant growth in the important markets of the US and China. Specials continued to be a significant contributor to brand and financial value. The DBS Superleggera was named Sunday Times Sports Car of the Year and the DBX named the Best Luxury SUV by the GQ Car Awards. The development of St Athan as a second major manufacturing location has been completed on time and within budget. St Athan will be home to DBX production; the launch of which has been very well received and the order book has grown faster than our expectations.

Following discussions and by mutual agreement Mark Wilson will step down as Chief Financial Officer and as an Executive Director of the Company no later than 30 April 2020. He will remain available to the

Company to assist with transition in the period through to 30 June 2020. I would like to note the sad passing in early February of Peter Rogers who joined the Board on IPO representing the Prestige/SEIG Shareholder Group. We will remember Peter's contribution to the Board and miss his strong character and kindness of spirit.

The Board has had its challenges and, as set out in the Governance Report, will not be Code compliant following the Placing, although Board changes announced on 8 October 2019 resulted in Code compliance with respect to the Board Committees.

In relation to future Board composition following the Placing, Lawrence Stroll will take up the position of Executive Chairman and I will step down as a Director on 7 April.

The three Significant Shareholder Groups of the Company will be the Stroll Consortium, Prestige/SEIG and Adeem/PW, and each will be entitled under new Relationship Agreements to have representative Board appointments at a revised lower shareholding following the capital raise. The full details are explained in the Governance Report on page 80. Due to the Board appointment rights, each of Richard Solomons and Imelda Walsh have advised that they will not seek re-election at the forthcoming AGM. Tensie Whelan has also advised she will not stand for re-election. These directors will work to support the transition to Lawrence Stroll as Executive Chairman during their period of notice. Non-compliance has only been accepted in order to support the capital raise and it is understood significant focus and effort will need to be applied to Board composition.

Whilst the results of the past year are not satisfactory and have been particularly sobering for shareholders who joined at IPO, I am satisfied that the reset of the plan and investment by the Stroll Consortium and the Rights Issue will enable the business to move forward into its next phase of development.

I would like to thank our employees, customers and suppliers for their support during this difficult period. I would also like to express my appreciation to those shareholders who continue to support us.

PENNY HUGHES, CBE
CHAIR

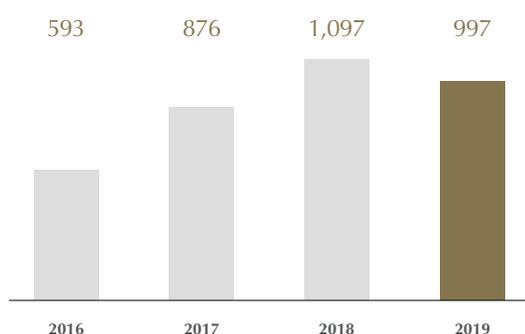
26 FEBRUARY 2020

A DIFFICULT YEAR FOR ASTON MARTIN LAGONDA

FINANCIAL MEASURES

We use a number of KPIs to monitor the performance of the business to measure how we are delivering against our plans. Elements of Executive remuneration are based on performance against the following measures: ROIC, Revenue, Adjusted EBITDA, Net debt to Adjusted EBITDA ('Adjusted Leverage') and Adjusted Diluted EPS.

REVENUE (£'M)

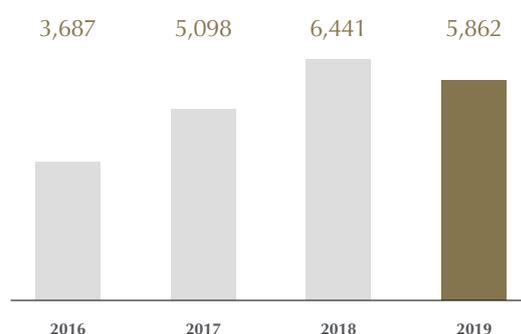


This measures the appeal of our brands, our ability to build and sustain brand equity and increase market share through product expansion.

Performance

2019 revenue fell by 9% due to reduced year-on-year vehicle wholesale volumes and a reduction in vehicle average selling price.

WHOLESALE VOLUMES (UNITS)

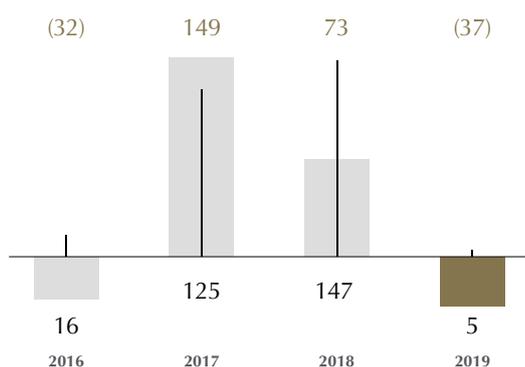


This includes sales from the Company to its dealers and measures the appeal of our products across different segments and markets and reflects actions taken to right-size dealer and Company inventories.

Performance

Volumes decreased 9% due to weakness in Vantage and in Europe and UK markets across all car lines, partially offset by strength in the Americas region and China.

OPERATING (LOSS)/PROFIT (£'M)



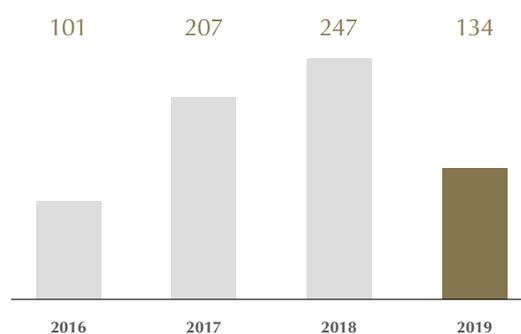
■ Operating profit £m | Adjusted operating profit £m

This measures our operating profitability.

Performance

Operating loss of £37m was primarily impacted by the revenue decline, higher depreciation and amortisation and increased marketing costs. In addition a £19m provision for a doubtful debt relating to the sale of legacy intellectual property in the prior year and pre-tax adjusting operating items of £42m principally a one-off non-cash impairment relating to development costs of Rapide E assets, a programme that is currently paused pending further review.

ADJUSTED EBITDA (£'M)



This measures our operating profitability and is an approximation of underlying cash generation prior to capital investment allocation.

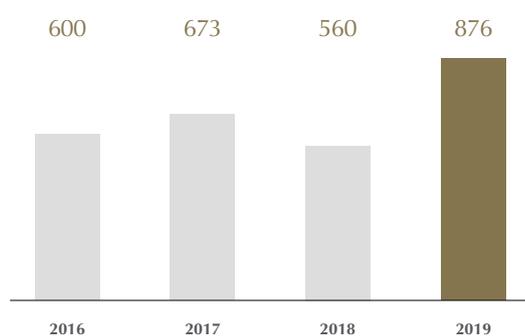
Performance

Adjusted EBITDA fell by 46% with reduced revenue due to lower average selling price and volumes in addition to increased retail and customer financing support to aid de-stocking of the dealer network. A provision of £19m taken against doubtful debt relating to a legacy intellectual property sale, further impacted adjusted EBITDA for 2019.

NON-FINANCIAL MEASURES

Non-financial measures have an important role alongside financial measures to inform decision making and to evaluate Company performance. The strategic, operational and financial review of the business has resulted in the reset of the business plan. Consequently, management plans to assess the appropriate non-financial measures in this context with a view to establishing the key non-financial metrics for future reporting.

NET DEBT (£'M)

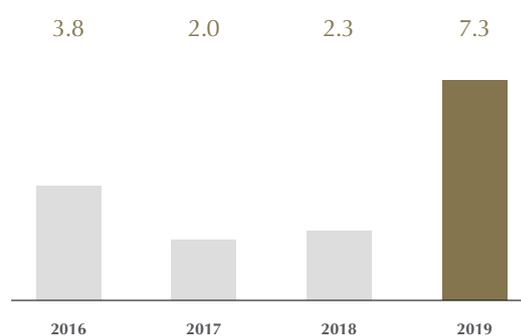


This measures our gross debt less cash and cash equivalents.

Performance

Net debt was £876m, higher due to the cash outflow during the year and includes the US\$340m additional notes issued.

NET DEBT TO ADJUSTED EBITDA ('ADJUSTED LEVERAGE')*

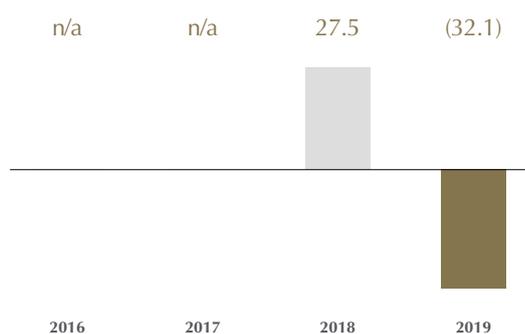


Adjusted leverage measures the Adjusted EBITDA against Adjusted Net Debt, measuring our ability to meet our financial obligations while investing for the future.

Performance

Adjusted leverage is 7.3 x last twelve months (LTM) adjusted EBITDA, higher year-on-year reflecting lower profits and increased debt.

ADJUSTED DILUTED EPS (PENCE)*

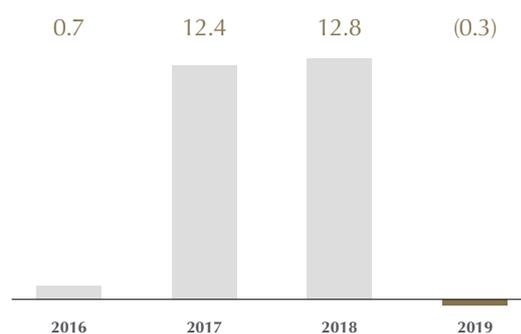


EPS reflects the profitability of the business and the financing of our balance sheet.

Performance

Adjusted diluted EPS for the year ending 31 December 2019 is (32.1p) compared to 27.5p at 31 December 2018.

ADJUSTED RETURN ON INVESTED CAPITAL (%)*



ROIC measures the efficient use of capital on investments. It is calculated as the post-tax adjusted operating profit/(loss) divided by the sum of gross debt and equity of the business at the year-end.

Performance

Adjusted ROIC of (0.3%), below the Group's WACC of 9.0%.

*For detail on these and other alternative performance measures, see Note 34.

PRESIDENT AND GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT



DR ANDY PALMER, CMG

OUR PRESIDENT AND GROUP CEO, ANDY PALMER, ADDRESSES SOME OF THE KEY QUESTIONS OUR STAKEHOLDERS HAVE BEEN ASKING US DURING THIS IMPORTANT TIME FOR THE BUSINESS INCLUDING THE RESET OF THE BUSINESS PLAN, THE IMPORTANCE OF DBX AND HIS MISSION TO BUILD A SUSTAINABLE LUXURY BUSINESS.

Q. HOW DID THE GROUP PERFORM IN 2019?

From a trading perspective, 2019 has been a difficult year with a disappointing performance against our original plan, which resulted in severe pressure on liquidity. Our underlying performance has failed to deliver the profits we had planned, and as CEO, I take full responsibility for this and intend to take actions to correct this as we move forward.

Revenue of £997m was down 9% year-on-year as we started to de-stock the dealer network, alongside an operating loss of £37m and adjusted EBITDA of £134m down 46%. This was mainly driven by the decline in wholesales, the mix shift to Vantage, our entry level sports car, and higher selling costs. This performance led to higher year-end net debt of £876m and increased leverage to 7.3x. It also meant that we were operating under tight liquidity constraints despite reducing our planned investments through the year.

Total wholesale volumes fell 9% year-on-year to 5,862 units. We successfully delivered 64 specials during the year. Retail sales have grown by 12% year-on-year, which was the best core retail result since 2007. Retail sales by dealers exceeded wholesale volumes, starting to reduce dealer inventory and thereby reversing the position from the prior year.

Whilst we are disappointed with our trading performance in 2019, our focus is now on executing the reset of the plan, stabilising and de-risking the business, and positioning the Company for controlled medium and long-term profitable growth.

Q. WHAT WENT WRONG?

As highlighted in our recent announcements, we have experienced challenging trading conditions throughout 2019 resulting in lower sales, higher selling costs and lower margins versus expectations.

Trading was weaker than anticipated, particularly for Vantage, and in Europe and the UK across all car lines. We started the year with elevated levels of dealer inventory, partially due to the supply chain disruption at the end of 2018, but also as a result of the lower than expected demand for Vantage.

Consequently, to start to de-stock the dealer network required more retail and customer financing support than planned, weighing on average selling price. Despite core retail sales increasing by 12% year-on-year this was not high enough to support our own expectations and as a result we were unable to wholesale cars in the volumes that were originally planned. As a result of lower than planned

wholesales in H1, Company stock remained elevated at 30 June 2019 and the Company reduced its outlook for the year accordingly. A further reduction in H2 volumes created an immediate need for liquidity and pressure on liquidity continued in Q4 as revised targets were not met during our largest selling season.

Finally, costs were higher than planned due to a combination of incremental marketing campaigns in December, particularly in the US and in support of DBX launch activities, alongside headcount and other SG&A costs falling short of savings targets.

All of the above factors put the Company in a stressed position with severe pressure on liquidity and affected our ability to deliver against our original plan.

Q. HOW ARE YOU ADDRESSING THE LIQUIDITY PRESSURES ON THE BUSINESS?

The underperformance of the Company against its original plans and the resulting severe pressure on liquidity, has prompted a strategic, operational and financial review of the business.

Following a comprehensive review, we are taking a series of immediate actions to reset, stabilise and de-risk the business, positioning it for controlled medium and long-term profitable growth. These include rebalancing supply-demand dynamics and reducing planned capital expenditure, while prioritising investment in St Athan, DBX and Aston Martin Valkyrie as these programmes are critical to starting the turnaround in performance of the business in 2020. We will also re-phase some future product launches, which together with cost-efficiency initiatives will improve cash generation.

On 31 January 2020, we announced a proposed strategic equity investment by a consortium led by Lawrence Stroll and an underwritten Rights Issue, which together will raise £500m. In the short-term, an entity controlled by Lawrence Stroll has also provided £55.5m of short-term working capital support to immediately improve the Company's liquidity, and this will be refunded following the Placing.

We are focused on turning around performance, restoring price positioning and delivering a more efficient operational footprint. We will deliver some exciting new products in 2020 with the much-anticipated DBX and Vantage Roadster in Q2 and Aston Martin Valkyrie deliveries starting in H2.

Q. WHAT IS THE BENEFIT OF BRINGING IN THE CONSORTIUM LED BY LAWRENCE STROLL AS NEW PARTNER FOR THE BUSINESS?

The strength of the Aston Martin brand and our expanding portfolio of cars has allowed us to attract a strong new partner in the consortium led by Lawrence Stroll to support the turnaround of the business. Mr Stroll's experience of automotive retail and luxury brands and his support for Aston Martin Lagonda as a great British luxury brand aligns with our positioning. He will take an active role in the business and I look forward to working alongside him to fulfil Aston Martin Lagonda's potential.

Mr Stroll is hugely supportive of our tremendously exciting mid-engined programme and leveraging his Formula 1™ team by transforming it into an Aston Martin F1™ team gives us a wonderful platform in that space.

Across the world we continue to drive brand affinity relationships with our customers, increasing our fixed marketing activities to raise brand awareness and to attract new customers. The Group's involvement in motorsports is an important brand building tool, as there are high levels of interest in Formula 1™ among premium and luxury car owners globally. As of 31 December 2019, approximately 80 % of premium and luxury car buyers in the United Kingdom, United States, Germany and Japan had an interest in Formula 1™.

Q. HOW ARE YOUR KEY MARKETS PERFORMING?

Regionally, the Americas continue to grow, now representing the largest percentage of wholesales at 35%, as we focus on upgrading the dealer network capabilities and investing in appropriate brand and marketing activities. Europe and the UK struggled as Brexit and economic and political uncertainty weighed on sentiment. European wholesales declined by 28% and the UK declined by 21% year-on-year. Within Asia, strong growth in China (up 28%) was offset by declining performance in other markets of the region as APAC declined 6% overall in the year.

During 2019, we continued to strengthen the dealer network, increasing the total to 168 dealerships from 162 in the prior year including expansion into one new country, Bahrain. The Company selectively chose locations in China and Japan to increase penetration in APAC and improve sales and marketing of the DBX in 2020. China and the US continue to be important growth markets for the business as evidenced by the global unveiling of the DBX in Beijing and Los Angeles in November 2019.

Q. WHAT ACTIONS ARE YOU TAKING TO RESET, STABILISE AND DE-RISK THE BUSINESS?

To reset the business, we are controlling production to prioritise demand over supply and regain strong pricing position. We are delaying investments in electric vehicles in the near term. Our revised plan also includes a more conservative view for sports car wholesales for 2020, in particular for Vantage. In the medium term, we expect to manage sports cars volumes to maintain our price position as a luxury brand.

To stabilise the business, we will focus on successfully delivering key products this year with the launch of DBX and Vantage Roadster in Q2 and Aston Martin Valkyrie deliveries starting in H2 and then continuing to execute on our plan for Special vehicles.

To de-risk the business we are repairing the balance sheet through the proposed capital raise as well as reducing capital expenditure. We are seeking efficiencies across the business with planned operating cost reductions of £10 million on an annualised basis, and by £7 million in 2020 after one-off costs, which will broadly offset expected cost increases resulting from the new plant in St Athan.

Q. HOW DOES THIS IMPACT THE PHASING OF MODEL DELIVERY?

For core cars, our mid-engined core car, Vanquish, will now be unveiled in 2023, following the Valhalla in 2022. Mid-engined cars are a core part of Aston Martin Lagonda's future. As part of this, an enhanced approach to F1™ is important and we have reached an agreement to drive the delivery of the reset of the business plan with the Racing Point F1™ team becoming the Aston Martin Racing F1™ team from 2021. The initial term is for ten years and Aston Martin will receive an economic interest in the team.

We've also agreed a sponsorship arrangement from 2021 and for the subsequent four years, with commercial terms similar to our current arrangement with the Red Bull Racing F1™ Team, renewable for five years, subject to satisfying certain conditions at the time. On which note, I'd also like to thank Red Bull for their partnership and their support. We will continue our proud sponsorship of the Red Bull F1™ team for the 2020 season and our collaboration on Aston Martin Valkyrie continues until its delivery, with production expected to start and ramp up through the second half of 2020 as previously communicated.

Specials continue to be a key component of the reset plan. We have further Specials planned for delivery in 2020, including the Goldfinger DB5 continuation, the DBS GT Zagato which will complete the DBZ Centenary collection. We also look forward to unveiling the recently announced V12 Speedster.

Q. WHAT ABOUT YOUR AMBITIONS FOR ELECTRIC VEHICLES?

We remain committed to developing a fuel-efficient, modular V6 engine with hybrid and plug-in hybrid capabilities. This engine will support Aston Martin's core cars, being available as hybrid and plug-in hybrid variants from the mid-2020s. The launch of our Lagonda brand will now be no earlier than 2025.

Q. WHAT STEPS ARE YOU TAKING TO STRENGTHEN THE ORGANISATION AND MANAGE COSTS BETTER?

Beyond our product pipeline, restructuring sees changes in management of sales, marketing, finance and engineering in order to deliver the reset plan. Further to the significant reduction in contractors and a voluntary redundancy and early retirement programme actioned in 2019, additional reductions will be made to rebalance our permanent and contractor headcount, while 300 new roles will be created at the St Athan facility in addition to the 300 employees currently at the site. The property footprint will also reduce alongside general SG&A reductions commensurate with our financial and operational ambitions.

We also plan to deliver further efficiencies and cost savings in SG&A and in manufacturing costs, through improved supply chain management and the ongoing Total Delivered Costs manufacturing efficiency programme we have been running since 2015.

Q. ARE YOU PLEASED WITH THE LEVEL OF ORDERS FOR THE DBX?

We are delighted with the extremely positive reception the DBX has received both from customers and the media. The DBX orderbook built rapidly since opening on 20 November 2019 and as confirmed on 7 January 2020, the orderbook stood at c. 1,800 (c. 1,200 of which were a combination of customer orders and specifications in progress), with total orders now taken in excess of the planned retail target for 2020. The order rate was materially better than for any of our previous models. Key operational milestones are being met. Geographically, over 61% of orders are from the Americas and APAC; and c. 50% of orders are from customers who are completely new to the brand.

Q. HOW IS ST ATHAN PROGRESSING?

We were delighted to open the St Athan site as planned on 6 December 2019. This was a landmark moment for the business as we move closer to the start of production of the DBX. Bringing the DBX to St Athan is not only about making cars in Wales but preserving Aston Martin Lagonda's

manufacturing in the UK. I would like to thank the local community from whom we have received not only the warmest of welcomes, but whose enthusiasm and interest in Aston Martin Lagonda has been tremendous. I would also like to thank the Welsh and UK Governments for their continuing help and support.

Q. CAN YOU GIVE US AN UPDATE ON THE ASTON MARTIN VALKYRIE?

We are extremely excited about this car, which we believe will be a defining car and pinnacle of auto engineering. It is effectively a F1™ car on the road, and there's never been anything quite like it.

The development of Aston Martin Valkyrie continues at pace. The prototype car ran at the British Grand Prix at Silverstone in July 2019. The technology partnership between Aston Martin Lagonda and Red Bull Advanced Technologies is continuing and our first production car is planned for delivery in H2 2020.

Q. WHAT STEPS ARE YOU TAKING TO ADDRESS ENVIRONMENTAL, SOCIAL AND GOVERNANCE ISSUES FACING THE BUSINESS?

Sustainability is an increasingly important issue for business. This is underpinned by our commitment to responsible and sustainable economic growth and, as a signatory of the UN Global Compact to doing business in an ethical and transparent manner. This commitment resulted in the business developing a Corporate Responsibility Strategy in 2016 based on the United Nations Sustainable Development Goals. The strategy aims to deliver stakeholder value through ethical and sustainable excellence that also creates a long-term competitive advantage for the Company.

We are taking steps to integrate environmentally sustainable culture and practices across the value chain through plans to reduce carbon emissions and energy usage and to increase efficiency, reuse and recycling rates. We have had some success in this during the year with 100% of all waste produced diverted from landfill but carbon emissions and energy usage have increased partly due to the start of operations at our St Athan manufacturing facility.

We have a programme of community engagement, philanthropic activities and STEM promotion and continue to prioritise health and wellbeing to safeguard our workforce and to ensure we offer a great place to work so we are able to attract the very best diverse talent to the business. We won our 8th consecutive Sword of Honour from the British Safety Council (BSC) achieving a 94.44% BSC Health and Safety score.

Establishing and maintaining a sustainable supply chain is critically important to enable us to be a responsible business including responsible and ethical sourcing, supply chain mapping and meeting our Modern Slavery Act commitments.

Further information on our environmental performance can be found in Responsibility on page 38.

Q. WHAT IS THE OUTLOOK FOR THE BUSINESS?

We are focused on improving the cash flow profile of the business. This includes turning around performance, restoring price positioning by operating a pull versus push model, reducing dealer inventories to a new luxury norm and delivering a more efficient operational footprint. This year, we will launch the DBX and Vantage Roadster in Q2 and Aston Martin Valkyrie deliveries are set to start in H2.

There are a number of factors that present increased uncertainty for our business in 2020. With the ongoing Covid-19 health emergency the primary concern remains the health and safety of colleagues and their families, business partners and the local communities and the Company continues to provide all support possible, including the following of advised public health measures. The virus has the potential to impact both the supply chain and customer demand in China and other markets. Although none of our Tier 1 suppliers manufactures in China, the supply of some components from China has been disrupted. To date there has been no impact on our production and supply is secured until at least end of March. The start of production of DBX and Aston Martin Valkyrie are key programmes for the business and while both currently remain on plan, they do present additional execution risk in the year.

The Company's focus is on the successful completion of the Placing and Rights Issue and the delivery milestones. I confirm my belief in the longer-term opportunity of key model roll-out for significant growth and recovery of margins in order to achieve a path to a cash generative, global luxury car brand through the resetting of the business during 2020.

I would like to thank our employees for their passion, dedication and expertise and our shareholders for all their support during what has been a very difficult year.

DR ANDY PALMER, CMG
PRESIDENT AND GROUP CHIEF EXECUTIVE OFFICER

26 FEBRUARY 2020

THE LUXURY MARKET

ASTON MARTIN LAGONDA

With over a hundred years of history, Aston Martin Lagonda is one of the world's most iconic luxury companies focused on the design, engineering and manufacture of high luxury cars. The brand symbolises exclusivity, elegance, power, beauty, sophistication, innovation, performance and an exceptional standard of styling and design. Our cars sit primarily within the high luxury car market segment ("HLS") and our market leadership position is supported by award-winning design and engineering capabilities, world-class technology and state-of-the-art facilities, creating distinctive model line-ups.

The Company sells cars worldwide, primarily from our main manufacturing facility and corporate headquarters in Gaydon, England, and we are currently ramping up pre-production in our second manufacturing facility in St. Athan, Wales. The Company's current core model line-up comprises:

- the sports car – Vantage;
- the grand tourer – DB11;
- the super grand tourer – DBS Superleggera; and
- the SUV – DBX, unveiled in November 2019 with first deliveries expected Q2 2020.

Special Edition models form an important part of our business, providing a 'halo effect' for our core cars and driving exclusivity and desirability. Specials have strong financial characteristics with models typically fully allocated prior to any significant capital commitment and typically generating higher margins than the core range. Mid-engined cars are also an important part of the Company's future supported by an enhanced approach to F1™.

Further information on our Business Model is set out on page 30.

THE LUXURY CAR MARKET

Aston Martin Lagonda operates primarily within the HLS where it is positioned along with other key players such as Bentley, Ferrari, Lamborghini, McLaren and Rolls-Royce, while Vantage has some competitors within the luxury and performance premium market. HLS car manufacturers typically employ a low-volume production strategy to maintain a reputation of exclusivity and scarcity among customers. This low-volume strategy, combined with the quality and performance of the cars produced, typically allows manufacturers to charge high average selling prices. Customer demand is enhanced through new product offerings, which tend to drive sales volumes even in difficult market conditions. Demand is maintained through the lifecycle of the product by introducing new derivatives, performance upgrades, new personalisation options and improved quality.

The market can be broken down by price range and the degree of sporting characteristics of specific car models such as hypercars, supercars, sports cars, grand tourer cars, super grand tourer cars, SUVs and sedans. Hypercars and special editions are the top models within the HLS car market. These products are produced in very limited volumes, are priced at significant premiums and can appreciate in value quickly following their initial sale. These models also enable the introduction of new technologies which can then be applied to the broader product range.

The high luxury car segment, which is the largest segment within the luxury goods market, had a growth rate of 5% during 2018 and an estimated value of €495 billion. The most exclusive end of the market (luxury toys, which includes hypercars) had a growth rate of c. 5.5% between 2010 to 2017¹. While this market has grown historically it is forecast to stabilise over the next few years.

The historic growth in the HLS has been driven mainly by an expanding population of high net worth individuals ("HNWIs"), the key customer in the market. This had been boosted by global economic growth and wealth creation, particularly in certain emerging economies. However, after seven consecutive years of growth, during 2018 the global HNWI population and wealth declined by 0.3% and nearly 3%, respectively². This was primarily driven by a slump in equity-market performance and slowing economies in key regions. Asia-Pacific and European-region HNWIs were most affected, given declining markets and decelerating economic growth with Asia Pacific accounting for half of the overall decline and Europe for about one quarter. HNWI wealth performance in the UK took a significant hit with a 6% decline. North America's performance remained relatively flat and the Middle East recorded the only increase in both HNWI wealth and population. Most of the global HNWI wealth decline can be attributed to the higher wealth segments – the ultra-HNWIs (US\$30m or more of investable wealth) – which accounted for 75% of the decline. Amid geopolitical and trade concerns, near-term global economic recovery remains uncertain.

Global HLS unit sales³ continued to increase 11% during 2019, but this was mostly due to SUV growth as there was a decline in the luxury and performance premium sports market of 13% (which includes GT, sports and mid-engined).

Luxury SUVs are a rapidly growing segment of the HLS car market. During 2019 the Luxury SUV market grew by over 100% driven primarily by the full year impact of new entrants. The premium SUV sector is forecast to grow by 5% between

1. Bain Luxury Goods WW Market Study Fall/Winter 2018
 2. World Wealth Report 2019, Capgemini
 3. IHS Markit; 2019E extrapolation of 2019 YTD

2019 and 2030, and the high luxury SUV segment is forecast to grow by 30% during the same period. Existing ownership of SUVs among the HLS car customer base is expected to support the increased penetration of luxury SUVs, as producers target HNWI's seeking to upgrade their existing vehicles.

The market dynamics were impacted during 2018 and 2019 by changes in regulatory requirements in a number of our markets. These included revised emissions standards in Europe and China. As a result, a number of manufacturers offering incentives to ensure that vehicles that did not meet these standards were sold ahead of compliance dates. This impacted our pricing and volume potential in 2018 and 2019.

IMPACTS ON OUR PERFORMANCE

During 2019 the Company experienced weaker trading than anticipated, particularly for Vantage and in Europe and the UK across all car lines. The year started with elevated levels of dealer inventory, particularly due to the supply chain disruption at the end of 2018 but also as a result of lower than expected demand for Vantage. DB11 and DBS Superleggera have performed

comparatively well and have grown market share in recent years but have not been immune to the challenging trading conditions experienced in 2019. Despite gaining share in a declining sports segment which was down c. 15%, the Vantage underperformed versus original expectations particularly in Europe and the UK. A key focus of 2019 operationally has been the development and execution of the launch and production plans for DBX, due to launch in Q2 2020, marking the Company's entrance into the growing SUV segment of the market.

As announced on 7 January 2020, the Company experienced challenging trading conditions throughout 2019, resulting in lower sales, higher selling costs and lower margin expectations. This underperformance against our original plans has resulted in severe pressure on liquidity and prompted an operational and financial review of the business. This has resulted in plans to reset, stabilise and de-risk the business including the reset plan described in "Strategy" on page 14.

Set out in the table below are some of the specific market impacts on the Company's performance during 2019 and our response.

RESPONSE TO MARKET DYNAMICS

Market Dynamics	Impacts	Response
SOFTENED GROWTH IN SPORTS CAR SEGMENT	Vantage gained market share but in a declining market. Vantage retail was below expectations impacting overall wholesale volumes, revenues and margins.	Customer analysis, the tactical launch of derivatives with Vantage, AMR (manual special) and the recently revealed Roadster, and introduction of new visual options to support demand. More targeted marketing and dealer support planned. Relaunch of Vantage at Geneva Motor Show.
DEMAND FOR SUVs CONTINUES TO GROW	DBX demand has exceeded initial expectations as market demand continues to grow for luxury SUVs offering revenue potential.	Strong demand for DBX. As confirmed on 7 January 2020, the order book stood at c. 1,800 (c. 1,200 of which were a combination of customer orders and specifications in progress), with total orders now taken in excess of the planned retail target for 2020.
AGGRESSIVE COMPETITOR PRICING	As wider political and socio-economic issues appear to be impacting consumer confidence in some regions, some competitors within the HLS segment (against typical market norms) have implemented aggressive pricing strategies for both new and existing models. This has impacted demand/price for certain of the Company's models.	Tactical actions by the Company including retail and customer financing support and fixed marketing spend in some markets have led to a deterioration of average selling price, thus impacting some key financial performance metrics for 2019. Strategic priority to control production to prioritise demand over supply, to build a stronger order book and regain price positioning.
LEGISLATIVE CHANGES IN KEY MARKETS	Changes in laws and potential tariffs have driven uncertainty in some markets/model segments.	The Company has plans in place to ensure compliance with regulatory requirements. The Company is also focusing on rebalancing dealer inventory with demand and plans will reflect estimated impacts on known regulatory changes. Simultaneously, close engagement with key regional partners and governments has become an increasingly important factor in the Company's operations.

TOWARD A SUSTAINABLE LUXURY BUSINESS

VISION

TO BE THE GREAT BRITISH CAR COMPANY THAT CREATES THE MOST BEAUTIFUL AND ACCOMPLISHED AUTOMOTIVE ART IN THE WORLD

SPORTS & GT CARS

MID-ENGINE

SUVS

EXCLUSIVE AND RARE SPECIAL PRODUCTS

MID-TERM FOCUS ON CEMENTING OUR POSITION IN SPORTS AND SUV SEGMENTS, WHILST CONTINUING TO DELIVER EXCLUSIVE AND RARE SPECIALS

STRATEGIC PILLARS

INSPIRING CUSTOMER FOCUSED LUXURY PRODUCTS

Invest in R&D to develop new core products across both current and new market segments for a diverse, global luxury customer base, in addition to limited run, exclusive and rare Specials

STRENGTHENED GLOBAL BRAND AND SALES POWER

Nurture and reinforce the brand; drive stronger brand affinity relationships with customers; use data and local knowledge to reach new customers

WORLD CLASS VALUE AND PROCESSES

Become a world class operator by making processes lean and efficient and reducing the cost base without compromising on quality

TOP CLASS QUALITY

Discipline, precision and an obsession with detail. Striving to achieve perfection in every element of our cars

RESPONSIBILITY AND PEOPLE

Inspire and foster a culture of passion, collaboration, accountability, opportunity and creativity. This includes doing business in an ethical and transparent manner

THE RESET PLAN WILL BE UNDERPINNED BY A STRENGTHENED BALANCE SHEET, GREATER FINANCIAL AND OPERATIONAL STABILITY AND FLEXIBILITY THROUGH CONTROLLING MEDIUM-TERM INVESTMENT, REGAINING PRICE AND MARGIN DISCIPLINE, REPHASING PRODUCT CADENCE AND IMPROVING CASH GENERATION.

KEY PRIORITIES AND OBJECTIVES

As set out in the Statements from the Chair and President and Group Chief Executive Officer, the underperformance of the Company prompted an operational and financial review of the business. This resulted in a reset to the business plan, and plans to strengthen the balance sheet to improve liquidity and reduce leverage, through the proposed placing to the Consortium led by Lawrence Stroll and underwritten rights issue to raise a combined £500m.

The Company is focusing on providing greater financial and operational stability and flexibility through controlling medium-term investment, improving cash generation and re-phasing product cadence. The Lagonda brand will now be re-launched no earlier than 2025, however the mid-engined portfolio remains a key focus for the Company starting with Valhalla in 2022. As part of this, an enhanced approach to F1™ is considered important and so the Company and ventures affiliated to the Stroll Consortium have agreed to collaborate in this area. For further information see Strategic Focus: Specials and Mid-Engined on page 20.

To turn around the Company's performance, key priorities going forward are as follows.

- Controlling production to prioritise demand over supply, to build a stronger order book and regain price positioning.
- Successfully launching DBX in Q2, which has received extremely positive media reviews. The order book built more rapidly than for any prior launches and on 7 January 2020 it stood at c. 1,800 with c. 1,200 of those being fully customer specified.
- Successfully relaunching Vantage including the Roadster derivative with deliveries starting in Q2 2020 and starting Aston Martin Valkyrie deliveries later in the year.
- Reducing the operating cost base by £10m on an annualised basis, with £7m in 2020, after one-off costs, broadly offsetting expected cost increases due to the new St Athan plant.
- Improving the cash flow profile of the business and transitioning towards a business generating positive free cash flow over time.

The timing of future product launches has been reviewed to control medium-term investment requirements, improve cash generation and provide greater financial stability and flexibility.

- Aston Martin's mid-engined core car (Vanquish) is now expected to be revealed in 2023 following the unveiling of the Valhalla in 2022.
- Development of a fuel efficient, modular V6 engine with hybrid and plug-in capabilities continues, which will support our core cars being available as hybrid and plug-in variants from the mid-2020s.
- The Lagonda brand will now be relaunched no earlier than 2025.
- Specials continue to be a key component of the reset plan.
- Production of the Aston Martin Valkyrie is still expected to ramp up through H2 2020.
- Deliveries of the Goldfinger DB5 Continuations are due to start in 2020 as well as the DBS GT Zagatos, which will complete the DBZ Centenary Collection.
- The recently announced V12 Speedster will be unveiled in late 2020 with deliveries due to start in Q1 2021.
- The Aston Martin Valkyrie AMR Pro is still expected to be revealed in 2021.
- Valhalla is now expected to be unveiled in 2022.
- New Specials which have not yet been revealed will comprise the balance of one heritage Special and two contemporary Specials each year.

STRATEGIC FOCUS: DBX AND ST ATHAN

“DBX IS A CAR THAT WILL GIVE MANY PEOPLE THEIR FIRST EXPERIENCE OF ASTON MARTIN OWNERSHIP. AS SUCH IT NEEDED TO BE TRUE TO THE CORE VALUES ESTABLISHED IN OUR SPORTS CARS, WHILE ALSO PROVIDING THE LIFESTYLE VERSATILITY EXPECTED OF A LUXURY SUV. TO HAVE PRODUCED SUCH A BEAUTIFUL, HAND BUILT, YET TECHNOLOGICALLY ADVANCED CAR IS A PROUD MOMENT FOR ASTON MARTIN.”

DR ANDY PALMER, CMG
PRESIDENT AND GROUP CHIEF EXECUTIVE OFFICER

DELIVERING DBX

DBX was unveiled on 20 November 2019 at simultaneous events in Beijing and Los Angeles, with China and the US expected to be key markets for the car. Since then, the DBX order book has built rapidly. As confirmed on 7 January 2020, the order book stood at c. 1,800 orders, (c. 1,200 of which were a combination of customer orders and specifications in progress). Key operational milestones are being met for launch in Q2 2020.

THE CONCEPT AND DESIGN

When the DBX Design Concept was revealed at the 2015 Geneva Motor Show, the luxury SUV sector was in its infancy, with vehicles from Bentley, Lamborghini and Rolls-Royce yet to enter the market. The DBX Design Concept started with a blank sheet of paper, to understand what defines an SUV, and what requirements are needed to ensure the car meets customer expectations. It was important that DBX remained true to its heritage as an Aston Martin, both in the way it looks and the way it drives.





“THE OPENING OF
ST ATHAN IS A HUGELY
IMPORTANT MILESTONE”

Dr Andy Palmer, CMG President and Group Chief Executive Officer

Throughout that process, it was clear that versatility was a primary reason why an SUV is chosen as an alternative to a sports car. A critical focus was on creating cabin space that was optimised to ensure equal comfort and space for both front and rear passengers, which has been achieved with class-leading headroom and leg room. Equally, getting in and out of the vehicle was important, aided by the frameless door design which removes the awkward door frame while also making the door lighter to open and close.

As one would expect of an SUV, the load space is practical, with a wide loading aperture, space for a variety of luggage items and flexible loading configurations with the 40:20:40 folding rear seat. Should further load carrying be required, DBX also has roof rails for larger items such as bikes and skis and has the ability to tow a 2,700kg trailer. An extensive range of accessories are available to meet lifestyle needs across a variety of sports and pastimes.

With the versatility and comfort needs met, the critical task of designing the DBX so it looked like an Aston Martin began. There are design elements throughout the car which link with the existing sports car range, from the signature Aston Martin front grille and the one-piece aluminium clamshell bonnet at the front, through to the side profile which retains the classic $\frac{1}{3}$ to $\frac{2}{3}$ golden ratio design proportion between glasshouse and body, culminating at the Vantage-inspired rear tailgate spoiler and signature light blade with rear aero wing.

The interior cabin of DBX is appointed in the finest materials, which can be tailored to a variety of individual design tastes, from traditional to contemporary. Leather is sourced from Bridge of Weir Leather in Scotland, who use only the finest blemish-free hides with a soft, luxurious touch. The cabin environment can be detailed with a range of veneers, ranging from contemporary wood to modern composites and metal finishes. DBX provides a breadth of design character, materials and detailing to suit all customer tastes and lifestyle needs.

DBX PERFORMANCE

DBX would not be an Aston Martin if it did not drive like an Aston Martin. While the design is beautiful, the drivetrain and suspension offer a special driving experience.

DBX features the very latest automotive technology available to create a dynamic SUV. Starting with the 550hp 4.0-litre V8 twin turbo engine that is also used in the brand's sports cars, it has been tuned to the specific performance requirements of DBX, whilst maintaining the unmistakable Aston Martin sound. Complementing the engine is a new 9-speed automatic torque converter gearbox with an all-wheel drive system featuring the very latest in active drivetrain technology. This allows DBX to control the distribution of the engine performance to suit the driving conditions.

The crowning jewel in the DBX's dynamics is the suspension system. DBX features class-leading suspension technology, with the fitment of adaptive triple chamber air suspension and active roll control. With triple chamber air suspension, DBX can raise its ride height, lifting the vehicle out of harm's way when driving in off-road environments, and lower it by 50mm to enable easier access for passengers or when loading the trunk. The DBX's system goes a step further by varying the air spring stiffness, changing the ride character to suit the driving requirements. This dual character offers both a luxurious and refined ride comfort for daily use or long-distance journeys.

With active drivetrain, air suspension and roll control – all systems operate in perfect harmony, ensuring that DBX offers a wide range of capability from luxurious and refined Grand Touring comfort through to a highly responsive and engaging sports car driving experience, making DBX one of the most dynamic SUVs in its class.

"Normally in an Aston Martin, off-road equals end of the road. But not now. This is the DBX, and it's just getting started." – Top Gear

DBX UNVEILING

The DBX, our first SUV, enables the Company to access the expanding SUV market. As a new segment for the Company, launch planning encompassed a focus on brand awareness, product desirability and pricing, an understanding of the SUV customer and appropriate dealer, sales and marketing support. This included focused customer clinics to understand customer needs, training to ensure dealer readiness and a targeted sales and marketing strategy. A detailed “Take to Market Plan” was established which included a series of DBX “confidential” events with prospective and existing customers to encourage early adopters to place orders. Following the DBX unveiling, all regions have participated in a dealer tour to bring the first prototype vehicles to the widest possible audience of customers with further activities planned.

“If we were about to put a sizeable deposit down on a luxury, sporting SUV, we’d be heading to an Aston Martin dealer pretty quickly.” – Auto Express

ASTON MARTIN DBX: MADE IN ST ATHAN, WALES

In 2016, Aston Martin committed to a new UK manufacturing plant to ensure the business could meet the production demands of the future. Aston Martin St Athan, the home of the DBX, was officially opened in December 2019. The new plant will have created 600 new, highly-skilled jobs when it reaches peak production. St Athan, which is a former Royal Air Force base, has undergone

a three-year transformation to become a state-of-the-art manufacturing facility. The completion of the St Athan facility means that it joins the marque’s Gaydon headquarters and its Wellesbourne and Newport Pagnell facilities as a centre of the highest quality of British craftsmanship and engineering.

St Athan uses similar manufacturing processes to our main plant in Gaydon, Warwickshire but has enhanced these to improve quality and to reduce the hours of production per car.

THE ART OF VEHICLE DYNAMICS

“The key to setting up a car is getting the basics right before you begin to tune in the magic. The art of vehicle dynamics is all about balance in the final changes we make to a car. The fundamentals deliver what we need for a “good” car – stiffness, how much it rolls and so on. But to transform a “good” car into a “great” car we have to balance everything down to the last detail – how each axle reacts to a steering input, how much response, how much overshoot etc. When balancing the front to the rear, the smallest of changes can make a huge difference to how a car feels in the seat of your pants, but you couldn’t objectively measure or model these differences – you have to drive and feel the car.”

MATT BECKER
CHIEF ENGINEER



STRATEGIC FOCUS: SPECIALS AND MID-ENGINEED

SPECIALS CONTINUE TO BE A KEY COMPONENT OF OUR PLANS

Specials with their attractive cash dynamics and brand building characteristics are a key revenue driver for the Company. The majority of the 64 Specials delivered in the year were the final Zagato Shootingbrakes.

In addition, the first 19 cars of the Aston Martin DBZ Centenary Collection, the DB4 GT Zagato Continuations, were also delivered in 2019. The Centenary Collection will be completed with deliveries of the DBS GT Zagatos in Q4 2020.

Mid-engined cars are a core part of the Company's future supported by an enhanced approach to F1™. The Aston Martin Valkyrie – a generational car, made its dynamic debut at the British Grand Prix in July. Development of the car continues with delivery of the first car planned for H2 2020 and ramping up to run rate through the second half.

APPROACH TO SPECIALS

Specials form an important part of our business plan, providing a halo for our core cars and driving exclusivity and desirability due to their limited volume, world class design and technical excellence. The diverse nature of our Specials ensures their appeal to a wide group of high-net-worth individuals. These cars have the added benefit of being a proving ground for advanced technologies which we are then able to deploy in our range of core cars.

The business continues to pursue a product cadence of two Special Projects and one Heritage based continuation model each year. Given their desirability, Special models are highly subscribed prior to any significant capital commitment by the Company and generally achieve a higher margin than the core model range. A customer deposit for each car is required on allocation and typically allow Special editions to be cash flow positive from design to the end of the product life-cycle. The expertise of composites and advanced technologies throughout the division also enables projects to be delivered with a low investment, medium to high piece cost philosophy ideally suited to the volumes of these cars produced.





“WE ARE NOT CAR STYLISTS,
WE ARE DESIGN ENGINEERS”

Marek Reichman, EVP and Chief Creative Officer



ASTON MARTIN AND ZAGATO

The collaboration between Aston Martin and Zagato stretches back over five decades, pairing Aston Martin's acclaimed dynamic and material qualities with Zagato's signature design language. The collaboration began with the beautifully muscular DB4 GT Zagato racing car of 1960 and includes the V8 Vantage Zagato launched in 1986, the 2002 DB7 Vantage Zagato, 2012 V12 Vantage Zagato, and the successful Vanquish Zagato range.

The DBZ Centenary Collection sits at the pinnacle of our specials portfolio. Each of the track-only DB4 GT Zagato Continuations represents the culmination of around 4,500 hours of painstaking and meticulous artisan car-building at our renowned Heritage Division headquarters in Newport Pagnell, Buckinghamshire.

The DBS GT Zagato, unveiled in October 2019, is the first Special built on the AM Platform (the advanced, bonded Aluminium platform that underpins the DB11 and DBS), laying the foundations for a future lineage of Special Editions designed and engineered on this architecture. As well as featuring a unique carbon fibre body and interior, the DBS GT Zagato features a new lightweight seat, camera rear view mirror system, active front grille and the first automotive application of configurable carbon and metal 3D-printed interior finishes. The aim will be to utilise these features in our core products, improving efficiencies in engineering and application.

MID-ENGINEED: VALKYRIE

The Aston Martin Valkyrie is being developed in conjunction with Red Bull Advanced Technologies and is intended to transfer F1™ technology to the road. The Aston Martin Valkyrie is intended to be the first of a lineage of our mid-engined cars. The Aston Martin Valkyrie has a 6.5-litre naturally aspirated V12 engine and Michelin Pilot Sport Cup 2 tyres. It is our first hyper-car, of which there will be a road car version and a track-only version. Significant customer deposits have been received and the road version was four times oversubscribed. Production of the Aston Martin Valkyrie is expected to ramp up through H2 2020.

In addition to the road-car model of the Aston Martin Valkyrie, the Company plans to produce a limited number of Aston Martin Valkyrie AMR Pro derivatives which will be track-only products.

MID-ENGINEED: VALHALLA AND VANQUISH

Technology and learning from the Aston Martin Valkyrie is being applied to our second mid-engined special edition, Valhalla, for which the concept was unveiled at the 2019 Geneva Motor Show. The Valhalla is expected to be unveiled in 2022, to compete with, for example, Ferrari La Ferrari and McLaren Senna. Plans are for the Valhalla to be followed by our mid-engined core model, Vanquish, which is expected to be unveiled in 2023. The Group's aim is to attract a new group of customers to the brand and increase its average selling price.

F1™

Mid-engined cars are a core part of our future. As part of this, an enhanced approach to F1™ is considered important. Consequently, the Company and ventures affiliated to the Stroll Consortium have agreed to collaborate and the Racing Point F1™ team will become an Aston Martin F1™ team with effect from the 2021 season. This agreement is for a 10-year initial term and the Company will receive an economic interest in the team. These arrangements also include the Company's sponsorship of the F1™ team from 2021 and for the subsequent four years with commercial terms commensurate with the Company's current annual F1™ expenditure, renewable for five years subject to satisfying certain conditions at the time. For the 2020 F1™ season we will continue our proud sponsorship of the Red Bull Racing F1™ Team and our technology partnership with Red Bull Advanced Technologies will continue until the Aston Martin Valkyrie is delivered.

CUSTOMISATION AND Q BY ASTON MARTIN

Customers enjoy a degree of customisation within the base car, including colour options for the exterior and the interior. Customers can choose from a wide variety of options, including different wheel designs, technology upgrades, interior trim and paint colour upgrades. This large range of customisation options means that we offer an enhanced service to all of our customers and also contributes positively to profit margins.

Q by Aston Martin is our unique personalisation service that takes the standard customisation offering a step further to enable our customers to create a unique car that truly reflects their needs and this improves margins and profitability for the Company. Working closely with our award-winning design team, every Q customer has the ability to create a completely unique car.

Q ADVANCED OPERATIONS DIVISION: JAMES BOND

Alongside engineering and manufacturing our Special Edition models, the Q Advanced Operations Division has the capability and flexibility to support the development of vehicles for product placements. Our association with the James Bond franchise continues with four different Aston Martin models being shown in the forthcoming film 'No Time to Die' film: DB5, V8 Vantage, DBS Superleggera and Valhalla.

With the DB5 featuring heavily in the film, the producers required a series of eight lightweight DB5 replicas to be built for stunts. The Q Advanced Operations team designed, engineered and manufactured these cars from scratch in the space of 5 months, scanning an original model to make tools for carbon fibre panels and designing a unique chassis capable of meeting the rigours of the film's script.

A series of 25 Goldfinger DB5 Continuation editions will be produced for customers by Aston Martin Works and EON Productions. The Goldfinger DB5 Continuation will be based on James Bond's legendary car from 1964 and built by Aston Martin Works at Newport Pagnell, the original home of the DB5. The cars will be authentic reproductions of the DB5 seen on screen, with some sympathetic modifications to ensure the highest levels of build quality and reliability. This authenticity will extend to include functioning gadgets – such as revolving

number plates and more, which were made famous in Goldfinger, co-developed with Oscar®-winner Chris Corbould, special effects supervisor from the James Bond films.



STRATEGIC FOCUS: CORE AND VANTAGE

STRATEGIC FOCUS: SUPPORTING THE CORE LINE UP AND VANTAGE

DB11 and DBS Superleggera have performed comparatively well and have grown market share in recent years but have not been immune to the challenging trading conditions experienced by the Company in 2019. Despite gaining market share in a declining segment, which was down a double-digit percentage for the year, the Vantage underperformed versus original expectations, particularly in Europe and the UK. The reset of the plan includes a more conservative view for sports car wholesales for 2020, particularly for Vantage and, in the medium-term, volume is expected to be managed to maintain the appropriate balance between supply and demand. New derivatives and refreshes to the core line-up will continue to be launched under the reset plan.

DBS SUPERLEGGERA – THE ULTIMATE PRODUCTION ASTON MARTIN

DBS SUPERLEGGERA: PRODUCT CONTEXT

Unquestionably, DBS Superleggera sits at the pinnacle of the Aston Martin production range. It is both a shining light expressing the most beautiful automotive art and, at the same time, a dark and menacing shadow of brutal, unequivocal strength. It is this fine blend of seemingly opposing traits that makes the DBS Superleggera the absolute Aston Martin. The DBS Superleggera Coupe and Volante offer the ultimate super GT experience.



“VANTAGE IS TESTAMENT
TO OUR UNCOMPROMISING
PURSUIT OF BEAUTIFUL.”

Dr. Andy Palmer, President and Group Chief Executive Officer



2019 ASSESSMENT AND FUTURE FOCUS

DBS Superleggera delivered a significant uplift in sales performance in 2019 compared to the prior year, driven by the first full year of production of the coupe model alongside the introduction of the convertible “Volante” model in the second half of the year. In addition, the On Her Majesty’s Secret Service DBS Superleggera special edition was produced to celebrate the 50th Anniversary of the sixth James Bond film. Notably, DBS Superleggera achieved the highest volume of retail sales of any of our flagship models (DBS, Vanquish) in a single year in 2019. This was achieved despite a 13% decline in the High Luxury Sports market (excluding SUVs) compared to the prior year.

Sales of DBS Superleggera in 2020 will be supported by the first full year of availability of the Volante model. In recognition of the appearance of DBS Superleggera in the latest James Bond film, “No Time To Die”, we will also be offering a limited-run special edition in a matching specification to the model that features in the film. The Company will maintain a focus on controlling dealer inventory in line with demand.

DB11 – CLASSICALLY ASTON MARTIN

Standard-bearer for the new generation of Aston Martin cars, DB11 takes our grand touring heritage to unprecedented heights.

DB11: PRODUCT CONTEXT

DB11 is the bold figurehead of the illustrious ‘DB’ bloodline and an authentic, dynamic sporting GT in the finest Aston Martin tradition. DB11 is defined by its beauty, dynamics and prestige, combining the performance of an authentic sports car with GT levels of comfort and refinement while embodying Aston Martin’s attention to detail. DB11 is positioned firmly in the grand touring segment of the HLS market where customers are seeking eye-catching style, alongside effortless, sporting performance and comfort.

DB11 is available as a coupe in both V12-engined and V8-engined variants. The “Volante” convertible and updated V12-engined “AMR” models were introduced in 2018 to complete the range.

2019 ASSESSMENT AND FUTURE FOCUS

DB11 completed the third year of its product lifecycle in 2019 and broadly maintained its share of the HLS market (excluding SUVs) despite no new product actions and in the face of updated competitor offerings. Sustaining market share partially offset the decline of the HLS sports car market and the disappointing performance of Vantage, however, this required more retail and customer financing support than planned.

In order to ensure controlled management of the DB11 lifecycle, the focus for 2020 will be brand and product marketing investment to sustain retail demand alongside management of production volumes and dealer inventory in order to restore price position.

VANTAGE – RAW AND INSTINCTIVE

Vantage is raw and instinctive, unwavering in its singular purpose: to overwhelm the senses through its design, agile performance and dedicated craftsmanship. A statement of independence on the road, Vantage embodies all that is beautiful in our performance sports car range. Race track, winding country road or the everyday commute, Vantage is an Aston Martin of outstanding class, delivering a drive so intensely felt that it demands to be experienced time and time again.

VANTAGE: PRODUCT CONTEXT

Vantage addresses those customers who are seeking performance and dynamic capability alongside the desire to make a statement with their car. The customer demographic is typically younger than for the other models in the Aston Martin portfolio, and buyers are knowledgeable about the range of products on offer.

2019 ASSESSMENT AND FUTURE FOCUS

Although the initial order book at launch was encouraging, and despite gaining share in a declining segment, 2019 was a disappointing year for Vantage, particularly in Europe and the UK. The year started with elevated levels of dealer inventory, partially due to supply chain disruption at the end of 2018 but also as a result of lower than expected demand. Consequently, achieving the retail sell through to de-stock the dealer network required more retail and customer financing support than planned.

The market within which Vantage competes contracted in 2019, with the volume of registrations in the segment declining by 13% compared to prior year. This was, in part, due to macro-economic pressures and resultant trading conditions, particularly in UK and Europe. In addition, segment performance was inflated in 2018 as end of series competitor models were retailed through ahead of the introduction of new legislation in the UK and Europe.

Whilst 2019 demand has disappointed compared to our expectations, feedback from customers and media affirms that Vantage is a compelling and competitive product offer.

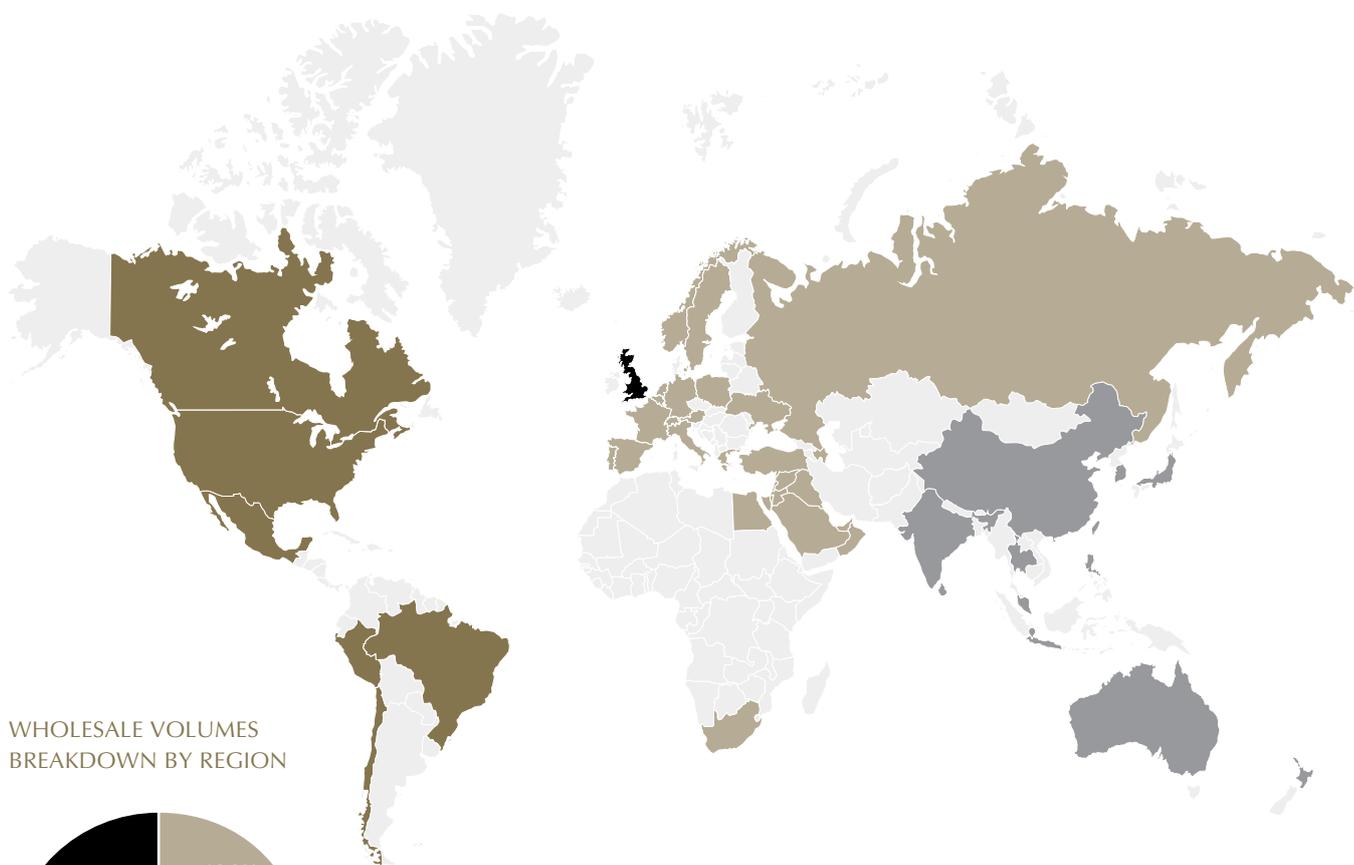
In order to harness the potential and drive a turnaround in performance, we conducted a detailed investigation targeted at understanding the driving factors for the underperformance and developed action plans to address these. Key areas of focus that have been identified as priorities for 2020 are:

- Stimulation of sustained brand and product awareness.
- Improved communication of lease offers.
- Address residual values through rebalancing of demand and dealer inventory.

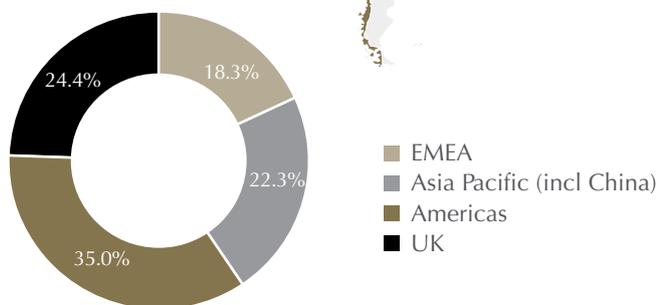
In addition, we will deliver a series of exciting range updates. Q2 sees the launch of Vantage Roadster – a variant expected to generate around 40% of Vantage sales mix over the life of the model – and the manual transmission derivative, as well as the introduction of new visual options including the vaned metal front grille. These actions will enhance the product range and enable further opportunities to drive product awareness and retail demand.



OUR GLOBAL FOOTPRINT¹



WHOLESALE VOLUMES
BREAKDOWN BY REGION



ASIA PACIFIC

NUMBER OF DEALERS: 45
WHOLESALE VOLUMES²: 1,309
DECREASE ON 2018: 6%

- New dealer appointments in Yokohama and Kobe in Japan and Jinan, Wuhan and Tianjin in China.
- Dealers in Kunming and Xian replaced with new partners due to be operational in H1.
- Further network expansion underway across China, Japan and South East Asia to support DBX launch and beyond.



EMEA³

NUMBER OF DEALERS: 56
WHOLESALE VOLUMES²: 1,082
DECREASE ON 2018: 28%

- New dealer appointments in Rome, Italy and Bahrain.
- New dealer appointment in France due in H1.
- Some network rationalisation took place in 2019 and 2020 to improve dealer performance and viability.
- Further network expansion planned for Eastern Europe to support the launch of DBX.

DEALER NETWORK FOCUS

- Dealer network to deliver world-class luxury customer experience and consistent brand presentation.
- Maximise market potential in line with plan.
- 168 dealers across 54 countries. Expected to grow to help support the launch of DBX.
- Focus on growing markets, the successful launch of DBX and driving car volumes.
- Work continued during the year to significantly strengthen and upgrade the dealer network.
- 12% core retail growth.

1. Global footprint represents dealer summary as at 31 December 2019
 2. Wholesale and Retail volumes include core and special models
 3. EMEA includes Europe, Middle East and Africa (excluding the UK and South Africa)
 4. UK includes South Africa

DEALER READINESS FOR DBX

In 2019 the Company launched its Centre For Excellence, a training academy which encourages continuous improvement and provides dealers with a combination of product and soft skills training to provide customers with a true luxury experience.

Dealers globally have completed ‘conquering’ training in readiness for DBX launch which has focused on how to tailor their activities to appeal to the new demographic focus for DBX. In addition, DBX Champion training was carried out to familiarise dealers with the key selling points of DBX in advance of a series of DBX “Confidential” events with prospects and existing customers to encourage early adopters to place orders. Following the global reveal, all regions have participated in a dealer tour in order to bring the first prototype vehicles out to the widest possible audience and deliver a strong order bank globally. Dynamic and Technical training on DBX is underway.

In 2020 Aston Martin will launch a Global Dealer of the Year programme to reward excellence across its global footprint.



UK⁴

NUMBER OF DEALERS: 22
 WHOLESAL VOLUMES²: 1,429
 DECREASE ON 2018: 21%

- New dealer appointment in Isle of Man, UK.
- No expected changes to UK dealer footprint in the short term.



AMERICAS

NUMBER OF DEALERS: 45
 WHOLESAL VOLUMES²: 2,050
 INCREASE ON 2018: 16%

- New dealer appointment in Walnut Creek, CA and further dealer appointments planned in South America in 2020 to support market expansion with DBX launch.
- Change of dealer partner in four locations (Los Gatos, San Diego, Cleveland & Denver) to support growth in the US market.

CRAFTING FUTURE LEAN VALUE

WHAT WE PUT IN

BRAND AND HERITAGE

Iconic luxury British sports car brand with over 100 years of heritage, known for its excellence in design, engineering and expertise in the high luxury car market.

PEOPLE, SKILLS AND INNOVATION

Design expertise and creativity. Highly skilled and flexible manufacturing workforce. In-house academy dedicated to training and up-skilling our manufacturing technicians. Global online learning and development platform for all employees.

EXTENSIVE DEALER NETWORK

Dealership network of 168 dealers across 54 countries at the year-end, delivering a world-class luxury customer experience and consistent brand presentation.

INNOVATIVE PARTNERSHIPS

Carefully chosen partnerships provide a source of technical expertise, brand strengthening, customer engagement and future growth.

WORLD-CLASS SUPPLY BASE

High quality strategic suppliers identified and sourced across multiple platforms.

ACTIONS TO RESET, STABILISE AND DE-RISK THE BUSINESS

Focus on providing greater financial and operational stability through plans to control medium-term investment, improve cash generation and rephase product cadence. Substantially reduce leverage with the capital raise and a reduction of the operating cost base.

1. CUSTOMER-FOCUSED PRODUCTS

- Analyse market, determine target customer, assess customer needs
- Targeted product offering to capture all key luxury model segments
- Personalised and commissioned models
- Product strategy and re-phasing of product cadence to deliver consistent volume/growth

5. BRAND AND CUSTOMER ENGAGEMENT

- Brand building through customer engagement and luxury experiences with enhanced motorsport focus
- Selective, brand accretive partnerships
- Ongoing customer relationship management and targeted and responsive after-sales service

4. SALES AND DISTRIBUTION

- Global dealership network with expansion focused on key growth markets and improving strength of dealer network
- Dealerships and regional sales teams delivering world-class customer service and experiences
- Strategic marketing including motorsport, product launches, key motoring events, product placement and client events

2. DESIGN AND INNOVATION

- Beautiful design and craftsmanship using authentic materials
- Close collaboration between design and engineering teams to combine the best of both beauty and performance
- Modular architecture approach links design and engineering to provide “lean” consistency and efficiency
- High level of in-house expertise along with key partnerships to enhance technological capabilities

3. ENGINEERING & MANUFACTURING

- Manufacturing operations based on principles of quality, craftsmanship, lean and efficient teamwork. Controlling production to prioritise demand over supply to build a stronger order book and regain price positioning
- Modular-based engineering and “carry over-carry across” (“COCA”) principle for cost savings and model synergies
- “Beyond Lean”™ manufacturing methodology allows efficient and effective build of numerous vehicle derivatives
- Strategic approach to procurement
- Quality processes focus on “right first time” lean engineering

THE “LEAN” VALUE WE CREATE

CUSTOMERS

Customers experience an emotional connection with the brand as product design, performance and quality ensure a high-class and unique experience. The strong connection between our customers and our products has enabled us to build a strong and loyal customer base.

WORKFORCE

Continuing the Aston Martin Way programme to embed those behaviours and ways of working. Workforce engagement focused on the challenging year for the Company.

EMPLOYEE PROGRAMMES

Successful apprenticeship and graduate programmes attract emerging talent into our business. 31 graduates and 93 apprentices were in training across our UK workforce in 2019.

INVESTORS

Actions toward de-risking and stabilising to move toward controlled, long-term, profitable growth for our investors.

SUSTAINABILITY/COMMUNITY

Our commitment to responsible and sustainable economic growth, and to doing business in an ethical and transparent manner.

OTHER STAKEHOLDERS

Further information on our stakeholders is set out in Responsibility on page 38 and Stakeholder Engagement on page 32.

STAKEHOLDER ENGAGEMENT



THE BOARD RECOGNISES THAT OUR BUSINESS AND OUR BEHAVIOURS IMPACT OUR CUSTOMERS, PEOPLE, INVESTORS AND OTHER STAKEHOLDERS.

We believe that stakeholder engagement is a key element of delivering a sustainable business and this activity is undertaken across our business and at different levels of the organisation.

During the year, we undertook a stakeholder mapping exercise to better understand our stakeholders and their priorities as summarised below. It is noted that stakeholder priorities are not ranked.

CUSTOMERS AND ENTHUSIASTS

WHY THEY ARE IMPORTANT TO US

Focusing on the needs of our customers and the strength of our brand is critical to the success of our business. Customers and brand enthusiasts experience an emotional connection with the brand as product design, performance and quality ensure a unique luxury experience. The strong connection between our customers and our products has enabled us to build a strong and loyal customer base. Enthusiasts also help raise the profile and status of the brand.

TYPE OF ENGAGEMENT

- Brand building through customer engagement and luxury experiences with motorsport focus
- Ongoing customer relationship management with targeted and responsive after-sales service
- Sponsorship and special events such as F1™ Aston Martin Racing and other luxury automotive events including Goodwood Festival of Speed and Goodwood Revival, Pebble Beach Concours d'Elegance, the Geneva, Shanghai and Beijing Motor shows, new product launches and unveiling (particularly for DBX in Beijing and Los Angeles), one-on-one regional and dealer marketing events, factory tours and luxury lifestyle/sports events such as Henley Regatta
- Local owners' clubs often run events which are supported by the Company. The Company also supports the Aston Martin Heritage Trust

WHAT MATTERS TO THEM

- Car design and performance
- Quality and safety of products
- Environmental commitment
- Brand strength
- After-sales service
- Cost of ownership

HOW THE BOARD ENGAGES

The Company's sales performance, market share and customer engagement matters are discussed as part of regular Board updates through the President & Group Chief Executive's Report. In addition, Vice Presidents regularly present to the Board in relation to detailed matters within these areas. This year Board presentations have particularly focused on the DBX, its appeal to customers and launch plans including customer engagement/dealer activities, as well as plans to relaunch Vantage.

The Board carried out a detailed strategic, operational and financial review of the business with customers a key consideration in these deliberations.

Board members attended the Geneva Motor show, DBX unveiling activities in Beijing and Los Angeles and the official opening of St Athan.

OUR PEOPLE

WHY THEY ARE IMPORTANT TO US

Our people define who we are and what we do. A key component of our success is to inspire and foster a culture of passion, collaboration, accountability, opportunity and creativity. Our performance depends on mutual respect, diversity, attractive working conditions and the professional fulfilment of our people.

For more information see: People on page 39.

TYPE OF ENGAGEMENT

- Annual workforce engagement survey
- Aston Martin Way Programme
- President and Group CEO 'All-hands' meetings and Executive Committee updates
- Employee Engagement Group (EEG) comprising elected employees from across the Group who share views, ideas and concerns raised by our people
- Imelda Walsh, Chair of the Remuneration Committee, appointed as 'designated NED' and attended an EEG meeting (see page 84)
- Apprenticeship programme
- Employee volunteering
- Trade union representative participation

WHAT MATTERS TO THEM

- Engagement
- Personal development and career opportunities
- Feeling valued
- Reward and benefits
- Diversity and inclusion
- Environment and social responsibility
- Safety

HOW THE BOARD ENGAGES

The Board receives regular updates from the President and Group Chief Executive Officer on employee/culture matters impacting the workforce (including employee safety, headcount and attrition). The VP and Chief People Officer reports to the Board and the Remuneration Committee on the Aston Martin Way programme, workforce engagement survey feedback and other workforce-related matters. Given the circumstances of the Company during the year, particular focus for Board discussions has been on the impact of these events on the workforce.

In her capacity as 'designated NED', Imelda Walsh engages directly with the Group's employees. As part of this process, she attended an EEG meeting in 2019 and shared feedback with the Board. A full programme of engagement activities is being developed for the designated NED and for the wider Board, reflecting the Directors' appetite for a constructive two-way dialogue with our people, especially in light of the challenges of 2019 and the ongoing changes across the Group.

The Board also receives regular reports from the Director of Internal Audit and Risk Management, VP and Chief People Officer and Company Secretary to ensure that the Company has appropriate policies and procedures in place in relation to matters impacting its workforce including to ensure regulatory compliance.



INVESTORS

WHY THEY ARE IMPORTANT TO US

Continued access to capital is vital to the long-term performance of our business. The Board is committed to maintaining good communications with existing and potential shareholders. We seek to ensure that our investors and investment analysts have a strong understanding of our strategy, performance, ambition and culture and that we understand their priorities and areas of key focus.

For more information see: Governance page 84.

TYPE OF ENGAGEMENT

- Dedicated Investor Relations team
- Focussed investor relations programme comprising investor roadshows; attendance at conferences, results presentations and meetings by President and Group Chief Executive Officer, EVP and Chief Financial Officer and Director of Investor Relations
- Annual report and AGM and associated engagement by Company Secretary and Director of Investor Relations
- Chair and Remuneration Committee Chair engagement with institutional investors on governance and remuneration matters (assisted by the Company Secretary and Director of Investor Relations)
- Investor Day at St Athan
- Company-hosted activities, including engagement at the Geneva Motor Show, the DBX launch event in Los Angeles and at the official St Athan opening event

WHAT MATTERS TO THEM

- Delivery of the Company’s strategy
- Financial performance including cash generation (reduced leverage) and margin expansion
- Governance and transparency
- Sustainability
- Confidence in Company’s leadership
- Stability and predictability with no surprises

HOW THE BOARD ENGAGES

The Board receives regular reports from the Director of Investor Relations on investor and analyst feedback.

An Investor Day was held in June at St Athan which provided an opportunity for investors to engage directly with members of the Executive Team and Board and to tour our new St Athan facilities and be introduced to the DBX.

A combination of the President and Group Chief Executive Officer and the EVP and Chief Financial Officer and Investor Relations team held over 450 meetings with 363 individual investors and analysts during the year. The Chair engaged with institutional shareholders to discuss the Company’s performance and Board governance matters and communicated their views to the Board. The Chair and the Chair of the Remuneration Committee also had extensive dialogue with investors on remuneration issues.

Given the circumstances of the Company leading to the announcement of the proposed placing to strategic investors and rights issue, significant engagement took place with major shareholders in relation to these capital raise plans.

SUSTAINABILITY INTERESTS AND LOCAL COMMUNITIES

WHY THEY ARE IMPORTANT TO US

We engage with non-governmental organisations and charities that have an interest or potential impact on our business to ensure that they understand our business model and short-term and long-term objectives. We are committed to building positive relationships with the communities in which we operate and focus on supporting communities and groups local and relevant to our operations.

For more information see: Responsibility page 38.

TYPE OF ENGAGEMENT

- Maintenance of accreditations by ISO and Bureau Veritas
- Responses to individual information requests and questionnaires
- The establishment of shared commitments with our suppliers around expectations for working conditions, human rights, regulatory compliance, safety, ethical and environmental commitments
- Dedicated community investment team
- Sponsorship and employee volunteering on boards, committees, councils and charities
- Participation in external events and conferences
- Engagement with local councils on community matters

WHAT MATTERS TO THEM

- Trust and ethics
- Safety performance
- Sustainability and non-financial performance including environmental impact of our products
- Career opportunities for members of the local community
- Local operational impact

HOW THE BOARD ENGAGES

The President and Group Chief Executive Officer and other Executives meet with relevant community groups and engage with certain community programmes.

The Board is updated on these activities through the President and Group Chief Executive Officer's Report and updates from the Director of Government and External Affairs as well as its consideration of the report on these matters in the Annual Report and the Group's Sustainability Report.



DEALER NETWORK

WHY THEY ARE IMPORTANT TO US

Our dealership structure enables us to maintain control over our brand positioning and luxury customer service, while limiting the capital investment in the network. Our dealer network is the direct contact point for our brand to our customers. Supported by our regional sales teams, it is designed to achieve geographically diversified sales, to facilitate growth in key markets and to further establish our brand.

For further information see: Our Global Footprint on page 28.

TYPE OF ENGAGEMENT

- Improved programme rolled out in 2019 to educate, develop and monitor dealers and their key staff on new model ranges, brand positioning and required service standards
- Improved system of customers sales, leads and engagement reporting to track dealer performance
- Brand building through customer engagement and luxury experiences with motorsport focus
- Selective, brand accretive partnerships
- Ongoing customer relationship management with targeted and responsive after-sales service

WHAT MATTERS TO THEM

- Car design and performance
- Quality and safety of products
- Customer satisfaction
- Brand strength and Company support

HOW THE BOARD ENGAGES

The performance of the dealership network is regularly discussed at Board meetings as part of the President and Group Chief Executive Officer's Report. Focus of Board discussions this year has been on actions to strengthen the network, improve dealer training and systems that track dealer performance, and to support dealers for the launch of DBX.

A number of Board members have visited dealers globally as part of their induction programme as well as meeting them at the launch of St Athan. Feedback and insights were shared with the Board.

GOVERNING BODIES, REGULATORS AND INDUSTRY BODIES

WHY THEY ARE IMPORTANT TO US

We engage with national governments, national/transnational agencies, key politicians and regulators to ensure that we can help shape policy (where appropriate) and to successfully conduct our business and comply with the regulations to which we are subject. We are members of industry bodies and trade organisations that represent our sector and Group interests.

TYPE OF ENGAGEMENT

- The Investor Relations, Legal, Company Secretary, Finance, Internal Audit and Risk Management and Government Affairs teams focus on regulatory compliance and engagement matters within their areas of expertise
- Relationship management, both parliament and government, and responses to consultations
- Participation in industry bodies and government and industry working groups
- Conferences and speaking opportunities
- Participation in working groups
- Direct interaction with Board members

WHAT MATTERS TO THEM

- Trust and ethics
- Safety performance
- Appropriate governance and regulatory compliance
- Industry support for policies
- Sustainability performance
- Development of effective and regulations, policies and standards
- Sharing of best practice
- Identification of industry-wide issues and benchmarking

HOW THE BOARD ENGAGES

The Board is informed about engagement with Government and regulatory bodies through regular updates from the President and Group Chief Executive Officer, the EVP and Chief Financial Officer, the VP and General Counsel, the Company Secretary, Director of Investor Relations and Director of Government and External Affairs. Matters relating to risk and internal control, audit, finance and tax matters are discussed with the Audit and Risk Committee. External advisor advice is provided to the Board and its Committees as may be required.

As set out on page 91, during the year the Audit and Risk Committee engaged directly with the Financial Reporting Council.

SUPPLIERS AND OTHER PARTNERSHIPS

WHY THEY ARE IMPORTANT TO US

Our suppliers are fundamental to our business model and we engage suppliers for raw materials such as aluminium and leather, as well as components and facilities. Sourcing certain products externally enables us to balance our in-house R&D investment to include high-quality parts and components in our cars. The quality and efficiency of our suppliers directly impacts on the quality and delivery of our cars on time and to specification.

Carefully chosen partnerships provide us with a source of technical expertise as well as enable us to work together to create products and experiences which bring our brand into complementary and innovative spaces.

TYPE OF ENGAGEMENT

- Engagement with procurement, engineering and quality teams who work together to select suppliers, develop parts quality, cost and delivery plans
- Dedicated Supplier Quality Development team manages supplier quality and performance
- Risk Management Centre actions operational responses to supplier issues
- Global and regional supplier conferences based around new model introduction requirements with subsequent supplier site visits to monitor progress
- Collaborations with partners on products, designs, engineering and experiences, such as our partnership with Red Bull Advance Technologies to deliver the Aston Martin Valkyrie

WHAT MATTERS TO THEM

- Responsible procurement, trust, ethics and open dialogue
 - Operational improvement
 - Competitiveness
 - Maintaining strong relationships/partnerships
 - Building capability and expertise
 - Technological advances including digital solutions
 - Financial performance
 - Brand strength
 - Design and technical expertise
 - Creativity
-

HOW THE BOARD ENGAGES

Suppliers' interests, performance and key risks are considered as part of the Board's discussions on supply and manufacturing strategy and when reviewing specific projects, business continuity plans and updates on key partnership activities.

During the year the Board received an in-depth report from the VP and Chief Supply Chain and Procurement Officer and VP and Chief Quality Officer on the organisation and key operational focus of the Procurement and Quality functions, which work closely together. This included how supply issues/risks are monitored and addressed and how quality impacts the end-to-end customer journey.

Reports were also received from the Director of Government and External Affairs on the Company's preparedness for the UK's plans to leave the EU and Government engagement on this. The Board also received an update on progress with the Aston Martin Valkyrie.

Given the difficult trading environment for the Company, and the associated liquidity pressures, a particular focus of Board discussions during the year was on possible impacts on the Company's suppliers and other key partners and steps being taken to support these relationships.

RESPONSIBILITY



WE CONTINUE OUR COMMITMENT TO BE A SUSTAINABLE LUXURY AUTOMOTIVE BUSINESS. THROUGH OUR PLANS WE CONTINUE TO STRIVE FOR RESPONSIBLE AND ECONOMIC GROWTH, EMBRACING THE PRINCIPLES OF THE UN GLOBAL COMPACT AND OUR COMMITMENT TO DOING BUSINESS IN AN ETHICAL AND TRANSPARENT MANNER.

The Group’s Environmental Social & Governance (ESG) Strategy embodies the United Nations Sustainability Development Goals (SDGs). Our focus is on striving for sustainable excellence and ethical decision making, with the aim of delivering both stakeholder value and a competitive advantage to the Company.

We have ambitious global ESG goals, which are adopted at a local level. These shape the Company’s activities in the areas of our People, the Environment, Social Responsibility and Supply Chain Sustainability as set out in the diagram below.



SUSTAINABILITY STRATEGIC GOALS

SUSTAINABLE PRODUCT STRATEGY

Fleet CO ₂ Reduction	Sustainable Product Enhancements	Zero Emission Leadership	Product Safety
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PEOPLE	ENVIRONMENTAL SUSTAINABILITY	SOCIAL RESPONSIBILITY	SUSTAINABLE SUPPLY CHAIN
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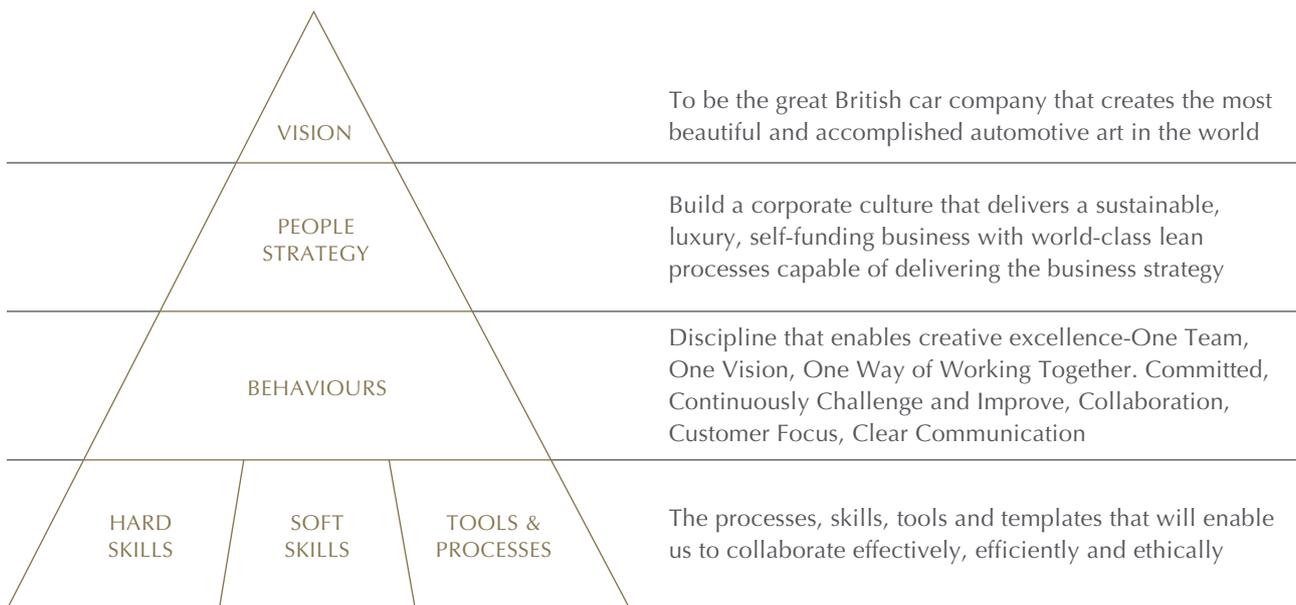


PEOPLE

We are committed to making the company a great place to work for our 2,450 colleagues and while our programme of initiatives around our culture is multi-year, we have made good progress over FY 2019. Our key priorities for FY 2020 are around improving communication and engagement with our workforce, reinforcing the Aston Martin Way and embedding these behaviours and ways of working.

OUR CULTURE AND THE ASTON MARTIN WAY

We believe that an important component of our success is to inspire and foster a culture of passion, collaboration, accountability, opportunity and creativity. To build a sustainable culture we have developed the Aston Martin Way ('AM Way'). The AM Way includes a set of tools, processes and procedures which enable our workforce to work as one team, with one vision and one way of working together. This involves ensuring our workforce has a clear understanding of the AM Way, encouraging a culture that fosters discipline through creativity and role modelling, and embedding the behaviours through our ways of working and leading by example. Our performance depends on mutual respect, diversity, attractive working conditions and the professional fulfilment of the people in our Company. The AM Way defines a series of key behaviours we want to instil in our workforce to ensure that we are operating in the optimum way.



LEADERSHIP AND TALENT PIPELINE

We are focused on building capability and driving engagement across the Company.

We operate a People Committee which is responsible for ensuring the Company has a strong talent pipeline and capability in the areas most critical to the delivery of our strategy. This Committee meets quarterly to identify high performing talent with the potential to progress into senior positions. Our recent appointments to the Executive Committee – Peter Freedman, Andy Haslam and Laura Schwab – have been made as a result of succession planning through the People Committee.

To further strengthen the capability of our leadership population and ensure delivery of our strategy, we operate our Leadership Development Programme. This programme provides a tailored development plan to those identified as high performing talent, regular feedback and support and an intensive two-day externally led course held at our Training Academy. Recent development plans have included lateral moves within the Company, sponsorship through academic qualifications and taking on lead roles in significant Company-wide projects.

LEARNING AND DEVELOPMENT

We are committed to helping all of our workforce to develop and grow throughout their careers. Through a comprehensive career framework and series of targeted development programmes we are focused on enabling our people to reach their full potential. Our focus on professional development throughout our employees' careers supports their continued personal and professional growth and ensures that we have the skills to meet our customers' current and future requirements. Management development qualifications are now offered across the Company, these include Chartered Management Institute and an MBA for our high potentials. We also operate an online global learning management system, accessible at all times to all our employees globally.

We actively engage in a number of programmes aimed at promoting and inspiring young people to take up STEM subjects and explore careers within engineering. Through our connections with local schools, universities and the Prince's Trust, the Company's engagement includes employability skills workshops, networking events and sponsorship of engineering projects in schools.

APPRENTICES

Our successful apprenticeship and graduate programmes continue to attract emerging talent into our business. Over the past two years we have taken on 50 apprentices and as at 31 December 2019, we had 93 apprentices in training across our UK business, representing just under 4% of the workforce. All of our apprentices are sponsored to complete academic qualifications in either an engineering or commercial discipline. These include the BTEC level 3 in Engineering, Chartered Management Degree and BEng in Applied Engineering. This pipeline of talent ensures our business continues to thrive with an enthusiastic, experienced and educated group of apprentices who graduate into significant roles in the business after four years.

BETHAN DUBBER



BTEC APPRENTICE,
LOCATED IN ST ATHAN

In September 2019, Bethan Dubber joined AML as a manufacturing apprentice at our St Athan site and works in body construction on the new DBX. Bethan was selected from over 1,000 applications following an assessment centre process, where she presented to the selection panel and clearly demonstrated her strong skill set, tenacity and interpersonal communication skills.

Bethan combines her hands-on work at our St Athan factory with study at Cardiff and Vale College, where she is working towards a Level 3 BTEC in Engineering.

"I have always had a love for the automotive industry and dreamt of being a racing car driver from a young age. I have always appreciated unique and high-performance cars including Aston Martins. When the apprenticeship opportunity arose, I really wanted to try for it, especially being so local. I applied for the manufacturing apprenticeship as I knew the job would be varied. I enjoy learning from different people and processes and increasing my knowledge. I believe an apprenticeship is the most effective way of doing this."

Bethan is 18 years old and says that, "Being able to say I work for Aston Martin is a reward in itself."

DIVERSITY AND INCLUSION

Diversity is core to our working principles of fairness and respect and drives creativity, innovation and strategic decision making. Developing and growing our diverse workforce is critical to our future success by better equipping us to deliver the needs of our customers now and in the future. We recognise that consistent and continuous actions to push a greater balance of diversity are vital and broadening our Diversity and Inclusion agenda is a key priority for the Company in FY 2020.

We remain committed to offering equal job opportunities for all, irrespective of gender, and continue to invest in initiatives to attract and retain the best possible talent for our organisation. Operating within the manufacturing and engineering industry has historically led to a higher proportion of men than women in our workforce. Our gender diversity figures are set out in the table below, and as at 31 December 2019, of our 2,450 employees, 380 were women (15.5%). Our 2019 Gender Pay Gap (GPG) Report[^] is available at www.astonmartinlagonda.com and sets out and explains our numbers in detail, together with the initiatives we operate to try to address gender diversity in our workforce. Our mean pay gap has dropped to 7.0% in 2019, largely due to the number of women we have promoted and hired to senior roles since our 2018 GPG report.

As well as our talent development and educational outreach programmes detailed above, we are committed to attracting and retaining women to the Company through ongoing development of our inclusive family-friendly policies, including enhanced maternity leave, job share arrangements, part-time working – all of which aim to provide more flexibility to our employees.

WORKFORCE ENGAGEMENT

We recognise that open, transparent, two-way engagement with our workforce is of core importance across our business. We regularly share information across the Company, including quarterly Company results following their announcement, major business decisions and other matters which affect our workforce, through a variety of media, including our intranet, internal emails, newsletters and team briefings. Our employees have the opportunity to provide feedback through our annual engagement survey and we also seek to maintain a constructive relationship with our trade union stakeholders in the UK.

The Leadership team actively communicates with our workforce. As set out earlier in this Report, FY 2019 was a challenging year for the Company and our workforce, and included a voluntary redundancy and early retirement programme in H2. This programme resulted in a 22% reduction to our headcount, as well as a rebalancing of the permanent employee to contractor ratio. More actions will be taken in FY 2020 and we recognise the uncertainty such changes cause for our workforce. Our Leadership team intends to step up their communication schedule for FY 2020, including more regular CEO “All-hands” meetings and Executive Committee member stand-up updates. We will also be holding senior management-led focus groups across the Company during H1 FY 2020 to hear employee feedback directly, with the aim for targeted follow-up actions to be developed at Company, function and team-level.

EMPLOYEES BY GENDER (AS AT 31 DECEMBER 2019)[^]

	Men	Women	% Women
Senior Management team	12	4	25.0%
Senior Leadership team	50	10	16.7%
Other Employees	2,008	366	15.4%
Total	2,070	380	15.5%

EMPLOYEES BY REGION (AS AT 31 DECEMBER 2019)[^]

	Men	Women	% Women
Asia Pacific	29	23	44.2%
EMEA	30	13	30.2%
UK	1,992	336	14.4%
Americas	19	8	29.6%
Total	2,070	380	15.5%

Note: Data by gender and region is shown for 2,450 permanent Company employees only. As at 31 December 2019, we also had 457 contract and purchase service staff in the business.

Charlotte Cowley, Stephanie Jackson, Nikki Rimmington and Catherine Sukmonowski were members of the Senior Management team as at 31 December 2019, Laura Schwab also joined this group on 6 January 2020.

[^] Values assured by ERM CVS

EMPLOYEE ENGAGEMENT GROUP

The Company's Employee Engagement Group (EEG) is a well-established group which met four times during FY 2019 to discuss views, ideas and concerns raised by the workforce. The meetings were well attended, with elected members from all areas bringing forward comments and views from their populations. The EEG will meet more regularly during FY 2020, with six meetings currently scheduled for the year.

The Board and Company is focused on improving employee engagement during FY 2019, with the objective of better understanding the views of our workforce. Imelda Walsh took on the role of 'designated NED', with responsibility to directly engage with our workforce, and attended the EEG. Further information on this engagement is set out in the Corporate Governance section on page 84.

WORKFORCE ENGAGEMENT SURVEY

We have conducted an annual workforce engagement survey at the Company for a number of years with our 2019 survey results showing no significant year-on-year changes around employee views. The 2019 results continued to reflect positive views around passion for the brand, pride in the Company, being customer-focused and working in a co-operative way with a good sense of team spirit. The results also showed there is work to be done around improving consistency of approach, ensuring individual accountability and resolving problems in the business more quickly. We will be reviewing our approach to the engagement survey in FY 2020 and a key aim of this review will be to enable us to benchmark our results not only year-on-year but also against industry and FTSE peers. Given the H1 focus groups and review of approach, the

engagement survey will be conducted in H2 FY 2020. Again, follow-up actions at Company, function and team-level will be developed promptly and then actioned and reported on to the workforce quickly. Accountability will be pushed down through the organisation, to ensure follow-up and responses are relevant at every level through the Company.

WELLBEING AND HEALTH AND SAFETY

Safeguarding the health and wellbeing of our employees is of primary importance. Our processes prioritise the health and safety of our workforce, visitors and the local community. Our aim is to be a centre of excellence and for our Health and Safety Management System to be aligned with best practice.

Our safety record over recent years has been strong and we continue to strive to improve. This is achieved by sharing best practice and awareness across the business.

Through FY 2020 we aim to increase our focus on employee wellbeing, including working with external providers to support our workforce in all areas of their daily lives. We have an exciting agenda of interactive events throughout the year. This began in January with representatives from Coventry and Warwickshire Mind and Prostate Cancer UK onsite in Gaydon to provide expert advice and information on the support available. Our agenda aims to maximise our links with external organisations, to support our workforce in body and mind health and financial wellbeing, encouraging our people to take a more active role in their own wellbeing.

WELLBEING AND HEALTH AND SAFETY (AS AT 31 DECEMBER 2019)

	2018	2019
Accident frequency rate*	1.27	61.46
Sword of Honour Award	7th consecutive time	8th consecutive time
BSC Health and Safety audit score	95.50%	94.44%

* Accident Frequency Rate (AFR) – number of accidents/total hours worked)*1000000

Note: The AFR rate has changed following the inclusion of data from all AML sites and adjusting the calculation in line with the Health & Safety Executive (HSE) recommendations

ENVIRONMENTAL SUSTAINABILITY

During the past decade, there has been an increase in global interest in the environment and how companies and individuals respond to the threat of climate change. We take our responsibility to the environment seriously, with environmental sustainability being an important focus.

The Company’s 2019 Environmental Policy seeks to continue to drive forward our commitment to operating as an environmentally responsible business. This environmental policy aligns with the Company’s operations, including the design, engineering, manufacture, servicing or restoration of our products or the distribution of parts.

ENVIRONMENTAL POLICY

We are focused on the continuous improvement in our environmental performance including the prevention of pollution and waste at source in line with our business objectives, and using recognised environmental best practices wherever possible. Our objectives and commitments to the environment and the community are to:

- Comply as a minimum with all relevant environmental legislation as well as other environmental requirements, whilst seeking to strive beyond these targets wherever possible.
- Commit to on-going reductions in energy and resource consumption in the manufacture and operation of our vehicles, and an ongoing reduction in our carbon footprint.
- Set, monitor and attain all objectives and targets for managing our environmental performance, to control the environmental aspects of all products, processes and facilities.
- Minimise the impact of Aston Martin Lagonda activities, products and services through effective waste management.

- Give due consideration to environmental issues and energy performance in acquisition, design, refurbishment, location and use of buildings.
- Promote sustainable product design and construction with consideration from a life cycle perspective, using low carbon and renewable energy resources wherever possible.
- Operate and maintain an environmental system in line with ISO14001:2015.
- Communicate internally and externally our environmental policy, working with our employees, suppliers and partners to promote improved environmental performance and encourage feedback.

This policy statement represents our general position on environmental issues, and the policies and practices we will apply in conducting our business. This policy statement will be reviewed each year by the Company’s Environmental Department.

GREENHOUSE GAS EMISSIONS

Our greenhouse gas emissions reported here in accordance with the Greenhouse Gas Protocol Corporate Standard for the year to 31 December 2019 are continually monitored throughout the year to enable us to make continued improvements, wherever possible. The intensity ratio is measured as tonnes of CO₂ equivalent per car manufactured as it reflects the energy intensive nature of our business and the impact of the growth of the business on our immediate surroundings.

This year we have made a number of changes in the way we calculate our Scope 1 GHG emissions. We had previously counted our logistics partners diesel consumption under Scope 1, but in line with best practice we have now moved this under Scope 3. We have also calculated our Scope 2 emissions under both a location based and market based approach.



TOTAL GREENHOUSE GAS EMISSIONS

	2017	2018	2019
GHG Emissions			
Under Scope 1 (tCO ₂ e) ^{^^}	5,596.87	6,950.92	8,981.40[^]
GHG Emissions			
Under Scope 2 (tCO ₂ e) – Location based*	8,045.34	7,493.7	8,683.5[^]
GHC Emissions			
Under Scope 2 (tCO ₂ e) – Market based*	–	5,899.9	3,484.61[^]
GHG Emissions			
Under Scope 3 (tCO ₂ e) ^{##}	11,294.66	13,331.11	8,806.94[^]
Total Gross Scope (Scope 1 & Scope 2)	13,642.01	14,444.61	17,664.90[^]

^{^^} Values in this table have been restated for Scope 1 GHG emissions due to exclusion of some GHG emissions from diesel now being considered as Scope 3

* Market-based and Location-based approach adopted to quantify Scope 2 GHG emissions from 2018

Scope 3 data includes emissions from business air travel, management car miles, personal car mileage and employee commute

[^] Values assured by ERM CVS

GREENHOUSE GAS EMISSIONS PER UNIT

	2017	2018	2019
Manufactured Volume (units)	5,346	6,432	6,176
Total Scope 1 Emissions per unit:	–	1.08	1.45[^]
Total Scope 2 Emissions per unit:	–	1.17	1.41[^]

[^] Values assured by ERM CVS

Our production volume in 2019 was marginally down on the previous year (from 6,432 to 6176 units), however our energy consumption (both gas and electricity) was up (see below). The increase was in part due to the start of operations at the St Athan manufacturing facility which is due to formally start production in Q2 of 2020. This increase was again partially mitigated by a number of energy-efficiency measures enacted across the business such as the installation of LED lighting in our manufacturing facility, the increased use of building management systems and employee awareness programmes.

TOTAL ENERGY CONSUMPTION WITHIN ORGANISATION

	2017	2018	2019
Electricity (MWh)	22,884.86	26,472.94	33,973.01[^]
Gas (MWh)	26,402.93	33,733.53	43,574.51[^]
Diesel (MWh)~	–	–	14.92[^]
Gasoline (MWh)	3,193.32	3,236.56	2,712.98[^]
LPG (MWh)	–	–	563.6[^]
Total (MWh)	52,481.11	63,433.03	80,839.02[^]

~ Values in this table have been restated as we do not have any direct diesel usage within the organisation

[^] Values assured by ERM CVS

Our journey towards carbon neutrality has continued throughout the past year, following our decision in 2018 to source 100% of our energy from Renewable Energy Guarantees of Origin (REGO) backed sources for our UK operations. This initially excluded our St Athan manufacturing site which wasn't operational, and the supply was not under our control. In late 2019 we agreed the terms of a similar REGO backed supply for the St Athan site which went live on 1 January 2020, sourcing all energy from a local renewable supplier.

KEY FACTS

ELECTRICITY USAGE PER UNIT INCREASED BY

33%

GAS USAGE PER UNIT INCREASED BY

34%

WATER CONSUMPTION INCREASED BY

9.6%

100%

OF ALL WASTE PRODUCED WAS DIVERTED FROM LANDFILL

WATER CONSUMPTION

In late 2018, the Company implemented a new water management system to measure and monitor our water consumption, recycling and discharge levels. This system has enabled us to identify areas of high usage, enabling us to implement water saving measures, although overall consumption was up in 2019.

WATER CONSUMPTION (M³)

2018	2019
54,029.25	59,233.78[^]

[^] Values assured by ERM CVS

Note: These figures represent the water consumption at our Gaydon HQ and manufacturing site only.

SOCIAL RESPONSIBILITY

As a business we actively engage in the communities in which we operate. Core to our Corporate Responsibility Strategy is partnering with local stakeholders and charities to make our communities stronger and to have a positive impact in the areas we work and live.

Annually, we support three charities. Two of which are selected to fit with our company culture, heritage and brand, whilst the third is chosen by our employees.

In 2019, we were proud to support the following two corporate charities;

- The RAF Benevolent Fund, the RAF’s leading welfare charity with a proud tradition of looking after all serving and former members of the RAF as well as their partners and dependent children; and
- The Prince’s Trust, a youth charity that helps vulnerable young people aged 11 to 30 get into jobs, education and training.

EXTERNAL ASSURANCE OF RESPONSIBILITY DISCLOSURES

ERM CVS has provided limited assurance over selected metrics in the “Responsibility” section of the Report, as indicated by the “[^]” Symbol. This is in accordance with the International Auditing and Assurance Standards Board’s (ISAE3000 (Revised)) international standard. To see the ERM CVS assurance statement please visit www.astonmartinlagonda.com.

SUSTAINABLE SUPPLY CHAIN

With our aim to improve the social, environmental and economic impact of our operations, we are committed to building a responsible supply chain with our partners. Our policies and practices are designed to promote quality and maintain high standards of sustainable and ethical sourcing.

We have established shared commitments with our suppliers. Our expectations around working conditions, human rights, regulatory compliance, safety, ethical and environmental commitments within the supply chain are outlined in The Aston Martin Lagonda Responsible Procurement Guide. We work closely with our suppliers on this and when changes are made to this guide, our supply chain team engages with them to ensure all requirements are understood and supported.

Our Modern Slavery Act statement can be found on our website at www.astonmartinlagonda.com.

No human rights violations were reported within the Group or our wider supply network in 2019. These principles are supported by our procurement policies, practices and standards for all staff, suppliers and sub-suppliers.

KEY FACTS

2019 supplier base by region	
Africa	1%
Asia Pacific	1%
North America	3%
Eastern Europe	14%
Western Europe	81%

EVP AND CHIEF FINANCIAL OFFICER'S STATEMENT



MARK WILSON

▼

FOR ASTON MARTIN LAGONDA 2019 WAS A VERY DISAPPOINTING YEAR FINANCIALLY. WHILST CORE RETAIL SALES OF DEALERS TO CUSTOMERS WERE UP 12% OVER 2018, WHOLESALLES TO DEALERS WERE DOWN 9% AND THE SUBSEQUENT TRADING PERFORMANCE WAS SIGNIFICANTLY WEAKER THAN ANTICIPATED. THIS WAS PARTICULARLY TRUE FOR VANTAGE GLOBALLY BUT ALSO ACROSS ALL CAR LINES IN EUROPE AND THE UK, WHERE WEAK END MARKETS AND COMPETITOR ACTIONS PUT SIGNIFICANT PRESSURE ON PRICING.

The underperformance of the Company against its original plans and the resulting severe pressure on liquidity prompted a strategic, operational and financial review of the business during 2019 the outcome of which is described in this report on pages 14 and 15.

We started 2019 with dealer inventories elevated, partially due to the supply chain disruption at the end of 2018, but also as a result of the lower than expected retail demand for Vantage in the same period and the lead-in time required to adjust manufacturing and supply levels.

Consequently, achieving the retail sell through to start to de-stock the dealer network required more financial support than planned, weighing on Average Selling Price (ASP). Revenues were down 9% to £997m reflecting the 9% decline in wholesales and a 3% fall in ASP. This was partially offset by growth in Brands and Motorsport of £17m.

Costs were higher than planned due to a combination of incremental marketing campaigns in December, particularly in the US and in support of DBX unveiling activities, additional running costs of the new St. Athan facility, and headcount and other SG&A costs falling short of savings targets. A £19m provision against a doubtful debt relating to a legacy Intellectual Property sale in 2018 further weighed on profits. Adjusted EBITDA, our lead financial metric, was down 46% to £134m at a margin of 13.5%.

Underlying net interest expense increased by £18m to £61m for the full year, largely as a result of the new Notes issued during the year. Depreciation and Amortisation at £129m, increased in line with our expectations by c. £30m. Adjusted operating profit at £5m was down accordingly (2018: £147m).

Adjusting items pre-tax comprised £39m due to the impairment of costs associated with the Rapide E programme, £7m relating to a hedging charge and £2m for restructuring costs.

We continue to have a clear and disciplined capital allocation policy of reinvesting the cash generated from operations into product portfolio expansion in the short term. Capital expenditure at £310m was lower than the original guidance of £320m to £340m as we adjusted our investment plans through the year to reflect the evolving cash generation of the business. Spend was most significantly focused on completing the St. Athan factory, DBX and Aston Martin Valkyrie development and finalising the Vantage Roadster.

The difficult trading performance resulted in liquidity pressures which left the Company requiring additional financing arrangements during the year. In April we placed US\$190m of 2022 Senior Secured Notes at 6.5% cash coupon to allow greater flexibility in portfolio expansion and to underpin our funding position. Following the Trading Statement in July, we returned to the market in September and raised a further US\$150m of 2022 Senior Secured Notes at a mixed coupon of 6% cash and 6% PIK. These Notes were drawn immediately, again supporting working capital and investment. Concurrently we secured a further US\$100m of 2022 Delayed Draw Notes which were available subject to fulfilling certain conditions relating to DBX order intake.

Net debt in the year increased to £876m and adjusted leverage increased substantially to 7.3x¹ adjusted EBITDA. Over the medium-term, we expect cash generation to underpin a significant reduction in adjusted leverage. With no current dividend proposed, the Capital Allocation Policy will continue to be reviewed as the product portfolio matures.

On 31 January 2020, we announced a proposed strategic equity investment of £182m by a consortium led by Lawrence Stroll and proposed Rights Issue, supported by our major shareholders, of £318m raising combined proceeds of £500m. In the short-term, a vehicle controlled by Lawrence Stroll, has provided £55.5m of working capital support, the financial terms of which are significantly more favourable than the Delayed Draw Notes, to immediately improve the Company's liquidity. These funds will be refunded following completion of the consortium's equity investment. The proposed equity placement and rights issue will underpin the Company's financial position.

In summary, trading performance in 2019 was poor and put the business in an unsustainable liquidity position. Following the successful execution of the equity raise our focus will be on executing the reset plan, stabilising and de-risking the business.

MARK WILSON
EVP AND CHIEF FINANCIAL OFFICER

26 FEBRUARY 2020

1. 2019 Net debt including £111m lease liabilities following the adoption of IFRS 16 £988m and 2019 EBITDA for adjusted leverage calculation excludes the £15m benefit from IFRS 16

GROUP FINANCIAL REVIEW

GROUP FINANCIAL RESULTS

- Revenue of £997m, as total wholesale volumes decreased to 5,862 units, down 9% year-on-year (2018: 6,441 units) and average selling price (ASP) declined
 - Wholesale declines in Europe (-28%) and the United Kingdom (-21%) and APAC (-6%, including China +28%) were partially offset by growth in the Americas (+16%)
 - Average selling price per vehicle was £135k (ex. Specials), and £152k (inc. Specials) (2018: £141k and £157k respectively)
- Adjusted EBITDA of £134m with a margin of 13.5% (2018: £247m, 22.6%) and adjusted operating profit (EBIT) of £5m (2018: £147m)
- Operating profit was primarily impacted by the revenue decline, higher depreciation and amortisation and increased marketing costs; in addition to a £19m provision for a doubtful debt relating to the sale of legacy Intellectual Property in the prior year
- Adjusted loss before tax was £56m (2018: £68m profit). After adjusting items of £49m, predominantly relating to the impairment of Rapide E programme assets and adjusting financing charges, loss before tax was £104m (2018: £68m)
- Capital expenditure was £310m reflecting investment in St Athan, DBX and Valkyrie (2018: £311m)
- Net Debt at 31 December 2019 was £876m with adjusted net leverage of 7.3x¹ (31 December 2018: £560m, 2.3x)
- Adjusted diluted EPS of (32.1p) (2018: 27.5p²)

1. 2019 Net debt including £111m lease liabilities following the adoption of IFRS 16 was £988m and for adjusted leverage calculation 2019 adjusted EBITDA excludes the £15m benefit from first time adoption of IFRS 16.
2. 2018 Adjusted diluted EPS is presented on a normalised basis.

REVENUE ANALYSIS

Wholesale volumes by region

Wholesales ¹	31-Dec-19	31-Dec-18	Change
UK	1,429	1,798	(21%)
Americas	2,050	1,761	16%
EMEA ex.UK	1,074	1,489	(28%)
APAC	1,309	1,393	(6%)
Total	5,862	6,441	(9%)
Core	5,798	6,256	(7%)

1. Number of vehicles.

Total wholesales decreased 9% to 5,862 units, with core volumes down 7%. The Americas continued to grow, now the largest region at 35%, as the Company focuses on upgrading the dealer network capabilities and investing in appropriate brand and marketing activities. EMEA and the UK were impacted as economic uncertainty weighed on sentiment; EMEA wholesales declined by 28% and the UK declined by 21%. Within Asia, strong growth in China (up 28%) was offset by a more muted performance in other markets with APAC down 6% overall.

The Company began 2019 with higher inventory in the dealer network than originally planned, partially due to supply chain disruptions late in Q4 2018 and weaker than planned demand for Vantage. Core retail sales grew 12%, exceeding wholesale volumes, leading to a reduction in dealer inventories of c. 190 units over the year, although dealer inventories remain at elevated levels.

REVENUE BY CATEGORY

£m	31-Dec-19	31-Dec-18	Change
Sale of vehicles	897.6	1,010.7	(11%)
Sale of parts	63.0	61.1	3%
Servicing of vehicles	9.3	14.6	(36%)
Brand and motorsport	27.4	10.1	171%
Total	997.3	1,096.5	(9%)

For core cars, Average Selling Price (ASP) declined to £135k (2018: £141k) reflecting the impact of higher retail and customer financing support and the model mix shift towards Vantage. Total ASP declined to £152k (2018: £157k) with fewer Specials than the prior year. The core ASP reduction combined with lower volumes and lower revenue from Specials year-on-year led to an 11% decline in revenue from sale of vehicles.

Revenue from the sale of parts increased by 3% to £63m as the segment continues to benefit from the growth in vehicle sales in recent years. Servicing of vehicles declined by £5m to £9m mainly due to a reduced amount of restorations in the year as the team focused on the production of the DB4 GT Zagato continuations reducing the Company's service capacity.

Brand and motorsport revenues increased to £27m, predominantly reflecting revenues from the sale of 61 race cars in the year.

TOTAL REVENUES WERE DOWN 9% TO £997M. SUMMARY INCOME STATEMENT

£m	31-Dec-19	31-Dec-18	% change
Revenue	997.3	1,096.5	(9%)
Cost of sales	(642.7)	(660.7)	
Gross profit	354.6	435.8	(19%)
Gross margin %	35.6%	39.7%	
Operating expenses ^{1,3}	(330.2)	(308.9)	
of which depreciation & amortisation ²	128.8	100.4	
Other income	(19.0)	20.0	
Adjusted operating profit^{1,3}	5.4	146.9	(96%)
Adjusted operating profit margin	0.5%	13.4%	
Adjusting operating items	(42.1)	(74.1)	
Operating (loss)/profit	(36.7)	72.8	n.m.
Net financing expense	(67.6)	(141.0)	
of which adjusting financing items	(6.6)	(61.9)	
Loss before tax	(104.3)	(68.2)	(53%)
Taxation	(0.1)	11.1	
Loss after tax	(104.4)	(57.1)	(83%)
Adjusted EBITDA^{1,3}	134.2	247.3	(46%)
Adjusted EBITDA margin	13.5%	22.6%	
Adjusted (Loss)/profit before tax^{1,3}	(55.6)	67.8	n.m.
Diluted EPS (pence)	(49.7)	(31.0)	
Adjusted diluted EPS (pence)^{1,3,4}	(32.1)	27.5	

1. Excludes adjusting items.

2. Includes loss / (profit) on disposal of fixed assets.

3. Alternative Performance Measures are defined in note 34.

4. 2018 Adjusted diluted EPS is presented on a normalised basis.

OPERATING (LOSS)/PROFIT ANALYSIS

Operating loss of £37m (2018: £73m profit) was impacted by a £19m provision (2018: £20m income) relating to the sale of legacy Intellectual Property taken in the first half of 2019. Further headwinds included:

- Higher than anticipated retail and customer financing support;
- Weaker core model mix weighing on average selling price, with a shift towards Vantage;
- Lower wholesale volumes as the Company started to de-stock the dealer network;
- Incremental fixed marketing spend to support retail campaigns, particularly in the US, leading to lower cost savings than originally planned; and
- First time St Athan costs and full year of PLC costs.

Total adjusted operating expenses were up c. £20m including increased depreciation and amortisation (D&A) of £129m (2018: £100m) due to the expanded range of core sports cars selling. The adoption of IFRS 16 in the year increased D&A by £12m which was more than offset by reduced operating lease costs of £16m. Adjusted operating profit in the period was £5m (2018: £147m).

Adjusted EBITDA was £134m with a margin of 13.5% after the £19m provision mentioned above. Adjusted EBITDA included a £9m foreign exchange benefit, primarily due to USD: Sterling movements. This benefit was lower than originally expected due to the late December rally in Sterling resulting in an incremental headwind due to retranslation of non-Sterling balances. Further, the first-time adoption of IFRS 16 resulted in a £15m EBITDA benefit year-on-year.

Adjusting operating items of £42m are principally an impairment of assets associated with the Rapide E programme which has been paused as announced on 31 January as well as c. £3m of restructuring costs as we sought efficiencies across the business.

NET FINANCING EXPENSE

£m	31-Dec-19	31-Dec-18
Bank deposit and other interest income	5.0	4.2
Foreign exchange gain on borrowings not designated as part of a hedging relationship	11.3	–
Bank loans, overdrafts and secured loan notes	(55.3)	(44.3)
Interest on preference shares, deposits held, lease liabilities, defined benefit liability and other interest	(22.0)	(39.0)
Net finance expense before adjusting items	(61.0)	(79.1)
Adjusting financing items	(6.6)	(61.9)
Net finance expense	(67.6)	(141.0)

The net finance expense over the period was £68m (2018: £141m), including a one-off £7m financing charge booked in the first half relating to derivative financial instruments where the criteria for hedge accounting had not been met. The net finance expense includes the interest charges on the US\$340m new notes issued during the year. The charge was lower than the £83m as guided at the time of the Q3 results (November 2019) predominantly due to exchange movements on some of the USD denominated notes, £11m in the year.

Adjusted loss before tax was £56m (2018: £68m profit). Loss before tax after adjusting items was £104m (2018: £68m).

TAXATION

The tax charge on the adjusted loss before tax was £9m mainly driven by income tax charges in overseas entities, partially offset by a credit in relation to deferred taxation. Tax on adjusting items mainly relates to the impairment charge and resulted in an overall charge of £0.1m, on the loss before tax.

EARNINGS PER SHARE

Adjusted diluted EPS was (32.1p) (2018: 27.5p on a normalised basis¹).

1. Alternative Performance Measures are defined in note 34

CASH FLOW / NET DEBT

£m	31-Dec-19	31-Dec-18
Net cash generated from operating activities	19.4	222.6
Net cash used in investing activities	(305.2)	(306.3)
Net cash inflow from financing activities	243.3	57.8
Effect of exchange rates on cash and cash equivalents	5.8	2.7
Net cash outflow	(36.7)	(23.2)
Cash balance	107.9¹	144.6
Cash not available for short-term use	8.7	–
Borrowings and inventory repurchase arrangement	992.8	704.1
Net debt²	876.2	559.5
Adjusted Leverage ³	7.3x	2.3x

1. Excluding £9m in cash not available for short-term use;

2. 2019 Net debt including £111m lease liabilities following the adoption of IFRS 16 was £988m;

3. 2019 adjusted EBITDA for leverage calculation excludes the £15m benefit from first time adoption of IFRS 16.

Cash generated from operating activities was £19m (2018: £223m). This included a net working capital outflow of £84m with, an inventory outflow of £33m due to higher finished goods stock year-on-year reflecting the weaker than expected wholesale performance and additional stock held in anticipation of the United Kingdom's planned exit from the European Union (c. £9m); a £29m receivables outflow due to timing of wholesales and a £70m payables outflow predominantly driven by capex timing. These outflows were partially offset by an inflow of £48m of customer deposits.

Deposits on the balance sheet stood at £319m (2018: £271m), with increasing deposits for Valhalla and Goldfinger DB5 continuations. As deliveries of Aston Martin Valkyrie start, the deposit balance is expected to unwind although this will be partially offset by building deposits on other Specials.

Capex of £310m was broadly in-line with guidance and the prior year (2018: £311m), the majority of spend was focused on DBX, St Athan and Valkyrie development. Investment plans were reduced from original guidance of £320m-£340m due to the liquidity constraints.

With a net cash outflow of £37m, the closing cash balance at year-end was £108m (2018: £145m), excluding £9m of cash not available for short-term use. Net debt at 31 December 2019 was £876m, up £316m over the period (2018: £560m). The increase in borrowings reflected the issue of US\$340m in bonds during the year and the re-valuation of the U.S. tranche of Senior Secured Notes alongside a partial drawdown of the RCF (£70m). In addition, the Company secured £39m of short-term financing through an inventory repurchase arrangement during the period to support short-term liquidity needs.

Adjusted net leverage was 7.3x adjusted EBITDA (2018: 2.3x). Adjusted return on invested capital (ROIC) was (0.3%) (2018:12.8%). Adjusted ROIC is defined as adjusted operating profit after tax divided by the sum of gross debt and equity. Both measures reflect the financial performance of the business and the associated cash outflow during the year.

No dividends have been paid or proposed for the Group.

RISK AND VIABILITY REPORT

OUR APPROACH TO RISK

The Board is ultimately responsible for oversight of our risk management and internal control systems and it recognises that effective enterprise risk management is essential to executing our reset plan to achieve sustainable shareholder value, protect the brand and ensure good governance. This includes determining the nature and extent of the principal risks the Board is willing to take in achieving our strategic objectives (the Board's risk appetite), and challenging management's implementation of effective systems of risk identification, assessment, prioritisation and management. We continue to develop our three lines of defence assurance model to maintain the ongoing effectiveness of risk management and control and to define the relationship between the various management and oversight functions.

The Audit and Risk Committee has been delegated the responsibility for monitoring the effectiveness of the Group's risk management and internal control systems. This monitoring is provided through internal governance processes and the work of the Group functions, particularly the work of the Internal Audit and Risk Management Team and the Risk Management Committee. The annual Audit and Risk Committee calendar provides a framework for the ongoing review of these systems and controls by the Committee, particularly through reports provided by our Internal Audit and Risk Management team, the external auditors and providing the opportunity to have "deep dives" to understand the key risks facing the business. The Chair of the Audit and Risk Committee updates the Board on the Committee's activities in this regard as appropriate.

Our Internal Audit and Risk Management team maintain the Group's Enterprise Risk Management Framework and System (ERMFS) and co-ordinate risk management activities across the Group. The challenges which the Group faced in 2019 led to the development of the reset plan and the requirement for the strategic equity investment and proposed rights issue to address liquidity concerns. These difficult conditions demonstrate the importance of continually improving the way we manage our risks. During the period we have continued to enhance our risk management activity by completing formal risk mitigation plans for all principal risks and reassessing current levels of risk exposure. These incorporate management's assessments of gross, net and target risk and the effectiveness of mitigating controls. This has resulted in several changes being made to the Groups principal risks, including the escalation and inclusion of the financial liquidity risk within our reported risks. Internal Audit provide independent and objective assurance over the effectiveness of these risk mitigation plans and report their findings directly to the Audit and Risk Committee (see Control Environment on page 93).

Through the ERMFS the following activities form an integral part of our business and include: annual review and approval of the ERMFS and Risk Management Policy; identifying and assessing gross, target and net risks for potential impact and likelihood; maintaining corporate and functional risk registers; undertaking top-down/bottom-up risk assessments and designing and implementing risk mitigation plans. The risk mitigation plans are independently validated on a rotational basis by our Internal Audit and Risk Management team led by the Director of Internal Audit and Risk Management, who reports administratively to the EVP and Chief Financial Officer with an independent reporting line to the Chair of the Audit and Risk Committee. The key governing bodies associated with promoting effective risk management within the Group, and their primary responsibilities for risk management, are shown in the diagram opposite.

OUR INTERNAL AUDIT AND RISK MANAGEMENT TEAM MAINTAINS THE GROUP'S ENTERPRISE RISK MANAGEMENT FRAMEWORK AND SYSTEM (ERMFS) AND CO-ORDINATES RISK MANAGEMENT ACTIVITIES ACROSS THE GROUP.

BOARD OF DIRECTORS AND AUDIT AND RISK COMMITTEE

- The Board is responsible for regular oversight of the Group's risk management and internal control systems, assessing the Group's principal risks and setting the Group's risk appetite.
- The Audit and Risk Committee regularly monitor risk status through formal risk reporting, risk deep dive reviews and the commissioning of assurance reviews to independently validate the effectiveness of risk mitigation plans.
- The Board has delegated oversight of the Enterprise Risk Management Framework and System to the Audit and Risk Committee which regularly monitors the principal risks and uncertainties along with management's strategies to mitigate them.

RISK MANAGEMENT COMMITTEE (MANAGEMENT COMMITTEE CHAIRED BY DIRECTOR OF INTERNAL AUDIT AND RISK MANAGEMENT)

- Reviews external and internal environment for new and emerging risks.
- Performs deep dive reviews of principal risks and challenges risk assessments and mitigation plans.
- Holds risk owners accountable for implementing effective risk mitigation plans.
- Meets every two months and reports key findings to the Audit and Risk Committee.
- Attended by functional "Risk Champions", encompassing senior management from key departments (e.g. IT, Quality, Technology, Manufacturing, Finance, Engineering, Legal, Supply Chain).
- Identifies and assesses changes to risks and monitors the effectiveness of mitigation plans to reduce risk exposure to acceptable levels in accordance with our risk appetite.
- Champions effective risk management and control across the Group.

INTERNAL AUDIT AND RISK MANAGEMENT TEAM

- Centrally co-ordinates deployment of the "Enterprise Risk Management Framework and System".
- Facilitates updates to the corporate and functional risk registers in partnership with Risk Champions.
- Prepares Board, Audit and Risk Committee and Risk Management Committee status updates.
- Provides resources and training to support risk management activities.
- Evaluates the design and operating effectiveness of risk mitigation activities.

FUNCTIONAL RISK CHAMPIONS AND RISK OWNERS

- Perform day-to-day risk management activities.
- Identify and assess risk within their departments and implement actions to reduce risk exposure to an acceptable target level.
- Assign owners to risks, maintain functional risk registers and manage "Risk Mitigation Plans".
- Responsible for establishing an appropriate risk management culture, and for implementing effective risk management and internal control within their department.

RISK APPETITE

The Board determines the amount of risk the Group is willing to accept in the pursuit of the Group's strategic objectives, dependent on the type of risk. The Group's underperformance against the original plan in 2019 was outside the Board's risk appetite, and consequently management performed a comprehensive strategic, operational and financial review which resulted in the reset of the business plan. The reset plan reflects lower risk levels associated with certain elements of the business. The Group's risk appetite will vary dependent on the type of risk and may change over time. In exploring risks and opportunities, we prioritise the interests and safety of our customers and employees and seek to protect the long-term value and reputation of the brand, while maximising commercial benefits to support responsible and sustained growth.

We assess the level of risk exposure against our associated risk appetite to ensure that we appropriately prioritise our resources to manage risks within our risk appetite. Initially we assess the gross exposure of identified risks, this being the risk exposure before considering the effect of any mitigating controls or actions. We then measure the net risk to determine the residual risk exposure using a scoring methodology which considers the likelihood and potential impact of the identified risk. Where the residual risk remains outside of the Board's risk tolerance additional actions are identified to further mitigate the risk down to an acceptable target level.

OUR PRINCIPAL RISKS

Our risk management system is designed to identify a broad range of risks and uncertainties which we believe could adversely impact the profitability or prospects of the Group. Our principal risks are those that we regard as the most material to the achievement of our strategic objectives, our financial performance and our long-term sustainability. During 2019 several of our principal risks have had a significant adverse impact on the Group's financial performance and position and we have disclosed an additional financial risk on page 65 related to the liquidity shortfalls and the impact that can have on the Group's business and operations. We have also disclosed risk movements based on our revised risk assessments for each principal risk. The following pages set out the Group's principal risks, how these risks are linked to our strategy and the primary mitigating actions implemented for each risk during the year ended 31 December 2019. Our principal risks will change over time as some risks assume greater importance and others may become less significant.

We categorise principal risks within one of the following four areas: Strategic, Operational, Compliance and Financial. Each principal risk is linked to one of these categories and may impact one or more of our strategic pillars.

STRATEGIC RISKS

MACRO-ECONOMIC AND POLITICAL INSTABILITY

The Group operates in many markets exposing us to changing economic, regulatory, social and political developments that may impact customer demand, profitability or our ability to sell within those markets.

Adverse macro-economic conditions or country-specific changes to the operating, regulatory or political environment may lead to an unfavourable business climate and significant tensions between major trading parties which could adversely impact the Group's operations and financial performance and delivery of strategic plans. This may include explicit trade protectionism, differing tax or regulatory regimes, changing public sentiment or reduced disposable incomes which could adversely affect demand for our vehicles.

RESPONSE TO MARKET DYNAMICS

LINK TO STRATEGY

- All pillars.

RISK TOLERANCE

Moderate – recognising that external factors are difficult to mitigate as they are often outside our direct control.

EXAMPLES OF RISKS

- Wholesale performance has been adversely impacted by macro-economic uncertainty and enduring weakness in UK and European markets.
- A key component of the Group's planned growth strategy is the expansion of sales in the Asia Pacific and Middle East regions, particularly recognising the increasing number of high net worth individuals (HNWIs) in these markets. The extent to which economic growth in these emerging markets and within the luxury market as a whole will be sustained is unknown.
- Global economic slowdown and increasing uncertainty has adversely affected demand for our products in certain markets.
- Increased protectionism in global jurisdictions (e.g. threatened US import taxes on UK vehicles) and Brexit could result in increased tariffs, pricing pressure and additional operating complexities.
- Unfavourable movements in foreign exchange rates or commodity prices could adversely affect our ability to meet our strategic objectives.
- Adverse economic conditions could adversely impact the Group's dealers on whom the Group is dependent for the sale and promotion of its products and services.
- Adverse economic conditions could cause suppliers to be unable to meet their commitments to the Group adversely impacting production and/or costs.
- The Covid-19 (Coronavirus) outbreak could potentially result in reduced growth rates and consumer demand in affected markets.

RISK MOVEMENT IN PERIOD

Increasing Risk



ACTIONS TAKEN BY MANAGEMENT

- Operational and financial review of the business resulting in a reset of the plan.
- Continued targeting of growth in emerging or underperforming markets (including China, APAC and MENA) while building on our position in established markets (such as the US) to reduce over reliance on any one territory.
- Actions to maintain quality of sales and to protect the brand including appropriate inventory management.
- Monitoring market trends globally to target areas for future growth and to ensure a product offer which reflects customer tastes and preferences.
- Brand and customer activities and experiences to ensure strong brand recognition and customer relationships.
- Lobbying, where appropriate, to proactively influence regulatory change which may affect the Group.
- Making appropriate preparations for Brexit led by the Brexit steering committee who manage the risks associated with Brexit (see the Brexit principal risk set out on page 64).
- Volume planning actions to optimise dealer/network stock levels in light of continued lifecycle actions.
- Engagement of external consultants to support deep dive review of Budget and Forecasting process to provide assurance over the accuracy of management information.

INABILITY TO MAINTAIN FAVOURABLE COMPETITIVE POSITIONING

Maintaining our competitiveness in the high luxury segment car market is critical to achieving our strategic growth objectives.

The Group competes with other manufacturers with strong brands and reputations and which may have access to greater financial resources. The high luxury segment is relatively small due to the price at which cars are sold and significant investment is required to introduce new models to the market, which relies on a sufficient level of demand to support the growing levels of production and competition. The trend towards cars with lower engine capacity and new drive technologies could adversely affect the Group.

RESPONSE TO MARKET DYNAMICS

LINK TO STRATEGY

- Strengthened global brand and sales power.
- Inspiring customer-focused luxury products.
- World-class value and lean processes.
- Top-class quality.

RISK TOLERANCE

Low – as we develop our product portfolio, particularly our incremental carlines, we need to ensure that we remain competitive to win customers across model segments.

EXAMPLES OF RISKS

- Failure to maintain leading design which customers value.
- Inability to produce cars that are competitive in terms of performance, aesthetics and quality and that meet customers' needs and tastes.
- Inability to keep up with technological advancements (e.g. electrification).
- Failure to meet regulatory requirements such as emissions restrictions.
- Competitor brands with greater financial resources enabling them to invest in technology (see technology principal risk on page 58) and benefit from stronger negotiating power with the suppliers due to higher volumes.
- Vantage has not delivered its expected volumes and although has increased market share, the overall market has declined.
- Competitor pricing activity resulting in the need to increase retail and customer financing spend to support retail sales.
- The recent UK Government announcement to bring forward the banning of all sales of new petrol, diesel and hybrid vehicles from 2040 to 2035 may adversely affect the Company's competitive position were the Group unable to develop its EV range within that timeframe.

RISK MOVEMENT IN PERIOD

Increasing Risk



ACTIONS TAKEN BY MANAGEMENT

- Expanding our product portfolio to produce incremental new core models. This is aimed at increasing demand with a multi-segment model strategy based on clearly defined target customers for each model to reflect customer tastes and preferences.
- Maintaining a regular pipeline of Special editions and fully bespoke customisation offer through the 'Q' division, to drive exclusivity and increase demand.
- Continuous improvement in product performance, technology, quality and other car features.
- Use of modular architecture and "carry over carry across" principle for key systems and components to minimise engineering and tooling investment and time to market and improve overall quality.
- "Beyond Lean"™ manufacturing techniques to improve efficiency and cost savings.
- Expanded dealer network and improved dealer training to ensure luxury customer experience consistent with the brand.
- "Built in" quality processes to achieve customer satisfaction.
- Continuous improvement of vehicle development process.
- Proposed relaunch of Vantage and the introduction of the Roadster in Q2.
- Making appropriate preparations for Brexit led by the Brexit steering committee who manage the risks associated with Brexit (see the Brexit principal risk set out on page 64).
- Volume planning actions to optimise dealer/network stock levels in light of continued lifecycle actions.
- Engagement of external consultants to support deep dive review of Budget and Forecasting process to provide assurance over the accuracy of management information

BRAND/REPUTATIONAL DAMAGE ARISING FROM POOR QUALITY, LATE DELIVERY,
PRODUCT RECALL OR INEFFECTIVE BRAND POSITIONING AND AWARENESS

Our brand and reputation are critical in securing demand for our vehicles and in developing additional revenue streams.

Damage to our brand or reputation for any reason could significantly impact our ability to deliver the volume growth required to support our strategy.

RESPONSE TO MARKET DYNAMICS

LINK TO STRATEGY

- Strengthened global brand and sales power.
- Top-class quality.
- Inspiring customer-focused luxury products.

RISK TOLERANCE

Low – the value of the brand has been built upon delivering exceptional luxury products to our customers. Any real or perceived quality or customer experience issues could significantly affect demand for our products.

EXAMPLES OF RISKS

- Customer confidence and loyalty could be affected due to product recall, late delivery, quality defects or not meeting customer expectations and vehicle specifications.
- Reliance on a franchised dealer network to raise and maintain brand awareness.
- Inadequate training of our dealership network in new products and technologies as we expand our product portfolio could result in a poor customer experience.

RISK MOVEMENT IN PERIOD

Unchanged



ACTIONS TAKEN BY MANAGEMENT

- Clear brand vision and establishment of a consistent brand identity across platforms.
- Selective licensing and other use of the brand assets within AML Partnerships.
- Monthly Brand Steering Committee meetings.
- Cross-functional project team established to deliver new model launches.
- Establishment of strong relationships with media.
- Development of a Product Strategy team with regional representation.
- “Right first time” engineering approach and “Built-in” vehicle quality processes to improve quality.
- Customer satisfaction feedback through customer audits and expansion of client services team to improve global customer support.
- Quality remediation process in place where significant quality issues are managed through the Technical Review Group, Critical Concerns Review Group and the Recall Committee.
- Expanded dealer network and improved dealer training to ensure luxury customer experience consistent with the brand.
- Multiple inspection points throughout the manufacturing and assembly operations.
- Aston Martin Customer Perception Audit process.
- Aston Martin Parts Approval Process implemented to assure parts quality.
- ISO 9001 Quality Management System annual certification.

INABILITY TO INCORPORATE AUTOMOTIVE TECHNOLOGICAL ADVANCEMENTS
(E.G. ACTIVE SAFETY, CONNECTED CAR, ELECTRIFICATION, AUTONOMOUS DRIVING)

Inability to keep pace with changing customer requirements and expectations with the move towards more advanced technologies due to reliance on third parties for key components and availability of funds to invest internally on product development.

The Group’s current liquidity position and funding structure may restrict the availability of funds to pursue potential acquisitions, invest in organic growth projects or exploit emerging business opportunities to maintain our competitiveness in relation to technological change. In particular, keeping abreast of the development of new technology in line with changes in trends and customer tastes. The Group is currently reliant upon certain key suppliers maintaining their pace of technological development and making this available to the Group in a timely manner.

RESPONSE TO MARKET DYNAMICS

LINK TO STRATEGY

- Inspiring customer-focused luxury products.
- Strengthened global brand and sales power.
- World-class value and lean processes.
- Top-class quality.

RISK TOLERANCE

Low – technology requirements in the automotive industry are changing with increasing pace and the Group needs to anticipate and incorporate these into future planning to remain competitive.

EXAMPLES OF RISKS

- The Group may not have access to the latest technologies due to its reliance on third parties for key components.
- Competitors may have better access to funding to develop new technology faster and be first to market.
- Changing and more stringent regulations may make current technology obsolete and increase risk of future non-compliance.
- Investment in new/emerging technology may be delayed if the Group are unable to generate sufficient liquidity to deliver the planned strategy.

RISK MOVEMENT IN PERIOD

Increasing Risk



ACTIONS TAKEN BY MANAGEMENT

- Strategic arrangements with key partners enable the provision of engines, electrical architecture and entertainment systems as well as providing a more cost-effective platform to enhance our design and engineering capabilities.
- Active management of the Group’s liquidity and cash flow to prioritise use of funds to deliver the strategy.
- Through our modular architecture “carry over-carry across” approach for key systems and components and “Beyond lean”™ method of manufacturing, the Group aims to maximise its efficiency, cost effectiveness and quality of operations.
- The Group retains a high level of in-house powertrain expertise, in both conventional internal combustion engine technology and next-generation electrified drivetrains, which enables the Group to assess the relative financial and operational merits of sourcing these from third parties or developing comparable engines in-house, whilst complying with future emissions and fuel economy related regulations.
- Rationalisation of the Product Development structure to focus groups on innovation to maintain pace with customer expectations.
- Improved long-term planning process and governance to deliver diverse and competitive future portfolio.
- Commodity strategy plans developed incorporating customer needs analysis, technological advances and anticipated legislative changes.
- Lobbying where appropriate to proactively influence regulatory change which may affect the Group.

OPERATIONAL RISKS

FAILURE TO ATTRACT, DEVELOP AND RETAIN TOP TALENT

Inability to attract, motivate, develop and retain our people to perform to the best of their ability to meet our strategic objectives.

Our performance, operating results and future growth depend on our ability to attract, motivate and retain talent with the appropriate level of expertise to deliver our strategy. The impact of current financial performance on remuneration and benefits and recent restructuring activities increase the risk of loss of key individuals and skills.

RESPONSE TO MARKET DYNAMICS

LINK TO STRATEGY

- Passionate people and culture.
- World-class value and processes.

RISK TOLERANCE

Low to Moderate – recognising the importance of having the right people and skills to deliver our strategy. We are reliant in certain areas on highly skilled technicians to maintain the attractiveness and quality of our vehicles.

EXAMPLES OF RISKS

- This period of change may result in the loss of key individuals or the inability to recruit and retain individuals with the relevant talent and experience, which could disrupt the operation of the business and adversely impact the Group's abilities to deliver its strategy.
- Failure to engage or equip our teams to deliver our strategy or address key capability gaps (e.g. inability to meet recruitment targets at St Athan).
- Failure to build the right capabilities and behaviours in our leadership population.
- Failure to have appropriate succession planning in place should key positions become vacant through resignation, ill health or accident.
- Loss of critical talent, knowledge or unmanageable levels of attrition due to a competitive local labour market.
- Key contractors leaving the business and the impact of IR35 on our contractor population.

RISK MOVEMENT IN PERIOD

Increasing Risk



ACTIONS TAKEN BY MANAGEMENT

- Oversight by our Remuneration Committee to ensure that the remuneration packages for senior leadership roles are appropriate to retain key individuals and align with our strategy.
- Succession planning for key roles and positions.
- Regular review of talent and resource risks related to key roles/positions by the Board and Committees.
- Annual bonus plans in place for management and staff to reward individual and corporate performance.
- Annual benchmarking of remuneration levels across grades.
- Track record of internal promotions, demonstrating availability for career progression within the Group.
- Regular communications with employees to ensure that employees are informed and to gauge morale. Employee engagement survey and action plan and renewed focus on the Aston Martin Way culture programme.
- Ongoing investment in our Apprenticeship Programme.
- Use of online Learning Management System to facilitate employees' personal development and skills acquisition.
- Development Committee which focusses on employee career development and progression.
- Working party established to develop and implement IR35 changes.

INABILITY TO DELIVER MAJOR PROGRAMMES

Failure to implement major programmes on time, within budget and to the right technical specification could jeopardise delivery of our strategy and have significant adverse financial and reputational consequences.

Successful delivery of significant programmes (including the new manufacturing facility in St Athan and core (DBX) and Special (Valkyrie) vehicle programmes is fundamental to the achievement of the Group’s reset plan.

RESPONSE TO MARKET DYNAMICS

LINK TO STRATEGY

- Inspiring customer-focused luxury products.
- World-class value and lean processes.
- Strengthened global brand and sales power.

RISK TOLERANCE

Low – due to the significance of these projects in driving the required levels of volume growth and cash generation to support the reset plan.

EXAMPLES OF RISKS

- Failure to retain sufficient personnel with the correct programme management skills and technical capabilities to deliver programmes.
- Failure to follow a standard programme methodology could result in required outcomes not being delivered.
- Delayed new model or special project launch.
- Late delivery of new models could damage our brand/reputation and potentially result in reduced sales volumes or pricing.
- Declining sales have a negative effect on available cash, further increasing the pressure to deliver programmes.
- Ability to manage third party delivery in line with programme timelines.

RISK MOVEMENT IN PERIOD

Unchanged



ACTIONS TAKEN BY MANAGEMENT

- Deployment of an established stage and gate Programme Delivery Methodology to drive consistent governance and management across the programme portfolio.
- Major programmes are subject to Executive Committee approval and oversight.
- Dedicated programme management teams are established to deliver each programme.
- Regular programme and Operating Committee status reviews with escalation routes for issues to be managed.
- Mandatory lessons learned sessions to ensure that subsequent programmes benefit from previous experience.
- Technical and quality audits are performed at critical stages by independent parties.
- ISO 9001 and 14001 certifications in relation to Quality and Environmental management systems.
- Move to modular architecture strategy with increased focus on leveraging core architecture across multiple applications to reduce vehicle programme delivery times.
- Weekly programme review established with the R&D VP for all core programmes. Cost and delivery monitored through ‘one-pager’ document covering timing, investment and piece cost.

INADEQUATE PROTECTION AGAINST CYBER ATTACK RESULTING IN POTENTIAL LOSS OF DATA, SYSTEM AVAILABILITY OR OPERATIONAL DISRUPTION

Breach of cyber security could result in a system outage, impacting core operations and/or result in a major data loss leading to reputational damage and financial loss.

The Group's technology environment is critical to its success. The control environment helps decrease the risks to core business operations and/or major data loss.

RESPONSE TO MARKET DYNAMICS

LINK TO STRATEGY

- World-class value and lean processes.
- Strengthened global brand and sales power.

RISK TOLERANCE

Low – protecting the brand and its reputation globally is at the heart of everything we do. We take a risk-averse approach, adopting a strategy to avoid or mitigate reputational/brand risk arising from cyber threat and to protect the confidentiality, integrity and availability of data within our custody.

EXAMPLES OF RISKS

- Denial of service attacks resulting in disruption of business activities.
- An external hacker exploits a security vulnerability resulting in a loss of system control and/or major data loss.
- A malicious insider abuses privileged access to gain entry to sensitive information and/or conduct unauthorised activities.
- Malware results in a loss of system control causing business disruption and/or major data loss.
- Fines due to failure to comply with the General Data Protection Regulations (GDPR).
- Disruption, damage of interruption to power supply.
- Reliance on systems which are approaching end of life support.

RISK MOVEMENT IN PERIOD

Unchanged



ACTIONS TAKEN BY MANAGEMENT

- Completion of independent risk assessments to validate the cyber security strategy and identify capabilities required to achieve appropriate levels of security.
- 24/7 monitoring using Darktrace and other tools supported by robust security incident response processes.
- Internal controls in place to minimise employee error – password policies, regular communications regarding phishing emails and information security training.
- GDPR compliance project undertaken to identify data sets, classify them and ensure effective controls in place to manage data access and use.
- Firewalls, anti-virus and patch management controls.
- Use of Bitlocker encryption underway to protect data in transit and at rest.
- Programme of work to remediate issues identified in audits.
- Dual-factor authentication being implemented where appropriate and feasible.
- Proposed investment in cyber-security team to further embed and enhance control framework.
- Company policy mandates the use of MX Magenta for the exchange of sensitive information outside of the organisation, which allows us to ensure that the correct recipient has accessed the information and provides an audit trail of access.

POTENTIAL DISRUPTION TO THE SUPPLY CHAIN

Supply chain disruption could result in production stoppages, delays, quality issues and/or increased costs resulting in adverse operational and financial consequences for the Group.

Potential loss of key Tier 1 supplier, a single-source supplier, or a deterioration in quality could seriously jeopardise production resulting in delayed or lost sales and brand/reputational damage. (See also the principal risk relating to Brexit).

RESPONSE TO MARKET DYNAMICS

LINK TO STRATEGY

- Inspiring customer-focused luxury products.
- Top-class quality.
- World-class value and lean processes.

RISK TOLERANCE

Low – as production approaches capacity the business model cannot absorb any significant delays in production and/or sales.

EXAMPLES OF RISKS

- Supplier may be unable to meet delivery schedules due to financial difficulties or the inability to meet increasing volume demand.
- Third parties may withdraw their permission to use their components.
- Reliance on the use of several smaller, bespoke suppliers for specific components.
- Reliance on key suppliers (e.g. engines and electrical architecture from Daimler).
- Short-term liquidity issues could result in deferred supplier payments which may lead to potential supply restrictions or supply with more stringent terms.
- Deterioration in the Group’s credit rating may lead to supply restrictions or more stringent terms and conditions.
- The outbreak of the Coronavirus in China may result in supply chain disruption for parts and components sourced from China and/or other affected markets.

RISK MOVEMENT IN PERIOD

Increasing Risk



ACTIONS TAKEN BY MANAGEMENT

- Commodity strategies established for core suppliers detailing alternative supply routes in the event of disruption to current supply.
- QCDDM supplier performance metric is in final stage of development with full roll out due in 2020. Metric allows for efficient, co-ordinated management of under-performing suppliers and the formation and deployment of robust mitigation plans.
- Assessment of supplier financial strength and performance prior to contracting with them.
- Independent reviews by the Procurement team of key supplier Business Continuity plans.
- Supplier Quality Development team in place to actively manage supplier quality and performance.
- Creation of Risk Management Centre to action operational responses to supplier issues; utilising internal and external intelligence to identify potential risks both financially and operationally.
- “Supplier Champions” identified to actively manage at risk suppliers.
- Identification of alternative suppliers where risk of sole supply is deemed too significant.

COMPLIANCE RISKS

POTENTIAL NON-COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are subject to a broad spectrum of national and regional laws and regulations in the various jurisdictions in which we operate.

These include product safety, emissions, trademarks, competition, employee and customer health and safety, data, corporate governance, employment and tax. Changes to laws and regulations or a major compliance breach could have a material impact on the business.

RESPONSE TO MARKET DYNAMICS

LINK TO STRATEGY

- World-class value and lean processes.
- Inspiring customer-focused luxury products.
- Strengthened global brand and sales power.

RISK TOLERANCE

Zero – the Board adopts a zero tolerance to non-compliance with laws and regulations as this could seriously impact the Group's ability to trade in certain markets and result in significant brand/reputational damage.

EXAMPLES OF RISKS

- Regulatory non-compliance.
- Non-compliance with emissions regulations could inhibit the Group's ability to trade in certain markets.
- Failure by the Group or associated third parties to act in an ethical manner.
- Non-compliance with labour, human rights and environmental standards across our own operations and extended supply chain could result in financial penalties, disruption in production and reputational damage to our business.
- Tax is a complex area where laws and their interpretations are changing regularly leading to the risk of unexpected tax and financial loss exposures

RISK MOVEMENT IN PERIOD

Decreasing Risk



ACTIONS TAKEN BY MANAGEMENT

- Secured "Small-volume" derogation status within the EU which establishes bespoke emissions targets.
- Vehicle safety certification is obtained for all markets.
- Reduction in average emissions across the product portfolio.
- The HR and Legal and Compliance functions are responsible for ensuring that employees are aware of regulations relevant to their roles. We have strengthened our public company regulatory expertise.
- Our Standards of Corporate Conduct contain a framework of policies that aim to drive best practice across our business. These include our Anti-Bribery and Corruption Policy and Data Protection Policy.
- GDPR policies and procedures have been embedded within the business with a Data Protection Officer appointed to monitor and drive GDPR compliance.
- Assurance processes are in place to monitor compliance in key risk areas, with results being reported to our Audit and Risk Committee and Risk Management Committee.
- Our culture and policies encourage employees to speak up and report any issues without fear of retribution via our Whistleblowing process.
- In-house Legal and Compliance team that manages any ongoing regulatory investigations.
- Third-party support is obtained in areas of new or emerging regulatory guidance to support the implementation of appropriate new processes and controls.

UNCERTAINTY SURROUNDING BREXIT

Various Brexit scenarios could impact the Group’s financial position, supply chain and people.

Whilst the UK officially left the EU on 31 January 2020 uncertainty remains as to the nature of any future trade agreements once the transition period ends on 31 December 2020. The current uncertainty regarding the way the UK leaves the EU makes it very difficult to plan for, with multiple scenarios having to be considered and addressed.

RESPONSE TO MARKET DYNAMICS

LINK TO STRATEGY

- All pillars.

RISK TOLERANCE

Low – although we have a low tolerance for risk caused by Brexit there is still uncertainty about the long-term impact.

EXAMPLES OF RISKS

- Additional customs duty from the cessation of existing free trade agreements and VAT cash flow costs at the new UK trade border.
- Extended supply lead times increasing working capital investment.
- Uncertainty over the rights of EU nationals, which has increased the risk of losing talent.
- Exchange and interest rate volatility impacting Group revenues, margins, profits and cash flow.
- Imposition of additional tariffs on exports and imports.

RISK MOVEMENT IN PERIOD

Unchanged



ACTIONS TAKEN BY MANAGEMENT

- Establishment of the Brexit Steering Group (BSG), a cross-functional team of senior members, chaired by the Director Government & External Affairs and sponsored by the EVP and Chief Financial Officer with fortnightly status reporting to the Executive Committee.
- Review of SMMT guidance and leveraging industry best practice.
- Tracking progress against the BSG developed ‘Brexit Readiness Scorecard’ seven key areas impacted:
 - Supply chain and logistics.
 - Customs processing.
 - Sales and pricing.
 - Human resources.
 - Type approval.
 - Legal.
 - Other/Regulations. Strong engagement by the President and Group Chief Executive Officer with the UK Government, SMMT and CBT.
- Steps taken to prepare our supply chain and sales network to mitigate Brexit impacts on the business including: use of alternative ports of entry, review of inventory levels for impacted parts and materials, use of supplier readiness assessments.
- Strengthened our production purchasing function under the leadership of the VP and Chief Purchasing and Supply Officer who will also oversee the execution of planned Brexit mitigations.

FINANCIAL RISKS

INSUFFICIENT LIQUIDITY AND LACK OF FINANCIAL STABILITY TO SUPPORT PLANNED GROWTH AND OPERATIONS

The Group may not be able to generate sufficient cash to fund its capital expenditure and sustain its operations and its significant leverage may make it difficult for the Group to operate its business. The viability of the Group is dependent on the successful outcome of the planned strategic equity investment and proposed rights issue, which is subject to shareholder and other approvals, to support its liquidity requirements to deliver the reset plan.

The Group's liquidity requirements arise primarily from its need to fund capital expenditure for product development, working capital and to service debt.

RESPONSE TO MARKET DYNAMICS

LINK TO STRATEGY

- All pillars.

RISK TOLERANCE

Low – the availability of sufficient liquid funds to support planned growth and capital expenditure is key to delivery of the Group's reset plan.

EXAMPLES OF RISKS

- Significant leverage levels may inhibit the Group's ability to repay current indebtedness or borrow additional funds or raise equity capital in the future.
- Inability to renew wholesale finance facility on similar terms to those currently in place would have a significant adverse effect on short-term liquidity.
- Reduced customer confidence could potentially increase demand for deposit returns which could reduce available cash in the short term and adversely impact the brand.
- Delays in payments to suppliers or other creditors could result in production stoppages, delays, quality issues and/or increased costs and unfavourable trading terms resulting in adverse operational and financial consequences for the Group.
- Difficulty of accurately forecasting in an uncertain market.
- Sales underperformance resulting in less available cash to support planned product capital expenditure and working capital requirements associated with DBX launch.

RISK MOVEMENT IN PERIOD

New principal risk

ACTIONS TAKEN BY MANAGEMENT

- Raising of additional capital through strategic equity investment and proposed rights issue.
- Regular review of strategic financing options including consideration of available options to raise funds through issue of additional equity or external investment.
- Daily management review of cash balances and other working capital balances.
- Drawdown of available financing (e.g. Revolving Credit Facility and Bonds) to provide short term liquidity.
- Implementation of short-term restrictions on discretionary spend.
- Early engagement with finance providers to consider funding options which are due for renewal within the Business Plan period.
- Engagement of external consultants to support deep dive review of Budget and Forecasting process to enhance the provision of management information.
- Project to enhance management controls and processes related to authorisation and monitoring of retail support expenditure.
- Establishment of a back-to-back loan arrangement in China to provide access to funds in the UK based on cash held in China.

POTENTIAL IMPAIRMENT OF CAPITALISED DEVELOPMENT COSTS

The value of capitalised development costs continues to grow as we expand our product portfolio.

The carrying value of development costs in our balance sheet is dependent upon the future profitability of the vehicle platforms to which they are attributed. A significant reduction in vehicle lifecycle profitability could result in the need to impair the capitalised development intangible asset.

RESPONSE TO MARKET DYNAMICS

LINK TO STRATEGY

- Robust financing and funding.
- World-class value and lean processes.

RISK TOLERANCE

Zero – we have a zero tolerance in relation to financial reporting risk.

EXAMPLES OF RISKS

- Vehicle sales volumes reduce below lifecycle plans/forecasts.
- Vehicle pricing and margins reduce to levels which no longer support the carrying value of the attributable capitalised costs.
- Uncertainty of carry over-carry across of components on future vehicle models.

RISK MOVEMENT IN PERIOD

Unchanged



ACTIONS TAKEN BY MANAGEMENT

- Modular architecture platform application approach adopted for new model development to reduce cost of investment across the portfolio.
- Strategic component development plan being deployed to reduce investment cost of new models.
- Impairment reviews are performed where management considers there to have been a triggering event (e.g. a significant reduction in sales volumes, or vehicle pricing and margins for a model).
- Regular vehicle line reviews to monitor sales volumes, average prices and margins. Any significant deterioration below plan is communicated to the Financial Reporting and Accounting team for consideration.

RISK MANAGEMENT ACTIVITIES IN 2019 AND PLANS FOR 2020

THE BOARD AND THE AUDIT AND RISK COMMITTEE UNDERTOOK A NUMBER OF RISK MANAGEMENT ACTIVITIES DURING THE PERIOD AS SET OUT BELOW

IDENTIFICATION OF RISKS

We identify and manage risk using a top-down bottom-up approach.

- Top-down – Identification, assessment, prioritisation, mitigation, monitoring and reporting of risk at a corporate level. Overseen by the Audit and Risk Committee and the Management Risk Committee.
- Bottom-up – Identification, assessment, prioritisation, mitigation and monitoring of risk across all operational and functional areas.

During the period, the key risks identified in the corporate and functional risk registers have been maintained and updated to reflect changes in the business and the external environment. These continue to be regularly reviewed within the Risk Management Committee. The updated corporate risk register is continually reviewed and formally re-evaluated at the half year and full year to identify any changes required to the disclosed principal risks. These changes and the summary of principal risks are then presented to the Audit and Risk Committee for review and approval.

RISK MANAGEMENT SYSTEM

The Aston Martin Lagonda Enterprise Risk Management Framework and System continues to be deployed across the Group. This was subject to an annual review and was subsequently presented to, and approved by, the Executive Committee and the Audit and Risk Committee. The Risk Management Committee continued to meet every two months throughout 2019.

RISK APPETITE

The Group's risk appetite and tolerance levels were considered and approved by the Board and are reviewed annually. These are used to set tolerance limits and target risks for each of the principal risks and refine mitigation plans where appropriate.

MANAGEMENT ACTIONS & DEEP DIVES

The Internal Audit and Risk Management team incorporates independent validation reviews of the principal risk mitigation plans within its annual Audit Plan, the purpose being to provide independent assurance to management, the Audit and Risk Committee and the Board on the effectiveness of management actions to mitigate risks.

Our Internal Audit and Risk Management team works with functional "Risk Champions" to maintain formal "Risk on a Page" plans to clearly articulate the nature and extent of the principal risks and their associated mitigating actions. These are used to provide the Board and Audit and Risk Committee with management self-assessments on the effectiveness of risk mitigation plans and activities.

During 2019 the following key risk management activities have been undertaken:

- Principal risk mitigation plan reviews:
 - Inadequate protection against cyber-attack resulting in potential loss of data.
 - Uncertainty surrounding Brexit.
 - Inability to deliver major programmes.
 - Potential disruption to the supply chain.
 - Liquidity.
- Twice yearly formal validation and approval of corporate and functional risk registers.
- Annual review of Enterprise Risk Management Framework and System.
- Executive Committee review and agreement of the Group's principal and emerging risks.

The following principal risk reviews have been included within the 2020 Internal Audit plan:

- Brand/Reputational damage arising from poor quality, late delivery, product recall and ineffective brand positioning and awareness.
- Failure to attract, develop and retain top talent.
- Potential non-compliance with laws and regulations.
- Inability to maintain favourable competitive positioning.

VIABILITY STATEMENT

ASSESSMENT OF PROSPECTS

The underperformance of the Group in 2019 resulted in severe liquidity pressures on the Group, prompting a detailed operational, financial and strategic review of the business. As announced on 31 January 2020, this resulted in the reset of the business plan (details of this are set out on pages 14 and 15) and plans to strengthen the balance sheet to improve liquidity and to reduce leverage, through the proposed placing to the Consortium led by Lawrence Stroll and underwritten rights issue to raise a combined £500m.

VIABILITY STATEMENT

The Directors have carried out a robust review of the principal risks of the Group, which are set out on pages 55 to 66, identifying the nature and potential impact of those risks on the viability of the Group, together with the likelihood of them materialising.

This analysis has then been used to carry out an assessment of the ability of the Group to continue in operation and meet its obligations. The assessment covers the five-year period from January 2020 to December 2024. This was considered appropriate by the Directors because it aligns with the reset of the business plan, the Group's normal planning horizon and is indicative of the investment and development cycle of new products in the luxury car market. Inevitably, the degree of certainty decreases over this period.

The assessment process consisted of stress testing the base case in the reset business plan for scenarios designed to reflect the potential impact of the principal risks materialising including the following:

- The impact of delays to the start of DBX sales.
- The impact of strengthening £:US\$ exchange rates.
- A severe but plausible reduction in sales volumes as a result of factors such as a material reduction in the size of the luxury market due to external factors (such as a decrease in demand from HNWI's, increased direct and indirect taxation and changes in consumer habits away from luxury vehicles or through supply delays either due to Brexit or supplier complications).
- A compound scenario aggregating the potential impact of all scenarios.

In the event of one or more risks occurring which has a particularly severe effect on the Group, the assessment that all appropriate actions would be taken in a timely manner by management to mitigate as far as possible the impact of the risks. Potential mitigating actions include constraining capital spend, seeking additional funding and/or a number of other adjustments to operations in the normal course of business.

In all scenarios it is assumed that the Placing and Rights Issue will complete and also that any borrowings that mature in the review period (substantially in 2022) will be renewed or replaced with facilities of similar size. The projections show that, even in stressed conditions, the Group should be able to refinance these facilities on commercially acceptable terms, assuming that debt markets continue to operate as currently.

In addition, we have assumed that no additional legislative action will be taken that impacts the sale of our products within the viability statement timeframe.

As noted in the going concern statement on page 131, the placing and rights issue (the "Transaction") are dependent upon shareholder approval. As at 26 February 2020, irrevocable support from the strategic investors prior to launch for the Transaction was below the 75% approval required. The Directors expect shareholders to approve the Transaction at a general meeting to be held on 16 March 2020.

The Directors have assessed the viability of the Group over the five-year period to 31 December 2024 and, based on this assessment and the assumptions stated above, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2024.





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BOARD OF DIRECTORS

PENNY HUGHES, CBE

CHAIR

Appointed to the Board with effect from 8 October 2018.

COMMITTEES

Nomination Committee (Chair)

OTHER SIGNIFICANT APPOINTMENTS

- The Gym Group PLC (Chair)
- iQSA (Chair)

PAST ROLES

- The Royal Bank of Scotland PLC (non-executive director and chair of the remuneration committee and the sustainable banking committee)
- Superdry PLC (non-executive director and chair of the remuneration committee)
- Vodafone (non-executive director and chair of the remuneration committee)
- Advertising Association (President)
- Wm Morrison Supermarkets PLC (non-executive director)
- Coca-Cola (various executive roles including President Coca-Cola Great Britain & Ireland)

RELEVANT EXPERIENCE

Ms Hughes has served on the boards of entities across consumer, media, technology and finance sectors. She has significant experience of large global organisations and smaller private and listed organisations, including newly-listed companies. During her non-executive career, she has chaired each of the principal board committees.

DR ANDY PALMER, CMG

PRESIDENT AND GROUP CHIEF EXECUTIVE OFFICER

Joined the Group in 2014. Appointed to the Board on 7 September 2018.

COMMITTEES

None

OTHER SIGNIFICANT APPOINTMENTS

- Ashok Leyland (non-executive director)
- Pod Point Limited (board observer)
- SBD Automotive Limited (non-executive director)
- HM Group Captain, Royal Air Force
- Professor at Warwick and Coventry Universities

PAST ROLES

- Nissan Motor Co. (Co-Chief Operating Officer and Chief Planning Officer and member of the Nissan Executive Committee)
- Austin Rover Group (Chief Engineer for Transmissions)
- Automotive Products Limited (various roles, commencing with an apprenticeship at 16)

RELEVANT EXPERIENCE

Dr Palmer a Fellow of the Royal Academy of Engineering, a chartered manager and business leader with 40 years' experience in the automotive industry. In 2012, he was recognised by Auto Express, the weekly UK motoring magazine, as the most senior Briton in the global automotive industry and again in 2018 as the most influential person in the automotive industry over the past 30 years.

MARK WILSON

EVP AND CHIEF FINANCIAL OFFICER

Joined the Group in 2015. Appointed to the Board with effect from 8 October 2018.

COMMITTEES

None

OTHER SIGNIFICANT APPOINTMENTS

None

PAST ROLES

- G-Cube Underwriting (Chief Financial and Operating Officer)
- McLaren Automotive (Finance Director)
- Lotus Cars Ltd (Project Finance)

RELEVANT EXPERIENCE

Mr Wilson is a chartered management accountant and has a strong track record of senior automotive experience and financial management and control expertise.

RICHARD SOLOMONS

SENIOR INDEPENDENT DIRECTOR

Appointed to the Board with effect from 8 October 2018.

COMMITTEES

Audit and Risk Committee (Chair)

Nomination Committee

Remuneration Committee

OTHER SIGNIFICANT APPOINTMENTS

- Rentokill Initial plc (Chair)
- Board of Governors of the University of Manchester (member)
- Hotelbeds (non-executive director and chair of advisory committee)

PAST ROLES

- InterContinental Hotels Group plc (executive positions including Chief Executive, Chief Financial Officer and various financial and operational roles)
- Marks & Spencer plc (non-executive director)

RELEVANT EXPERIENCE

Mr Solomons is a qualified chartered accountant and has significant financial and operational experience in large global consumer-facing organisations which are UK-listed.

IMELDA WALSH

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board with effect from 8 October 2018.

COMMITTEES

Remuneration Committee (Chair)
 Audit and Risk Committee
 Nomination Committee

OTHER SIGNIFICANT APPOINTMENTS

- Mitchells and Butlers plc (non-executive director and Chair of the remuneration committee)

PAST ROLES

- FirstGroup plc (non-executive director and Chair of the remuneration committee)
- William Hill plc (non-executive director and Chair of the remuneration committee)
- Mothercare Plc (non-executive director and Chair of the remuneration committee)
- J Sainsbury plc (Group HR Director and member of the operating Board)
- HR leadership roles in Barclays, Coca Cola and Schweppes Beverages and Diageo

RELEVANT EXPERIENCE

Ms Walsh has significant experience as an HR leader of large global organisations and also as a non-executive director chairing remuneration committees of UK-listed companies.

PETER ESPENHAHN

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board with effect from 8 October 2018.

COMMITTEES

Audit and Risk Committee

OTHER SIGNIFICANT APPOINTMENTS

None

PAST ROLES

- Morgan Grenfell /Deutsche Bank (senior leadership roles)
- Deloitte, Plender, Griffiths & Co (audit, tax and investigation roles)
- Telspec plc (chair, formerly non-executive director)

RELEVANT EXPERIENCE

A chartered accountant, Mr Espenhahn started his career at Deloitte, Plender, Griffiths & Co before holding various senior corporate finance and investment banking roles at Morgan Grenfell/Deutsche Morgan Grenfell. He has a good understanding of the UK-listed company environment.

LORD MATTHEW CARRINGTON

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board with effect from 8 October 2018.

COMMITTEES

Remuneration Committee

OTHER SIGNIFICANT APPOINTMENTS

- Arab British Chamber of Commerce (non-executive director)
- CarringtonCrisp Ltd (non-executive director)

PAST ROLES

- Saudi International Bank (senior management positions)
- Outdoor Advertising Association (Executive Chairman)
- Retail Motor Industry Federation (Chief Executive)
- Gatehouse Bank plc (Chairman)

RELEVANT EXPERIENCE

Lord Carrington has extensive experience in international business and UK public service roles. He has a thorough understanding of the Middle East market and, as former Chief Executive of the Retail Motor Industry Federation, of the automotive industry.

PROFESSOR TENSIE WHELAN

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board with effect from 8 October 2018.

COMMITTEES

None

OTHER SIGNIFICANT APPOINTMENTS

- NYU Stern School of Business (Clinical Professor of Business and Society and Executive Director)
- Inherent Group (Advisory Board member)
- Arabesque Asset Management Ltd (Advisory Board member)

PAST ROLES

- Rainforest Alliance (President)
- Unilever Sustainable Sourcing Advisory Board (member)
- New York League of Conservation Voters (Executive Director)
- Globescan (independent director)
- Odebrecht SA (Global Advisory Council member)

RELEVANT EXPERIENCE

Ms Whelan has significant experience as a leader in environmental and social stewardship, serving as Founding Director of the NYU Stern School of Business's Center for Sustainable Business and having previously led the transformation of the Rainforest Alliance.

**AMR ALI ABDALLAH
ABOUELSEUD**
NON-EXECUTIVE DIRECTOR

Joined the Group in 2007. Appointed to the Board on 7 September 2018.

COMMITTEES

Remuneration Committee

OTHER SIGNIFICANT APPOINTMENTS

- Tejara Capital Limited
- Tejara Capital International Bank
- The Investment Dar
- Manazel Real Estate Developments Company
- Credit Rating & Collection Company
- White Rose Automotive Limited
- Primewagon (UK) Limited
- Primewagon (Jersey) Limited
- Grosvenor House Apartments Limited
- Venus Limited (Jersey)
- Venus Holdings Limited (Jersey)

PAST ROLES

- Coopers & Lybrand
- Ernst & Young

RELEVANT EXPERIENCE

Mr AbouelSeoud, a certified public accountant, has over 20 years of experience of the investment industry and a deep understanding of the Group and the luxury automotive industry, having served as a director of Group companies since 2007.

**MAHMOUD SAMY MOHAMED
ALY EL SAYED**
NON-EXECUTIVE DIRECTOR

Joined the Group in 2007. Appointed to the Board on 7 September 2018.

COMMITTEES

Audit and Risk Committee (observer)

Nomination Committee (member)

OTHER SIGNIFICANT APPOINTMENTS

- Adeem Investment and Wealth Management Company (Chief Executive Officer and Vice Chair)
- Asmar Limited
- White Rose Automotive Limited
- Manazel Development Company (Chair)
- Grosvenor House Apartments Limited (Chair)
- Wethaq Takaful Insurance Egypt (director)

PAST ROLES

- EFAD Holding (Executive Vice-President of Investment and Risk Management)
- PricewaterhouseCoopers (assurance services roles)
- Aston Martin Mena Limited

RELEVANT EXPERIENCE

Mr Aly El Sayed is a certified risk analyst and a certified public accountant with significant financial experience in the Middle East. He has a deep understanding of the Group and the luxury automotive industry, having served as a director of Group companies since 2007.

DANTE RAZZANO
NON-EXECUTIVE DIRECTOR

Joined the Group in 2013. Appointed to the Board on 7 September 2018.

COMMITTEES

Nomination Committee (member)

Remuneration Committee (observer)

OTHER SIGNIFICANT APPOINTMENTS

- Investindustrial Group (Executive Vice Chairman)
- Investindustrial Services SA (Director)

PAST ROLES

- Morgan Grenfell (director)
- Citibank NA (Managing director and Senior Investment Officer)
- Banca Popolare di Milano (Management Board)
- Manufacturers Hanover Trust in New York (VP and Group Executive)
- Ducati Motor Holding SpA
- Permasteelisa SpA

RELEVANT EXPERIENCE

Mr Razzano has extensive investment banking experience and has served on the boards of companies in the automotive and engineering sectors. He has a deep understanding of the Group and the luxury automotive industry, having served as a director of Group companies since 2013.

OTHER BOARD CHANGES

Following completion of the Placing, Lawrence Stroll will join the Board and become Executive Chairman. Perry Hughes will step down on 7 April 2020. Further biographical details for Mr Stroll will be provided in the Notice of Annual General Meeting.

Peter Rogers, CBE, Non-Executive Director, passed away February 2020.

Saoud Al Humaidhi, Non-Executive Director, stepped down 7 October 2019.

Najeeb Al Humaidhi, Non-Executive Director, stepped down 7 October 2019.

Mark Wilson will step down as Chief Financial Officer and as an Executive Director no later than 30 April 2020.

Richard Solomons, Imelda Walsh and Tensie Whelan have advised that they will not seek re-election at the Company's forthcoming AGM.

EXECUTIVE COMMITTEE

Charlotte Cowley	Director of Investor Relations
Peter Freedman	VP and Chief Marketing Officer
John Griffiths	VP and Chief Purchasing and Supply Chain Officer
Andy Haslam	VP and Chief Sales Officer
Richard Humbert	VP and Chief Quality Officer
Stephanie Jackson	Director of Corporate Strategy
Michael Kerr	VP and Chief HR Officer
David King	VP and Special Operations Officer and President AMR
Nick Lines	VP and Chief Technical Officer
Michael Marecki	VP and General Counsel
Marek Reichman	EVP and Chief Creative Officer
Nikki Rimmington	VP and Chief Planning Officer
Laura Schwab	Regional President of Aston Martin Americas
Keith Stanton	VP and Chief Manufacturing Operations Officer
Catherine Sukmonowski	Company Secretary and Director of Corporate Governance



CHAIR'S INTRODUCTION TO GOVERNANCE



PENNY HUGHES, CBE

DEAR SHAREHOLDER

As I have explained in more detail in my Chair letter, this has been a very difficult year for Aston Martin Lagonda. The difficult trading performance in 2019 resulted in severe pressure on liquidity which has left the Company with no alternative but to seek substantial additional equity financing. Without this the balance sheet is not robust enough to support the operations of the Group. As we announced on 31 January 2020, despite recent weak trading, the strength of the Aston Martin brand and our expanding portfolio of cars has allowed us to attract a strong new partner in the consortium led by Lawrence Stroll to support the turnaround of the business, with plans to conduct a placing of new shares to the consortium and an underwritten rights issue.

This has been a particularly demanding time for the Board. Initially, with significant energy to develop ways of working as a new Board and to establishing appropriate routines to meet public company good governance requirements, to increasing oversight of the Company's performance as it weakened during the year and culminating in the reset to the business plan and proposed capital raise. Following the Company's unscheduled trading update in July an intense period ensued which challenged the Board to agree to new sources of liquidity, a reset business plan, the quantum of capital required and to conduct a process around potential routes to achieve this, including dialogue with potential strategic investors at a time of extreme pressure on liquidity. This work was supported by expert external advice including in relation to legal and financial matters and longer-term strategic options. The Board met 20 times during the period from August to our announcement on 31 January. The outcome had unanimous Board support and I am very appreciative of the efforts of Board members in achieving this. More detail of the work of the Board during the year is set out in this Report.

During this period, we have been very mindful of our stakeholders particularly our employees and the impact of events on them. Employee engagement has been led at Board level by Imelda Walsh, Remuneration Committee Chair, who took on the role of 'designated NED' with the responsibility to directly engage with the Company's workforce. During the year, Imelda attended the Company's Employee Engagement Group ("EEG") to understand the views and concerns of the workforce which were reported to the Board along with management plans to address these.

The EVP and Chief Financial Officer also had a number of discussions with the Pension Scheme Trustees as well as significant engagement by me, the Executive Directors and Director of Investor Relations with investors as set out later in this Report. Information on our engagement with other key stakeholders is set out on page 32.

The Company committed to becoming fully compliant with the UK Corporate Governance Code ("Code") within 12 months of the IPO. Consequently, it was announced on 8 October 2019 that two non-independent Non-Executive Directors, Najeeb Al Humaidhi and Saoud Al Humaidhi, had stepped down as directors, and that the non-independent Non-Executive Directors on the Remuneration and Audit and Risk Committees had become observers on those Committees. The Committees became Code compliant as a result. Further to the commitment to appoint one additional independent Non-Executive Director to achieve Board Code compliance, the recruitment process was well underway at the start of the year but became protracted due to the inability to achieve unanimity and then was paused in view of the strategic, operational and financial review of the business. Consequently, the Company had not achieved Code compliance in relation to its Board composition through this process. Further information on this is in the Nomination Committee Report on page 86.

Following discussions and by mutual agreement Mark Wilson will step down as Chief Financial Officer and as an Executive Director of the Company no later than 30 April 2020. He will remain available to the Company to assist with transition in the period through to 30 June 2020. I would like to note the sad passing in early 2020 of Peter Rogers who joined the Board on IPO representing the Prestige Shareholder Group as a Non-Executive Director. We will remember Peter's contribution to the Board and miss his strong character and kindness of spirit. This vacancy makes our Board Code compliant currently, but the Board will not be compliant following the placing due to the rights of significant shareholders as set out below.

Following the completion of the Placing, Lawrence Stroll, who is not regarded as independent for the purposes of the Code, will join the Board and become Executive Chair and I will step down as a Director on 7 April. The three Significant Shareholder Groups of the Company will be the Stroll Consortium, Prestige/SEIG and Adeem/PW, and each will be entitled under New Relationship Agreements to have representative Board appointments at a revised lower shareholding following the capital raise. The full details are explained in the Governance Report on page 80. Due to the Board appointment rights, each of Richard Solomons and Imelda Walsh have advised that they will not seek re-election at the forthcoming AGM. Tensie Whelan has also advised she will not stand for re-election. These directors will work to support the transition to Lawrence Stroll as Executive Chairman during their period of notice. Non-compliance has only been accepted in order to support the capital raise and it is understood significant focus and effort will need to be applied to Board composition.

Whilst the results of the past year are not satisfactory, the Board believes that the actions put in place will allow the Company to implement and deliver on the reset to its plan.

PENNY HUGHES, CBE
CHAIR

26 FEBRUARY 2020

BOARD GOVERNANCE

OVERVIEW

This Report sets out the Board's corporate governance structures and work from 1 January 2019 to 31 December 2019. Together with The Directors' Remuneration Report on pages 96 to 107, it includes details of how the Company has applied and complied with the principles and provisions of the 2018 UK Corporate Governance Code (the "Code"). The Code is published by the Financial Reporting Council and further information can be found on its website, www.frc.org.uk. The Code is supported by the FRC's Guidance on Board Effectiveness, which the Board uses to support its approach to governance and decision making.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The Code requires companies to describe in the Annual Report how they have applied the main principles of the Code and also any areas where companies do not comply with the Code provisions. The Directors consider that the Company has been compliant with the Code provisions as applied during the year ended 31 December 2019, other than the exceptions as set out below:

- *Code provision 11 recommends that at least half the board of Directors of a UK-listed company (excluding the Chair) should comprise 'independent' non-executive directors, being individuals determined by the Board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the Director's judgement. As set out in the 2018 Annual Report, in order to comply with Code requirements, the Board agreed that two non-independent Non-Executive Directors would step down by the first anniversary of Admission (8 October 2019) and that one additional independent Non-Executive Director would be appointed to the Board. Two non-independent Non-Executive Directors Najeeb Al Humaidhi and Saoud Al Humaidhi stepped down as directors on 7 October 2019. The composition of the Board reflects the rights of the Significant Shareholders under their respective Current Relationship Agreements (see page 112). Further to the commitment to appoint one additional independent Non-Executive Director, the recruitment process was well underway but protracted due to the inability to achieve unanimity and then paused in view of the Company's operational and financial review of the business. Further information is in the Nomination Committee report on page 86. Consequently, the Company had not complied with Code provision 11 by the end of the year because only five of the eleven Directors (excluding for these purposes the Chair) were regarded by the Board to be*

independent for the purposes of the Code. The Board regards the Chair Penny Hughes to be independent on appointment, and Richard Solomons, Imelda Walsh, Peter Espenhahn, Lord Matthew Carrington and Tensie Whelan to be independent for the purposes of the Code. Amr Ali Abdallah AbouelSeoud, Mahmoud Samy Mohamed Aly El Sayed, Dante Razzano and Peter Rogers, as representative Directors nominated by the Significant Shareholders, are not regarded as independent for the purposes of the Code. As noted, with Peter Roger's passing in early 2020, the Board is currently Code compliant, but Significant Shareholders will have the right to appoint further representative Directors on completion of the Placing and/or Rights Issue who will not be considered independent for Code purposes.

- *Code provisions 24 and 32 recommend that the Audit and Risk Committee and Remuneration Committee respectively, be comprised solely of independent Non-Executive Directors (excluding the Chair). The Company has complied with these Code provisions from 7 October 2019 when Amr Ali Abdallah AbouelSeoud and Dante Razzano stepped down from the Remuneration Committee and Peter Rogers and Mahmoud Samy Mohamed Aly El Sayed stepped down from the Audit and Risk Committee. These individuals are permitted to attend those relevant Committees as observers without voting rights.*

OUR BOARD

At the date of this Report our Board comprises 11 members: the Chair, the President and Group Chief Executive Officer, the EVP and Chief Financial Officer and eight Non-Executive Directors, of whom five are considered independent for the purposes of the Code. The names of the Directors and their biographies are set out on page 72.

The Directors are appointed by the Board and are subject to annual re-election by shareholders. The two Significant Shareholder Groups have nominated Directors who have been appointed to the Board; further details of these arrangements are set out on page 112 and under 'Transactions with related parties' on page 113.

The Board is satisfied that there is a sufficient balance between Executive and Non-Executive Directors on the Board to ensure that no one individual has unfettered decision making powers and that Directors are able to discharge their duties and responsibilities.

It is the responsibility of the Board to establish the Company's purpose and to satisfy itself that the Company's purpose, values and strategy are aligned with its culture.

The Board's role is also to support management in the Group's strategic aims in the best interests of our shareholders and wider stakeholders. It leads and provides direction in the setting of strategy and overseeing its implementation by management. This has included the Second Century Plan adopted by the Company on IPO and, with the underperformance of the Company against its original plans and pressure on liquidity leading to an operational and financial review of the business, the recent reset of the business plan. The Board also monitors the Group's operations within an agreed framework of controls, allowing risk to be assessed and managed within agreed parameters. This is discussed further in the Risk and Viability Report.

The Board has established Terms of Reference that sets out the matters that it must approve and the specific responsibilities that it has delegated to its principal committees: The Audit and Risk Committee, Remuneration Committee and Nomination Committee. Each of the Committees' roles and responsibilities are set out in formal terms of reference, which are determined by the Board. These are available for review on the Company's website at www.astonmartinlagonda.com. Reports from each of these Committees are provided on the following pages.

All Board and Committee meetings are minuted and formally approved at the next meeting. Board minutes contain details of the Directors' decision-making processes and any follow up actions or concerns raised by the Directors.

The Board's terms of reference state that it must consider and approve the following:

- the Group's strategic aims, objectives and commercial strategy;
- review of performance relative to the Group's business plans and budgets;
- major changes to the Group's corporate structure, including acquisitions and disposals;
- financial statements and the Group dividend policy including any recommendation of a final dividend;
- major changes to the capital structure including tax and treasury management;
- major changes to accounting policies or practices;
- the system of internal control and risk management policy;
- the Group's risk appetite; and
- the Group's corporate governance and compliance arrangements.

The specific activities undertaken by the Board during the year are set out below.

The senior management team is responsible for executing the strategy approved by the Board.

CHAIR AND PRESIDENT AND GROUP CHIEF EXECUTIVE OFFICER

There is a clear separation of responsibilities between the Chair and the President and Group Chief Executive Officer. The Chair, Penny Hughes, is responsible for leading and managing the business of the Board and ensuring its overall effectiveness, governance and director succession planning. She also ensures the effective communication between the Board, management, shareholders and the Group's wider stakeholders. The Chair works collaboratively with the President and Group Chief Executive Officer, Andy Palmer, in setting the Board agenda and ensuring that any actions agreed by the Board are effectively implemented. The President and Group Chief Executive Officer is responsible for proposing and delivering the agreed strategy and for the operational and strategic management of the Group. He is also responsible for supporting Directors' induction into the business by providing the necessary resources for developing and updating their knowledge and capabilities concerning the Company, including access to Company operations and members of the workforce.

EVP AND CHIEF FINANCIAL OFFICER

The EVP and Chief Financial Officer, Mark Wilson, is a member of the executive management team reporting to the President and Group Chief Executive Officer. His role is to lead the financial management, risk and internal control teams and to oversee the Group's relationship with the investment community.

SENIOR INDEPENDENT DIRECTOR ("SID")

Richard Solomons is the Senior Independent Director. The SID supports the Chair in her role and leads the Non-Executive Directors in the oversight of the Chair. The SID is also available as an additional point of contact for shareholders.

NON-EXECUTIVE DIRECTORS

The Non-Executive Directors provide constructive challenge, strategic guidance, offer specialist advice and hold management to account. They monitor the performance and delivery of the strategy within the risk parameters and control framework set by the Board. The Non-Executive Directors have met on a number of occasions without the Executives being present.

THE COMPANY SECRETARY

The Company Secretary, Catherine Sukmonowski, acts as secretary to the Board and each of the Committees. She is responsible for supporting the Chair and the Board in delivering the Group's corporate governance agenda.

RELATIONSHIP AGREEMENTS

As set out in the 2018 Annual Report, the Company currently has two groups of Significant Shareholders namely, the Adeem/PW Significant Shareholder Group and the Prestige Significant Shareholder Group. The relationship between the Company and each of these Significant Shareholder Groups is governed by two separate Relationship Agreements (the "Current Relationship Agreements"), each executed on IPO. The purpose of these Current Relationship Agreements is to ensure that the Company can carry on its business independently and for the benefit of shareholders as a whole.

The Current Relationship Agreements also provide that the Company will not take any action in relation to certain significant matters without the prior approval of at least two-thirds of members of the Board present and entitled to vote. The Current Relationship Agreements will terminate upon the relevant Significant Shareholder Group ceasing to have the entitlement to exercise 7% or more of the voting rights in the Company or the Company's shares ceasing to be admitted to the Official List of the Financial Conduct Authority and traded on the Main Market for listed securities of the London Stock Exchange.

Each of the Current Relationship Agreements provides that each Significant Shareholder Group is entitled to nominate director(s) to the Board and the Nomination Committee and an observer to the Remuneration and Audit and Risk Committees subject to the size of its interest in the voting rights of the Company and the time elapsed since Admission.

Further information on the Current Relationship Agreements is set out in the Directors' Report page 112.

On completion of the Placing, the three Significant Shareholder Groups of the Company will be the Stroll Consortium, Prestige/SEIG and Adeem/PW, and each will be party to New Relationship Agreements with the Company. Adeem/PW have indicated that they intend on taking up a lower level than their irrevocable commitment to take up at least 50% of their rights as announced on 31 January. The Consortium has therefore agreed to buy the Adeem/PW remaining rights in full. This will result in Adeem/PW holding less than 20% of the issued share capital of the Company following the capital raise.

In order to ensure the timely execution of the Capital Raise, the Board has consequently agreed to Adeem/PW's requirement that the Board appointment rights contained in the New Relationship Agreements should be amended to reduce the threshold at which each Significant Shareholder Group will have the right to appoint two directors to the Board, to the lowest percentage holding of the three Significant Shareholder Groups upon completion of the Rights Issue, but in all cases not below 17.5%. The right to appoint one director will continue to be for so long as a Group's holding of voting rights in the Company is equal to or exceeds 7%.

The Current Relationship Agreements remain in effect until then. Further information on the New Relationship Agreements is set out in the Prospectus.

BOARD ACTIVITIES

BOARD MEETINGS

The Board has been very busy during 2019 and early 2020 having met as a Board for 8 scheduled meetings and an additional 25 unscheduled Board and Board Committee meetings up to the date of this Report. As set out in the introduction, this reflected additional oversight and support of management as the Company experienced challenging trading conditions placing a stress on liquidity and prompting the operational and financial review of the business. Board focus was on the following key areas/activities.

- Regular product updates particularly DBX unveiling activities, Valkyrie progress and Vantage plans. Deep dive reviews on key areas of the business including quality, supply chain, sales, marketing and dealerships and other areas. A number of discussions took place on the impacts and Company preparedness for Brexit.
- Board visits to the Company's Milton Keynes design studio and centre for Red Bull joint projects as well as a two day strategy session in St Athan, the DBX production facility.
- Consideration and approval of financial statements, announcements and other financial reporting matters including the approval of the quarterly financial results, annual report planning and approval of the annual report and preliminary results announcement.
- Investor relations engagement including regular updates by the Director of Investor Relations on investor feedback, market reaction to announcements and reports from brokers and analysts.
- Regular updates on the performance of the business, performance issues and transformation plans including to reduce costs and improve efficiency and impacts on the workforce and culture of the Company and plans for workforce engagement.

- Consideration of arrangements for the AGM, including the Notice of AGM.
- Consideration of the Partial Offer for 3% of the issued share capital of the Company made by offeror Strategic European Investment Group S.a.r.l.
- Other regular corporate governance and regulatory updates.
- Following from ongoing review of the liquidity and viability of the Company, securing the US\$190m private placement in H1 and US\$150m senior secured notes in H2.
- A comprehensive review of the Company's strategy and business plan including independent review by external advisors on the strategic, financial and legal aspects of the Plan.
- Review and agreement of Chair and Non-Executive Director fees on the recommendation of the Remuneration Committee, given the performance of the Company.
- A review of the potential strategic investment options alongside liquidity and capital raise options, culminating in the approval of the proposed Stroll Consortium Placing and underwritten Rights Issue to raise a total £500m.

In addition to the above the Board considered the requirements under the 2018 Corporate Governance Code including a gap analysis and the adoption of an action plan to enhance compliance. The focus was on identifying the activities taking place within the Company including those persons who are responsible for these activities and to consider how these

matters are brought to, and considered by, the Board and improvements which could be made. Particular actions included the appointment of Imelda Walsh, Remuneration Chair, who took on the role of 'designated NED' with the responsibility to directly engage with the Company's workforce and recommended actions to improve Board ways of working.

During this period, the Board has been very mindful of our stakeholders particularly the possible impacts of events on them. In particular the Board has in its deliberations taken into account possible impacts on our workforce, investors, pension scheme, customers, suppliers, dealers, business partners and creditors, among others. More information on our key stakeholders and engagement with them is set out below and on page 32.

The scheduled Board and Committee meetings have standing agenda items which ensures that all aspects of the business and regulatory requirements are given due consideration as appropriate.

The table below sets out the Directors' attendance at regularly scheduled Board and Committee meetings during the period from 1 January 2019 to 31 December 2019. In the case of any absences the relevant director ensured that their views were communicated to the Chair or another director, prior to the meeting.

Director	Board	Audit and risk	Nomination	Remuneration
Penny Hughes (Chair)	7/7	n/a	2/2	n/a
Dr. Andy Palmer (President and Group CEO)	7/7	n/a	n/a	n/a
Mark Wilson (EVP and CFO)	7/7	n/a	n/a	n/a
Richard Solomons (Chair, Audit and Risk Committee, SID)	7/7	6/6	2/2	5/5
Amr Ali Abdallah AbouelSeoud ³	7/7	n/a	n/a	5/5
Najeeb Al Humaidhi ²	2/5	n/a	n/a	n/a
Saoud Al Humaidhi ²	4/5	n/a	1/1	n/a
Lord Matthew Carrington	7/7	n/a	n/a	5/5
Mahmoud Samy Mohamed Aly El Sayed ^{1,4}	7/7	5/6	1/1	n/a
Peter Ian Espenhahn	7/7	6/6	n/a	n/a
Dante Razzano ³	7/7	n/a	2/2	4/5
Peter Rogers ^{1,5}	6/7	6/6	n/a	n/a
Imelda Walsh (Chair, Remuneration Committee)	7/7	6/6	2/2	5/5
Professor Tensie Whelan	6/7	n/a	n/a	n/a

1. For the period to 7 October 2019 when both directors ceased to be members of the Audit and Risk Committee.

From this date, they have served as observers on the Audit and Risk Committee with no voting rights.

2. Ceased to be directors of the Company on 7 October 2019.

3. For the period to 7 October 2019 when both directors ceased to be members of the Remuneration Committee.

From this date, they have served as observers on the Remuneration Committee with no voting rights.

4. Joined the Nomination Committee on 8 October 2019.

5. Absence due to illness

INFORMATION FLOW, INDUCTION AND PROFESSIONAL DEVELOPMENT

The Chair works closely with the Company Secretary to plan and schedule Board and Committee meetings. A key area of focus continues to be enhancing the Board and Committee agendas and work plans to ensure that financial, regulatory and governance requirements are met throughout the year as well as providing sufficient time to focus on strategy and key areas of the business.

In addition, the Chair and the Company Secretary work to ensure that information is made available to Board members on a timely basis and is of a quality appropriate to enable the Board to effectively carry out its duties. The Chair and the Committee Chairs continued to work with management to improve the approach to agendas and papers, and to discuss the information which would be most useful for the Board to receive including between formal meetings.

An agenda and accompanying pack of detailed papers are circulated to the Board in advance of each Board meeting. Currently these include reports from the Executive Directors, other members of senior management and external advisers. Members of senior management may be invited to present relevant matters to the Board. All Directors are able to request additional information on any of the items to be discussed. The Board and the members and observers of the Audit and Risk Committee also receive further regular and specific reports from the internal auditors to allow the monitoring of the adequacy of the Group's systems of internal controls and reports from the external auditors.

Tailored induction programmes were put in place for the Chair and Non-Executive Directors as required which included visits to each of the main operational locations, meetings with senior management and information about the key areas of the business.

The Board and Committee standing agenda items include the briefing of Directors on a wide range of topics which include corporate governance and regulatory requirements. Additionally, Directors have access to the advice and services of the Company Secretary and independent and professional advice at the Company's expense should they determine that this is necessary to discharge their duties. As was appropriate, the Directors were advised on their duties in respect of the debt and capital raise activities, strategic investment and the partial offer that took place earlier in the year.

APPOINTMENT AND ELECTION OF DIRECTORS

All of the Directors have service agreements or letters of appointment and the details of their terms are as set out in the Directors' Remuneration Report. The Chair and Non-Executive Directors are expected to devote necessary time to perform their duties properly. This is expected to be approximately 60 days each year for the Chair and 30 days each year for the Non-Executive Directors. The Chair and Senior Independent Director may be required to spend additional time over and above this to carry out their extra responsibilities. As discussed in relation to Board attendance, Directors devoted significantly more time to Board matters during the year.

The Board considers all Directors to be effective and committed to their roles and to have sufficient time to perform their duties. As stated, following the Placing, Lawrence Stroll will join the Board and become Executive Chairman and Penny Hughes has confirmed her intention to step down as a Director on 7 April 2020. As noted, by mutual agreement Mark Wilson will step down as Chief Financial Officer and each of Richard Solomons, Imelda Walsh and Tensie Whelan have advised that they will not seek re-election at the Company's Annual General Meeting ("AGM"). Consequently, Lawrence Stroll will be offering himself for election and all remaining members of the Board (excluding those individuals noted) will be offering themselves for re-election at Company's Annual General Meeting ("AGM").

The service agreements and letters of appointment are available for inspection at the Company's registered office during normal business hours. No other contract with the Company or any subsidiary undertaking of the Company in which any Director was materially interested existed during or at the end of the financial year other than the Current Relationship Agreements with Adeem/PW Significant Shareholder Group and the Prestige/SEIG Significant Shareholder Group as set out on page 112.

BOARD EVALUATION AND EFFECTIVENESS

A formal Board effectiveness review had been prepared by the Company Secretary and planned to take place before the year-end. However, given the significant matters before the Board and the priority to resolve the Company's performance issues and liquidity position, it became evident that it was more appropriate to adopt an ongoing dialogue on Board effectiveness. Consequently, there was regular

dialogue concerning the difficulties experienced by the business and the appropriate Board response, including meeting formally on two occasions with only the Non-Executive Directors present and on three occasions with only the independent Non-Executive Directors present. The Senior Independent Director also maintained a dialogue with the independent Non-Executive Directors including in relation to the Chair's performance. The Board as a whole provided extensive feedback to the Executives on quality and transparency of reporting and discussed at length the importance of transparency in Board dialogue and robust processes. Progress on these matters was acknowledged and further areas for improvement noted.

EXTERNAL DIRECTORSHIPS

It is recognised that Non-Executive Directorships can provide a further level of experience for executives that can benefit the Company. As such, Executive Directors may usually take up one Non-Executive Directorship (broadly equivalent in terms of time commitment to a FTSE 350 Non-Executive Directorship role) subject to the Board's approval as long as there is no conflict of interest.

The Board continues to keep under review its approval of the President and Group Chief Executive Officer's existing external Non-Executive Directorships of Ashok Leyland Limited and SBD Automotive Limited and his role as a Board observer of Podpoint Limited. While the President and Group Chief Executive Officer has three appointments, the Board is comfortable that the aggregate time commitment required for these appointments is in line with the Company's policy (see page 105). In addition, the Board is satisfied that there are no conflict of interests.

Details of the Directors' other directorships can be found in their biographies from page 72.

BOARD SUCCESSION AND DIVERSITY

Board succession planning is focused on ensuring the right mix of skills and experience on the Board. All new appointments are based on merit, keeping in mind that to deliver our strategy we need a Board which is diverse and inclusive. Consequently, we believe in the importance of diverse Board membership, including in relation to, gender, social and ethnic backgrounds, cognitive and personal strengths, tenure and relevant experience.

The Company has Significant Shareholder Groups with rights to nominate representative directors to the Board under their respective Relationship Agreements with the Company, as set out on page 112.

In formulating the Board Diversity Policy which was adopted during the year, the Board recognised the Lord Davies Report and the Hampton-Alexander Review target for women to represent 33% of Boards by 2020 whilst also being cognisant of the Company's Relationship Agreements with its Significant Shareholder Groups. Accordingly, the Board has agreed that it intends to maintain a balance so that, as a minimum, one third of the total Executive and independent Non-Executive Directors (including the Chair), are women provided that this is consistent with the prevailing skills and diversity requirements of the Company as and when seeking to appoint a new Director to the Board. Under the Board Diversity Policy, three out of 8 Board members are women comprising 37.5% of the Board.

We recognise that there will be periods of change on the Board and that this number may be smaller for periods of time while the Board is refreshed, however, it is our longer-term intention to at least maintain this balance.

DIRECTORS' CONFLICTS OF INTEREST

Directors have a statutory duty to avoid situations in which they may have interests that conflict with those of the Company unless that conflict is first authorised by the Board. As permitted under the Companies Act 2006, the Company's Articles of Association allow Directors to authorise conflicts of interest and, in accordance with its terms of reference, the Board has established a policy and set of procedures for managing and, where appropriate, authorising actual or potential conflicts of interest. This is monitored by the Nomination Committee.

Prior to approval of this Report, the Committee has reviewed all situational conflicts that it has authorised and concluded that the potential conflicts had been appropriately authorised, no circumstances existed which would necessitate that any prior authorisation be revoked or amended, and the authorisation process continued to operate effectively.

RELATIONSHIP WITH SHAREHOLDERS, EMPLOYEES AND OTHER STAKEHOLDERS

The Board is committed to maintaining good communications with existing and potential shareholders. The President and Group Chief Executive Officer and the EVP and Chief Financial Officer met with a large number of shareholders during the year in person or by telephone after each announcement relating to the Company's financial performance. The Chair has engaged with institutional shareholders to discuss the Company's performance and Board governance matters and communicated their views to the Board. The Chair and the Chair of the Remuneration Committee also had an extensive dialogue with investors on remuneration issues ahead of finalising the Directors' Remuneration Policy approved at last year's AGM. The Board will have an opportunity to engage with its wider shareholders at the upcoming AGM.

In relation to investor relations activity, a combination of the President and Group Chief Executive Officer, the EVP and Chief Financial Officer and the Investor Relations team held over 450 meetings with 363 individual investors and analysts during the year. About 40% of the meetings included the executive management team. The Director of Investor Relations was a regular Board attendee to provide feedback from these meetings and updates on other market matters. Topics discussed included medium-term strategy, with the DBX a key area of focus; short-term business performance including volumes, product and regional trends; cash generation and liquidity; and Brexit preparedness. In addition to the ongoing investor relations meeting schedule and conference attendances, the Company welcomed a number of investors and analysts to the Aston Martin Lagonda stand at the Geneva Motor Show in March, hosted an investor day at St Athan in June and at the official St Athan site opening in December 2019.

The management team also hosted webcasts for all reported results and market updates to take questions from investors and analysts to ensure an open dialogue with the market.

Presentations given to analysts and investors covering the Group's annual and interim results, along with all results and other regulatory announcements as well as further information for investors, are included on the investor relations section of our website at www.astonmartinlagonda.com.

As part of the Board's work to better understand the views of all stakeholders, Imelda Walsh, the Remuneration Committee Chair, took on the role of 'designated NED' in FY 2019, with the responsibility to directly engage with the Company's workforce. During the year Imelda attended the Company's Employee Engagement Group ("EEG") and listened to views raised by the workforce and the Company's responses and reported on this to the Board. The EEG is well established at the Company, with elected members representing the Company's major job families, and openly bringing forward comments and views from their respective populations. The designated NED role will evolve in 2020, and as well as attending two EEG meetings during the year, the aim will be to also hold a number of less formal meetings with workforce representatives. This approach will give the workforce direct access to the Board (excluding the Executives) and the opportunity to speak up and share their ideas, views and concerns. The Board is keen to establish a constructive two-way dialogue with our workforce, to enable us to better reflect their interests in future Company and strategic decisions, and to help ensure that the Company is a great place to work.

During this difficult period for the Company, in addition to engagement with the workforce, the Chair, Committee Chairs and Executive Directors have also engaged other key stakeholders including close engagement with the Pension Trustees. The Board recognises that the Aston Martin Lagonda Pension Scheme is an important creditor of the business and is grateful for the constructive dialogue during 2019 and into 2020. The Board included these matters in its deliberations as appropriate. Further information on our engagement with other stakeholders, is set out on page 32.

WHISTLEBLOWING

There is an appropriate mechanism for employees and contractors to report any concerns regarding suspected wrongdoing or misconduct. The 'Confidential Reporting and Whistleblowing' policy is made available to all employees and contractors on joining the business and is published on the Group intranet together with annual mandatory training. Whistleblowing reports are investigated by the Internal Audit and Risk Management team with significant findings reported to the Audit and Risk Committee and Board. Further information on this is in the Audit and Risk Committee Report.

ANNUAL GENERAL MEETING

All shareholders may ask questions by contacting us and we also encourage them to attend our AGM where they will have the opportunity to interact with Board members and ask questions.

The Notice convening the 2020 AGM will be made available to shareholders in advance of the meeting. This will provide shareholders with the appropriate time, as set out in the FRC's Guidance on Board Effectiveness, to consider matters.

Separate resolutions will be proposed on each substantially separate matter. The results of the proxy votes on each resolution will be collated independently by the Company's registrar and will be published on the Company's website after the meeting.

FAIR, BALANCED AND UNDERSTANDABLE

The Annual Report and Accounts is required, as a whole, to be "fair, balanced and understandable" and to provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy. The Audit and Risk Committee considered, on behalf of the Board, whether the "fair, balanced and understandable" statement could properly be given on behalf of the directors. The Committee considered the associated assurance processes (as set out on page 95) and, provided a recommendation to the Board that the fair, balanced and understandable statement could be given on behalf of the Directors. Based on this recommendation, our Board is satisfied that it has met this obligation.

A summary of the Directors' responsibilities in relation to the Financial Statements is set out on page 115. The report of the external auditors on page 117 includes a statement concerning their reporting responsibilities.

NOMINATION COMMITTEE REPORT



PENNY HUGHES, CBE
CHAIR, NOMINATION COMMITTEE

DEAR SHAREHOLDER

As Nomination Committee Chair, I am pleased to present the Committee's Report for the year ended 31 December 2019.

ROLES AND RESPONSIBILITIES

The role of the Committee is to establish formal, rigorous and transparent procedures for the appointment of Directors to the Board and senior executive officers of the Company. In addition, it is responsible for reviewing the succession plans for the Executive and Non-Executive Directors.

This involves:

- the regular review of the structure, size and composition of the Board to ensure it has the proper balance of skills, experience, independence, and diversity;
- succession planning for Directors and senior executives, including oversight of the development of a diverse pipeline for succession, with a view to addressing the leadership needs of the Company to ensure that it can continue to compete effectively in the market place;
- identifying and nominating candidates to fill Board vacancies including managing the search process; and
- keeping under review potential conflicts of interests of Directors disclosed to the Company and developing appropriate processes for managing such conflicts where necessary.

The Committee meets at least twice a year and has formal terms of reference which can be viewed on the Company's website www.astonmartinlagonda.com. The Committee had two formal meetings during the year but engaged frequently in addition to these meetings on Board appointment matters. Committee attendance is set out on page 81.

This report sets out the work of the Committee in 2019 in more detail.

MEMBERSHIP

The Committee comprises the Chair of the Board, Penny Hughes, who chairs the Committee, two independent Non-Executive Directors, Richard Solomons and Imelda Walsh, together with two Non-Executive Directors Dante Razzano and Mahmoud Samy Mohamed Aly El Sayed. As Saoud Al Humaidhi, a member of the Committee, stepped down from the Board on 7 October 2019, Mahmoud Samy Mohamed Aly El Sayed was appointed to the Committee as the Adeem/PW appointed Director.

The Company Secretary is secretary to the Committee and the President and Group Chief Executive Officer, Vice President and Chief HR Officer and other members of the senior management team may be invited to attend for all or part of a Committee meeting as appropriate.

BOARD COMPOSITION

On IPO the Board comprised 14 members including the Chair, two Executive Directors, six Non-Executive Directors and five independent Non-Executive Directors. Consequently, the Board was not compliant with the UK Corporate Governance Code ("Code") because at least half of the Board (excluding for these purposes the Chair) were not regarded by the Board to be independent for the purposes of the Code. The Company made a commitment to be UK Corporate Governance Code compliant on the first anniversary.

Board composition is subject to the Current Relationship Agreements with the Adeem/PW Shareholder Group and the Prestige Shareholder Group which on IPO allowed for four and two shareholder appointed directors, respectively. The agreement with Adeem/PW required that two of their appointed directors would stand down within the year.

On 7 October 2019 Najeeb Al Humaidhi and Saoud Al Humaidhi stepped down from the Board and Saoud Al Humaidhi from the Nomination Committee. In addition, all shareholder appointed directors stepped down from the Remuneration and Audit and Risk Committees becoming observers, with those Committees now compliant with the

Code. Despite the Committee's work on Board composition during the year as described below, at the year-end the Board was not yet Code compliant because only five of our 12 Board members (excluding the Chair) were considered by the Board to be independent under the Code. With the sad passing of Peter Rogers in early 2020 the Board is currently Code compliant however, this is likely to be temporary due to the rights of significant shareholders on completion of the Placing and/or Rights Issue to appoint representative directors (see below).

The Board is satisfied that there is a sufficient balance between Executive and Non-Executive Directors on the Board to ensure that no one individual has unfettered decision making powers and that Directors are able to discharge their duties and responsibilities, including on the reserved matters listed in the relevant Current Relationship Agreements.

The Committee's main focus during the year has been Board composition with the aim to achieve the right balance of desired skills and experience to support the Company, particularly working toward the appointment of at least one independent Non-Executive Director to enable the Board to be Code compliant. The detail of this work is set out below.

Following the agreement of a role specification for the independent Non-Executive Director position(s), Heidrick & Struggles were appointed early in the year to assist with the search. Heidrick & Struggles are a signatory to the Voluntary Code of Conduct for Executive Search Firms which seeks to address gender diversity on boards and best practice for the related search processes. Priorities for the role specification were agreed including automotive, technical, luxury and Asia skills/experience including the aim to focus on the gender balance of the Board as part of candidate considerations. Following an extensive process which included the review of a 'long list' of candidates a "short list" was agreed and members of the Committee and other Board members met with a number of the short-listed candidates. On the announcement of Board and Committee changes on 8 October 2019, it was announced that we were in discussion with candidates and expected to announce the outcome shortly thereafter. However, unanimity proved difficult to achieve and so given the reality of ensuring controlling shareholder support and with the continuing challenging trading conditions for the Company prompting the Board to conduct a strategic, operational and financial review of the business, it was appropriate to pause Board composition efforts until the outcome of that review.

Following that review it was announced on 31 January 2020 that the Company had agreed a Placing to the Stroll Consortium and an underwritten Rights Issue. As a condition of the Stroll Consortium's investment in the Company, Lawrence Stroll will join the Board and become Executive Chairman on completion of the Placing, and I will step down as a Director on 7 April. The three Significant Shareholder Groups of the Company will be the Stroll Consortium, Prestige/SEIG and Adeem/PW, and each will be entitled under New Relationship Agreements to have representative Board

appointments at a revised lower shareholding following the capital raise. The full details are explained in the Governance Report on page 80. Due to the Board appointment rights, each of Richard Solomons and Imelda Walsh have advised that they will not seek re-election at the forthcoming AGM. Tensie Whelan has also advised she will not stand for re-election. These directors will work to support the transition to Lawrence Stroll as Executive Chairman during their period of notice. Non-compliance has only been accepted in order to support the capital raise and it is understood significant focus and effort will need to be applied to Board composition.

Following discussions and by mutual agreement Mark Wilson will step down as Chief Financial Officer and as an Executive Director of the Company no later than 30 April 2020. He will remain available to the Company to assist with transition in the period through to 30 June 2020. The Committee has initiated a process to appoint a CFO.

DIVERSITY

The Board acknowledges that the Board's perspective and approach can be greatly enhanced through gender, social and ethnic backgrounds, cognitive and personal strengths, tenure and relevant experience. There is also a recognition that to deliver our strategy it is important to promote a high-performing culture, characterised by a diverse and inclusive workforce.

In formulating the Board Diversity Policy which was adopted during the year, the Committee recognised the Lord Davies Report and the Hampton-Alexander Review target for women to represent 33% of Boards by 2020 whilst also being cognisant of the Company's Relationship Agreements with its Significant Shareholder Groups. Accordingly, it was agreed that the Board intends to maintain balance so that, as a minimum, one third of the total executive and independent Non-Executive Directors (including the Chair), are women, provided that this is consistent with the prevailing skills and diversity requirements of the Company as and when seeking to appoint a new Director to the Board. As at the date of this Report, under the Board Diversity Policy, female Board representation is 37.5% (three out of eight Directors).

COMMITTEE EFFECTIVENESS

As set out on page 82, given the circumstances of the Company an ongoing approach was adopted to assess Committee effectiveness. Throughout the year, the Chair sought soundings from all Directors so that the Committee could enhance its effectiveness in evolving circumstances.

PENNY HUGHES, CBE
CHAIR, NOMINATION COMMITTEE

26 FEBRUARY 2020

AUDIT AND RISK COMMITTEE REPORT



RICHARD SOLOMONS
CHAIR, AUDIT AND RISK COMMITTEE

DEAR SHAREHOLDER

As Audit and Risk Committee Chair, I am pleased to present the Committee's report for the period.

ROLES AND RESPONSIBILITIES

The Committee's responsibilities include:

- assessing the integrity of the Group's financial statements and formal announcements of the Group's performance;
- consideration of the Group's viability statement;
- reviewing the Annual Report to determine whether it is fair, balanced and understandable;
- receiving and reviewing reports from the Company's external auditors, monitoring their effectiveness and independence and making recommendations to the Board in respect of their remuneration, appointment and dismissal. Overseeing policies on the engagement of the external auditors for the supply of non-audit services;
- reviewing the Group's internal financial, operational and compliance controls and risk identification and management systems and considering Group policies for identifying and assessing risks and arrangements for employees to raise concerns (in confidence) about possible improprieties; and
- reviewing the annual internal audit programme and discussing the findings of any internal investigations and management's response.

The Committee meets at least three times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required. The Committee has formal terms of reference which can be viewed on the Company's website www.astonmartinlagonda.com. Committee attendance for the period is set out on page 81.

MEMBERSHIP

The Committee comprises the Chair, Richard Solomons, two other independent Non-Executive Directors, Peter Espenhahn and Imelda Walsh. In accordance with the Current Relationship Agreements with the Significant Shareholder Groups (see page 112), two Non-Executive Directors, Peter Rogers and Mahmoud Samy Mohamed Aly El Sayed, served as members until 8 October 2019, from which point they have served as observers on the Committee with no voting rights.

The Company Secretary is secretary to the Committee. The Board Chair, the President and Group Chief Executive Officer, the EVP and Chief Financial Officer, the VP and General Counsel, the Director of Internal Audit and Risk Management, the external auditor and other senior members of the finance team also routinely attend meetings.

The Code stipulates that:

- the Committee as a whole, shall have competence relevant to the sector in which the Company operates. All Committee members have past employment experience in either finance or accounting roles, or broad consumer experience and knowledge of financial reporting and/or international businesses. As such the Board is satisfied that the Committee as a whole, has the competence relevant to the business sector. Details of the Committee members' experience can be found in their biographies from page 72.
- at least one Committee member should have recent and relevant financial experience. Richard Solomons meets this requirement as he was previously Chief Financial Officer of InterContinental Hotels Group plc and is a qualified chartered accountant.

The Committee is considered to be independent for Code purposes from 8 October 2019. Prior to this date, and as stated in the 2018 Annual Report, due to the rights of the Controlling Shareholders to nominate Committee members, the Committee was not considered to be independent as it was not made up solely of independent Directors.

This Report sets out the work of the Committee in more detail. A key area of focus for the Committee at the start of 2019 was the tender for audit services, full details of which are set out on page 91. On behalf of the Committee, I would like to thank all the firms who participated in the tender process for the quality and professionalism of their submissions. We would like to thank the Group's former auditor, KPMG, for their service as auditor to the Aston Martin Lagonda group from 2007 to 2019 as well as their support for the IPO. We are pleased to note that the transition to Ernst & Young LLP ("EY") progressed well and further details about their activities, and the Committee's interaction with EY are set out in this Report.

MAIN ACTIVITIES

During the period from 1 January 2019 until 31 December 2019, the Committee had six regularly scheduled and 3 unscheduled meetings. The Committee focused on the following key areas.

- Review of the UK Corporate Governance Code requirements relating to year-end matters including, among others, the review of the Group's accounting policies, key accounting judgements, significant financial reporting matters, principal risks, going concern and viability, the effectiveness of the Group's risk management and internal control systems and "fair, balanced and understandable" reporting in the Annual Report.
- Financial statements, announcements and other financial reporting matters including the approval of the interim results announcement, trading updates and the review and approval of the Annual Report.
- Regular updates on treasury, tax, cyber security and litigation. Updates on Brexit readiness, the pension scheme and the insurance broker tender.
- Review and approval of the external audit plan, audit fees, reports from the external auditor and subsequent audit findings.
- Review of the internal audit function, the risk management and corporate risk register and approval of the internal audit plan.
- Leading the audit tender process which culminated in the appointment of Ernst & Young LLP as auditor with effect from 24 April 2019.
- Considering the correspondence from the Financial Reporting Council (FRC) which raised a number of questions relating to the Company's 2018 Annual Report and reviewing management's response.

- Review and approval of new and/or amended policies including the Enterprise Risk Management Framework and System, the Internal Audit and Risk Management Charter, the Non-Audit Services Policy and Foreign Exchange Hedging Policy.
- Committee annual calendar and agenda planning.
- Review of the Committee's terms of reference.
- Corporate governance matters and regulatory updates.

At each meeting the Committee held a private session with the external auditor and the Director of Internal Audit and Risk Management without members of management being present.

FINANCIAL REPORTING AND SIGNIFICANT FINANCIAL JUDGEMENTS

The Annual Report seeks to provide the information necessary to enable an assessment of the Company's position and performance, business model and strategy. The Committee assists the Board with the effective discharge of its responsibilities for financial reporting, and for ensuring that appropriate accounting policies have been adopted and that management has made appropriate estimates and judgements.

In preparing the Financial Statements for the period, there were a number of areas requiring the exercise of a high degree of estimation. These areas have been discussed with the external auditor to ensure the Group reaches appropriate conclusions and provides the required level of disclosure. The significant issues considered by the Committee in respect of the Annual Report are set out on page 90.

Significant matters for the year ended 31 December 2019	How the audit committee addressed these matters
Impairment assessment of goodwill and other intangible assets	<p>The Committee considered the Group's process in determining whether any asset, covered within the scope of IAS 36 Impairment of Assets, requires impairment. The key judgement in relation to assessing the carrying value of intangible assets with indefinite useful lives (goodwill and brands) largely related to the achievability of the Group's forecasts, which underpin the valuation process. The Committee also considered whether there were any indicators of impairment of assets with a finite life. In light of the suspension of the Rapide E programme in the reset of the business plan and the deferral of Lagonda investment, this programme was reviewed by the Committee for impairment independently. The Committee concluded that the assumptions made, conclusions reached and disclosures given were appropriate.</p>
Accounting for defined benefit pension obligations	<p>The Committee considered the financial statement disclosures in respect of the defined benefit pension scheme including the judgements made and the sensitivity analysis in relation to actuarial assumptions including discount rates, inflation and longevity as set out in note 26 to the financial statements. The Committee noted that the judgements made on the pension scheme were all based on advice from the Group's pension adviser. The final calculations in respect of the Group's defined benefit pension scheme liability were performed by the pension scheme actuary. The Committee discussed with the auditor the assumptions applied, in particular the findings of the auditor's own pension specialist and concluded that the assumptions made, and disclosures given were appropriate.</p>
Going concern and Viability statement reporting	<p>The Committee discussed the Group's considerations in assessing the appropriateness of adopting the going concern basis of accounting and considered the financial statement disclosures in respect of adopting the going concern basis in preparing the financial information. The Committee discussed the key assumptions used in evaluating the long-term viability of the Group, the time period for the Viability Statement and the stress and reverse stress testing used as a basis for conducting the overall assessment. The Committee concluded that the assumptions made and the wording included in the Viability Statement were appropriate.</p>
Other matters	<p>At the December 2019 and February 2020 meetings, the Committee also considered management's papers on the following subjects and concluded that the assumptions made and the approaches adopted were appropriate:</p> <ul style="list-style-type: none"> • Capitalisation and amortisation of development costs; • The Group's revenue recognition policies; • Recognition and measurement of adjusting items; • Recognition and measurement of the Group's warranty provision; • Recognition and measurement of deferred tax assets; • Implementation of new accounting standard IFRS 16; • The Group's treasury policy and other treasury related matters; and • The Group's tax strategy and any other tax related matters including uncertain tax positions;

FINANCIAL REPORTING COUNCIL

During the second half of 2019, the Company received a letter from the Corporate Governance and Reporting Division of the Financial Reporting Council (“FRC”) as part of its ongoing monitoring of UK corporate reporting. This letter requested certain information in respect of the Group’s 2018 Annual Report and Accounts principally regarding going concern; accounting for customer deposits, revenue recognition, adjusting items, accounting for the conversion of preference shares, impairment testing of goodwill, and significant accounting judgements.

The Committee and Board Chair considered the FRC letter and management’s response prepared in consultation with KPMG (the auditor of the 2018 Annual Report and Accounts) and EY, the Company’s current auditor. The Company responded in detail to these enquiries and proposed some enhancements to its Annual Report that would address the questions and comments raised. These enhancements, including additional disclosures in relation to customer deposits, have been incorporated into the Group’s 2019 Annual Report and Accounts. The FRC has since confirmed that all matters are now closed.

The FRC’s role is to consider compliance with reporting requirements and is not to verify the information provided to them. Therefore, given the scope and inherent limitations of their review, which does not benefit from any detailed knowledge of our business, it would not be appropriate to infer any assurance from their review that our 2018 Annual Report was correct in all material respects.

EXTERNAL AUDITORS

TENDER FOR AUDIT SERVICES

As set out in the 2018 Annual Report, in late 2018/early 2019, the Committee led a process to review the provision of its external audit services for the year ending December 2019. This was in accordance with the requirements of the Competition & Markets Authority Order 2015 in view of the 12-year tenure of the auditor at the time, KPMG LLP (“KPMG”), and in line with good governance practice. The process ran from December 2018 to March 2019 and full details of the Committee’s conclusions and recommendation were included in the Notice of Annual General Meeting 2019 and are set out below.

KPMG had been the auditor for the Group since 2007. Prior to the Company’s admission to listing and trading (“IPO”) and as noted in the IPO prospectus, the Directors agreed to put the external audit services out to tender for the 2019 financial year. A range of firms were approached, including the ‘big four’ and a mid-tier firm. KPMG did not participate in the audit tender process as, following the appointment of a former employee in a senior role at the Company, KPMG had concluded they had a conflict of interest. Each firm was given extensive access to documentation and also met with the Committee Chair, members of senior management and the finance team and was requested to submit a written proposal to the Company. In addition, they were given an accounting and auditing challenge which was used to assess both the technical competence of the engagement team as well as the responsiveness of the central technical team. Firms were then shortlisted based on their written proposals and the insights gained from the challenge together with the findings and conclusions of published inspection reports.

In early March 2019, the shortlisted firms presented to the Committee and were assessed against a number of objective criteria determined in advance of the process which included quality of the proposed team and firm (including automotive and luxury industry experience and experience of UK-listed groups) and the approach to managing audit, including the transition. The Committee concluded that Ernst & Young LLP (“EY”) was the preferred firm to conduct the audit engagement, judged against the selection criteria. The Committee recommended to the Board that EY be appointed as the Company’s auditor commencing with the audit of the 2019 financial year. The Board agreed with the recommendation and approved the appointment of EY as auditor with effect from 24 April 2019. KPMG formally resigned as auditor on the same day. Shareholders approved the appointment of EY at the Company’s Annual General Meeting on 25 June 2019.

The Committee considers that the Company has complied with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 for the financial year under review.

As part of its normal processes the FRC's Audit Quality Team met with the Chair of the Committee to review the 2018 audit undertaken by KPMG. The FRC confirmed that the purpose of the review was to monitor the quality of the audits of listed and other major public interest entities. Discussions with Audit Committees support that objective by enabling the FRC to develop a better understanding of the interaction between the Committee and the audit firm.

OVERSIGHT OF EXTERNAL AUDIT

The Committee oversees the work undertaken by EY. The Committee's responsibilities include making a recommendation on the appointment, reappointment and removal of the external auditor and overseeing their effectiveness and independence. The Committee assesses the qualifications, expertise, resources and independence of the external auditors and the effectiveness of the audit process. During the period the Committee approved the auditor transition plan, the external audit plan, the proposed audit fee and terms of engagement of EY for FY2020. It has reviewed the audit process and the quality and experience of the audit partners engaged in the audit and has also considered the extent and nature of challenge demonstrated by the external auditor in its work and interactions with management. The Committee has considered the objectivity of the auditor including the nature of other work undertaken for the Group as set out below.

NON-AUDIT SERVICES

The Committee recognises that the independence of the external auditors is an essential part of the audit framework and the assurance that it provides. The Committee adopted a policy which sets out a framework for determining whether it is appropriate to engage the Group's auditors for non-audit services and for pre-approving non-audit fees. This policy has been updated to reflect the guidance contained in the Revised Ethical Standard issued by the FRC in December 2019.

The overall objective of the policy is to ensure that the provision of non-audit services does not impair the external auditor's independence or objectivity. This includes, but is not limited to, assessing:

- any threats to independence and objectivity resulting from the provision of such services;
- any safeguards in place to eliminate or reduce these threats to a level where they would not compromise the auditor's independence and objectivity;
- the nature of the non-audit services; and
- whether the skills and experience of the audit firm make it the most suitable supplier of the non-audit service.

The total value of non-audit services that can be billed by the external auditor will be restricted by a cap which is set at 70% of the average audit fees for the preceding three years.

The approval of the Committee must be obtained before the external auditor is engaged to provide any permitted non-audit services. For permitted non-audit services that are clearly trivial, the Committee has pre-approved the use of the external auditor for cumulative amounts totalling less than £200,000 on the approval of the EVP and Chief Financial Officer and Chair of the Committee. During FY 2019 the Company's external auditors undertook non-audit work in relation to other assurance services associated with the US\$150m Senior Secured Notes issuance in September 2019 and the review of the interim financial statements totalling £130,000 and were engaged to perform additional services during 2020 in relation to the Placing, and Rights Issue. (2018: £2.1m of non-audit services fees paid to KPMG in the prior year).

Details of the fees paid to the external auditor during the financial year can be found in note 4 to the Financial Statements.

EVALUATION OF INTERNAL CONTROLS

The Board is ultimately responsible for the Group's system of internal controls and risk management and it discharges its duties in this area by:

- determining the nature and extent of the principal risks it is willing to accept in achieving the Group's strategic objectives (the Board's risk appetite); and
- challenging management's implementation of effective systems of risk identification, assessment and mitigation.

The Committee is responsible for reviewing the effectiveness of the Group's internal control framework and risk management arrangements. Details of the Group's risk management process and the management and mitigation of principal risks together with the Group's viability statement can be found in the Risk and Viability Report on page 52.

The Board, through the Committee, has carried out a robust assessment of the principal risks facing the Group and agreed the nature and extent of the principal risks it is willing to accept in delivering the Group's strategy (the Board's risk appetite). It has considered the effectiveness of the system of internal controls in operation across the Group for the period covered by the Annual Report and up to the date of its approval by the Board. This review covered the material controls, including financial, operational and

compliance controls and risk management arrangements and no significant control weaknesses were identified. The system of internal controls is designed to manage rather than eliminate the risk of not achieving business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Following the Group's performance against its original plans during 2019 management have commenced a project to review and enhance the internal control framework associated with the budget and forecasting process, finished vehicle inventory monitoring (within the Group and dealer network) and authorisation and oversight of retail support expenditure.

The process followed by the Board, through the Committee, in reviewing regularly the system of internal controls and risk management arrangements complies with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council. It also accords with the provisions of the Code.

CONTROL ENVIRONMENT

Our internal control framework is built upon established entity-level controls which included documented corporate policies, standards and procedures which guide the way the Group operates. The corporate policies include the following areas: Code of Conduct, Confidential Reporting and Whistleblowing, Conflicts of Interest, Anti-Bribery and Corruption, Gifts and Hospitality. There are established procedures for the delegation of authority to ensure that decisions are made at an appropriate level within the business dependent on either the magnitude or nature of the decision. In particular, access to our IT systems and applications is provided subject to formal access provisioning processes with the objective being to limit access, as appropriate, to enable an individual to perform their role and to enforce appropriate segregation of duties within business processes. During the year, we were re-awarded ISO 9001 accreditation for our quality management system which ensures that policies, standards and procedures are appropriate for our business, that they are reviewed on a regular basis and made available to applicable employees and contractors through the Group intranet. On joining the Group all employees are provided with the Standards of Corporate Conduct policies and are asked to confirm that they have read and understood them.

The Group continues to strengthen the control environment by embedding the enterprise risk management framework and system which is supported by 'Risk Champions' within each function. The Group has developed and deployed the following key elements of the risk and control environment.

- An Enterprise Risk Management Framework and System – which articulates the Group's approach to risk management including risk appetite, risk identification, assessment, prioritisation, treatment, reporting, ownership, monitoring and oversight.
- Risk Management Policy – approved by the Executive Committee and to be reviewed annually.
- Corporate Risk Register – providing a top down view of the most significant risks facing the Group and management accountability for each risk.
- Functional Risk Registers – providing a bottom up assessment and prioritisation of risks on an individual function basis.
- Risk Champion network – nominated, trained functional risk champions within each significant function within the business, responsible for maintaining the functional risk registers and helping to embed risk management culture within the function.
- Risk Management Committee – management committee which meets every two months to maintain and manage the corporate risk register and to oversee activities of the risk owners and their delivery of effective risk mitigation.
- Mandatory training – all employees are required to complete a number of mandatory training courses each year to raise awareness and facilitate adherence to key corporate policies and procedures.

Risk mitigation plans were established for all principal risks. These plans include management's assessment of the gross, net and target risk levels associated with each risk and their assessment of the effectiveness of the mitigating controls. During the year, the internal audit team commenced a programme of independent assessments of the design and operating effectiveness of these risk mitigation plans with all principal risks being independently reviewed on a rotational basis over a three-year period.

The internal audit function is responsible for administering the Enterprise Risk Management Framework and System and for providing independent assurance to the Board, the Committee, and senior management.

The Group continues to develop its ‘three lines of defence’ assurance model with the objective of embedding effective risk management and control throughout the business and providing assurance to the Board and the Committee of the effectiveness of internal control and risk management across the organisation.

This comprises the following.

- First line of defence – Functional management that have day to day responsibility for the risk management and internal control systems and embed these in their business processes.
- Second line of defence – Functions that oversee or specialise in risk management and compliance-related activity. They monitor and facilitate the implementation of effective risk management and control activities by the first line. These functions include Financial Control, Quality Audit, Security, IT, Health & Safety, Legal and the risk management activities performed by the Internal Audit and Risk Management team.
- Third line of defence – Functions that provide independent objective assurance to the Board, Audit and Risk Committee and senior management regarding the effectiveness of the first and second lines of defence. This includes Internal Audit and Risk Management and the external auditors’ provision of assurance services.

INTERNAL AUDIT

The vision and mission for the Internal Audit and Risk Management function was approved by the Committee under its Internal Audit and Risk Management Charter, which is consistent with the Institute of Internal Auditors guidance. The Charter is subject to annual review and approval by the Committee.

The Internal Audit and Risk Management function provides independent, objective assurance to the Board, the Committee and senior management on whether the existing control and governance frameworks are operating effectively to meet the Group’s strategic objectives. The Director of Internal Audit and Risk Management reports to the EVP and Chief Financial Officer with an independent reporting line to the Committee Chair. The Director provides regular reports to the Committee on the function’s activities. The Committee assesses the effectiveness of the Internal audit function on an annual basis.

To ensure that it is meeting its objectives, the Internal Audit and Risk Management function has an annual work plan comprising risk-based cyclical audits, reviews of risk mitigation plans and assessments of emerging risks and business change activity, together with work mandated for compliance purposes. The audit plan for 2020 was approved by the Committee and the Committee will monitor progress against the plan in the coming year, as well as whether the plan remains focused on the evolving key risks facing the business. Such reviews will consider any changes to risk registers, hot spots and emerging risks in the industry as well as changes based on engagement with the business.

WHISTLEBLOWING

It is important to ensure there is an appropriate mechanism for employees and contractors to report any concerns regarding suspected wrongdoing or misconduct. The ‘Confidential Reporting and Whistleblowing’ policy is made available to all employees and contractors on joining the business and is published on the Group intranet together with annual mandatory training.

Any concerns raised are managed and investigated by the Human Resources and/or Legal teams depending on the nature of the concern. During the year the Group deployed a third party managed global hotline and online reporting tool to further enhance our procedures. The third-party hotline provides for confidential reporting and will be extended to cover our global dealer network. Whistleblowing reports are managed by the Internal Audit and Risk Management team with significant findings reported to the Committee.

FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal controls over financial reporting. These are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes.

The Financial reporting internal control system covers the financial reporting process and the Group's process for preparing consolidated accounts. It includes policies and procedures which require the following.

- The maintenance of records that, in reasonable detail, accurately and fairly reflect transactions including the acquisition and disposal of assets.
- Reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards.
- Reasonable assurance regarding the prevention or timely detection of unauthorised use of the Group's assets.

There are also specific disclosure controls and procedure around the approval of the Group's financial statements.

FAIR, BALANCED AND UNDERSTANDABLE ASSURANCE FRAMEWORK

The Board recognises its duty to ensure that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. The Board requested that the Audit and Risk Committee undertake a review and report to the Board on its assessment.

The key elements of the assurance framework for the assessment are as follows:

- the process by which the Annual Report and Accounts were prepared, including detailed project planning and a comprehensive review process;
- review of the drafting and verification processes for the Annual Report and Accounts by the Disclosure Committee;
- comprehensive reviews undertaken by the Executive Directors, members of the Executive Committee and other members of senior management comprising the Annual Report and Accounts drafting team to consider content accuracy, regulatory compliance, messaging and balance;

- the review of the Annual Report and Accounts by the Audit and Risk Committee placing reliance on the experience of the Committee members;
- reports prepared by senior management regarding critical accounting judgements and key financial areas; and
- discussions with, and reports prepared by, the external auditor.

The Committee received confirmation from management that the assurance framework had been adhered to for the preparation of the 2019 Annual Report.

The Committee provided a recommendation to the Board that the "fair, balanced and understandable" statement could be given on behalf of the Directors. The Board's confirmation is set out on page 85.

COMMITTEE EFFECTIVENESS

As set out on page 82, given the circumstances of the Company an ongoing approach was adopted to assess Committee effectiveness. During the year the Chair sought soundings from Committee members who provided ongoing feedback on Committee effectiveness so that the Committee could remain effective in evolving circumstances.

RICHARD SOLOMONS
CHAIR, AUDIT AND RISK COMMITTEE

26 FEBRUARY 2020

DIRECTORS' REMUNERATION REPORT



IMELDA WALSH
CHAIR, REMUNERATION COMMITTEE

DEAR SHAREHOLDER,

I am pleased to present the Directors' Remuneration Report ("DRR") for the year ending 31 December 2019, which has been approved by both the Remuneration Committee (the Committee) and the Board.

FY 2019 PERFORMANCE AND REMUNERATION OUTCOMES

As set out by the Chair and the CEO in their letters, FY 2019 has been a very difficult year for Aston Martin Lagonda and performance has been disappointing, failing to deliver the profits we planned. Revenue of £997m was down 9% year-on-year and Adjusted EBITDA of £134.2m was down 46%, which was mainly driven by a decline in wholesales, the mix shift to Vantage (our entry level sports car) and higher selling costs.

The annual bonus for FY 2019 for the Executive Directors was based on Adjusted EBITDA, net leverage and a strategic scorecard. The performance targets for the bonus were set by the Committee at the start of FY 2019, considering the 2019 business plan, emerging global risks and their potential impact and market expectations. The Adjusted EBITDA and net leverage achieved in 2019 were below the threshold targets, resulting in a zero payment under these elements, which represent 80% of the total bonus. The strategic scorecard measures were achieved in part but, given that threshold performance had not been met for either financial measure and taking into account the year as a whole, the Remuneration Committee determined that no payment would be made under this element. Therefore, no bonuses have been awarded for 2019. The full target ranges are disclosed on page 101.

No other incentives were due to pay out during FY 2019 – the first awards under the LTIP were granted during the year, as set out below.

FY 2018 ANNUAL BONUS

As reported in our 2018 DRR, performance against bonus measures and targets for FY 2018 would have resulted in annual bonus payments close to maximum for the CEO and CFO, although they had both elected to waive part of their bonus and receive 80% of their maximum opportunity. Following publication of the 2018 DRR, and in the context of the challenging trading conditions during FY 2019, the CEO and CFO concluded that it was no longer appropriate to receive their bonus payments and following further discussion with the Remuneration Committee, made the decision to

waive their 2018 annual bonuses in full. Other members of the Executive Committee, who were entitled to a bonus payment for 2018, also agreed to waive these in full.

The annual bonus amounts for FY 2018 (as included in the single figure Executive Director remuneration table on page 100) have therefore been restated to zero.

FY 2019 LTIP

We determined and set out our approach to 2019 LTIP awards in our 2019 AGM notice. The Committee set performance targets which were considered stretching in the context of the business plan at the time. In response to comments from some of our major shareholders, we also introduced a further, out-performance level to achieve maximum vesting for both the EPS and ROIC measures. We also recognised the significant fall in share price since the IPO in our approach to 2019 LTIP awards. Firstly, for the TSR element, we applied an additional £19 share price underpin. In addition, the Committee reviewed the levels of LTIP award to be granted and determined that they would be lower than the level of award set out both in the IPO Prospectus and in our Remuneration Policy of 300% and 200% of salary respectively for the CEO and CFO, to 225% and 150% of salary. Full details of the 2019 LTIP awards are set out on page 102.

BROADER WORKFORCE REWARD

Passionate, motivated and professional people are critical to the success of the Company and to attract and retain the best talent available, our pay and benefits must be competitive. When considering the remuneration arrangements for the Executive Directors and the Executive Committee, the Committee takes into account remuneration throughout the whole Company.

During the year, the Committee considered information on the policies and practices which are in place throughout the Company, and in particular looked at the AML employee population, salary increases and ranges, IPO-related payments, incentive opportunities, pension and other non-cash benefits, and workforce engagement (including employee survey results). We also discussed our approach to, and results of, AML's Gender Pay Gap reporting. Our aim is to foster a culture where everybody feels valued, motivated and rewarded to achieve their best work – detailed information on our people and culture, including our Gender Pay Gap figures, can be found on page 41.

UK CORPORATE GOVERNANCE CODE

A set out in our 2018 DRR, the Committee was mindful of the new Code when designing the 2019 Policy. These included on pensions (where our Executive Director pension provision already aligns with the workforce), holding periods on LTIP awards, post-employment shareholding guidelines and enforceable malus and clawback provisions. Our Policy was drafted considering the Company's purpose, values and the six policy review factors (of clarity, simplicity, risk, predictability, proportionality and alignment to culture) and also includes specific discretionary powers for the Committee to adjust incentive outcomes to ensure they reflect underlying business performance. During 2019, we have already demonstrated the exercise of discretion in both determining award levels for the first LTIP award (post IPO) and also in determining that no bonuses would be awarded for 2019.

As part of the Board's work to better understand the views of all stakeholders, I took on the role of 'designated NED' in FY 2019, with the responsibility to directly engage with the AML workforce. Further information on this is set out in the Governance Report on page 84.

COMMITTEE MEMBERSHIP CHANGES

The make-up of the Remuneration Committee has changed during the year and I would like to thank Dante Razzano and Amr AbouelSeoud for their contributions as members during FY 2019. Both Directors stepped down from the Committee on 7 October 2019, although they continue to serve as Committee Observers. The Company is now compliant with the UK Corporate Governance Code in relation to the composition of the Remuneration Committee.

CHANGES TO NON-EXECUTIVE DIRECTOR FEES

In the context of the continuing challenging trading conditions during FY 2019, we undertook a review of the Chair and Non-Executive Director ("NED") fees, with the Remuneration Committee recommending a reduction to the fee of the Chair of the Board, and the Chair of the Board and Executive Directors reviewing and proposing changes to NED fees. All Directors unanimously agreed that it was right to make these changes, which took effect from 1 January 2020. The revised fee levels are set out on page 106 and represent a reduction of c. 25%.

CFO ARRANGEMENTS

As announced on 27 February 2020, Mark Wilson will step down as CFO and as an Executive Director of the Company no later than 30 April 2020. He will remain available to the Group to assist with the transition in the period through to 30 June 2020. Details of his exit arrangements will be disclosed on the Company's website and in the 2020 DRR, in accordance with the Company's obligations under the Companies Act 2006. The Board has initiated a process to find a new CFO and will provide an update once that process has concluded. Any remuneration arrangements for the new CFO will be consistent with the Company's approved directors' remuneration policy.

FY 2020 REMUNERATION APPROACH

The Remuneration Committee has, over recent months, given considerable thought and discussed in detail the most appropriate approach to take to FY 2020 remuneration for Andy Palmer and Mark Wilson. The Chair of the Board and the Chair of the Remuneration Committee have also discussed potential approaches with the Executive Directors. The Committee is grateful to both the CEO and CFO for the constructive dialogue and their rational and responsible views, which fully recognise the changed circumstances of the Company.

The context against which the Committee has determined the approach to FY 2020 remuneration includes the following factors:

- the challenging trading conditions and underperformance of the Company during FY 2019;
- the significant fall in share price since IPO;
- the current pay positioning of the CEO in particular vs. UK FTSE levels;
- the current shareholdings of the Executive Directors, both in terms of the shares they own outright and the shares that remain locked-up from the Legacy IPO LTIP; and
- the reset business plan.

In this context, for FY 2020, Andy Palmer and Mark Wilson will receive their fixed pay – this includes salary (which will remain unchanged from 2019), a cash allowance in lieu of pension and benefits – and will not participate in the annual bonus plan or be granted awards under the LTIP.

The annual bonus and LTIP will be operated for other employees in FY 2020 (including any permanent successor to the CFO), although the setting of performance targets and actual grant of LTIP awards may be delayed, to ensure alignment with the reset business plan.

Overall, this approach to FY 2020 remuneration represents a considerable reduction to the annual pay opportunity for Andy Palmer and Mark Wilson. The Committee believes this is the most appropriate approach to take, at this time, to recognise the efforts that will be required over FY 2020 to ensure operational delivery of the reset business plan, including the launch of DBX, relaunch of Vantage and start of deliveries of Valkyrie. Both the CEO and CFO have considerable shareholdings and so continue to be aligned with shareholder interests and Company performance going forward.

The Committee has had a considerable workload over the course of FY 2019 and this has continued into FY 2020. We take our responsibility to our fellow shareholders seriously and I would like to thank you for your continued support and understanding during this challenging period. If you have any questions on any element of this report, please email Amanda Sherwood (amanda.sherwood@astonmartin.com) in the first instance and I hope we can rely on your support at our forthcoming AGM.

IMELDA WALSH
CHAIR, REMUNERATION COMMITTEE

26 FEBRUARY 2020

EXECUTIVE DIRECTORS' REMUNERATION AT A GLANCE

Our Remuneration Policy was approved by shareholders at the AGM on 25 June 2019 and is set out in full in the Directors' Remuneration Report FY 2018. This can be found in the Annual Report FY 2018 at www.astonmartinlagonda.com.

This section explains the outcomes from the implementation of our Policy during FY 2019.

KEY 2019 FINANCIAL OUTCOMES

Adjusted EBITDA	Net leverage	Adjusted diluted EPS	ROIC
£134.2m	7.3x	32.1p	-0.3%

2019 SINGLE FIGURE EXECUTIVE DIRECTOR REMUNERATION

The table below sets out the 2020 single figure remuneration for the Executive Directors.

Element	CEO (£'000s)	CFO (£'000s)
Salary	£1,200	£425
Benefits	£26	£23
Pension	£127	£45
Annual bonus	£0	£0
Total	£1,353	£493

2019 ANNUAL BONUS OUTCOME

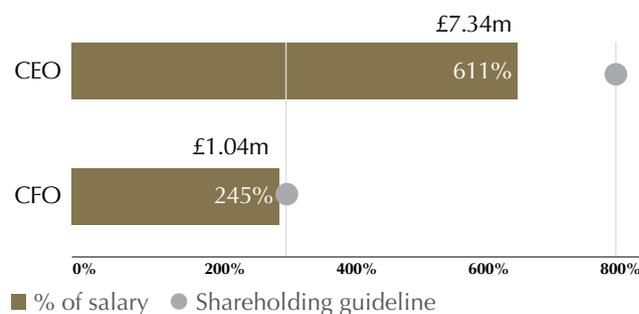
The 2019 performance targets for the bonus were set by the Committee at the start of the year to be stretching in the context of the business plan for 2019.

Performance measure	Threshold (20%)	Target (50%)	Maximum (100%)	2019 achieved
Adjusted EBITDA (40%)	£272m	£286m	£315m	£134.2m
Net leverage (Net debt/ Adjusted EBITDA) (40%)	2.12	1.97	1.84	7.3x
Strategic scorecard (20%)	1. Commencement of DBX first production trial build at St Athan (by June 2019) 2. Successful completion of start of production milestone for DBS Volante (by September 2019) 3. Successful passing of AM-RB 003 Gateway 5 (define product), key to both V6 engine and 003			(1) Met (2) Met (3) Not met

The Committee considered the bonus outcome for 2019 and, although the strategic scorecard objectives had been met in part, given that threshold targets for adjusted EBITDA and net leverage were not met, determined that no 2019 annual bonus would be paid.

ALIGNMENT BETWEEN EXECUTIVE DIRECTORS AND SHAREHOLDERS

The current CEO and CFO are subject to shareholding guidelines of 800% and 300% of salary respectively, which drives long-term alignment with investors. The chart below illustrates the value of holdings as at 31 December 2019 and the status against the guideline. Both Executive Directors have fallen below their shareholding guideline due to the fall in share price.



REMUNERATION POLICY AND IMPLEMENTATION IN FY 2020

The implementation of our policy for FY 2020 is set out in the following section (Annual Report on Remuneration).

ANNUAL REPORT ON REMUNERATION

FY 2019 TOTAL SINGLE FIGURE REMUNERATION FOR EXECUTIVE DIRECTORS (AUDITED)

The table below sets out the single figure of total remuneration received by the Executive Directors in respect of FY 2019 (and the prior financial year). The subsequent sections detail additional information for each element of remuneration.

Shown in £'000s

Executive Director	Salary	Benefits	Pension	Total fixed	Annual bonus ²	LTIP	Total variable	Total
Dr Andy Palmer								
Year to 31 December 2019	1,200	26	127	1,353	–	n/a	–	1,353
Year to 31 December 2018 ¹	363	6	38	407	–	n/a	–	407
Mark Wilson								
Year to 31 December 2019	425	23	45	493	–	n/a	–	493
Year to 31 December 2018 ¹	97	7	10	114	–	n/a	–	114

Notes:

- The amounts shown for FY 2018 relate to the period from IPO (8 October 2018) to 31 December 2018
- As set out in the Remuneration Committee Chair's letter and in further detail below, the annual bonus amounts for FY 2018 have been restated (to zero) as, in the context of the continuing challenging trading conditions during FY 2019, the CEO and CFO decided to waive their 2018 annual bonus in full

The table below shows the annualised payments for the Executive Directors for FY 2018 (as reported in our 2018 DRR with bonus restated to zero) compared to the full year total single figure for FY 2019.

Shown in £'000s

Executive Director	Salary	Benefits	Pension	Total fixed	Annual bonus	LTIP	Total variable	Total
Dr Andy Palmer								
Year to 31 December 2019	1,200	26	127	1,353	–	n/a	–	1,353
Year to 31 December 2018 ¹	1,200	20	127	1,347	–	n/a	–	1,347
Mark Wilson								
Year to 31 December 2019	425	23	45	493	–	n/a	–	493
Year to 31 December 2018 ¹	425	26	45	496	–	n/a	–	496

Notes:

- The amounts shown for FY 2018 have been annualised, as if the remuneration policy operated since IPO had been in place for the full year (as disclosed in the 2018 DRR, with bonus restated to zero).

SALARY (AUDITED)

There were no increases to salaries during 2019 and no increases will be applied during 2020.

Shown in £'000s	As at 1 January 2019	As at 1 January 2020	% change
Dr Andy Palmer	£1,200	£1,200	0%
Mark Wilson	£425	£425	0%

PENSION (AUDITED)

Both Executive Directors receive a cash allowance in lieu of participation in the defined contribution scheme. They receive an allowance of 10.6% of salary, which is the maximum of 12% of salary with a deduction for an amount equal to the employer's National Insurance contribution.

As disclosed in our Remuneration Policy, the Executive Directors' pension allowances are in line with the majority of employees. The maximum level of employer pension contribution throughout the organisation is the same regardless of seniority at 12% of salary (a defined benefit scheme was operated pre-2011).

No Director has a prospective entitlement to receive a defined benefit pension.

ALLOWANCES AND BENEFITS (AUDITED)

FY 2019 Shown in £'000s	Car allowance and personal mileage	Life assurance	Insurance (private medical, dental and travel)	Total
Dr Andy Palmer	£14	£10	£2	£26
Mark Wilson	£19	£2	£2	£23

ANNUAL BONUS OUTCOMES FOR FY 2019 (AUDITED)

The annual bonus for FY 2019 for the Executive Directors was based on Adjusted EBITDA, net leverage and a strategic scorecard, in line with the Remuneration Policy. As reported last year, the performance targets for the bonus were set by the Committee at the start of the year, considering the business plan for 2019, emerging global risks and their potential impact and market expectations. The table below sets out the targets, the achieved performance and the level of pay out, which is zero for FY 2019.

Performance measure	Threshold (20%)	Target (50%)	Maximum (100%)	FY 2019 achieved	FY 2019 bonus payment (% of maximum)
Adjusted EBITDA (40%)	£272m	£286m	£315m	£134.2m	0%
Net leverage (Net debt/ Adjusted EBITDA) (40%)	2.12	1.97	1.84	7.3x	0%
Strategic scorecard (20%)	1. Commencement of DBX first production trial build at St Athan (by June 2019) 2. Successful completion of start of production milestone for DBS Volante (by September 2019) 3. Successful passing of AM-RB 003 Gateway 5 (define product), key to both V6 engine and 003 (by November 2019)			1. Met 2. Met 3. Not met – Programme timing for AM-RB003 and V6 deferred to support requirement for reduction in CAPEX	0%

The Committee considered the bonus outcome for 2019 and, although the strategic scorecard objectives had been met in part, given the broader performance context for 2019 and that both threshold targets for adjusted EBITDA and net leverage were not met, determined that no 2019 annual bonus would be paid.

As detailed in the Remuneration Committee Chair's letter, the annual bonus figures for FY 2018 have been restated to zero. As reported in our 2018 DRR, performance against bonus measures and targets for FY 2018 had resulted in annual bonus payments close to maximum for the CEO and CFO, although they had both elected to receive 80% of their maximum opportunity (payments of £1,674k and £210k for the CEO and CFO respectively). Following publication of the 2018 DRR, and in the context of the challenging trading conditions during FY 2019, the CEO and CFO concluded that it was no longer appropriate to receive their bonus payments and following further discussion with the Remuneration Committee, made the decision to waive their 2018 annual bonuses in full.

ANNUAL BONUS FOR FY 2020

As set out in the Remuneration Committee Chair's letter, Dr Andy Palmer and Mark Wilson will not participate in the FY 2020 annual bonus plan.

LONG-TERM INCENTIVE PLAN

The following section sets out details of:

- 2019 LTIP awards granted during FY 2019
- Approach to 2020 LTIP awards

2019 LTIP AWARDS GRANTED DURING FY 2019 (AUDITED)

As set out in the Remuneration Committee Chair's letter, the Committee consulted extensively with shareholders ahead of grant and amended the approach to 2019 LTIP awards based on feedback received. The table below summarises the LTIP share awards that were granted to the Executive Directors during FY 2019.

2019 LTIP share awards:

FY 2019	Type of award	Basis of award	Shares awarded	Face value at grant (£'000s)	Performance period
Dr Andy Palmer	LTIP share award	225% of salary (below policy max of 300%)	262,135	£2,700	3 years to 31 December 2021
Mark Wilson	LTIP share award	150% of salary (below policy max of 200%)	61,893	£637	3 years to 31 December 2021

Notes:

1. The LTIP shares were granted on 27 June 2019 and will vest subject to the performance conditions and vesting schedule outlined below
2. Awards were granted in the form of nil-cost options
3. The face value of each award was calculated using the 3-day average price prior to the date of grant (£10.30), which was the price used to determine the number of shares awarded

These LTIP awards are subject to the performance conditions, vesting and holding periods and malus and clawback provisions as set out below.

2019 LTIP performance measures and targets:

		2019 LTIP targets	Vesting* (as a % of maximum)
EPS (3Y CAGR) (40% of award)	Threshold	45%	20%
	Stretch	55%	70%
	Maximum	65%	100%
ROIC (% in FY21) (40% of award)	Threshold	14.6%	20%
	Stretch	18.0%	70%
	Maximum	20.0%	100%
Relative TSR (vs. FTSE51-150) (20% of award)	Threshold	Median rank	20%
	Maximum	Upper quartile rank	100%
Additional share price underpin on TSR element of awards	Shares would not usually vest unless a share price of £19 is achieved between the end of the performance period and the end of the holding period.		

* Vesting will be on a straight-line basis between each of threshold and stretch and stretch and maximum (and threshold and maximum for the TSR element). The Remuneration Committee retains discretion to adjust the vesting levels to ensure they reflect underlying business performance and any other relevant factors

VESTING AND HOLDING PERIOD:

- Subject to performance, awards to vest 3 years from grant following the announcement of results for 2021 but subject to a further 2 year holding period post vest (net of tax)
- The CEO and CFO volunteered to extend the existing (2-year) holding period on their 2019 LTIP awards, to not sell any of the shares, should they vest, from their 2019 awards until the Company's share price is at £19 or above.

MALUS AND CLAWBACK:

- Malus and clawback provisions will be operated at the discretion of the Remuneration Committee in respect of the LTIP where it considers that there are exceptional circumstances. Such exceptional circumstances may include serious reputational damage, a failure of risk management, an error in available financial information, which led to the award being greater than it would otherwise have been or personal misconduct. Clawback may be applied for a period of up to three years for any LTIP awards.

2020 LTIP AWARDS

As set out in the Remuneration Committee Chair's letter, Andy Palmer and Mark Wilson will not be granted awards under the LTIP in FY 2020.

SHARE INTERESTS AND SHAREHOLDING GUIDELINES (AUDITED)

The current CEO and CFO are subject to shareholding guideline of 800% and 300% of salary respectively, which drives long-term alignment with investors.

The following table sets out the total beneficial interests of the Executive Directors (and their connected persons) in ordinary shares of Aston Martin Lagonda Global Holdings plc as at 31 December 2019, as well as the status against the shareholding guidelines. The table also summarises conditional interests in share or option awards.

Although both Executive Directors had purchased shares in June 2019, due to the fall in share price during the year, as at 31 December 2019 both Andy Palmer and Mark Wilson have fallen below their personal shareholding guidelines.

As at 31 December 2019	Shares owned outright	Shares vested but subject to continued employment ¹	Total shares owned outright or vested ²	As a % of salary ³	Shareholding guideline (as % of salary)	Guideline met?	LTIP award shares invested and subject to performance ⁴
Dr Andy Palmer	369,684	1,041,079	1,410,763	611%	800%	No	262,135
Mark Wilson	54,247	145,752	199,999	245%	300%	No	61,893

Notes:

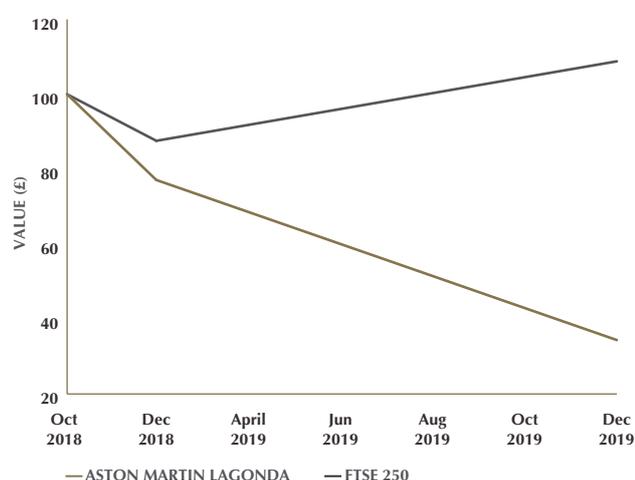
- These vested shares were granted under the Legacy LTIP (details of which can be found in the 2018 DRR) and remain subject to lock-up arrangements with release in 3 further equal instalments on each anniversary of Admission)
- There have been no changes in the period up to and including 26 February 2020
- Based on the closing share price on 31 December 2019 of £5.20
- These shares were granted under the 2019 LTIP award, full details of which are set out on page 102, under the section titled, '2019 LTIP awards granted during FY 2019'

TSR PERFORMANCE GRAPH AND CEO REMUNERATION

The Company's shares started trading on the London Stock Exchange's main market for listed securities on 8 October 2018.

The graph below shows the TSR performance of £100 invested in the Company's shares since listing, compared to the FTSE 250 index which has been chosen because the Company has been a constituent of this index since listing. The table below shows the total remuneration earned by the CEO over the same period, along with the percentage of maximum opportunity earned in relation to each type of incentive. The total amounts are based on the same methodology as used for the single figure of total remuneration for FY 2019 on page 100.

TSR VS. THE FTSE250



CEO TOTAL REMUNERATION

FY	2018 ¹	2018 ²	2019
Total remuneration (£'000s)	407	1,347	1,353
Bonus (% of maximum)	0%	0%	0%
LTIP ³ (% of maximum)	n/a	n/a	n/a

Notes:

- FY 2018 remuneration shown is for the period 8 October to 31 December 2018, annual bonus was restated to zero as set out on page 101.
- The amounts shown for FY 2018 in the second column have been annualised, as if the remuneration policy operated since IPO had been in place for the full year (as disclosed in the 2018 DRR, with bonus restated to zero).
- LTIP awards were granted for the first time on 27 June 2019 and will not vest until 2021 at the earliest

CEO REMUNERATION RELATIVE TO EMPLOYEES

The table below summarises the change in Andy Palmer's salary, benefits and bonus received as CEO for FY 2019 compared to the prior year. The same data is also shown for the UK employee population.

Year-on-year change (%)	Salary	Allowances and benefits	Bonus
CEO ¹	0%	30%	0%
UK employees ²	3%	0%	0%

Notes:

- The CEO %s have been calculated by comparing FY2019 to the amounts for the full FY 2018
- The comparator group includes all UK employees. This group represents the majority of AML employees, aligns with the location of the CEO and is the same group used for the pay ratio reporting below. For the comparator group of employees, the salary year-on-year change includes the annual salary review from 1 January 2019 but excludes any additional changes made in the year, for example on promotion. The year-on-year change in bonus is shown for non-management employees only. Management bonuses, linked to 2019 Company performance measures will be zero (and note zero bonus payment to the CEO for both 2018 and 2019). For benefits, there were no changes to benefit policies or levels during the year. The increase in the value of benefits shown for the CEO reflects an increase in the market cost of the same benefits.

The ratios, set out in the table below, compare the total remuneration of the CEO (as included in the single figure table on page 100) to the remuneration of the median UK employee as well as employees at each of the lower and upper quartiles.

	25th percentile (P25)	Median (P50)	75th percentile (P75)
FY 2019			
CEO pay ratios (Option A)	34:1	29:1	24:1

The ratios are calculated using 'option A' as set out in the disclosure regulations. The employees at the lower quartile, median and upper quartile (P25, P50 and P75) were determined based on total remuneration for FY 2019 using a calculation approach consistent with that used for the CEO in the single figure table on page 100. The Committee chose to use option A on the basis that it would provide the most accurate approach to identifying the median, lower and upper quartile employees. The calculation was undertaken on a full-time equivalent basis. The total remuneration in respect of FY 2019 for the employees identified at P25, P50 and P75 was £40k, £47k, and £57k, respectively. The base salary for FY 2019 for the employees at P25, P50 and P75 was £38k, £35k and £55k respectively.

The Committee considers pay ratios as one of many reference points when considering remuneration. Throughout AML, pay is positioned to be fair and market competitive in the context of the relevant talent market for each role.

RELATIVE IMPORTANCE OF SPEND ON PAY FOR FY 2019

The table below sets out the total payroll costs for all employees for FY 2019 compared to distributions to shareholders by way of dividend and share buyback. Adjusted EBITDA is also shown as context.

		FY 2019	FY 2018
Adjusted EBITDA	£m	134.2	247.3
	% change	-46%	
Distributions to shareholders	£m	0	0
	% change	0%	
Payroll costs for all employees	£m	156.7	211.4
	% change	-26%	

Note: 2018 payroll costs include £61.2m of IPO-related staff incentive costs.

SERVICE AGREEMENTS

The table below sets out information on service agreements for the Executive Directors – these were entered into before Admission.

Executive Director	Title	Effective date of service agreement	Notice period to and from the Company
Dr Andy Palmer	President and Group Chief Executive Officer	8 October 2018	12 months
Mark Wilson	EVP and Chief Financial Officer	8 October 2018	12 months

The service agreements for Executive Directors are available for inspection by shareholders at the registered office of the Company.

EXTERNAL APPOINTMENTS

It is recognised that Non-Executive Directorships can provide a further level of experience that can benefit the Company. As such, Executive Directors may usually take up one Non-Executive Directorship (broadly equivalent in terms of time commitment to a FTSE 350 Non-Executive Directorship role) subject to the Board's approval as long as there is no conflict of interest. A Director may retain any fee received in respect of such Non-Executive Directorship.

Andy Palmer holds three external non-executive roles at companies operating in areas that are highly relevant to the Company's business. Andy Palmer's services to these boards are generally performed outside of normal Company working hours and are considered to be mutually beneficial to both the Company and these businesses. These roles are set out below (including associated fees).

- Ashok Leyland Limited – Non-Executive Director and Chair of the Technology Committee (FY 2019 fee of £64k)
- SBD Automotive Limited (formerly Secured By Design Limited) – Non-Executive Director. In exchange for his services the Company receives consultancy services from SBD Automotive Limited in relation to connected and autonomous market trends
- Pod Point Ltd – Board Observer (no fee)

While the CEO has three appointments, the Board is comfortable that the aggregate time commitment required for these appointments is in line with the Company's Policy but will continue to keep this under review. In addition, the Board is satisfied that no conflict of interests arises.

NON-EXECUTIVE DIRECTORS' REMUNERATION (AUDITED)

The Policy on remuneration for Non-Executive Directors is set out in the Directors' Remuneration Report FY 2019 (which can be found in the Annual Report FY 2018 at www.astonmartinlagonda.com).

The following table sets out the single figure of total remuneration received or receivable by the Non-Executive Directors in respect of FY 2019 (and the prior financial year).

Shown in £'000s	
	Total fees ¹
Non-Executive Directors	
Penny Hughes	
Year to 31 December 2019	350
Year to 31 December 2018	87
Richard Solomons	
Year to 31 December 2019	135
Year to 31 December 2018	33
Amr Ali Abdallah AbouelSeoud	
Year to 31 December 2019 ²	83
Year to 31 December 2018	542
Najeeb Al-Humaidhi (until 7 Oct 2019)	
Year to 31 December 2019 ³	58
Year to 31 December 2018	555
Saoud Al-Humaidhi (until 7 Oct 2019)	
Year to 31 December 2019 ³	65
Year to 31 December 2018	21
Lord Matthew Carrington	
Year to 31 December 2019	85
Year to 31 December 2018	21
Mahmoud Samy Mohamed Aly El Sayed	
Year to 31 December 2019 ⁴	85
Year to 31 December 2018	542
Peter Espenhahn	
Year to 31 December 2019	85
Year to 31 December 2018	21
Dante Razzano	
Year to 31 December 2019 ⁵	93
Year to 31 December 2018	542
Peter Rogers	
Year to 31 December 2019 ⁶	83
Year to 31 December 2018	21
Imelda Walsh	
Year to 31 December 2019	115
Year to 31 December 2018	28
Professor Tensie Whelan	
Year to 31 December 2019	75
Year to 31 December 2018	19

Notes:

1. Total fees include basic fees and additional Committee Chair and membership fees
2. Amr Ali Abdallah AbouelSeoud was a member of the Remuneration Committee until 7 October 2019
3. Najeeb Al-Humaidhi and Saoud Al-Humaidhi stepped down from the Board on 7 October 2019
4. Mahmoud Samy Mohamed Aly El Sayed was a member of the Audit Committee until 7 October 2019 and became a member of the Nomination Committee from 8 October 2019
5. Dante Razzano was a member of the Remuneration Committee until 7 October 2019
6. Peter Rogers was a member of the Audit Committee until 7 October 2019

SUMMARY OF CHAIR AND NON-EXECUTIVE DIRECTORS' FEES FOR FY 2020

As outlined in the Remuneration Committee Chair's letter, in the context of the continuing challenging trading conditions during FY 2019, the Chair and Non-Executive Directors decided to apply a reduction to fee levels, effective 1 January 2020. The revised fee levels are set out in the table below.

NED role	FY 2019 fee (£'000s)	FY 2020 fee (£'000s)
Chair of the Board	350	270
Basic NED fee	75	60
SID fee	20	15
Committee Chair	20	15
Committee member	10	5

CHAIR AND NON-EXECUTIVE DIRECTOR SHAREHOLDINGS (AUDITED)

The table below summarises the total interests of the Chair and Non-Executive Directors (and their connected persons) in ordinary shares of Aston Martin Lagonda plc as at 31 December 2019 (or at the date of stepping down, if earlier).

	Total number of shares owned ¹
Non-Executive Directors	
Penny Hughes	6,000
Richard Solomons	526
Amr Ali Abdallah AbouelSeoud ²	687,239
Najeeb Al-Humaidhi (until 7 Oct 2019)	33,816,939
Saoud Al-Humaidhi (until 7 Oct 2019)	–
Lord Matthew Carrington	–
Mahmoud Samy Mohamed Aly El Sayed ³	13,408,475
Peter Espenhahn	526
Dante Razzano	26,315
Peter Rogers	–
Imelda Walsh	526
Professor Tensie Whelan	–

Notes:

- Other than those stated below, there have been no changes in the period up to and including 26 February 2020
- Includes indirect shareholding through Asmar Limited. On 11 February 2020 shares within the Adeem/PW Shareholding Group were transferred to Venus Holdings Limited, a person closely associated with Mr AbouelSeoud and resulting in him having a total interest in 815,911 shares
- Includes the shareholding of Adeem Automotive Manufacturing Company Limited as Mr Aly El Sayed is a director of the Adeem Automotive and CEO of its ultimate parent company Adeem Investment Kuwait and the indirect shareholding held through Asmar Limited. On 11 February 2020 following share transfers within the Adeem/PW Shareholding Group this resulted in Mr Aly El Sayed having a total interest in 1,855,275 shares which includes his indirect interest through Adeem and through MSY Limited, a person closely associated to him

LETTERS OF APPOINTMENT

The Chair and Non-Executive Directors have letters of appointment. All Non-Executive Directors' appointments and subsequent re-appointments are subject to annual re-election at the AGM. Dates of the Directors' letters of appointment are set out in the table below.

Non-Executive Director	Date of appointment	Notice period
Penny Hughes	8 October 2018	3 months
Richard Solomons	8 October 2018	3 months
Amr Ali Abdallah AbouelSeoud	7 September 2018	3 months
Najeeb Al-Humaidhi (until 8 Oct 2019)	7 September 2018	3 months
Saoud Al-Humaidhi (until 8 Oct 2019)	7 September 2018	3 months
Lord Matthew Carrington	8 October 2018	3 months
Mahmoud Samy Mohamed Aly El Sayed	7 September 2018	3 months
Peter Espenhahn	8 October 2018	3 months
Dante Razzano	7 September 2018	3 months
Peter Rogers	8 October 2018	3 months
Imelda Walsh	8 October 2018	3 months
Professor Tensie Whelan	8 October 2018	3 months

The terms and conditions of appointment for Non-Executive Directors are available for inspection by shareholders at the registered office of the Company.

REMUNERATION COMMITTEE IN FY 2019

COMMITTEE MEMBERSHIP

The following Directors served as members of the Committee during FY 2019:

- Imelda Walsh (Chair)
- Amr Ali Abdallah AbouelSeoud (until 7 October 2019)
- Lord Matthew Carrington
- Dante Razzano (until 7 October 2019)
- Richard Solomons

COMMITTEE REMIT

The Committee's Terms of Reference are published on www.astonmartinlagonda.com.

In addition to setting the remuneration of the Executive Directors, the Committee continues to directly oversee the remuneration arrangements for the Executive Committee.

SUMMARY OF MEETINGS

The Committee typically meets four to six times a year. During FY 2019, the Committee met five times and the agenda items discussed at these meetings are summarised below.

Early February	<ul style="list-style-type: none"> Review of draft FY 2018 DRR and Remuneration Policy Shareholder engagement update Consideration of 2019 annual bonus approach
Late February	<ul style="list-style-type: none"> FY 2018 annual bonus payments FY 2019 annual bonus – performance targets Gender Pay Gap report Shareholder engagement update FY 2019 LTIP funding approach Approval of FY 2018 DRR and Remuneration Policy
April	<ul style="list-style-type: none"> Shareholder engagement update 2019 LTIP – performance targets and award levels Review of independent advisor discussion
July	<ul style="list-style-type: none"> Addressing the UK corporate governance code Review of broader workforce remuneration Review of independent advisor discussion
December	<ul style="list-style-type: none"> FY 2018 bonus – ED waiver Below Board IPO-related payments

ADVICE TO THE COMMITTEE

The Chair of the Board and members of the management team are invited to attend Committee meetings where appropriate, except when their own remuneration is being discussed. During the year Penny Hughes (Chair of the Board), Dr Andy Palmer (President and Group Chief Executive Officer), Mark Wilson (EVP and Chief Financial Officer), Michael Kerr (VP and Chief HR Officer), Michael Marecki (VP and General Counsel), Catherine Sukmonowski (Company Secretary) and Amanda Sherwood (Director of Reward) attended meetings at the Committee's invitation.

Since Admission, the Committee has received independent advice on remuneration from Willis Towers Watson ("WTW"). WTW is a member of the Remuneration Consultants' Group and, as such, voluntarily operates under the Remuneration Consultants' Group Code of Conduct in relation to executive remuneration consulting in the UK. The Committee is satisfied that the advice provided by WTW is independent and objective. WTW has no other connection with the

Company. Total fees received by WTW in relation to remuneration advice provided that materially assisted the Committee during FY 2019 were £43,750.

The Committee initiated an RFP process to review its advisers in FY 2019. Given the challenges faced by the Company and the workload of the Board, the Committee decided to defer the RFP process for 12 months and will continue to use Willis Towers Watson during this time.

Freshfields also provided advice to the Committee in relation to the operation of the Company's share plans, employment law considerations and compliance with legislation.

COMMITTEE EFFECTIVENESS

As set out on page 82, given the circumstances of the Company an ongoing approach was adopted to assess Committee effectiveness. During the year the Chair sought soundings from Committee members who provided ongoing feedback on Committee effectiveness so that the Committee could remain effective in evolving circumstances.

REMUNERATION VOTING RESULTS

The table below shows the results of the shareholder votes at the 2019 AGM on both the Directors' Remuneration Report and the Directors' Remuneration Policy.

	Votes for	Votes against	Votes withheld
AGM voting results			
To approve the Directors' Remuneration Report for the year ending 31 December 2018	203,028,527 (95.64%)	9,260,855 (4.36%)	442
To approve the Directors' Remuneration Policy	198,266,590 (93.39%)	14,022,935 (6.61%)	299

APPROVAL

This report has been approved by the Board and signed on its behalf by:

IMELDA WALSH
CHAIR, REMUNERATION COMMITTEE

26 FEBRUARY 2020

DIRECTORS' REPORT

ABOUT THE DIRECTORS' REPORT

The Directors' Report comprises the Governance section (pages 78 to 107), the Directors' Report (pages 108 to 114) and the Shareholder Information section (pages 179 to 180). Other information that is relevant to the Directors' Report, and which is incorporated by reference into the Directors' Report, is disclosed as follows.

- Likely future developments of the Company (throughout the Strategic Report)
- Human rights (page 45)
- Greenhouse gas emissions (page 43)
- Relationship with employees (page 39)
- Disabled persons (page 109)
- Health and Safety (page 109)
- Financial instruments (Note 23)
- s172 disclosure (page 32)
- Post balance sheet events.

STRATEGIC REPORT

Aston Martin Lagonda Global Holdings plc is required by the Companies Act 2006 to prepare a Strategic Report that includes a fair review of the Company's business, the development and performance of the Company's business during the period, the position of the Company at the end of year ended 31 December 2019, and a description of the principal risks and uncertainties faced by the Company. The Strategic Report on pages 4 to 69 is incorporated by reference and shall be deemed to form part of this Directors' Report.

RESULTS AND DIVIDEND

Revenue from the continuing business during the period amounted to £997m (2018: £1.1bn). A review of the Group's consolidated results is set out from page 46.

It is the Directors' intention to retain the Group's cash flow to finance growth and to focus on delivery of its reset plan. The Directors intend to review, on an ongoing basis, the Company's dividend policy and will consider the payment of dividends as the Group's strategy matures, depending upon the Group's free cash flow, financial condition, future prospects and any other factors deemed by the Directors to be relevant at the time.

GOING CONCERN

The going concern statements for the Group and Company are set out on pages 131 and 177 of the Financial Statements and are incorporated by reference and shall be deemed to be part of this Report.

RESEARCH AND DEVELOPMENT

The Group spent £226m (2018: £214m) on research and development during the period. See note 4 to the Financial Statements.

TAX STRATEGY

The Group is committed to complying with its statutory obligations in relation to the payment of tax including full disclosure of all relevant facts to the appropriate tax authorities. In managing its tax affairs, the Group recognises its responsibilities as a tax payer and the need to protect the corporate reputation inherent in the brand.

The Board has ultimate responsibility for the Group's tax strategy although the day-to-day management rests with the Executive Committee which comprises the senior operational personnel of the Group.

The EVP and Chief Financial Officer is the Executive Committee member with ultimate responsibility for tax matters and is the Senior Accounting Officer of the Group. The EVP and Chief Financial Officer advises the Board on the tax affairs and risks of the Group to ensure:

- the proper control and management of tax risk;
- the tax position is planned in line with the Group's strategic objectives;
- the tax charge is correctly stated in the statutory accounts and tax returns; and
- all tax compliance is completed in a timely manner to HMRC and other tax authorities.

Further information on the Group's tax strategy is available on the Company's website.

ARTICLES OF ASSOCIATION

The Articles of Association set out the internal regulation of the Company and cover such matters as the rights of shareholders, the appointment or removal of Directors, and the conduct of the Board and general meetings. Copies are available from the Company Secretary. In accordance with the Articles of Association, directors can be appointed or removed by the Board or by shareholders in general meeting. Amendments to the Articles of Association must be approved by at least 75% of those voting in person or

by proxy at a general meeting of the Company. Subject to UK company law and the Articles of Association, the directors may exercise all the powers of the Company, and may delegate authorities to committees, and may delegate day-to-day management and decision making to individual executive directors. Details of the Board Committees can be found on page 79.

The rules governing the appointment and removal of a director are set out in the Articles of Association of the Company. Specific details relating to the Significant Shareholder Groups and their right to appoint directors are set out on page 112.

As stated, following the Placing, Lawrence Stroll will join the Board and become Executive Chairman and Penny Hughes has confirmed her intention to step down as a Director on 7 April 2020. As noted, by mutual agreement Mark Wilson will step down as Chief Financial Officer and each of Richard Solomons, Imelda Walsh and Tensie Whelan have advised that they will not seek re-election at the Company's Annual General Meeting ("AGM"). Consequently, Lawrence Stroll will be offering himself for election and all remaining members of the Board (excluding those individuals noted) will be offering themselves for re-election at Company's Annual General Meeting ("AGM").

DIRECTORS

The names and details of the Directors as at the date of this Report are set out on pages 72 to 74.

The names of the individuals who ceased to be Directors during the year ended 31 December 2019 are set out below.

Name	Date of cessation
Najeeb Al Humaidhi	7 October 2019
Saoud Al Humaidhi	7 October 2019

DIRECTORS' INSURANCE AND INDEMNITIES

The Company maintains directors' and officers' liability insurance, which gives cover for legal actions brought against its Directors and officers. Each Director of the Company also has the benefit of prospectus liability insurance which provides cover for liabilities incurred by directors in the performance of their duties or powers in connection with the issue of the Company's prospectus dated 20 September 2018 in relation to the Company's listing on the premium listing segment of the Financial Conduct Authority's Official List and admission to trading on the Main Market for listed securities of the London Stock Exchange (the "IPO"). No amount was paid under any of these indemnities or insurances during the year other than

the applicable insurance premiums. In accordance with section 236 of the Companies Act 2006, qualifying third-party indemnity provisions are in place for the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. Both the insurance and indemnities applied throughout the year ended 31 December 2019 and up to the date of this Report.

EQUAL OPPORTUNITIES AND EMPLOYMENT OF DISABLED PEOPLE

The Group has policies on equal opportunities and the employment of disabled people which, through the application of fair employment practices, are intended to ensure that individuals are treated equitably and consistently regardless of age, race, creed, colour, gender, marital or parental status, sexual orientation, religious beliefs and nationality.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure their employment with the Group is continued and that the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not have a disability.

HEALTH AND WELLBEING

The health and wellbeing of employees is central to operating an effective and successful business. The Group also relies on the health and stability of the communities in which it operates. The Group recognises its responsibility and the opportunity to make a positive contribution and is actively engaged with local areas to foster a sense of partnership with the Group.

The Group continues to educate employees on its approach to, and specific requirements of, human rights in business operations. In 2019, no human rights violations within the Group were reported, nor were any relevant reports received regarding the supply network.

The health and safety of its workforce, visitors and the local community is of paramount importance. The Group aims to be a centre of excellence and for the Aston Martin Health and Safety Management System to be aligned with best practice within the automotive industry. Further details are set out on page 42.

SHARE CAPITAL

Details of the issued share capital, together with details of movements in the issued share capital of the Company during the year, are shown in note 27. This is incorporated by reference and deemed to be part of this Report.

The Company has one class of ordinary share which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company. The ordinary shares are listed on the premium listing segment of the Financial Conduct Authority's Official List and traded on the Main Market for listed securities of the London Stock Exchange. As at 31 December 2019, the Company had 228,002,890 ordinary shares of £0.00904 in issue. The Company does not hold any shares in treasury.

Specific powers relating to the allotment and issuance of ordinary shares and the ability of the Company to purchase its own securities are included within the Articles and such authorities must be submitted for approval by the shareholders, at the AGM each year. The Approval for these authorities were not sought at the Company's 2019 AGM.

SHAREHOLDERS' RIGHTS

Holders of ordinary shares have the rights accorded to them under UK company law, including the rights to receive the Company's annual report and accounts, attend and speak at general meetings, appoint proxies and exercise voting rights. No shareholder holds ordinary shares carrying special rights relating to the control of the Company and the Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on voting rights.

RESTRICTIONS ON TRANSFER OF ORDINARY SHARES

The Articles do not contain any restrictions on the transfer of ordinary shares in the Company other than the usual restrictions applicable where any amount is unpaid on a share. All issued share capital of the Company at the date of this Annual Report is fully paid. Certain restrictions are also imposed by laws and regulations (such as insider trading and marketing requirements relating to close periods) and requirements of the Market Abuse Regulation whereby directors and certain employees of the Company require prior approval to deal in the Company's securities.

SUBSTANTIAL SHAREHOLDINGS

The Company has received notifications of major interests in its issued ordinary share capital in accordance with Rule 5 of the Disclosure and Transparency Rules. Details of the position as at the end of the financial year and as at the latest practicable date prior to approval of this Annual Report are set out opposite.

Shareholder	As at 31 December 2019		As at 21 February 2020	
	Number of ordinary shares	% of total voting rights ¹	Number of ordinary shares	% of total voting rights ¹
Adeem/Primewagon Significant Shareholder Group				
Adeem Automotive Manufacturing Company Limited	12,592,564	5.523%	1,039,364	0.456%
Asmar Limited	20,301,262	8.904%	–	–
Primewagon (Jersey) Limited	10,907,194	4.784%	10,760,267	4.719%
Stehwaz Automotive Jersey Limited	9,194,651	4.033%	13,118,242	5.754%
Najeeb Al-Humaidhi	4,324,047	1.896%	11,534,540	5.059%
Mohammed Youssef Al-Roumi/Galaxy Investments Limited	4,187,400	1.837%	14,660,405	6.430%
Waleed Al-Humaidhi	398,648	0.175%	3,262,511	1.431%
White Rose Automotive Ltd	1,392,238	0.611%	–	–
RAR Limited	–	–	1,973,991	0.866%
Savoy Investments Limited	–	–	1,973,991	0.866%
ANF Limited	–	–	789,596	0.346%
AGD Limited	–	–	789,596	0.346%
MSY Limited	–	–	789,596	0.346%
Venus Holdings Limited	–	–	789,596	0.346%
Ulrich Bez	–	–	875,938	0.384%
Capital Group	–	–	541,723	0.238%
	63,298,004	27.762%	62,899,356	27.587%
Prestige/SEIG Significant Shareholder Group²				
Prestige Motor Holdings S. A.			45,766,783	20.07%
Preferred Prestige Motor Holdings S. A.			14,975,231	6.57%
Strategic European Investment Group S.à.r.l.			6,840,090	3.00%
	74,781,250	32.80	67,582,104	29.64%
Mercedes-Benz AG	9,529,739	4.18%	No further notifications after 31 December 2019	
Invesco Limited	20,862,276	9.15%	No further notifications after 31 December 2019	
Torreal Sociedad de Capital Riesgo SA	–	–	7,151,411	3.14%

Notes

1. As at the date in the notification to the Company.

2. Breakdown not provided to the Company via notification under Rule 5 of the Disclosure and Transparency Rules.

SIGNIFICANT CONTRACTS – CHANGE OF CONTROL

At 31 December 2019, the Group had a revolving credit facility of £80 million which contains change of control clauses. The Group also had: US\$400 million of 6.5% Senior Secured Notes; £230 million and £55m of 5.75% Senior Secured Notes; US\$190m senior secured notes; and US\$150m senior secured split coupon notes, all of which contain change of control provisions. In aggregate, this financing is considered significant to the Group and in the event of a takeover (i.e. a change of control) of the Company, these contracts may be cancelled, become immediately payable or be subject to acceleration.

All the Company's share plans contain provisions relating to a change of control. In the event of a change of control or winding up of the Company (other than an internal reorganisation), LTIP awards will vest subject to the extent to which the performance conditions have been satisfied. Pro-rating for service will apply unless the Remuneration Committee decides otherwise. Outstanding deferred bonus awards will vest in full as soon as practicable.

In the event of an internal corporate reorganisation, deferred bonus and LTIP awards may (with consent from any acquiring Company) be replaced by equivalent awards. Alternatively, the Remuneration Committee may decide that deferred bonus and LTIP awards will vest as in the case of a change of control described above.

In the event of a demerger, special dividend or other corporate event that will materially impact the share price the Committee may, at its discretion, allow deferred bonus and LTIP awards to vest on the same basis as for a change of control as described above. Alternatively, an adjustment may be made to the number of shares if considered appropriate.

As set out in the 2018 Annual Report, the Company currently has two groups of Significant Shareholders namely, the Adeem/PW Significant Shareholder Group and the Prestige/SEIG Significant Shareholder Group. The relationship between the Company and each of these Significant Shareholder Groups is governed by two separate Relationship Agreements (the "Current Relationship Agreements"), each executed on IPO. The purpose of these Current Relationship Agreements is to ensure that the Company can carry on its business independently and for the benefit of shareholders as a whole.

The Current Relationship Agreements also provide that the Company will not take any action in relation to certain significant matters without the prior approval of at least two-thirds of members of the Board present and entitled to vote. The Current Relationship Agreements will terminate upon the relevant Significant shareholder group ceasing to have the entitlement to exercise 7% or more of the voting rights in the Company or the Company's shares ceasing to be admitted to the Official List of the Financial Conduct Authority and traded on the Main Market for listed securities of the London Stock Exchange.

Each of the Current Relationship Agreements provides that each Significant Shareholder Group is entitled to nominate director(s) to the Board and the Nomination Committee and an observer to the Remuneration and Audit and Risk Committees subject to the size of its interest in the voting rights of the Company and the time elapsed since Admission as set out below.

- Adeem/PW Significant Shareholder Group Board Appointments
 - 20% or above voting rights – 4 Directors until the first anniversary of Admission and 2 Directors thereafter. The current nominated Directors are Amr Ali Abdallah Abouel Seoud, and Mahmoud Samy Mohamed Aly El Sayed. Saoud Al Humaidhi and Najeeb Al Humaidhi stepped down as Directors on 7 October 2019 in accordance with the Relationship Agreement.
 - Between 7% and 20% voting rights – 2 Directors until the first anniversary of Admission and 1 Director thereafter.
- Prestige/SEIG Significant Shareholder Group Board Appointments
 - 20% or above voting rights – 2 Directors. The current nominated Director is Dante Razzano. It is expected that Prestige will appoint a further nominated Director in due course.
 - Between 7% and 20% voting rights – 2 Directors until the first anniversary of Admission and 1 Director thereafter.

- Adeem/PW Significant Shareholder Group and Prestige Significant Shareholder Group Committee Appointments
 - 7% or more voting rights until first anniversary of Admission – can nominate a Director on each of the Committees. On 7 October 2019 Peter Rogers and Mahmoud Samy Mohamed Aly El Sayed stepped down as members of the Audit and Risk Committee and Dante Razzano and Amr AbouelSeoud stepped down as members of the Remuneration Committee. They are permitted to attend as observers on the relevant Committees with no voting rights.
 - 7% or more voting rights after first anniversary of Admission – can nominate a Director to the Nomination Committee and a Director as an observer to each of the Audit and Risk and Remuneration Committees.

On completion of the Placing, the Company will have three significant shareholders namely, the Stroll Consortium, the Prestige/SEIG Shareholder Group and the Adeem/PW Shareholder Group. New Relationship Agreements will become effective between the Company and these parties at that time. The terms of the New Relationship Agreements will be the same for each of the three significant shareholders and will entitle each of these shareholders to appoint representative Board members depending on their respective shareholdings immediately following the Placing and/or Rights Issue (as applicable). The Current Relationship Agreements remain in effect until then. Further information on the New Relationship Agreements is set out in the Prospectus.

The Group has a technical partnership with a major shareholder, Daimler, for the provision of engines, electrical architecture and entertainment systems. The Group's technical and commercial partnership with Daimler began in 2013, when Daimler became one of Aston Martin Holdings (UK) Limited's shareholders. The agreements governing this relationship contain provisions that provide that where a strategic Daimler competitor or one of its affiliates acquires an interest in the Group, Daimler is entitled to terminate these operational agreements on 3 years prior notice.

TRANSACTIONS WITH RELATED PARTIES

The subsisting material transactions which the Company has entered into with related parties are the Current Relationship Agreements each of which was entered into on 20 September 2018.

The Current Relationship Agreements comply with the requirements of the Listing Rules, including LR 9.2.2ADR(2)(a), and LR 6.5.4R. In accordance with the requirements of Listing Rule 9.8.4R(14), the Board confirms that the Company has complied with its obligations under the Current Relationship Agreements, including in respect of the independence provisions and, so far as the Company is aware, each Significant Shareholder Group has complied with the provisions of its respective Current Relationship Agreement (including the independence and non-compete provisions set out therein), at all times since 20 September 2018. Further information on the Current Relationship Agreements is on page 112.

Other related party transactions are detailed in note 31.

POLITICAL DONATIONS

It is the Company's policy not to make political donations and no such political donations were made during the period since the IPO. In line with 2019 and reflecting the practice of many other London-listed companies, the Board will be seeking shareholder approval for political donations at the forthcoming AGM. This is a precautionary measure, for the Company and its subsidiaries to be able to make donations and/or incur expenditure which may be construed as 'political' by the wide definition of that term included in the relevant legislation. Further details are provided in the Notice of this year's AGM.

DISCLOSURE TABLE PURSUANT TO LISTING RULE LR 9.8.4R

In accordance with LR 9.8.4R, the table below sets out the location of the information required to be disclosed, where applicable.

Applicable sub-paragraph within LR 9.8.4R	Page(s)
(1) Interest capitalised by the Group	n/a
(2) Unaudited financial information	n/a
(4) Long-term incentive scheme only involving a Director	n/a
(5) Directors' waivers of emoluments	100
(6) Directors' waivers of future emoluments	n/a
(7) Non pro-rata allotments for cash (issuer)	n/a
(8) Non pro-rata allotments for cash (major subsidiaries)	n/a
(9) Listed company is a subsidiary of another company	n/a
(10) Contracts of significance involving a Director	n/a
(11) Contracts of significance involving a controlling shareholder	n/a
(12) Waivers of dividends	n/a
(13) Waivers of future dividends	n/a
(14) Agreement with a controlling shareholder	112

DISCLOSURE OF INFORMATION TO THE COMPANY'S AUDITOR

Each person who is a Director at the date of approval of this report and of the Financial Statements confirms that (i) so far as such Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and (ii) such Director has taken all the steps that they ought to have taken as a Director, in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The Strategic Report (from pages 4 to 69) and the Directors' Report (as described on page 108) have been approved by the Board on 26 February 2020.

By order of the Board

CATHERINE SUKMONOWSKI
 COMPANY SECRETARY
 AND DIRECTOR OF GOVERNANCE

26 FEBRUARY 2020

Aston Martin Lagonda Global Holdings Plc
 Registered Office:
 Banbury Road
 Gaydon
 Warwick CV35 0DB

Registered in England and Wales
 Registered number: 11488166

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report which includes the Strategic Report; the Directors' Report; the Directors' Remuneration Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to

fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed on pages 72 to 75 confirm that, to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

These statements were approved by the Board on

26 February 2020 and signed on its behalf by:

DR ANDY PALMER
PRESIDENT AND GROUP CHIEF EXECUTIVE OFFICER

MARK WILSON
EVP AND CHIEF FINANCIAL OFFICER



FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ASTON MARTIN LAGONDA GLOBAL HOLDINGS PLC

OPINION

IN OUR OPINION:

- Aston Martin Lagonda Global Holdings plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Aston Martin Lagonda Global Holdings plc which comprise:

Group	Parent company
Consolidated statement of financial position as at 31 December 2019	Statement of financial position as at 31 December 2019
Consolidated statement of comprehensive income for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 6 to the financial statements including a summary of significant accounting policies
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 34 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 1 in the financial statements, which indicates that the ability of the Group and Company to continue as a going concern is subject to material uncertainty. On 31 January 2020, the Company announced its intention to raise £500 million by way of a strategic investment of £182.4 million by a consortium led by Lawrence Stroll and a rights issue of £317.6 million ('The Capital Raise'). The Capital Raise is required for the Group to continue operating as a going concern, to facilitate the successful execution of the reset of the business plan and to provide a platform for the future success of the Group. The completion of the Capital Raise is dependent on approval from the shareholders of the Company, which at the time of issuing these financial statements has not yet been obtained. As a result, a material uncertainty exists that may cast significant doubt on the group and company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

We draw attention to the viability statement in the Annual Report at page 69, which indicates that an assumption to the statement of viability is that the Capital Raise completes. The Directors consider that the material uncertainty referred to in respect of going concern may cast significant doubt over the future viability of the group and company should the Capital Raise not complete. Our opinion is not modified in respect of this matter.

CONCLUSIONS RELATING TO PRINCIPAL RISKS,
GOING CONCERN AND VIABILITY STATEMENT

Aside from the impact of the matters disclosed in the material uncertainty related to going concern section, we have nothing to report in respect of the following information in the annual report, in relation to which the ISAs(UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 54 to 66 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on pages 92 and 93 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- whether the directors' statements in relation to going concern and their assessment of the prospects of the company required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 69 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

OVERVIEW OF OUR AUDIT APPROACH

Key audit matters	<ul style="list-style-type: none"> • Revenue recognition, specifically; <ul style="list-style-type: none"> • There is a risk that revenue is overstated due to errors in cut-off, including bill and hold arrangements; and • There is also a risk of overstatement of revenue through inappropriate manual journal entries.
	<ul style="list-style-type: none"> • Capitalisation and amortisation of development costs
	<ul style="list-style-type: none"> • Impairment of capitalised development costs
Audit scope	<ul style="list-style-type: none"> • We performed an audit of the complete financial information of three components and audit procedures on specific balances for a further two components. • The components where we performed full or specific audit procedures accounted for 100% of Adjusted EBITDA, 100% of Revenue and 100% of Total assets.
Materiality	<ul style="list-style-type: none"> • Overall Group materiality of £2.6m which represents 1.9% of Adjusted EBITDA.

KEY AUDIT MATTERS

In addition to the material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Revenue Recognition (£997.3m, 2018: £1,096.5m)</p> <p><i>Refer to the Audit Committee Report (page 90); Accounting policies (page 2); and Note 3 of the Consolidated Financial Statements (page 139)</i></p> <p>There is a risk that revenue is overstated due to errors in cut-off, including bill and hold arrangements whereby revenue is recognised on a completed vehicle before delivery is made to the customer based on the customer's request.</p> <p>There is also a risk of overstatement of revenue through inappropriate manual journal entries.</p>	<ul style="list-style-type: none"> • We confirmed the existence and the design effectiveness of controls within the sales process, paying particular attention to those around cut-off and bill and hold transactions. • We considered the terms per the contract and delivery to ensure revenue has been recognised in accordance with IFRS 15 and is recorded in the correct period. • For a sample of bill and hold sales we have confirmed the vehicle was completed before year end by obtaining the signed quality check documentation. For that sample we also confirmed the transfer of control had occurred by obtaining the customer requests to hold the vehicles on their behalf. • We performed physical verification on the finished vehicles and agreed these to either the inventory or the bill and hold listings. We ensured the manufacturing process was complete for each vehicle and that the vehicle was not double counted in revenue and inventory. • We performed cut-off testing by tracing a sample of transactions around the period end to third party delivery note documentation. • We performed data analytical procedures of the double entries in the general ledger to test the postings from Revenue to Cash, correlating the cash conversion of sales. We investigated and obtained evidence for unusual items identified. • We performed journal testing procedures to identify unusual journal entry postings. We obtained audit evidence for unusual and/or material revenue journals. • We performed full and specific scope audit procedures over this risk area in 5 locations, which covered 100% of the risk amount. 	<p>Our audit procedures did not identify evidence of material misstatements in revenue recognition arising from the risk of cut-off, bill and hold or management override through journal entries.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Capitalisation and amortisation of development costs (£769.5m, 2018: £653.2m)</p> <p>Refer to the Audit Committee Report (page 90); Accounting policies (page 133); and Note 13 of the Consolidated Financial Statements (page 147)</p> <p>There is a risk that costs are capitalised which do not meet the criteria set out within IAS 38 or that the amortisation period is inappropriate.</p> <p>There is also a risk of overstatement of capitalised development costs through inappropriate manual journal entries.</p>	<ul style="list-style-type: none"> • We confirmed the existence and the design effectiveness of controls around the intangibles process and in particular around the approval of capitalised development expenditure. • For a sample of costs capitalised we confirmed that the costs incurred were; capitalised against the correct project; measured correctly; eligible for capitalisation, and the timing of the expense capitalisation was appropriate. • For a sample of projects we compared the actual spend against the budgeted spend to ensure the projects continue to meet the IAS 38 criteria for capitalisation and remain commercially viable. • For capitalised development costs we confirmed the amortisation period was aligned to the period over which commercial benefits are expected to be received. • We challenged the amount/percentage of costs which are transferred between models as a result of the carry over carry across principle ('COCA'). • We recalculated the amortisation recognised to confirm this was in line with expectations. • We performed journal testing procedures to identify unusual journal entry postings. We obtained audit evidence for unusual and/or material journals related to capitalised development costs. • We performed full and specific scope audit procedures over this risk area in two locations, which covered 100% of the risk amount. 	<p>Our audit procedures did not identify evidence of material misstatement in the amounts of development costs capitalised in the period or through inappropriate manual journal entries.</p>
<p>Impairment of capitalised development costs (£769.5m, 2018: £653.2m).</p> <p>Refer to the Audit Committee Report (page 90); Accounting policies (page 133); and Note 14 of the Consolidated Financial Statements (page 148)</p> <p>There is a risk that the value of development costs is not supported by the future forecast cashflows from the sale of vehicles to which the costs relate.</p>	<ul style="list-style-type: none"> • We have examined management's methodology and impairment models for assessing the recoverability of the capitalised development costs to understand the composition of management's future cash flow forecasts, and the process undertaken to prepare them. This includes confirming the underlying cash flows are consistent with the Board approved business plan. • We have re-performed the calculations in the model to test the mathematical integrity. • We have assessed the discount rate used by obtaining the underlying data used in the calculation and benchmarking it against comparable organisations and market data with the support of our valuation specialists. • We have analysed the historical accuracy of budgets to actual results to determine whether forecast cash flows are reliable based on past experience. • We calculated the degree to which the key assumptions would need to fluctuate before an impairment was triggered and considered the likelihood of this occurring. • We have audited the disclosures in respect of impairment of capitalised development costs with reference to the requirements of IAS 36 and confirmed their consistency with the audited impairment models. • We performed full and specific scope audit procedures over this risk area in two locations, which covered 100% of the risk amount. 	<p>Our year end audit procedures did not identify evidence of material misstatement regarding the carrying value of capitalised development costs or the impairment charge recognised in the year.</p>

Impairment of goodwill and other intangible assets was considered a significant risk, but has not been included in the table above as a key audit matter as it was not an area of greatest audit effort.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

TAILORING THE SCOPE

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls when assessing the level of work to be performed at each entity.

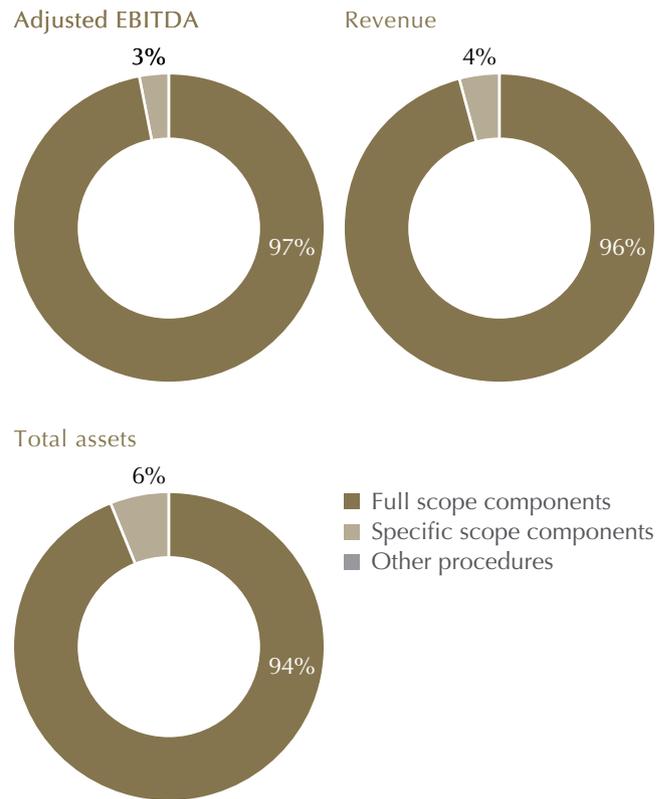
In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 7 reporting components of the Group, we selected 6 components covering components within the UK, America, Japan and China, which represent the principal business units within the Group.

Of the 6 components selected, we performed an audit of the complete financial information of four components ("full scope components") which were selected based on their size or risk characteristics. For the remaining two components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 100% of the Group's Adjusted EBITDA, 100% of the Group's Revenue and 100% of the Group's Total Assets. For the current year, the full scope components contributed 97% of the Group's Adjusted EBITDA, 96% of the Group's Revenue and 94% of the Group's Total Assets. The specific scope component contributed 3% of the Group's Adjusted EBITDA, 4% of the Group's Revenue and 6% of the Group's Total Assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant tested for the Group.

The remaining one component represents 0% of the Group's Adjusted EBITDA, Revenue and Total Assets. For this component, we performed other procedures, including analytical review to respond to any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.



INVOLVEMENT WITH COMPONENT TEAMS

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the three full scope components, audit procedures were performed on two of these directly by the primary audit team. For the two specific scope components, audit procedures were performed on one of these directly by the primary audit team. For the components not audited by the primary audit team we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The Group audit team planned visits that were designed to ensure that the Senior Statutory Auditor or his designate visits all full and specific scope components. During the current year's audit cycle, visits were undertaken by the primary audit team to the component team in the UK. These visits involved discussing the audit approach with the component team and any issues arising from their work, meeting with local management, attending closing meetings and reviewing key audit working papers on risk areas. For the component team in China, as result of the recent outbreak of the 2019 Novel Coronavirus, significant travel restrictions have been put in place meaning it was not possible for the primary audit team to visit China. In response, the primary audit team performed alternate procedures to obtain the required information from the component team on the procedures performed over significant balances. In addition, the primary team held extensive discussions with the component team discussing the audit approach and any issues arising from their work.

The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

OUR APPLICATION OF MATERIALITY

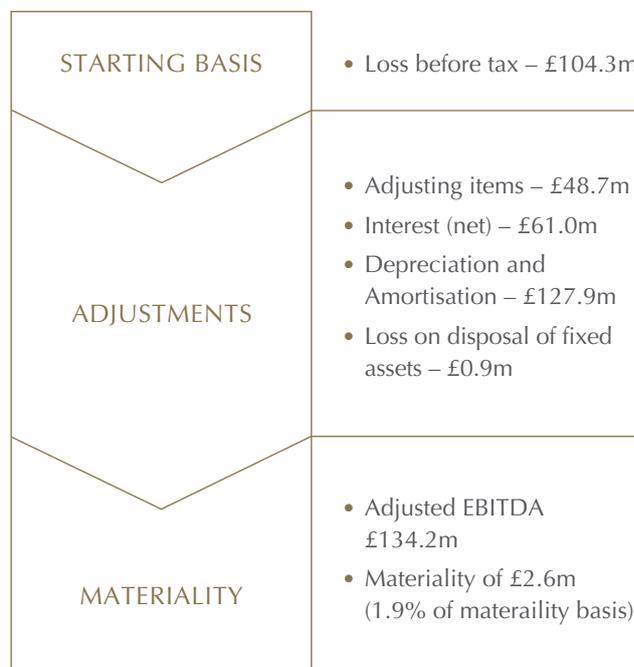
We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

MATERIALITY

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £2.6 million, which is 1.9% of Adjusted EBITDA. We believe that Adjusted EBITDA provides us with an appropriate basis for materiality. Adjusted EBITDA is a key metric used by management and investors.

We determined materiality for the Parent Company to be £5.5 million, which is 1% of Equity. The materiality is higher than the Group due to the fact the entity is a holding company and does not trade. For balances relevant to the Group financial statements we have reduced our materiality to be in-line with the Group.



During the course of our audit, we reassessed initial materiality and updated this for actual results.

PERFORMANCE MATERIALITY

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely £1.3m. We have set performance materiality at this percentage due to the fact we are performing a first year audit as well as the level of adjustments identified in the prior period.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.26m to £1.30m.

REPORTING THRESHOLD

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.13m, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

OTHER INFORMATION

The other information comprises the information included in the annual report set out on pages 1 to 180 other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 85** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out from page 88** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 77** – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 115, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

EXPLANATION AS TO WHAT EXTENT THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (IFRS, FRS 101, the Companies Act 2006 and UK Corporate Governance Code). In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Listing Rules of the UK Listing Authority, and those laws and regulations relating to health and safety and employee matters.

- We understood how Aston Martin Lagonda Global Holdings plc is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of board minutes, papers provided to the Audit Committee and correspondence received from regulatory bodies.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management and internal audit to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual consolidation journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of legal counsel, Group management, internal audit, and full and specific scope management; and focused testing, as referred to in the key audit matters section above.
- Component teams reported any non-compliance with laws and regulations through their audit deliverables based on the procedures detailed in the previous paragraph. Further, the Group team communicated any instances of non-compliance with laws and regulations to component teams through regular interactions with local EY teams. There were no significant instances of non-compliance with laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

OTHER MATTERS WE ARE REQUIRED TO ADDRESS

- We were appointed by the company on 24 July 2019 to audit the financial statements for the year ending 31 December 2019 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is one year, covering the year ending 2019.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

SIMON O'NEILL (SENIOR STATUTORY AUDITOR)

for and on behalf of Ernst & Young LLP,
Statutory Auditor Birmingham

26 FEBRUARY 2020

Notes:

1. The maintenance and integrity of the Aston Martin Lagonda Global Holdings plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

		2019			2018		
	Notes	Adjusted £m	Adjusting items* £m	Total £m	Adjusted £m	Adjusting items* £m	Total £m
Revenue	3	997.3	–	997.3	1,096.5	–	1,096.5
Cost of sales		(642.7)	–	(642.7)	(660.7)	–	(660.7)
Gross profit		354.6	–	354.6	435.8	–	435.8
Selling and distribution expenses		(95.0)	–	(95.0)	(89.8)	–	(89.8)
Administrative and other operating expenses		(235.2)	(42.1)	(277.3)	(219.1)	(74.1)	(293.2)
Other (expense)/income	5	(19.0)	–	(19.0)	20.0	–	20.0
Operating profit/(loss)	4	5.4	(42.1)	(36.7)	146.9	(74.1)	72.8
Finance income	8	16.3	–	16.3	4.2	–	4.2
Finance expense	9	(77.3)	(6.6)	(83.9)	(83.3)	(61.9)	(145.2)
(Loss)/profit before tax		(55.6)	(48.7)	(104.3)	67.8	(136.0)	(68.2)
Income tax (charge)/credit	10	(8.9)	8.8	(0.1)	0.6	10.5	11.1
(Loss)/profit for the year		(64.5)	(39.9)	(104.4)	68.4	(125.5)	(57.1)
(Loss)/profit attributable to:							
Owners of the Group				(113.2)			(62.7)
Non-controlling interests				8.8			5.6
				(104.4)			(57.1)
Other comprehensive income							
Items that will never be reclassified to the Income Statement							
Remeasurement of defined benefit liability	26			(1.4)			5.4
Taxation on items that will never be reclassified to the Income Statement	10			0.2			(0.9)
Items that are or may be reclassified to the Income Statement							
Foreign exchange translation differences				(2.7)			0.7
Fair value adjustment – cash flow hedges	23			9.0			(30.5)
Amounts reclassified to the Income Statement – cash flow hedges	23			15.6			3.5
Taxation on items that may be reclassified to the Income Statement	10			(3.4)			3.5
Other comprehensive income/(loss) for the year, net of income tax				17.3			(18.3)
Total comprehensive loss for the year				(87.1)			(75.4)
Total comprehensive (loss)/income for the year attributable to:							
Owners of the Group				(95.9)			(81.0)
Non-controlling interests				8.8			5.6
				(87.1)			(75.4)
Earnings per ordinary share							
Basic loss per share	12			(49.6p)			(31.0p)
Diluted loss per share	12			(49.6p)			(31.0p)

All operations of the Group are continuing.

* Adjusting items are defined in note 2 with further detail shown in note 6.

The notes on pages 131 to 174 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group	Share Capital £m	Share Premium £m	Capital Reserve £m	Translation Reserve £m	Hedge Reserves £m	Retained Earnings £m	Non- controlling Interest £m	Total Equity £m
At 1 January 2019	2.1	352.3	6.6	2.3	(23.5)	99.4	10.2	449.4
Adjustment on adoption of IFRS 16 (note 16)	–	–	–	–	–	(2.2)	–	(2.2)
At 1 January 2019 <i>adjusted</i>	2.1	352.3	6.6	2.3	(23.5)	97.2	10.2	447.2
Total comprehensive loss for the year								
(Loss)/profit for the year	–	–	–	–	–	(113.2)	8.8	(104.4)
Other comprehensive income								
Foreign currency translation differences	–	–	–	(2.7)	–	–	–	(2.7)
Fair value movement – cash flow hedges (note 23)	–	–	–	–	9.0	–	–	9.0
Amounts reclassified to the Income Statement – cash flow hedges (note 23)	–	–	–	–	15.6	–	–	15.6
Remeasurement of defined benefit liability (note 26)	–	–	–	–	–	(1.4)	–	(1.4)
Tax on other comprehensive income (note 10)	–	–	–	–	(3.4)	0.2	–	(3.2)
Total other comprehensive (loss)/income	–	–	–	(2.7)	21.2	(1.2)	–	17.3
Total comprehensive (loss)/income for the year	–	–	–	(2.7)	21.2	(114.4)	8.8	(87.1)
Transactions with owners, recorded directly in equity								
Credit for the year under equity settled share-based payments (note 29)	–	–	–	–	–	3.7	–	3.7
Dividend paid to non-controlling interest (note 11)	–	–	–	–	–	–	(4.9)	(4.9)
Tax on items credited to equity (note 10)	–	–	–	–	–	–	–	–
Total transactions with owners	–	–	–	–	–	3.7	(4.9)	(1.2)
At 31 December 2019	2.1	352.3	6.6	(0.4)	(2.3)	(13.5)	14.1	358.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Group	Share Capital £m	Share Premium £m	Share Warrants £m	Capital Reserve £m	Translation Reserve £m	Hedge Reserves £m	Retained Earnings £m	Non- controlling Interest £m	Total Equity £m
At 1 January 2018	–	353.7	18.5	94.1	1.6	–	(339.4)	7.6	136.1
Total comprehensive loss for the year									
(Loss)/profit for the year	–	–	–	–	–	–	(62.7)	5.6	(57.1)
Other comprehensive income									
Foreign currency translation differences	–	–	–	–	0.7	–	–	–	0.7
Fair value adjustment on cash flow hedges (note 23)	–	–	–	–	–	(30.5)	–	–	(30.5)
Amounts reclassified to the Income Statement – cash flow hedges (note 23)	–	–	–	–	–	3.5	–	–	3.5
Remeasurement of defined benefit liability (note 26)	–	–	–	–	–	–	5.4	–	5.4
Tax on other comprehensive income (note 10)	–	–	–	–	–	3.5	(0.9)	–	2.6
Total other comprehensive income/(loss)	–	–	–	–	0.7	(23.5)	4.5	–	(18.3)
Total comprehensive income/(loss) for the year	–	–	–	–	0.7	(23.5)	(58.2)	5.6	(75.4)
Transactions with owners, recorded directly in equity									
Shares issued during the year	2.1	–	–	–	–	–	–	–	2.1
Share premium on shares issued	–	352.2	–	–	–	–	–	–	352.2
Capital reduction	–	(353.6)	–	(87.5)	–	–	441.1	–	–
Exercise of share warrants	–	–	(18.5)	–	–	–	18.5	–	–
Credit for the year under equity settled share-based payments (note 29)	–	–	–	–	–	–	24.1	–	24.1
Dividend paid to non-controlling interest (note 11) *	–	–	–	–	–	–	–	(3.0)	(3.0)
Tax on items credited to equity (note 10)	–	–	–	–	–	–	13.3	–	13.3
Total transactions with owners	2.1	(1.4)	(18.5)	(87.5)	–	–	497.0	(3.0)	388.7
At 31 December 2018	2.1	352.3	–	6.6	2.3	(23.5)	99.4	10.2	449.4

* Further detail on the restatement is disclosed in note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019

	Notes	2019 £m	2018 restated* £m
Non-current assets			
Intangible assets	13	1,183.6	1,071.7
Property, plant and equipment	15	350.5	313.0
Right-of-use lease assets	16	81.8	–
Trade and other receivables	18	1.8	1.8
Other financial assets	20	0.2	–
Deferred tax asset	10	45.7	32.1
		1,663.6	1,418.6
Current assets			
Inventories	17	200.7	165.3
Trade and other receivables	18	249.7	240.8
Income tax receivable		0.3	0.8
Other financial assets	20	8.9	0.1
Cash and cash equivalents	19	107.9	144.6
		567.5	551.6
Total assets		2,231.1	1,970.2
Current liabilities			
Borrowings	23	114.8	99.4
Trade and other payables	21	702.1	671.0
Income tax payable		8.9	4.9
Other financial liabilities	22	6.3	4.2
Lease liabilities	16	14.1	–
Provisions	25	12.0	10.8
		858.2	790.3
Non-current liabilities			
Borrowings	23	839.1	604.7
Trade and other payables	21	9.4	49.8
Other financial liabilities	22	2.6	4.4
Lease liabilities	16	97.3	–
Provisions	25	16.2	12.9
Employee benefits	26	36.8	38.7
Deferred tax liabilities	10	12.6	20.0
		1,014.0	730.5
Total liabilities		1,872.2	1,520.8
Net assets		358.9	449.4
Capital and reserves			
Share capital	27	2.1	2.1
Share premium		352.3	352.3
Capital reserve		6.6	6.6
Translation reserve		(0.4)	2.3
Hedge reserves	23	(2.3)	(23.5)
Retained earnings		(13.5)	99.4
Equity attributable to owners of the group		344.8	439.2
Non-controlling interests		14.1	10.2
Total shareholders' equity		358.9	449.4

* Further detail on the restatement of the comparative period is disclosed in note 2.

The financial statements were approved by the board of directors on February 26 2020 and were signed on its behalf by:

DR ANDREW PALMER
PRESIDENT AND CHIEF EXECUTIVE OFFICER

MARK WILSON
EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Company Number: 11488166

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £m	2018 restated* £m
Operating activities			
Loss for the year		(104.4)	(57.1)
<i>Adjustments to reconcile loss for the year to net cash inflow from operating activities</i>			
Tax charge/(credit) on continuing operations	10	0.1	(11.1)
Net finance costs		67.6	141.0
Other non-cash movements		(4.4)	13.3
Loss on sale of property, plant and equipment	4	0.9	0.4
Depreciation and impairment of property, plant and equipment	4	38.8	32.4
Depreciation and impairment of right-of-use lease assets	4	13.3	–
Amortisation and impairment of intangible assets	4	112.4	67.6
Difference between pension contributions paid and amounts recognised in Income Statement		(4.4)	(3.8)
Increase in inventories		(33.3)	(37.5)
Increase in trade and other receivables		(28.9)	(122.4)
(Decrease)/increase in trade and other payables		(70.0)	136.1
Increase in advances and customer deposits	21	48.4	68.8
Movement in provisions		4.5	2.8
Cash generated from operations		40.6	230.5
Increase in cash held not available for short-term use	20	(8.7)	–
Income taxes paid	10	(12.5)	(7.9)
Net cash inflow from operating activities		19.4	222.6
Cash flows from investing activities			
Interest received	8	5.0	4.2
Payments to acquire property, plant and equipment	15	(82.2)	(101.9)
Payments to acquire intangible assets	13	(228.0)	(208.6)
Net cash used in investing activities		(305.2)	(306.3)
Cash flows from financing activities			
Interest paid	28	(52.0)	(42.2)
Proceeds from equity share issue		–	4.6
Dividend paid to non-controlling interest in subsidiaries	11	–	(3.0)
Principal element of lease payments	28	(10.9)	–
Repayment of existing borrowings	28	(91.5)	–
Proceeds from existing borrowings	28	102.3	0.3
Proceeds from inventory repurchase arrangement	21	38.7	–
New borrowings	28	260.8	98.1
Transaction fees paid on new borrowings	28	(4.1)	–
Net cash inflow from financing activities		243.3	57.8
Net decrease in cash and cash equivalents	24	(42.5)	(25.9)
Cash and cash equivalents at the beginning of the year		144.6	167.8
Effect of exchange rates on cash and cash equivalents		5.8	2.7
Cash and cash equivalents at the end of the year		107.9	144.6

* Further detail on the restatement of the comparative period is disclosed in note 2.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1 BASIS OF ACCOUNTING

Aston Martin Lagonda Global Holdings plc (the “Company”) is a company incorporated in England and Wales and domiciled in the UK. The Group Financial Statements consolidate those of the Company and its subsidiaries (together referred to as the “Group”).

The Group Financial Statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”).

The Group Financial Statements have been prepared under the historical cost convention except where the measurement of balances at fair value is required as explained below. The Financial Statements are prepared in millions to one decimal place, and in Sterling which is the Company’s functional currency.

An overview of the business activities of Aston Martin Lagonda, including a review of the key business risks that the Group faces, is given in the Strategic Report on pages 4 to 69. The debt facilities available to the Group and the maturity profile of this debt is shown in note 23 of these Consolidated Financial Statements.

GOING CONCERN

The Group meets its day-to-day working capital requirements and medium term funding requirements through a mixture of Senior Secured Notes (\$400m and \$190m 6.5%, \$150m 12%, £230m and £55m at 5.75% which all mature in April 2022), a revolving credit facility (£80m) which matures January 2022, facilities to finance inventory, a number of back-to-back loans and a vehicle wholesale financing facility (as described in note 18). The amounts outstanding on all the borrowings are shown in note 23 to the financial statements.

As explained in the letter from the Chair and in the CEO Q&A, 2019 was a challenging year for the Group and, following an operational and financial review, on 31 January 2020 the Group announced its intention to raise £500m by way of a placing of shares totalling £182m to a consortium led by Lawrence Stroll, and a rights issue of £318m. Receipt of the £500m is dependent upon sufficient shareholders voting in favour of the placing and rights issue at a General Meeting of the Company scheduled for 16 March 2020. At the date of approving these financial statements, the Company had irrevocable support from the major shareholders for the placing and rights issue but this was below the 75% needed for the proposals to be approved. Assuming the relevant resolutions are passed, and other formalities are consequently met, the rights issue is fully underwritten and committed.

Based on the reset business plan described on pages 14 and 15 the Directors have prepared trading and cash flow forecasts for the 12-month period from the date of approval of these financial statements. These forecasts assume that the £500m placing and rights issue funding is received in March and April 2020 and show that the Group has sufficient financial resources to meet its obligations as they fall due for the period of at least 12 months from the date of these financial statements.

GOING CONCERN (CONTINUED)

The forecasts make assumptions in respect of future market conditions and, wholesale volumes, average selling price, the launch of new models including DBX and Valkyrie and the potential impact of Coronavirus on sales in China and the supply of components needed for production. The nature of the Group’s business is that there can be variation in the timing of cash flows around the development and launch of new models and the availability of funds provided through the vehicle wholesale finance facility. The forecasts take into account these factors to an extent which the directors consider represent their best estimate of the future based on the information that is available to them at the time of approval of these financial statements.

The Directors have also prepared a downside forecast which incorporates certain adverse sensitivities representing those key risks disclosed in the Strategic Report which the directors consider most likely to impact cash flows over the period of the forecast, including lower wholesale volumes as a result of trading or supply chain disruption, product launch delays and the non-renewal of financing facilities that mature in the period. In the event that these downsides materialise the Directors have considered the mitigating actions that could be taken including renewals of current financing, access to other financing and deferral of capital expenditure. If the Placing and Rights Issue were not to happen this downside could not be mitigated by other actions. As the Placing and Rights Issue is not guaranteed as it is subject to shareholder approval and is critical to the funding requirements of the Group, the directors consider this matter represents a material uncertainty which could cast significant doubt on the Group’s ability to continue as a going concern.

Despite the material uncertainty noted, the Directors are of the view that there is a reasonable expectation that the Rights Issue and Placing will proceed and that they can therefore conclude that they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and they can continue to adopt the going concern basis in preparing the financial statements. Therefore, these financial statements do not include any adjustments that would result if the going concern basis of preparation was inappropriate.

2 ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

On 3 September 2018 the Company obtained control of the entire share capital of Aston Martin Holdings (UK) Limited by way of a share for share exchange with one share in the Company being exchanged for one share in Aston Martin Holdings (UK) Limited. Consequently, the Group incorporated the assets and liabilities of Aston Martin Holdings (UK) Limited at their pre-combination carrying amounts without fair value uplift. The equity balance as of 1 January 2018 reflects the equity of Aston Martin Holdings (UK) Limited. The share capital of £2.1m as of 31 December 2018 and 31 December 2019 reflects the share capital of the Company. Although the share for share exchange in 2018 resulted in a change in legal ownership, the comparative results presented reflect the continuation of the pre-existing group headed by Aston Martin Holdings (UK) Limited. The transaction was accounted for as a reverse acquisition in line with IFRS 3. The Consolidated Statement of Changes in Equity for the year ended 31 December 2018 explains the impact of these transactions in more detail.

2 ACCOUNTING POLICIES (CONTINUED)

SUBSIDIARIES

Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The Financial Statements of subsidiaries are included in the Group Financial Statements from the date that control commences until the date that control ceases. The Financial Statements of subsidiaries used in the preparation of the Consolidated Financial Statements are prepared for the same reporting year as the Company and are based on consistent accounting policies. All intercompany balances and transactions, including unrealised profits arising from them, are eliminated.

FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies are initially recorded in the functional currency of the operation by applying the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the Income Statement except for the translational differences on monetary items that form part of designated hedge relationships.

The assets and liabilities of foreign operations are translated into sterling at the rate of exchange ruling at the reporting date. Income and expenses are translated at average exchange rates for the period. The resulting exchange differences are taken through Other Comprehensive Income to the translation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in the translation reserve relating to the foreign operation is recognised in the Income Statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

REVENUE RECOGNITION

Revenue is recognised when the Group satisfies its performance obligation to supply a product or service to the customer. Revenue is measured at the fair value of the consideration receivable, deducting dealer incentives, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised.

Sale of vehicles

Revenue from the sale of vehicles is recognised when control of the vehicle is passed to the dealer or individual, thus evidencing the satisfaction of the associated performance obligation under that contract. Control is passed when the buyer can direct the use of and obtain substantially all of the benefits of the vehicle which is typically at the point of despatch. When despatch is deferred at the formal request of the buyer and a written request to hold the vehicle until a specified delivery date has been received, revenue is recognised when the vehicle is ready for despatch and the Group can no longer use or direct the vehicle to an alternative buyer.

The Group estimates the consideration to which it will be entitled in exchange for satisfaction of the performance obligation as part of the sale of a vehicle. Dealer incentives relating to the sale of the vehicles are provided for at the time of the sale.

Sale of vehicles (continued)

Warranties are issued on new vehicles sold with no separate purchase option available to the customer and, on this basis, are accounted for in accordance with IAS 37. Service packages sold as part of the supply of a vehicle are accounted for as a separate performance obligation with the revenue deferred, based on the term of the package, at the original point of sale. The deferred revenue is released to the Income Statement over the shorter of, the period that the service package covers or the number of vehicle services that the end user is entitled to.

Where a sale of a vehicle(s) includes multiple performance obligations, the Group determines the allocation of the total transaction price by reference to their relative standalone selling prices.

Sales of parts

Revenue from the sale of parts is recognised upon transfer of control to the customer, generally when the parts are released to the carrier responsible for transporting them. Where the dealer is Aston Martin Works Limited, an indirect subsidiary of the Company, revenue is recognised upon despatch to a customer outside of the Group.

Servicing and restoration of vehicles

Revenue is recognised upon completion of the service/restoration typically when the service or restoration is completed in accordance with the customers' requirements.

Brands and motorsport

Revenue from brands and motorsport is recognised when the performance obligations, principally use of the Aston Martin brand name or supply of a motorsport vehicle, are satisfied. Revenue is recognised either at a point in time or over a period of time in line with IFRS 15 according to the terms of the contract.

Customer advanced payments

The Group receives advance cash payments from customers to secure their allocation of a vehicle produced in limited quantities, typically with a lead time of greater than 12 months. The value of the deposit, both contractually refundable or non-refundable, is held as a contract liability in the Statement of Financial Position. Upon satisfaction of the performance obligation, the liability is released to revenue in the Income statement. If the deposit is returned to the customer prior to satisfaction of the performance obligation, the contract liability is derecognised.

Where a significant financing component exists, the contract liability is increased over the same period of time as the contract liability is held to account for the time value of money. A corresponding charge is recognised in the Consolidated Income Statement within finance expenses. Upon satisfaction of the linked performance obligation, the liability is released to revenue.

The Group applies a practical expedient for short-term advances received from customers whereby the advanced payment is not adjusted for the effects of a significant financing component.

OTHER INCOME

Other income relates to transactions undertaken as part of recurring business operations, but where the quantum or nature is concluded material enough to be presented separately on the face of the Income Statement. Credit losses or related costs associated with transactions originally recorded in Other Income are classified on a consistent basis.

FINANCE INCOME

Finance income comprises interest receivable on invested funds calculated using the effective interest rate method, interest income and currency gains arising on foreign currency denominated borrowings (not designated under a hedge relationship) that are recognised in the Income Statement.

2 ACCOUNTING POLICIES (CONTINUED)

FINANCE EXPENSE

Finance expense comprises interest payable on borrowings calculated using the effective interest rate method, interest expense on the net defined benefit pension liability, losses on financial instruments that are recognised at fair value through the Income Statement and foreign exchange losses on foreign currency denominated financial liabilities.

Interest incurred on lease liabilities accounted for under IFRS 16 and interest charged in relation to significant financing components on customer advance payments are both recognised within finance expenses.

CURRENT/NON-CURRENT CLASSIFICATION

Current assets include assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised in, or intended for sale or consumption as part of the Group's normal identifiable operating cycle. All other assets are classified as non-current assets.

Current liabilities include liabilities held primarily for trading purposes in line with the Group's identifiable normal operating cycle. These liabilities are expected to be settled as part of the Group's normal course of business. All other liabilities are classified as non-current liabilities.

GOODWILL

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

For the purpose of impairment testing, goodwill is allocated to the related cash-generating unit. The only cash generating unit of the Group is that of Aston Martin Lagonda Group as there are no smaller groups of assets that can be identified with certainty which generate specific cash flows independent of the inflows generated by other assets or groups of assets. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the Income Statement.

INTANGIBLE ASSETS

Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination is recognised outside of goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Fair value adjustments are considered to be provisional at the first-year end date after the acquisition to allow the maximum time to elapse for management to make a reliable estimate.

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Purchased intellectual property

Purchased intellectual property that is not integral to an item of property, plant and equipment is recognised separately as an intangible asset stated at cost less accumulated depreciation.

Brands

An acquired brand is only recognised in the Statement of Financial Position as an intangible asset where it is supported by a registered trademark, is established in the market place, the brand could be sold separately from the rest of the business and where the brand achieves earnings in excess of those achieved by unbranded products. The value of an acquired brand is determined by allocating the purchase price consideration of an acquired business between the underlying fair values of the tangible assets, goodwill, brands and other intangible assets acquired, using an income approach following the multi-period excess earnings methodology.

Acquired brands have an indefinite life when there is no foreseeable limit to the period over which the asset is expected to generate cash inflows.

DEVELOPMENT COSTS

Expenditure on internally developed intangible assets, excluding development costs, is taken to the Income Statement in the year in which it is incurred. Clearly defined and identifiable development costs are capitalised under *IAS 38 – Intangible Assets* after the following criteria has been met:

- the project's technical feasibility and commercial viability, based on an estimate of future cashflows, can be demonstrated when the project has reached a defined milestone according to the Group's established product development model;
- technical and financial resources are available for the project;
- an intention to complete the project has been confirmed; and
- the correlation between development costs and future revenues has been established.

Technology

Patented and unpatented technology acquired in business combinations is valued using the cost approach. The obsolete element is determined by reference to the proportion of the product life cycle that had expired at the acquisition date. Technology acquired from third parties is included at fair value.

Dealer network

Save for certain direct sales of some special edition and buyer commissioned vehicles, the Group sells its vehicles exclusively through a network of dealers. All dealers in the dealer network are independent dealers with the exception of Aston Martin Works Limited. To the extent that the Group benefits from the network the dealer network has been valued based on costs incurred by the Group.

Amortisation

Following initial recognition, the historic cost model is applied, with intangible assets being carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation of these capitalised costs begins when the asset is available for use. Intangible assets with a finite life have no residual value and are amortised on a straight-line basis over their expected useful lives as follows:

	Years
Purchased intellectual property	5
Development costs	1 to 10
Technology	10
Software and other	3 to 10
Dealer network	20

The useful lives and residual values of capitalised development costs are determined at the time of capitalisation and are reviewed annually for appropriateness and recoverability.

Amortisation of special vehicle development costs are spread evenly across the limited quantity of vehicles produced and charged to the Income Statement at the point of sale for each vehicle.

2 ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid, and the fair value of any other consideration given, to acquire the asset including directly attributable costs to make the asset capable of operation. Borrowing costs directly attributable to assets under construction are capitalised.

Depreciation is provided on all property, plant and equipment, other than land, on a straight-line basis to its residual value over its expected useful life as follows:

	Years
Freehold buildings	30
Plant, machinery, fixtures and fittings	3 to 30
Tooling	1 to 15
Motor vehicles	5 to 9

Tooling is depreciated over the life of the project. Assets in the course of construction are included in their respective category but are not depreciated until available for use. The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal. Any gain or loss arising on the derecognition of the asset is included in the Income Statement in the period of derecognition.

GOVERNMENT GRANTS

Government grants are recognised in the Income Statement, either on a systematic basis when the Group recognises the related costs that the grants are intended to compensate for, or immediately if the costs have already been incurred.

Government grants are recognised when there is reasonable assurance that the Group will comply with the relevant conditions and the grant will be received. Government grants related to assets are deducted from the cost of the asset and amortised over the useful life of the asset.

RIGHT-OF-USE ASSETS AND LEASE LIABILITIES – IFRS 16 (POST 1 JANUARY 2019)

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.

Transition disclosures and elections are disclosed in note 16.

Leases under which the Group acts as lessee

The Group is a party to lease contracts for buildings, plant and machinery and IT equipment. The Group recognises 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.

Leases under which the Group acts as lessee (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets useful life. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Moreover, 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 unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, an estimate of the Group's incremental borrowing rate at that point in time.

The Group estimates the incremental borrowing rate by taking a credit risk adjusted risk-free rate in addition to making other specific adjustments to account for certain characteristics in the lease such as geography, type of asset and security pledged.

Lease payments included in the measurement of the lease liability comprise either fixed lease payments or lease payments subject to periodic fixed increases. The lease liability is measured at amortised cost using the effective interest rate method. Lease payments are allocated between principal and interest cost with the interest costs charged to the Income Statement over the lease period.

The liability is remeasured when there is an increase/decrease in future lease payments arising from a change in an index or rate specified.

Short-term leases and leases of low-value assets

The Group does not recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of less than twelve months and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis in the Income Statement over the lease term.

Leases under which the Group acts as lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to the lease of the underlying right-of-use asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease period forms a major part of the economic life of the asset.

The Group recognises lease payments received under operating leases on a straight-line basis over the lease term in the Income Statement. The accounting policies applicable to the Group as a lessor in the comparative period were not different under IFRS 16.

The Group has no sub-leases that qualify as finance leases.

OPERATING LEASE PAYMENTS – IAS 17 (PRE 1 JANUARY 2019)

Payments made under operating leases are recognised in the Income Statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Income Statement as an integral part of the total lease expense.

2 ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT OF ASSETS

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset, or cash-generating unit's, fair value less costs to sell and its value-in-use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses on continuing operations are recognised in the Income Statement.

For goodwill, brands and other intangible assets that have an indefinite life, the recoverable amount is estimated annually or more frequently when there is an indication that the asset is impaired.

For intangible assets, property, plant and equipment, and right-of-use lease assets that have a finite life, the recoverable amount is estimated when there is an indication that the asset is impaired.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised in the Income Statement as income immediately.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. For service and restoration projects, net realisable value is the price at which the project can be invoiced in the normal course of business after allowing for the costs of realisation. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

- Raw materials, service parts and spare parts – purchase cost on a first-in, first-out basis;
- Work in progress and finished vehicles – cost of direct materials and labour plus attributable overheads based on a normalised level of activity, excluding borrowing costs.

Provisions are made, on a specific basis, for obsolete, slow moving and defective stocks and if the cost of the service or restoration project cannot be fully recovered. Inventories held under financing arrangements are recognised when control is transferred to the Group.

CASH AND CASH EQUIVALENTS

Cash and short-term deposits in the Statement of Financial Position comprise cash at banks, cash in hand and short-term deposits with an original maturity of three months or less, subject to insignificant changes in value and readily convertible to known amounts.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial assets and liabilities are recognised on the Statement of Financial Position at fair value when the Group becomes a party to the contractual provisions of the instrument. The Group uses derivative instruments to manage its exposure to foreign exchange risk arising from operating activities. Movements in the fair value of foreign exchange derivatives not qualifying for hedge accounting are recognised in finance income or expense. The accounting policy on derivatives that are designated as hedging instruments in hedging relationships is detailed in the hedge accounting policies. A financial asset or liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

FINANCIAL ASSETS AND LIABILITIES

Financial assets are cash or a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or liabilities with another entity under conditions that are potentially favourable to the entity. In addition, contracts that result in another entity delivering a variable number of its own equity instruments are financial assets.

Other than derivative financial instruments held at fair value all financial liabilities are held at amortised cost.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are carried at the lower of their original invoiced value and recoverable amount. A trade receivable loss allowance is measured at an amount equal to the lifetime expected credit loss at initial recognition and throughout the life of the receivable. Receivables are not discounted as the time value of money is not considered to be material.

TRADE AND OTHER PAYABLES

Trade and other payables are recognised and carried at their original invoiced value. Trade payables are not discounted to consider the time value of money as the impact is immaterial.

Refundable and non-refundable customer deposits are held as contract liabilities within current trade and other payables.

Inventory sale and repurchase arrangements, which are in substance financing transactions, are included in other payables. The difference between the sale and repurchase value is accounted for as part of the effective interest calculation. The effective interest is charged to the Income Statement over the period from sale to repayment.

HEDGE ACCOUNTING

The Group uses derivative financial instruments in the form of forward currency contracts, and certain of its existing US dollar denominated borrowings, to hedge the foreign currency risk of sales (including inter-group sales) of finished vehicles and external purchases of component parts. For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cashflows is either attributable to a particular risk associated with a recognised asset or liability, or a highly probably forecast transaction, or the foreign currency risk of an unrecognised firm commitment.

At the inception of the hedge relationship, the Group formally designates and documents the hedge relationship and the risk management objectives and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess hedge effectiveness. A hedging relationship qualifies for hedge accounting if it meets all the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes resulting from that economic relationship; and
- The theoretical hedge ratio of the hedging relationship is the same as practically occurs.

Derivative financial instruments

The effective portion of the gain or loss on the hedging instrument is recognised in Other Comprehensive Income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the Income Statement. The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in Other Comprehensive Income and accumulated in a separate component of equity under cost of hedging reserve.

2 ACCOUNTING POLICIES (CONTINUED)

HEDGE ACCOUNTING (CONTINUED)

Financial Liability as a hedge

Foreign currency differences arising on the retranslation of a financial liability designated as a cash flow hedge are recognised directly in Other Comprehensive Income to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognised in the Income Statement.

Subsequent accounting

The amounts accumulated in both the cash flow hedge reserve and the cost of hedging reserve are accounted for depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in the Hedge Reserve is removed and included in the initial cost of the hedge item. For any other cash flow hedges, the amount accumulated in the Hedge Reserve is reclassified to the Income Statement as a reclassification adjustment in the same period or periods during which the hedged cashflow affects profit or loss.

If hedge accounting is discontinued, the amount that has been accumulated in the Hedge Reserve must remain in equity if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the Income Statement as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in the Hedge Reserve is accounted for depending on the nature of the underlying transaction.

BORROWINGS

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Income Statement as a finance expense over the period of the borrowings on an effective interest basis.

PENSIONS

The Group operates a defined contribution pension plan under which the Group pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Income Statement in the periods during which services are rendered by employees.

The Group operates a defined benefit pension plan, which is contracted out of the state scheme. The Group's net obligation in respect of defined benefit plans is calculated for the plan by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

When the calculation results in a deficit for the Group, the recognised liability is adjusted for the discounted value of future deficit reduction contributions in excess of the calculated deficit.

PENSIONS (CONTINUED)

Remeasurements of the net defined benefit asset or liability, which comprise actuarial gains and losses, the interest on plan assets, and the effect of the asset ceiling or minimum funding requirements, are recognised immediately in Other Comprehensive Income. The Group determines the net interest expense (income) on the net defined benefit asset or liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the Income Statement.

When the benefits of the plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service cost or the gain or loss on curtailment is recognised immediately in the Income Statement. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

SHARE-BASED PAYMENT TRANSACTIONS

The fair value of equity-classified share-based awards with both market and non-market-based performance conditions is recognised as an expense within administrative and other expenses in the Income Statement, with a corresponding increase in equity over the period that the employees become unconditionally entitled to the shares.

The amount recognised as an expense is adjusted to reflect both non-market-based conditions, such as continued employment and profit related metrics, in addition to market-based conditions driven by an estimation of the quantum of awards expected to vest at the date of grant.

WARRANTY PROVISION

The Group provides product warranties on all new vehicle sales. Provisions are recognised when vehicles are sold or when new warranty programs are initiated. Based on historical warranty claim experience, assumptions are made on the type and extent of future warranty claims including non-contractual warranty claims as well as on possible recall campaigns. These assessments are based on the frequency and extent of vehicle faults and defects in the past. In addition, the estimates include assumptions on the potential repair costs per vehicle and the effects of possible time or mileage limits. The provisions are regularly adjusted to reflect new information.

INCOME TAXES

Tax on the profit or loss for the period represents the sum of the tax currently payable and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity or Other Comprehensive Income whereby the tax treatment follows that of the underlying item.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the reporting date.

2 ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES (CONTINUED)

Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised, or liability is settled. Deferred tax assets and liabilities are disclosed on a net basis where a right of offset exists.

EQUITY INSTRUMENTS

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs. Dividends and distributions relating to equity instruments are debited direct to equity.

ADJUSTING ITEMS

An adjusting item is disclosed separately in the Consolidated Statement of Comprehensive Income where the quantum, nature or volatility of such items would otherwise distort the underlying trading performance of the Group as they are not expected to repeat in future periods. The tax effect is also included.

Details in respect of adjusting items recognised in the current and prior year are set out in note 6 in the Financial Statements.

CRITICAL ACCOUNTING ASSUMPTIONS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the period. The nature of estimation means that actual outcomes could differ from those estimates.

In the process of applying the Group's accounting policies, which are described in this note, management has made estimates. Other than in respect of the measurement of defined benefit pension assets and obligations, variations in the remaining estimates are not considered to give rise to a significant risk of a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Group consider it appropriate to identify the nature of the estimates used in preparing the financial statements and the main sources of estimation uncertainty are:

- impairment of indefinite life intangible assets (including goodwill);
- impairment of finite life intangible assets;
- the measurement of defined benefit pension assets and obligations;

Impairment of indefinite and finite life intangible assets

The Group determines whether indefinite life intangible assets are impaired on an annual basis, or more frequently when there is an indication that the asset is impaired. This requires an estimation of the value-in-use derived from the estimation of future cash flows utilising a suitable discount rate (see note 14).

The Group has determined that for goodwill and other intangibles with indefinite lives, there is one cash-generating unit. This is on the basis that there are no smaller groups of assets that can be identified with certainty which generate specific cash flows that are independent of the inflows generated by other assets or groups of assets.

For intangible assets that have a finite life, the recoverable amount is estimated when there is an indication that the asset is impaired.

The result of the calculation of the value-in-use is sensitive to the assumptions made and is a subjective estimate.

Measurement of pension assets and obligations

There are a range of assumptions that could be made, and the measurement of defined benefit pension assets and obligations is very sensitive to these. Note 26 provides information on these assumptions and the inherent sensitivities.

Measurement of defined benefit pension obligations requires estimation of future changes in salaries and inflation, mortality rates, the expected return on assets and suitable discount rates (see note 26).

NEW ACCOUNTING STANDARDS

In 2019 the following standards were endorsed by the EU, became effective and adopted by the Group:

- *IFRS 16 Leases*

See note 16 for further detail including transition disclosures and elections taken.

- *Interpretation 23 Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when the tax treatment involves uncertainty that affects the application of IAS 12 *Income Taxes*.

The Group assessed any uncertainties over income tax treatments. Since the Group operates in a multinational environment, it evaluated whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The subsidiaries' filings in different tax jurisdictions may lead to challenges from the local tax authorities related to transfer pricing.

This interpretation has not had a material impact on the Group's reported financial performance or position.

The following standards and interpretations, which are not yet effective or endorsed by the EU and which have not been early adopted by the Group, will be adopted in future accounting periods:

- Definition of material – amendments to IAS 1 and IAS 8 (effective 1 January 2020).
- Interest rate benchmark reform – amendments to IFRS 9, IAS 39 and IFRS 7.

None of these amendments above are expected to have a material impact on the Group.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

PRIOR YEAR RESTATEMENT

The following reclassifications have been made in the Statement of Financial Position regarding the 2018 comparative values:

- i) Following a review of the nature of the service plan liability, it has been reclassified from non-current provisions into current and non-current trade and other payables and additional disclosures as a contract liability have been presented within note 21. The provision balance presented within these financial statements relates solely to expected future warranty costs provided for at the point of revenue recognised on a new vehicle sale.
- ii) The nature of certain trade and other payables have been revisited resulting in the reclassification of lease incentives from current trade and other payables to non-current trade and other payables, as a large portion of the balance relates to periods greater than 12 months in the future. From 1 January 2019 lease incentives have been accounted for under IFRS 16 and offset against the right-of-use assets.
- iii) Deferred tax assets and deferred tax liabilities, where a right of offset exists in certain jurisdictions, have been offset in the Statement of Financial Position as at 31 December 2018.

The impact on the Consolidated Statement of Financial Position for the year ended 31 December 2018 is:

	As disclosed 2018 Annual Report £m	Reclassifications			As restated 2019 Annual Report £m
		(i) £m	(ii) £m	(iii) £m	
As at 31 December 2018					
<i>Non-current assets</i>					
Deferred tax assets	123.1	–	–	(91.0)	32.1
<i>Current liabilities</i>					
Trade and other payables	(696.1)	(5.2)	30.3	–	(671.0)
<i>Non-current liabilities</i>					
Trade and other payables	(12.2)	(7.3)	(30.3)	–	(49.8)
Provisions	(25.4)	12.5	–	–	(12.9)
Deferred tax liabilities	(111.0)	–	–	91.0	(20.0)

Point i) has resulted in a reclassification of a £7.2m cash inflow from *Movement in provisions* to *Decrease in trade and other payables* with no impact on the cash generated from operations.

There is no impact on the Group's Consolidated Income Statement, earnings per share, retained earnings or net assets for the year ended 31 December 2018 as a result of these restatements. The transactions which gave rise to points ii) and iii) occurred in 2018 and therefore a restated opening Statement of Financial Position has not been presented for the comparative period as the impact at that date was not material.

The Statement of Changes in Equity for the year-ended 31 December 2018 has been restated to reclassify the £3.0m dividend paid to non-controlling interest from *Total Comprehensive income/(loss) for the year* to *Transactions with owners, recorded directly in equity*.

Where the notes included in these Financial Statements provide additional analysis in respect of the above restatements, the comparative values presented have been re-analysed on a consistent basis.

3 SEGMENTAL REPORTING

Operating segments are defined as components of the Group about which separate financial information is available and is evaluated regularly by the chief operating decision-maker in assessing performance. The Group has only one operating segment, the automotive segment, and therefore no separate segmental report is disclosed. The automotive segment includes all activities relating to design, development, manufacture and marketing of vehicles including consulting services; as well as the sale of parts, servicing and automotive brand activities from which the Group derives its revenues.

Revenue	2019 £m	2018 £m
Analysis by category		
Sale of vehicles	897.6	1,010.7
Sale of parts	63.0	61.1
Servicing of vehicles	9.3	14.6
Brands and motorsport	27.4	10.1
	997.3	1,096.5

Revenue	2019 £m	2018 £m
Analysis by geographic location		
United Kingdom	229.6	255.4
The Americas	295.3	305.7
Rest of Europe, Middle East & Africa	231.2	247.1
Asia Pacific	241.2	288.3
	997.3	1,096.5

NON-CURRENT ASSETS OTHER THAN FINANCIAL INSTRUMENTS AND DEFERRED TAX ASSETS BY GEOGRAPHIC LOCATION

As at 31 December 2019	Right-of-use lease assets £m	Property, plant and equipment £m	Goodwill £m	Intangible assets £m	Trade and other receivables £m	Total £m
United Kingdom	69.1	285.0	85.4	1,081.3	–	1,520.8
The Americas	0.2	0.5	–	–	–	0.7
Rest of Europe	2.5	65.0	–	16.9	1.8	86.2
Asia Pacific	10.0	–	–	–	–	10.0
	81.8	350.5	85.4	1,098.2	1.8	1,617.7

As at 31 December 2018	Property, plant and equipment £m	Goodwill £m	Intangible assets £m	Trade and other receivables £m	Total £m
United Kingdom	258.1	84.8	967.9	–	1,310.8
The Americas	0.5	–	–	–	0.5
Rest of Europe	54.3	–	19.0	1.8	75.1
Asia Pacific	0.1	–	–	–	0.1
	313.0	84.8	986.9	1.8	1,386.5

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4 OPERATING PROFIT/(LOSS)

The Group's operating profit/(loss) is stated after charging/(crediting):

	2019 £m	2018 £m
Depreciation and impairment of property, plant and equipment (note 15)	41.8	32.4
Depreciation absorbed into inventory under standard costing	(3.0)	–
Depreciation and impairment of right-of-use assets (note 16)	13.3	–
Amortisation and impairment of intangible assets (note 13)	116.1	67.6
Amortisation absorbed into inventory under standard costing	(3.2)	–
Loss on sale of property, plant and equipment	0.9	0.4
Depreciation, amortisation and impairment charges – Administrative and other operating expenses	165.9	100.4
Increase in trade receivable loss allowance – Other expense (notes 5 and 23)	19.0	–
Increase in trade receivable loss allowance – Administrative and other operating expenses (note 23)	1.0	0.1
Net foreign currency differences	8.6	1.7
Cost of inventories recognised as an expense	538.2	552.9
Impairment of inventories held (note 14)	2.3	–
Write-down of inventories to net realisable value	2.5	1.1
Expenditure related grant income*	(0.2)	(0.3)
Operating lease payments (gross of sub-lease receipts)		
• Land and buildings	–	7.5
• Plant, machinery and IT equipment**	1.2	2.2
Sub-lease receipts	(0.3)	(0.3)
Auditor's remuneration***:		
• Audit of these financial statements	0.2	0.2
• Audit of financial statements of subsidiaries pursuant to legislation	0.3	0.3
• Taxation compliance	–	0.3
• Taxation advisory services	–	0.6
• Other corporate finance services	–	1.0
• All other services	0.1	0.2
Research and development expenditure recognised as an expense	–	11.5
	2019 £m	2018 £m
Total research and development expenditure	226.0	213.8
Capitalised research and development expenditure (note 13)	(226.0)	(202.3)
Research and development expenditure recognised as an expense	–	11.5

* Government grant income has been offset against the qualifying employee expenditure within the Consolidated Income Statement.

** Election taken by the Group to not recognise right-of-use lease assets and lease liabilities for short-term and low-value leases.

*** The auditors remuneration for year ended 31 December 2018 relates to services provided by the Group's former incumbent auditors.

5 OTHER (EXPENSE)/INCOME

	2019 £m	2018 £m
Sale of intellectual property	–	20.0
Loss allowance recognised in relation to the sale of intellectual property	(19.0)	–
	(19.0)	20.0

Other income from the ordinary course of business of £20.0m was recognised from the sale of certain legacy intellectual property during the year ended 31 December 2018. During the year ended 31 December 2019 the recoverability of the outstanding receivable was assessed as doubtful resulting in a loss allowance of £19.0m recognised as a charge to the Consolidated Income Statement.

6 ADJUSTING ITEMS

	2019 £m	2018 £m
<i>Adjusting operating expenses:</i>		
Impairment of assets (note 14):		
Development costs (note 13)	(27.7)	–
Plant, machinery, fixtures and fittings (note 15)	(4.7)	–
Tooling (note 15)	(3.7)	–
Inventory	(2.3)	–
Right-of-use lease assets (note 16)	(1.0)	–
	(39.4)	–
Restructuring costs	(2.8)	–
Initial Public Offering costs:		
Staff incentives	0.6	(61.2)
Professional fees	(0.5)	(12.9)
	(42.1)	(74.1)
<i>Adjusting finance expenses:</i>		
Movement on derivatives not qualifying for hedge accounting (note 9)	(6.6)	–
Premium paid on the redemption of preference shares	–	(46.8)
Preference share fee write-off	–	(15.1)
	(6.6)	(61.9)
Total adjusting items before tax	(48.7)	(136.0)
Tax credit on adjusting items	8.8	10.5
Adjusting items after tax	(39.9)	(125.5)

The Lagonda brand is expected to be relaunched no earlier than 2025 (previously 2022) and while development of Rapide E is substantially complete, the programme has been paused pending further review. An assessment of the carrying value of Rapide E assets, and assets carried across from Rapide as part of the Group's carry-over-carry-across ("COCA") principle, has resulted in an impairment charge of £39.4m – see note 14 for further details.

In 2019 the Group incurred employee redundancy costs of £2.8m (2018: £nil) as part of the first phase of a restructuring plan that is expected to conclude in 2020.

During the year ended 31 December 2018 staff incentive and other costs were incurred as part of the Initial Public Offering ("IPO"). These costs included accrued staff incentives due for payment in 2019. In the context of the continuing challenging trading conditions during 2019, the executive team no longer believed that it was appropriate to receive their 2018 IPO related bonus payments and, following further discussion with the Remuneration Committee, agreed to waive their unpaid bonus in full. This resulted in £4.2m being credited back to the Consolidated Income Statement in 2019 as an adjusting item to remain consistent with the treatment of the initial accrual in 2018.

The Legacy LTIP share option charge for the year ended 31 December 2019 related to the IPO was £3.6m and is included in Staff incentives (2018: £24.1m).

In the year-ended 31 December 2019 a charge of £6.6m was recognised in relation to fair value movements of derivative financial instruments held to hedge future foreign currency cashflows, but where the necessary criteria for hedge accounting had not been met. Once the criteria for hedge accounting had been met, all movements in the fair value of these derivative financial instruments are recorded either in Other Comprehensive Income or in arriving at adjusted operating profit/(loss) in the Consolidated Income Statement.

7 STAFF COSTS AND DIRECTORS' EMOLUMENTS

(a) Staff costs (including directors)

	2019 £m	2018 £m
Wages and salaries ¹	126.9	164.6
Social security costs ¹	13.6	32.3
Expenses related to post-employment defined benefit plan	6.9	8.2
Contributions to defined contribution plans	9.3	6.3
	156.7	211.4

1. The value presented for the year ended 31 December 2019 includes the release of accrued staff incentives totalling £4.2m offset by the legacy LTIP charge of £3.6m, both of which are presented as adjusting items – see note 6 for further detail. The comparative disclosed includes £61.2m of Initial Public Offering related staff incentive costs incurred during the year ended 31 December 2018 presented as an adjusting item.

The average monthly number of employees during the year were:

By activity	2019 Number	2018 Number
Production	1,118	1,024
Selling and distribution	348	265
Administration	1,099	974
	2,565	2,263

(b) Directors' emoluments and transactions

	2019 £m	2018 £m
Directors' emoluments	2.9	3.5
Company contributions to pension schemes	0.2	0.1
Gains on the exercise of share options (Legacy LTIP)	–	40.8

All directors benefited from qualifying third-party indemnity provisions. Further information relating to directors' remuneration is set out in the Directors' Remuneration Report on pages 96 to 107.

(c) Compensation of key management personnel (including executive directors)

	2019 £m	2018 £m
Short-term employee benefits	4.3	8.0
Share related awards	–	28.6
Post-employment benefits	0.5	0.3
	4.8	36.9

No compensation for loss of office payments were paid in either the current or prior year to key management personnel.

8 FINANCE INCOME

	2019 £m	2018 £m
Bank deposit and other interest income	5.0	4.2
Foreign exchange gain on borrowings not designated as part of a hedging relationship	11.3	–
Total finance income	16.3	4.2

9 FINANCE EXPENSE

	2019 £m	2018 £m
Bank loans, overdrafts and secured notes	55.3	44.3
Other interest	7.5	0.3
Interest on lease liabilities (note 16)	4.6	–
Net interest expense on the net defined benefit liability (note 26)	1.1	1.1
Interest on preference shares classified as financial liabilities	–	32.0
Interest on contract liabilities held (note 21)	8.8	5.6
Finance expense before adjusting items	77.3	83.3
<i>Adjusting finance expense items:</i>		
Premium paid on the redemption of preference shares	–	46.8
Preference share fee write-off	–	15.1
Movements on derivatives not qualifying for hedge accounting	6.6	–
Total Adjusting finance expense	6.6	61.9
Total finance expense	83.9	145.2

During the year ended 31 December 2019 no directly attributable borrowing costs relating to the construction of an asset, that has taken a substantial length of time to get ready for its intended use, have been capitalised (2018: £nil).

10 TAXATION

	2019 £m	2018 £m
Current tax charge/(credit)		
UK corporation tax on losses	(1.3)	1.3
Overseas tax	13.2	6.4
Prior period movement	2.0	0.9
Total current income tax charge	13.9	8.6
<i>Deferred tax credit</i>		
Origination and reversal of temporary differences	(13.0)	(13.5)
Prior period movement	(0.8)	(6.2)
Total deferred tax credit	(13.8)	(19.7)
Total income tax charge/(credit) in the Income Statement	0.1	(11.1)
<i>Tax relating to items charged/(credited) to other comprehensive income</i>		
<i>Deferred tax</i>		
Actuarial movement on defined benefit pension plan	(0.2)	0.9
Fair value adjustment on cash flow hedges	0.1	(3.5)
<i>Current tax</i>		
Fair value adjustment on cash flow hedges	3.3	–
	3.2	(2.6)
<i>Tax relating to items charged in equity – deferred tax</i>		
Share based payments	–	(13.3)

10 TAX EXPENSE ON CONTINUING OPERATIONS (CONTINUED)

(a) Reconciliation of the total income tax charge/(credit)

The tax charge/(credit) in the Consolidated Income Statement for the year is lower (2018: lower) than the standard rate of corporation tax in the UK of 19.0% (2018: 19.0%). The differences are reconciled below:

	2019 £m	2018 £m
Loss on operations before taxation	(104.3)	(68.2)
Loss on operations before taxation multiplied by standard rate of corporation tax in the UK of 19.0% (2018: 19.0%)	(19.8)	(13.0)
<i>Difference to total income tax charge/(credit) due to effects of:</i>		
Expenses not deductible for tax purposes	0.2	21.3
Recognition of previously unrecognised deferred tax asset	(6.3)	(18.9)
Movement in unprovided deferred tax	10.5	–
Derecognition of deferred tax asset of interest deductible in future periods	8.0	–
Irrecoverable overseas withholding taxes	1.2	–
Adjustments in respect of prior periods	1.2	(5.3)
Effect of lower rates applied to deferred tax	2.2	(0.1)
Difference in overseas tax rates	1.5	1.5
Other	1.4	3.4
Total income tax charge/(credit)	0.1	(11.1)

(b) Tax paid

Total net tax paid during the year of £12.5m (2018: £7.9m).

(c) Factors affecting future tax charges

A reduction in the UK corporation tax rate to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Group's future current tax charge accordingly.

(d) Deferred tax

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2019 £m	Assets 2018 <i>restated</i> £m	Liabilities 2019 £m	Liabilities 2018 <i>restated</i> £m
Property, plant and equipment	(54.2)	(49.3)	–	–
Intangible assets	–	–	117.3	111.0
Employee benefits	(6.3)	(6.6)	–	–
Provisions	(13.7)	(0.6)	–	–
Interest deductible in future periods	–	(7.6)	–	–
RDEC credit	(7.0)	–	–	–
Losses	(56.6)	(45.7)	–	–
Share based payments	(13.3)	(13.3)	–	–
Other	–	–	0.7	–
Deferred tax (assets)/liabilities	(151.1)	(123.1)	118.0	111.0
Set off of tax liabilities/(assets)	105.4	91.0	(105.4)	(91.0)
Total deferred tax (assets)/liabilities	(45.7)	(32.1)	12.6	20.0

Where the right to off-set exists in certain jurisdictions, deferred tax assets and liabilities have been netted down.

10 TAX EXPENSE ON CONTINUING OPERATIONS (CONTINUED)

(d) Deferred tax (continued)

	1 January 2019 £m	Recognised in Income and OCI £m	Recognised in Equity £m	Other movement £m	31 December 2019 £m
Movement in deferred tax – 2019					
Property, plant and equipment	(49.3)	(4.9)	–	–	(54.2)
Intangible assets	111.0	6.3	–	–	117.3
Employee benefits	(6.6)	0.3	–	–	(6.3)
Provisions	(0.6)	(13.0)	–	(0.1)	(13.7)
Interest deductible in future periods	(7.6)	7.6	–	–	–
RDEC credit	–	–	–	(7.0)	(7.0)
Losses	(45.7)	(10.9)	–	–	(56.6)
Share based payments	(13.3)	–	–	–	(13.3)
Other	–	0.7	–	–	0.7
	(12.1)	(13.9)	–	(7.1)	(33.1)
	1 January 2018 £m	Recognised in Income and OCI £m	Recognised in Equity £m	Other movement £m	31 December 2018 £m
Movement in deferred tax – 2018					
Property, plant and equipment	8.8	(58.1)	–	–	(49.3)
Intangible assets	51.8	59.2	–	–	111.0
Employee benefits	(8.0)	1.4	–	–	(6.6)
Provisions	(1.4)	0.8	–	–	(0.6)
Interest deductible in future periods	–	(7.6)	–	–	(7.6)
Losses	(27.7)	(18.0)	–	–	(45.7)
Share based payments	–	–	(13.3)	–	(13.3)
	23.5	(22.3)	(13.3)	–	(12.1)

Other movements reflect the reclassification of RDEC credits from Trade and other receivables to deferred tax and foreign exchange differences.

The Group believes that it is appropriate to recognise a Deferred Tax Asset in respect of historic tax losses due to the future forecast profitability of the Group as demonstrated by the reset business plan.

In addition to the deferred tax recognised above, the Group has a £18.5m (2018: £nil) unrecognised net deferred tax asset in respect of interest deductions deductible in future periods where the likelihood of recoverability is not considered to support recognition of the asset.

The aggregate amount of temporary differences associated with investment in subsidiaries and branches, for which deferred tax liabilities have not been recognised is £32.5m for the year ended 31 December 2019 (2018: £34.5m).

11 DIVIDENDS

No dividends were declared or paid by the Company in the year-ended 31 December 2019 (2018: £nil).

During the year ended 31 December 2019 a dividend of £9.8m was declared by Aston Martin Works Limited (2018: £6.0m), of which the Group holds 50% of the voting rights and share capital. The terms of the 2019 dividend required the element due to the non-controlling interest to be fully offset with balances owed to subsidiaries of the Group.

12 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the loss for the year available for equity holders by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per ordinary share is calculated by adjusting basic earnings per ordinary share to reflect the notional exercise of the weighted average number of dilutive ordinary share awards outstanding during the year. The weighted average number of dilutive ordinary share awards outstanding during the year are excluded when including them would be anti-dilutive to the earnings per share value.

Continuing and total operations	2019	2018
Basic earnings per ordinary share		
Loss available for equity holders (£m)	(113.2)	(62.7)
Basic weighted average number of ordinary shares (million)	228.0	202.1
Basic loss per ordinary share (pence)	(49.6p)	(31.0p)
Diluted earnings per ordinary share		
Loss available for equity holders (£m)	(113.2)	(62.7)
Diluted weighted average number of ordinary shares (million)	228.0	202.1
Diluted loss per ordinary share (pence)	(49.6p)	(31.0p)

	2019 Number	2018 Number
Diluted weighted average number of ordinary shares is calculated as:		
Basic weighted average number of ordinary shares ⁽¹⁾ (million)	228.0	202.1
Adjustments for calculation of diluted earnings per share ⁽²⁾ :		
Legacy long-term incentive plan	–	–
2019 long-term incentive plan	–	–
Weighted average number of diluted ordinary shares (million)	228.0	202.1

1. Additional ordinary shares issued as a result of the share split conducted in 2018, have been incorporated in the 2018 earnings per share calculation in full without any time apportionment.
2. The number of ordinary shares issued as part of the Legacy long-term incentive plan, and the potential number of ordinary shares issued as part of the 2019 Long-term incentive plan, have been excluded from the weighted average number of diluted ordinary shares as including them is anti-dilutive to diluted earnings per share.

Adjusted earnings per share is disclosed in note 34 to show performance undistorted by adjusting items and give a more meaningful comparison of the Group's performance.

13 INTANGIBLE ASSETS

	Goodwill £m	Brands £m	Technology £m	Capitalised Development Cost £m	Dealer Network £m	Software and other £m	Total £m
Cost							
Balance at 1 January 2018	85.4	297.6	21.2	829.8	15.4	52.6	1,302.0
Additions	–	–	–	202.3	–	6.3	208.6
Balance at 31 December 2018	85.4	297.6	21.2	1,032.1	15.4	58.9	1,510.6
Balance at 1 January 2019	85.4	297.6	21.2	1,032.1	15.4	58.9	1,510.6
Additions	–	–	–	226.0	–	2.0	228.0
Balance at 31 December 2019	85.4	297.6	21.2	1,258.1	15.4	60.9	1,738.6
Amortisation							
Balance at 1 January 2018	0.6	–	2.4	318.3	7.7	42.3	371.3
Charge for the year	–	–	1.9	60.6	0.8	4.3	67.6
Balance at 31 December 2018	0.6	–	4.3	378.9	8.5	46.6	438.9
Balance at 1 January 2019	0.6	–	4.3	378.9	8.5	46.6	438.9
Charge for the year	–	–	1.9	82.0	0.8	4.3	89.0
Adjustment	(0.6)	–	–	–	–	–	(0.6)
Impairment (note 14)	–	–	–	27.7	–	–	27.7
Balance at 31 December 2019	–	–	6.2	488.6	9.3	50.9	555.0
Net book value							
At 1 January 2018	84.8	297.6	18.8	511.5	7.7	10.3	930.7
At 31 December 2018	84.8	297.6	16.9	653.2	6.9	12.3	1,071.7
At 1 January 2019	84.8	297.6	16.9	653.2	6.9	12.3	1,071.7
At 31 December 2019	85.4	297.6	15.0	769.5	6.1	10.0	1,183.6

Goodwill primarily arose on the acquisition of Aston Martin Lagonda Group Limited by Aston Martin Holdings (UK) Limited in 2007.

During the year-ended 31 December 2019 the Group received £3.3m of grants relating to qualifying development expenditure (2018: £8.2m). There are no unfulfilled conditions or other contingencies attached, with amounts received deducted from the carrying value of capitalised development costs.

14 IMPAIRMENT TESTING

INDEFINITE USEFUL LIFE NON-CURRENT ASSETS

Goodwill and brands acquired through business combinations have been allocated for impairment testing purposes to one cash-generating unit – the Aston Martin Lagonda Group business. This represents the lowest level within the Group at which goodwill and brands are monitored for internal purposes.

The Group tests the carrying value of goodwill and brands at the cash-generating unit level for impairment annually or more frequently if there are indicators that goodwill or brands might be impaired. At the year-end reporting date, a review was undertaken on a value-in-use basis, assessing whether the carrying values of goodwill and brands were supported by the net present value of future cash flows derived from those assets.

Key assumptions used in value-in-use calculations

The calculation of value-in-use for the cash-generating unit is most sensitive to the following assumptions:

- Cash flows were projected based on actual operating results and the reset five-year business plan. Beyond this, cash flows were extrapolated using a constant growth rate of 2.0% per annum. Key assumptions such as revenue, gross margin and fixed costs within the forecasts are based on past experience and the reset business plan;
- Discount rates are calculated using a weighted average cost of capital approach. They reflect the individual nature and specific risks relating to the business and the market in which the Group operates. The pre-tax discount rate used was 9.0% (2018: 10.2%); and
- An exchange rate of \$1.33/£ has been used for 2020, with \$1.40/£ used for 2021 into perpetuity.

Sensitivity analysis

- the pre-tax discount rate would need to increase to 16.2% for the assets to become impaired; or
- the growth rate of 2.0% per annum beyond the five-year plan would need to be -11.8% for the assets to become impaired; or
- the USD exchange rate would need to increase to \$1.97/£ (with all other currencies moving against the £ in line with the \$) for the assets to become impaired.

1. Restated – the post-tax discount rate was incorrectly disclosed in the 31 December 2018 Consolidated Financial Statements.

FINITE USEFUL LIFE NON-CURRENT ASSETS

Recoverability of non-current assets with finite useful lives include property, plant and equipment, right-of-use lease assets and certain intangible assets. Intangible assets with finite useful lives mainly consist of capitalized development costs.

The Group reviews the carrying amount of non-current assets with finite useful lives when events and circumstances indicate that an asset may be impaired. Impairment tests are performed by comparing the carrying amount and the recoverable amount of the cash-generating unit (“CGU”). The recoverable amount is the higher of the CGU’s fair value less costs of disposal and its value-in-use.

In assessing the value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks.

IMPAIRMENT

At 31 December 2019 the Group was engaged in early stage discussions with strategic investors in relation to building longer term relationships. The impact on current project lifecycles and the cadence of future model launches was under review.

On 31 January 2020, the Group announced its intention to strengthen its financial position in order to immediately improve liquidity and reduce leverage. A proposed placing of newly issued ordinary shares of the Company to a Consortium, and a subsequent underwritten rights issue, was proposed for completion following the publication of the 2019 Annual Report and Accounts. The Group and ventures affiliated to the Consortium agreed, as part of the reset business plan, to control medium-term investment requirements providing greater financial stability and flexibility. The Lagonda brand is now expected to be relaunched no earlier than 2025 (previously 2022) and while development of Rapide E is substantially complete, the programme has been paused pending further review.

With the aforementioned indicators of impairment, a review of the carrying value of Rapide E assets and assets carried across from Rapide as part of the Group’s carry-over-carry-across (“COCA”) principle has been completed. As a result of this review an impairment charge has been recognised in full for the Rapide E assets:

	2019 £m
Development costs (note 13)	27.7
Plant, machinery, fixtures and fittings (note 15)	4.7
Tooling (note 15)	3.7
Inventory	2.3
Right-of-use lease assets (note 16)	1.0
Total impairment charge recognised as adjusting in the Consolidated Income Statement (note 6)	39.4

15 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £m	Tooling £m	Plant, machinery, fixtures and fittings £m	Motor Vehicles £m	Total £m
Cost					
Balance at 1 January 2018	68.6	368.4	120.4	0.7	558.1
Additions	0.1	49.4	52.3	0.1	101.9
Disposals	–	–	(0.6)	(0.1)	(0.7)
Effect of movements in exchange rates	–	–	0.1	–	0.1
Balance at 31 December 2018	68.7	417.8	172.2	0.7	659.4
Balance at 1 January 2019	68.7	417.8	172.2	0.7	659.4
Additions	–	46.6	37.0	–	83.6
Transfer to right-of-use lease assets (note 16)	–	–	(3.3)	–	(3.3)
Disposals	–	(1.2)	–	–	(1.2)
Effect of movements in exchange rates	(0.2)	–	(0.1)	–	(0.3)
Balance at 31 December 2019	68.5	463.2	205.8	0.7	738.2
Depreciation					
Balance at 1 January 2018	23.0	249.1	41.9	0.2	314.2
Charge for the year	2.3	21.4	8.7	–	32.4
Disposals	–	–	(0.3)	–	(0.3)
Effect of movements in exchange rates	–	–	0.1	–	0.1
Balance at 31 December 2018	25.3	270.5	50.4	0.2	346.4
Balance at 1 January 2019	25.3	270.5	50.4	0.2	346.4
Charge for the year	2.3	21.2	9.9	–	33.4
Disposals	–	(0.3)	–	–	(0.3)
Impairment (note 14)	–	3.7	4.7	–	8.4
Effect of movements in exchange rates	(0.1)	–	(0.1)	–	(0.2)
Balance at 31 December 2019	27.5	295.1	64.9	0.2	387.7
Net book value					
At 1 January 2018	45.6	119.3	78.5	0.5	243.9
At 31 December 2018	43.4	147.3	121.8	0.5	313.0
At 1 January 2019	43.4	147.3	121.8	0.5	313.0
At 31 December 2019	41.0	168.1	140.9	0.5	350.5

Property, plant and equipment provides security for a fixed and floating charge in favour of the holders of the Senior Secured Notes.

Assets in the course of construction at a cost of £126.1m (2018: £51.1m) are not depreciated until available for use and are included within tooling, plant and machinery. The gross value of freehold land and buildings includes freehold land of £6.1m (2018: £6.1m) which is not depreciated. Capital commitments are disclosed in note 30. In 2019 the Group received £2.3m of government grants relating to qualifying tooling expenditure (2018: £2.6m). There are no unfulfilled conditions or other contingencies attached, with amounts received deducted from the tooling carrying value.

The tables below and on the following page analyse the net book value of the Group's property, plant and equipment by geographic location.

	United Kingdom £m	Rest of Europe £m	The Americas £m	Asia Pacific £m	Total £m
At 31 December 2019					
Freehold land and buildings	38.9	2.1	–	–	41.0
Tooling	105.3	62.6	0.2	–	168.1
Plant, machinery, fixtures and fittings, and motor vehicles	140.8	0.3	0.3	–	141.4
	285.0	65.0	0.5	–	350.5

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

At 31 December 2018	United Kingdom £m	Rest of Europe £m	The Americas £m	Asia Pacific £m	Total £m
Freehold land and buildings	41.0	2.4	–	–	43.4
Tooling	95.3	51.6	0.4	–	147.3
Plant, machinery, fixtures and fittings, and motor vehicles	121.8	0.3	0.1	0.1	122.3
	258.1	54.3	0.5	0.1	313.0

16 LEASES

The Group holds lease contracts for buildings, plant and machinery and IT equipment.

The application of IFRS 16 required the Group to make estimates that affect the valuation of lease liabilities and right-of-use lease assets. These predominantly include determining the contracts that fall under IFRS 16, the contract term and the interest rate used for the discounting of future cash flows.

The lease term determined by the Group comprises a non-cancellable period, periods covered by an option to extend if the Group is reasonably certain to exercise the option and periods covered by an option to terminate if the Group is reasonably certain not to exercise that option. The same period is applied to determine the useful economic life and therefore the depreciation rate of the right-of-use lease assets.

The modified retrospective transition approach was chosen under which, prior to reflecting the impact of lease incentives, deposits and dilapidation provisions, the Group evaluated its lease liability on transition using incremental borrowing rates assessed at the date of transition with a right-of-use assets of equal value.

The Group has elected, under IFRS 16, not to recognise right-of-use lease assets and lease liabilities for short-term and low value leases. It continues to recognise these lease costs on a straight-line basis over the lease term within Administrative and other operating expenses in the Consolidated Income Statement.

The equity reserves of the Group at 1 January 2019 have been reduced by £2.2m to reflect the derecognition of legal and other costs associated with lease agreements previously expensed over the lease term. Whilst qualifying costs of this nature incurred would be included in the value of the associated right-of-use asset following adoption of IFRS 16, under the transition approach adopted this treatment is not followed.

	£m
Operating lease commitment disclosed at 31 December 2018	124.3
Exemption applied	(2.0)
Embedded leases	5.3
Lease incentives and other	43.2
Gross lease liabilities at 1 January 2019	170.8
Discounting	(54.3)
Lease liabilities upon adoption of IFRS 16 at 1 January 2019	116.5

Management have implemented new processes and procedures across the Group to ensure compliance with the new accounting standard.

16 LEASES (CONTINUED)

a) Right-of-use lease assets

The Group is party to property leases with terms of 1 to 30 years, in addition to plant, machinery and IT equipment leases of between 1 to 5 years.

	Properties £m	Plant and machinery £m	IT equipment £m	Total £m
Cost				
Introduced on adoption of IFRS 16 at 1 January 2019	72.7	4.6	5.2	82.5
Additions	3.3	5.3	1.2	9.8
Modifications	(0.3)	–	–	(0.3)
Transfer from tangible fixed assets (note 15)	–	3.3	–	3.3
Effect of movements in exchange rates	(0.4)	–	–	(0.4)
Balance at 31 December 2019	75.3	13.2	6.4	94.9
Depreciation				
Introduced on adoption of IFRS 16 at 1 January 2019	–	–	–	–
Charge for the year	7.7	2.1	2.5	12.3
Impairment (note 14)	1.0	–	–	1.0
Effect of movements in exchange rates	(0.2)	–	–	(0.2)
Balance at 31 December 2019	8.5	2.1	2.5	13.1
Carrying value				
Introduced on adoption of IFRS 16 at 1 January 2019	72.7	4.6	5.2	82.5
At 31 December 2019	66.8	11.1	3.9	81.8

Income from the sub-leasing of right-of-use assets in the year 31 December 2019 was £0.3m (2018: £0.3m). The Group recognises the lease payments received on a straight-line basis over the lease term within Administrative and other operating expenses in the Consolidated Income Statement.

16 LEASES (CONTINUED)

b) Obligations under leases

The future gross minimum rentals payable accounted for under IAS 17 as at 31 December 2018 were:

	2018 £m
Not later than one year	0.2
After one year but not more than five years	12.6
More than five years	111.5
	124.3

The weighted average of the incremental borrowing rate applied to the lease liabilities recognised in the Statement of Financial Position at 1 January 2019 was 4.04%.

The maturity profile of undiscounted lease cash flows accounted for under IFRS 16 as at 31 December 2019 are:

	2019 £m
Less than one year	14.8
One to five year	30.4
More than five years	126.4
	171.6

The maturity profile of discounted lease cash flows accounted for under IFRS 16 as at 31 December 2019 are:

	2019 £m
Less than one year	14.1
One to five year	26.3
More than five years	71.0
	111.4
Analysed as:	
Current	14.1
Non-current	97.3
	111.4

A reconciliation of the lease liability from 1 January 2019 to 31 December 2019 is disclosed within note 28.

The total lease interest expense for the year ended 31 December 2019 was £4.6m. Total cash outflow for leases accounted for under IFRS 16 for the current year was £15.5m. Expenses charged to the Consolidated Income Statement for short-term and low-value leases for the year-ended 31 December 2019 were £1.0m and £0.2m respectively. The portfolio of short-term leases at 31 December 2019 is representative of the expected annual short-term lease expense in future years.

The impact of IFRS 16 on the Consolidated Income Statement, excluding tax, for the year-ended 31 December 2019 is:

	As Reported 31 December 2019 £m	Add back IFRS 16 interest charge £m	Add back IFRS 16 depreciation charge £m	Less Amortisation of Legal fees £m	Less Lease incentives £m	Less IAS 17 lease cost £m	Excluding impact of IFRS 16 31 December 2019 £m
Revenue	997.3						997.3
Cost of sales	(642.7)						(642.7)
Gross profit	354.6	–	–	–	–	–	354.6
Selling and distribution expenses	(95.0)						(95.0)
Administrative and other operating expenses	(277.3)	–	12.3	(0.2)	1.2	(15.5)	(279.5)
Other (expense)/income	(19.0)						(19.0)
Operating profit/(loss)	(36.7)	–	12.3	(0.2)	1.2	(15.5)	(38.9)
Finance income	16.3						16.3
Finance expense	(83.9)	4.6	–	–	–	–	(79.3)
(Loss)/profit before tax	(104.3)	4.6	12.3	(0.2)	1.2	(15.5)	(101.9)
Adjusted EBITDA (note 34)	134.2	–	–	(0.2)	1.2	(15.5)	119.7

The above disclosure has been included to facilitate the understanding of the impact of adopting IFRS 16 on the Group.

17 INVENTORIES

	2019 £m	2018 £m
Parts for resale, service parts and production stock	68.8	86.5
Work in progress	32.1	15.5
Finished vehicles	99.8	63.3
	200.7	165.3

Finished vehicles includes Group owned service cars at a net realisable value of £23.4m (2018: £30.3m).

During the year ended 31 December 2019 an inventory repurchase arrangement was entered for certain parts for resale, service parts and production stock. These inventories were sold and subsequently repurchased in November 2019 – see note 21 for further details.

18 TRADE AND OTHER RECEIVABLES

	2019 £m	2018 £m
Amounts included in current assets		
Trade receivables	173.3	191.5
Other receivables	52.0	29.0
Prepayments	24.4	20.3
	249.7	240.8
Amounts included in non-current assets		
Trade receivables	1.8	1.8

Trade and other receivables are non-interest bearing and generally have terms of less than 60 days. Due to their short maturities, the fair value of trade and other receivables approximates to their book value.

Credit risk is discussed further in note 23.

The carrying amount of trade and other receivables at 31 December, converted into Sterling at the year-end exchange rates, are denominated in the following currencies (excluding prepayments):

	2019 £m	2018 £m
Sterling	111.3	115.7
Chinese Renminbi	18.4	13.2
Euro	20.5	42.1
US Dollar	75.1	41.4
Other	1.8	9.9
	227.1	222.3

WHOLESALE FINANCE FACILITY

All financed vehicle sales are made directly to third-party Aston Martin franchised dealers with a large proportion financed through a £150m wholesale finance facility (2018: £200m facility) with Standard Chartered Bank plc supported by a credit insurance policy. The utilisation of the facility at 31 December 2019 is £99.6m (2018: £159.1m) and, due to the off-balance sheet treatment, is not recorded in trade receivables in the Group's Statement of Financial Position.

Vehicles financed through this facility have a maximum term of 45 days from invoice date to be funded under the facility to allow for any timing delays in despatching a vehicle and processing. Under the trade finance facility, Standard Chartered Bank plc advance to the Group the sales value of vehicles which have been despatched upon receipt of certain documentation. Standard Chartered Bank plc have substantially all of the risks associated with the wholesale financing scheme and hence they bear substantially all of the credit risk associated with dealers purchasing vehicles through the wholesale finance scheme. Taking into consideration the Group's exposure to variability in cash flows both before and after the transfer, the financing arrangement is treated as off-balance sheet.

The Group incurs a finance charge on vehicles financed through the scheme based on each currency LIBOR at the commencement of each invoice funded.

19 CASH AND CASH EQUIVALENTS

	2019 £m	2018 £m
Cash at bank and in hand	107.9	144.6

Cash at bank when placed on deposit earns interest at floating rates based on daily bank deposit rates. The book value of cash and cash equivalents approximates to their fair value.

Cash is held in the following currencies; those held in currencies other than Sterling have been converted into Sterling at year end exchange rates:

	2019 £m	2018 £m
Sterling	14.3	28.0
Chinese Renminbi	46.5	59.6
Euro	12.1	18.0
US Dollar	29.6	36.5
Other	5.4	2.5
	107.9	144.6
<i>Included within the above:</i>		
Restricted cash	36.3	25.7

The Group has a series of one-year back-to-back loan arrangements with HSBC Bank plc ("HSBC"), whereby Chinese Renminbi to a value at the time of £36.7m (31 December 2018: £25.5m) has been deposited in a restricted account with HSBC in China in exchange for a Sterling overdraft facility with HSBC Bank plc in the United Kingdom. The restricted cash has been revalued at 31 December 2019 to £36.3m (31 December 2018: £25.7m) and is shown in the cash and cash equivalents value above.

20 OTHER FINANCIAL ASSETS

	2019 £m	2018 £m
Forward currency contracts held at fair values	0.4	0.1
Cash held not available for short-term use	8.7	–
	9.1	0.1
<i>Analysed as:</i>		
Current	8.9	0.1
Non-current	0.2	–
	9.1	0.1

The Group uses forward currency contracts to partly manage the risk associated with fluctuations in exchange rates when converting foreign currencies to Sterling. At the reporting date these cash flow hedges are marked-to-market and any assets are shown as other financial assets in the Statement of Financial Position.

In 2019 £8.7m held in certain local bank accounts had been frozen in relation to local arbitration proceedings (2018: nil). At 31 December 2019 the cash held in these accounts did not meet the definition of cash and cash equivalents and therefore has been classified as an other financial asset.

21 TRADE AND OTHER PAYABLES

CURRENT TRADE AND OTHER PAYABLES

	2019 £m	2018 <i>restated</i> £m
Trade payables	138.5	167.7
Customer deposits and advances	319.3	270.9
Accruals and other payables	240.0	226.1
Deferred income – service packages	3.7	5.2
Due to related parties (note 31)	0.6	1.1
	702.1	671.0

Trade payables are non-interest bearing and it is the Group's policy to settle the liability within 90 days.

21 TRADE AND OTHER PAYABLES (CONTINUED)

At 31 December 2019 a repurchase liability of £38.9m including accrued interest of £0.2m, has been recognised in accruals and other payables and Net Debt (see note 24). In November 2019, £32.2m of parts for resale, service parts and production stock were sold for £38.7m (gross of indirect tax) and subsequently repurchased. Under the repurchase agreement, the Group will repay for £40.0m gross of indirect tax. As part of this arrangement legal title to the parts was surrendered however control remained with the Group. The terms of this repurchase arrangement require the liability to be fully settled in 2020.

Changes in the Group's contract liabilities during the year are summarised as follows:

£m	At 1 January 2019	Additional amounts arising during the period	Amounts recognised within revenue	Significant financing component for which an interest charge is recognised	Amounts returned and other changes	At 31 December 2019
Customer deposits and advances	270.9	116.1	(55.3)	8.8	(21.2)	319.3
Deferred income – service packages	12.5	7.6	(7.0)	–	–	13.1

£m	At 1 January 2018	Additional amounts arising during the period	Amounts recognised within revenue	Significant financing component for which an interest charge is recognised	Amounts returned and other changes	At 31 December 2018
Customer deposits and advances	205.5	75.4	(9.0)	5.6	(6.6)	270.9
Deferred income – service packages	5.9	6.6	–	–	–	12.5

Customer deposits and advances are recognised in revenue when the performance obligation, principally the supply of a limited-edition vehicle or service of a vehicle, is met by the Group. As part of the normal operating cycle of special vehicle projects, for which these customer deposits primarily relate to, the Group expects to derecognise a significant proportion over the next 3 years with approximately £90.0m expected to be recognised in 2020.

In the year ended 31 December 2019, a finance expense of £8.8m (see note 9) was recognised as a significant financing component on contract liabilities held for greater than 12 months (2018: £5.6m). Upon satisfaction of the linked performance obligation, the liability is released to revenue so that the total amount taken to the Consolidated Income Statement reflects the sales price the customer would have paid for the vehicle at that point in time.

The Group applies a practical expedient for short-term advances received from customers whereby the advanced payment is not adjusted for the effects of a significant financing component. According to the individual terms of the special vehicle contract and the position of the customer in the staged deposit and vehicle specification process, some deposits are contractually refundable. At 31 December 2019 the Group held £78.5m of contractually refundable deposits (before the impact of significant financing components) (2018: £50.1m). The special vehicle programs are typically oversubscribed and, in the event that a customer requests reimbursement of their advanced payment, the newly created allocation is then given to an alternative customer whom is required to make an equivalent advanced payment. Further liquidity risk considerations are disclosed in note 23.

Deferred service package income is recognised in revenue over the service package period.

NON-CURRENT TRADE AND OTHER PAYABLES

	2019 £m	2018 <i>restated</i> £m
Deferred income – service packages	9.4	7.3
Lease incentives and other	–	42.5
	9.4	49.8

Included within non-current trade and other payables for the year ended 31 December 2018 are long-term lease incentives as restated (see note 2). Upon transition to IFRS 16 on 1 January 2019 these lease incentives were reclassified as part of establishing the right-of-use lease assets, within non-current assets – see note 16.

22 OTHER FINANCIAL LIABILITIES

	2019 £m	2018 £m
Forward currency contracts held at fair value	8.9	8.6
Analysed as:		
Current	6.3	4.2
Non-current	2.6	4.4
	8.9	8.6

23 FINANCIAL INSTRUMENTS

GROUP

The Group's principal financial instruments comprise Senior Secured Notes, a Revolving Credit Facility, a finished vehicle financing facility, a loan to finance the construction of the paint shop at St.Athan, back-to-back loans and forward currency contracts. Additionally, the Group has trade payables and trade receivables which arise directly from its operations. Included in trade and other payables is a liability relating to an inventory repurchase arrangement. These short-term assets and liabilities are included in the currency risk disclosure.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, currency risk and liquidity risk. The Board of Directors have overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and monitor adherence to limits.

The Board of Directors oversee how management monitor compliance with the Group risk management policies and procedures and reviews the adequacy of the risk management framework in relation to specific risks faced by the Group.

CREDIT RISK

The Group sells vehicles through a dedicated dealer network. Dealers outside of North America are required to pay for vehicles in advance of their despatch or use the wholesale financing scheme with Standard Chartered Bank plc (see note 18). Dealers within North America are allowed 10-day credit terms from the date of invoice or use of the wholesale financing scheme. In certain circumstances, after thorough consideration of the credit history of an individual dealer, the Group may sell vehicles outside of the credit risk insurance policy or on deferred payment terms. Parts sales, which represent a smaller element of total revenue, are made to dealers on 30-day credit terms. Service receivables are due for payment on collection of the vehicle.

Trade and other receivables are only written off when the Group has exhausted all options to recover the amounts due and provided for in full when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of the debtor to engage in a repayment plan with the Group and a failure to make contractual payments. An expected credit loss provision is then calculated on the remaining trade and other receivables.

In generating the expected credit loss provision, historical credit loss rates for the preceding 5 years are calculated, including consideration given to factors that may affect the ability of customers to settle receivables, and applied to the trade and other receivable aging buckets at the year-end. The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Group has no material contract assets.

In presenting the loss allowance summary below, the specific loss allowance and original receivables balance of £19.0m disclosed in note 5 has been excluded so as to not distort the expected loss rate. The trade receivable loss allowance as at 31 December is as follows:

	As at 31 December 2019			As at 31 December 2018		
	Expected Loss Rate %	Gross Carrying Amount £m	Loss Allowance £m	Expected Loss Rate %	Gross Carrying Amount £m	Loss Allowance £m
Current	*	117.8	–	*	177.4	–
1 – 30 days past due	*	30.2	–	*	4.4	–
31 – 60 days past due	*	10.6	–	*	4.0	–
61+ days past due	6.8%	17.7	1.2	2.6%	7.7	0.2
		176.3	1.2		193.5	0.2

* The expected loss rates for these specific ageing categories are not disclosed as no material loss allowance is generated when applied against the gross carrying value.

The closing loss allowances for trade receivables, including the specific loss allowance disclosed in note 5 of £19.0m, reconciles to the opening loss allowance as follows:

	2019 £m	2018 £m
Opening loss allowance as at 1 January	0.2	0.3
Increase in loss allowance recognised in the Income Statement – Other expense (note 5)	19.0	–
Increase in loss allowance recognised in the Income Statement – Administrative and other operating expenses	1.0	0.1
Receivables written-off during the year as uncollectible	–	(0.2)
At 31 December	20.2	0.2

23 FINANCIAL INSTRUMENTS (CONTINUED)

BORROWINGS

The following table analyses Group borrowings:

	2019 £m	2018 £m
Current		
Bank loans and overdrafts	114.8	99.4
Non-current		
Senior Secured Notes	829.9	590.9
Bank loans	9.2	12.4
Unsecured Loan	–	1.4
Total non-current borrowings	839.1	604.7
Total borrowings	953.9	704.1

Total borrowings are denominated in the following currencies, in sterling at the year-end exchange rates:

	2019 £m	2018 £m
Sterling	403.0	388.5
US Dollar	550.9	314.2
Japanese Yen	–	1.4
Total borrowings	953.9	704.1

Current Borrowings

At 31 December 2019 £70.0m of the £80.0m Revolving Credit Facility was drawn (2018: £70.0m).

The Group holds a series of one-year back-to-back loan arrangements with HSBC Bank plc, whereby Chinese Renminbi to a value at the time of £36.7m (2018: £25.5m) have been deposited in a restricted account with HSBC in China in exchange for a Sterling overdraft facility with HSBC Bank plc in the United Kingdom. The restricted cash has been revalued at 31 December 2019 to £36.3m (2018: £25.7m) and is shown in cash and cash equivalents. The overdraft of £36.7m (2018: £25.3m) is shown within Borrowings in Current Liabilities on the Statement of Financial Position.

In 2018 the Group entered into a fixed rate loan to finance the construction of the paint shop at the new St Athan manufacturing facility which matures on 31 March 2022. The loan is secured against the paint shop assets, with the final payment on 31 March 2022 including a capital payment of £6.3m accounted for as part of the effective interest rate over the term of the loan. At 31 December 2019 the amount included in current borrowings was £2.9m (2018: £2.7m).

The Group has separate arrangements to finance in-transit finished vehicles and certain finished vehicle inventory. Total borrowings on these facilities at 31 December 2019 were £4.4m (2018: £nil) and £0.8m (2018: £1.4m) respectively.

Non-Current Borrowings

On 1 April 2019 the Group issued \$190m 6.5% Senior secured Notes at a discount of 5% to the par redemption value. The discount is charged to finance expenses within the Consolidated Income Statement over the term of the notes based on the effective interest rate method.

In 8 October 2019 the Group issued \$150m 12% (6% Payment in Kind (“PIK”), 6% cash interest) Senior Secured Notes with a 6% premium on redemption. This premium is accounted for as part of the effective interest rate and charged to finance expenses within the Consolidated Income Statement over the term of these notes.

The new Senior Secured Notes issued in 2019 mature in April 2022. Transaction costs capitalised during the year ended 31 December 2019 amounted to £5.4m (2018: £nil).

The Group has the option for an additional \$100m of Delayed Draw Notes linked to those Senior Secured Notes issued on 8 October 2019. The Delayed Draw Notes (“DDNs”) may be drawn, subject to certain conditions, on the same terms as other senior secured obligations of the Group at an interest rate of 12% per annum. If these conditions are not met, the DDNs may be drawn as unsecured obligations at an interest rate of 15% per annum. Interest will accrue at the rate of 6% per annum as cash interest plus either 6% per annum (if secured) or 9% per annum (if unsecured) paid in kind.

The Group has \$400m 6.5% Senior Secured Notes and £285m 5.75% Senior Secured Notes both of which mature in April 2022.

The movement in carrying value of the Senior Secured Notes from 2018 to 2019 includes £2.4m (2018: £2.3m) amortisation of capitalised transaction costs.

The combined sterling equivalent carrying value of the Senior Secured Notes at 31 December 2019 is £829.9m (2018: £590.9m) and they are secured by fixed and floating charges over certain assets of the Group.

The non-current element of the fixed rate loan to finance the construction of the paint shop at the new St Athan manufacturing facility was £9.2m at 31 December 2019 (2018: £12.4m).

23 FINANCIAL INSTRUMENTS (CONTINUED)

INTEREST RATE RISK

The only interest rate risk that the Group is exposed to is on the back-to-back loan arrangement with HSBC Bank plc, whereby Chinese Renminbi have been deposited in a restricted account with HSBC in China in exchange for a Sterling overdraft facility with HSBC Bank plc in the United Kingdom. The interest rate charged on the overdraft facility is based on 3-month LIBOR.

Profile

At 31 December the interest rate profile of the Group's interest-bearing financial instruments was:

	2019 £m	2018 £m
Fixed rate instruments		
Financial liabilities	917.2	678.8
Variable rate instruments		
Financial liabilities	36.7	25.3

Borrowings, including the Senior Secured Notes and the loan to finance the paint shop in St Athan, are at fixed interest rates. The rate of interest on the Revolving Credit Facility, which is attached to the Senior Secured Notes, is based on LIBOR plus a percentage spread and is predetermined at the date of the drawdown of the Revolving Credit Facility so is considered to be fixed rate for the analysis above.

The interest rate charged on both the in-transit and certain finished vehicle facilities are based on the lender's cost of funds at the point of the borrowing.

In 2019 the Group has entered into an inventory repurchase arrangement (not included within the financial liabilities noted above). The interest charged on this arrangement is determined as the difference between the sales and repurchase value and is therefore fixed at the time of entering into the arrangement. The repayment terms of this arrangement are not in excess of 180 days.

Surplus cash funds, when appropriate, are placed on deposit and attract interest at a variable rate derived from LIBOR.

INTEREST RATE RISKS – SENSITIVITY

The following table demonstrates the sensitivity, with all other variables held constant, of the Group's profit after tax to a reasonably possible change in interest rates on the back-to-back loan arrangement with HSBC Bank plc.

	2019 £m	2018 £m
	(Increase)/ decrease in interest rate	Effect on profit after tax
3-month LIBOR	1.00%	Effect on profit after tax
	0.3	0.2

23 FINANCIAL INSTRUMENTS (CONTINUED)

FOREIGN CURRENCY EXPOSURE

The Group's exposure to the risk of changes in foreign currency exchange relates primarily to US Dollar sales (including inter-group sales), Chinese Renminbi sales and Euro denominated purchases.

At 31 December 2019 the Group hedged 80%, 68% and 34% for 2020, 2021 and 2022 respectively, of its US dollar denominated highly probable inter-company sales, and 38%, 12% and 2% of its Euro denominated purchases for 2020, 2021 and 2022. These foreign currency risks are hedged by using foreign currency forward contracts and the \$400m Senior Secured Notes.

The Group's sterling equivalents of financial assets and liabilities (excluding borrowings analysed by currency) denominated in foreign currencies at 31 December were:

	Euros £m	US Dollars £m	Chinese Renminbi £m	Other £m	Total £m
At 31 December 2019					
Financial assets					
Trade and other receivables	20.5	75.1	18.4	1.8	115.8
Foreign exchange contracts	–	–	–	0.4	0.4
Cash held not available for short-term use	–	–	8.7	–	8.7
Cash balances	12.1	29.6	46.5	5.4	93.6
	32.6	104.7	73.6	7.6	218.5
Financial liabilities					
Trade and other payables	(116.5)	(45.1)	(11.4)	(6.4)	(179.4)
Lease liabilities	(2.2)	(0.2)	(0.5)	(8.1)	(11.0)
Customer deposits and advances	(0.2)	(15.8)	(7.9)	–	(23.9)
Foreign exchange contracts	–	(8.6)	–	(0.3)	(8.9)
	(118.9)	(69.7)	(19.8)	(14.8)	(223.2)
Net balance sheet exposure	(86.3)	35.0	53.8	(7.2)	(4.7)

	Euros £m	US Dollars £m	Chinese Renminbi £m	Other £m	Total £m
At 31 December 2018					
Financial assets					
Trade and other receivables	42.1	41.4	13.2	9.9	106.6
Foreign exchange contracts	–	0.1	–	–	0.1
Cash balances	18.0	36.5	59.6	2.5	116.6
	60.1	78.0	72.8	12.4	223.3
Financial liabilities					
Trade and other payables	(149.3)	(43.3)	(17.2)	(4.7)	(214.5)
Customer deposits and advances	–	(12.2)	(11.9)	–	(24.1)
Foreign exchange contracts	–	(5.1)	–	(3.5)	(8.6)
	(149.3)	(60.6)	(29.1)	(8.2)	(247.2)
Net balance sheet exposure	(89.2)	17.4	43.7	4.2	(23.9)

The following significant exchange rates applied:

	Average Rate 2019	Average Rate 2018	Closing Rate 2019	Closing Rate 2018
Euro	1.13	1.13	1.18	1.10
Chinese Renminbi	8.74	8.83	9.23	8.76
US Dollar	1.27	1.34	1.33	1.27

23 FINANCIAL INSTRUMENTS (CONTINUED)

CURRENCY RISK – SENSITIVITY

The following table demonstrates the sensitivity to a change in the US Dollar, Euro and Chinese Renminbi exchange rates with all other variables held constant, of the Group's profit after tax (due to changes in the fair value of monetary assets and liabilities) assuming that none of the US Dollar or Euro exposures are used as hedging instruments.

	(Increase)/ decrease in rate	Effect on profit after tax 2019 £m	Effect on profit after tax 2018 £m
US Dollar	(5%)	(7.7)	(11.2)
US Dollar	5%	8.6	12.4
Euro	(5%)	12.3	8.8
Euro	5%	(13.6)	(9.7)
Chinese Renminbi	(5%)	(2.3)	(2.1)
Chinese Renminbi	5%	2.5	2.3

\$190m and \$150m Senior Secured Notes ("SSNs")

The Group took out additional US Dollar denominated SSNs in 2019 totalling \$340m. The Group chose not to hedge these borrowings due to the relative weakness of Sterling and general economic uncertainty. Foreign currency gains/(losses) on these SSNs, due to exchange rate movements between the US Dollar and Sterling, are charged to the Consolidated Income Statement within finance income/(expenses). A corresponding change in the translated Sterling value of these SSNs is reflected in the Consolidated Statement of Financial Position.

HEDGE ACCOUNTING

The Group is primarily exposed to US Dollar currency variations on the sale of vehicles and parts, and Euro currency variations on the purchase of raw material parts and services. As part of its risk management policy, the Group uses derivative financial instruments in the form of currency forward contracts to manage the cash flow risk resulting from these exchange rate movements. The Group has also designated the foreign exchange movement on the \$400m Senior Secured Notes ("SSNs") as part of a cash flow hedging relationship, to manage the exchange rate risk resulting from forecast US dollar inter-company sales. Together these are referred to as cash flow hedges. The cash flow hedges give certainty over the transactional values to be recognised in the Consolidated Income Statement, and in the case of the forward contracts, certainty around the value of cash flows arising as foreign currencies are exchanged at predetermined rates.

The Group hedges significant foreign currency exposures as follows:

- Firstly, with currency forward contracts on a reducing basis with the highest coverage in the year immediately following the year-end date. When practicable, the Group places additional hedges on a regular basis so that the percentage of the foreign currency exposure hedged increases as the time to maturity of the foreign currency exposure reduces.
- Secondly, the Group has designated \$400m of Senior Secured Notes as a hedging instrument in respect of \$400m of highly probable forecast US Dollar sales that are not already hedged with forward contracts.

The Group currently has no cash flow hedges beyond 2022. The Group does not mitigate all transactional foreign currency exposures, with the unhedged proportion converted at exchange rates prevailing on the date of the transaction.

Derivative financial instruments

Derivative financial instruments are recorded at fair value. The hedging instruments for the forward foreign exchange contracts are the spot elements of the entire forward foreign exchange contracts. The hedged items are highly probable forecast net sales or purchases. The value of hedging instrument matches the value of the hedge item in a 1:1 hedging ratio. Movements in the fair value attributable to the spot element are considered as an effective hedge and recognised through Other Comprehensive Income into the hedge reserve. The balance of the fair value movement related to these contracts is recorded in the cost of hedging reserve.

Certain forward foreign exchange contracts were designated as hedges with effect from 1 July 2019. Prior to this all movements in the fair value had been recorded within finance expenses as an adjusting item (see note 9) reflecting the non-recurring nature of the absence of a designated hedge relationship for such instruments. Subsequent to 1 July 2019, in respect of these forward foreign exchange contracts only, the movement in fair value not attributable to the spot element considered to be an effective hedge, is recorded within cost of sales in the Consolidated Income Statement.

\$400m Senior Secured Notes

The \$400m SSNs are recorded at amortised cost translated into sterling at the year-end closing rate with movements in the carrying value offset by movements in the value of the highly probable forecast sales from US Dollars to Sterling. The hedge ratio is 1:1 as the value of the hedging instrument matches the value of the hedged item. The change in the carrying value of these SSNs, arising as a result of exchange differences, is recognised through Other Comprehensive Income into the Hedge Reserve instead of within finance income/(expense).

The amounts recorded within the Hedge Reserve, including the Cost of Hedging Reserve, are reclassified to the Consolidated Income Statement when the hedged item effects the Consolidated Income Statement. Due to the nature of the hedged items, all amounts reclassified to the Income Statement are recorded in cost of sales (2018: all cost of sales).

23 FINANCIAL INSTRUMENTS (CONTINUED)

HEDGE ACCOUNTING (CONTINUED)

The impact of hedging instruments on the Statement of Financial Position is as follows:

	31 December 2019			31 December 2018		
	Notional value £m	Carrying value £m	Change in fair value used for measuring ineffectiveness £m	Notional value £m	Carrying value £m	Change in fair value used for measuring ineffectiveness £m
Foreign exchange forward contracts – other financial assets	34.9	0.4	0.4	50.3	0.1	0.1
Foreign exchange forward contracts – other financial liabilities	220.0	(8.9)	(10.3)	407.8	(8.6)	(9.4)
\$400m Senior Secured Notes – hedge instrument	301.6	301.6	12.6	314.2	314.2	(18.5)

The impact of hedged items on the Statement of Financial Position is as follows:

	31 December 2019		31 December 2018	
	Cash flow Hedge Reserve £m	Cost of Hedging Reserve £m	Cash flow Hedge Reserve £m	Cost of Hedging Reserve £m
Foreign exchange forward contracts	0.1	(2.0)	(3.5)	(5.0)
\$400m Senior Secured Notes – hedge instrument	(0.8)	–	(18.5)	–
Tax on fair value movements recognised in OCI	0.1	0.3	3.5	–

The effect of the cash flow hedge in the Consolidated Income Statement and Other Comprehensive Income is:

Year-ended 31 December 2019	Total hedging gain/(loss) recognised in OCI £m	Ineffectiveness recognised in the Income Statement £m	Income Statement line item	Fair value movement on cash flow hedges £m	Amount reclassified from OCI to the Income Statement £m	Income Statement line item
	Foreign exchange forward contracts	1.4	6.6	Finance Expense	–	1.4
Foreign exchange forward contracts	5.5	4.9	Cost of Sales	(3.7)	9.2	Cost of Sales
\$400m Senior Secured Notes – hedge instrument	17.7	–	–	12.7	5.0	Cost of Sales
Tax on fair value movements recognised in OCI	(3.4)	–	–	(1.6)	(1.8)	Cost of Sales

Hedge ineffectiveness recognised within the Consolidated Income Statement relates to those forward exchange contracts which were only designated as a hedge with effect from 1 July 2019 and relates to the element which is not attributable to the movement in the spot rate of those instruments since that date.

Year-ended 31 December 2018	Total hedging gain/(loss) recognised in OCI £m	Ineffectiveness recognised in the Income Statement £m	Income Statement line item	Cost of hedging recognised in OCI £m	Amount reclassified from OCI to the Income Statement £m	Income Statement line item
	Foreign exchange forward contracts	(8.5)	–	–	(12.0)	3.5
\$400m Senior Secured Notes – hedge instrument	(18.5)	–	–	(18.5)	–	–
Tax on fair value movements recognised in OCI	3.5	–	–	3.5	–	–

At 31 December 2019 there are no balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer required (2018: no balances).

Main sources of hedge ineffectiveness

Other than previously described, in relation only to forward contracts designated as a hedge, the main sources of potential hedge ineffectiveness relate to potential differences in the nominal value of hedged items and the hedging instrument should they occur.

23 FINANCIAL INSTRUMENTS (CONTINUED)

LIQUIDITY RISK

The Group seeks to manage liquidity risk to ensure sufficient liquidity is available to meet foreseeable needs and, when appropriate, allow placement of cash on deposit safely and profitably.

The Group has a number of one-year back-to-back loan arrangements with HSBC Bank plc, whereby Chinese Renminbi were deposited in a restricted account with HSBC in China in exchange for a Sterling overdraft facility with HSBC Bank plc in the United Kingdom. The restricted cash has been revalued to £36.3m at 31 December 2019 (2018: £25.7m) and is shown in the total of cash and cash equivalents. The overdraft of £36.7m (2018: £25.3m) is shown in Borrowings in Current Liabilities on the Statement of Financial Position.

At 31 December 2019 the Group had cash and cash equivalents of £107.9m (2018: £144.6m).

At 31 December 2019 the Group holds £829.9m (2018: £590.9m) of Senior Secured Notes (“SSNs”). The in-year increase is attributable to the Group issuing \$190m of 6.5% SSNs in April 2019 and \$150m of 12% (6% PIK and 6% cash interest) SSNs issued in October 2019, in addition to foreign currency movements on US Dollar denominated borrowings and the amortisation of transaction costs on borrowings through the effective interest rate. All of the SSNs mature in April 2022. Attached to the SSNs is an £80m Revolving Credit Facility of which £70.0m was drawn at 31 December 2019 (2018: £70.0m).

As part of the normal operating cycle of the Group, customers make advanced payments to secure their allocation of special vehicles produced in limited numbers. The cash from these advance payments is primarily used to fund upfront costs of the special vehicle project including raw materials and components required in manufacture. In certain circumstances, according to the individual terms of the special vehicle contract and the position of the customer in the staged deposit and vehicle specification process, the advanced payments are contractually refundable. At 31 December 2019 the Group held refundable deposits of £78.5m (2018: £50.1m). The special vehicle programs are typically oversubscribed and, in the event that a customer requests reimbursement of their advanced payment, the newly created allocation is then given to an alternative customer whom is required to make an equivalent advanced payment.

The maturity profile of the Group’s financial liabilities at 31 December 2019 based on contractual undiscounted payments is as follows.

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	>5 years £m	Contractual Cash Flows Total £m
Non-derivative financial liabilities						
Bank loans and overdrafts	–	94.6	24.4	6.7	–	125.7
Senior Secured Notes	–	1.8	45.4	937.1	–	984.3
Trade and other payables	–	333.0	57.3	9.6	–	399.9
Refundable customer deposits and advances	78.5	–	–	–	–	78.5
Derivative financial liabilities						
Forward exchange contracts	–	0.9	5.4	2.6	–	8.9
	78.5	430.3	132.5	956.0	–	1,597.3

Included in the table above are interest bearing loans and borrowings at a carrying value of £953.9m.

The table below summarises the maturity profile of the Group’s financial liabilities at 31 December 2018 based on contractual undiscounted payments.

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	>5 years £m	Contractual Cash Flows Total £m
Non-derivative financial liabilities						
Bank loans and overdrafts	–	7.2	94.4	13.1	–	114.7
Senior Secured Notes	–	–	76.1	781.3	–	857.4
Unsecured Loan	–	–	0.1	1.4	–	1.5
Trade and other payables	–	392.0	–	12.2	–	404.2
Refundable customer deposits and advances	50.1	–	–	–	–	50.1
Derivative financial liabilities						
Forward exchange contracts	–	1.0	3.2	4.4	–	8.6
	50.1	400.2	173.8	812.4	–	1,436.5

Included in the table above are interest bearing loans and borrowings at a carrying value of £704.1m.

23 FINANCIAL INSTRUMENTS (CONTINUED)

ESTIMATION OF FAIR VALUES

Trade and other receivables, and trade and other payables are deemed to have the same fair value as their book value and, as such, the table presented only includes assets held at fair value and borrowings.

The forward currency contracts are carried at fair value based on pricing models and discounted cash flow techniques derived from assumptions provided by third party banks. The Sterling Senior Secured Notes are all valued at amortised cost. The fair value of these Senior Secured Notes at the current and comparative period ends are determined by reference to the quoted price on The International Stock Exchange Authority in St. Peter Port, Guernsey. For all other receivables and payables, the carrying amount is deemed to reflect the fair value.

	As at 31 December 2019			As at 31 December 2018		
	Nominal value £m	Book value £m	Fair value £m	Nominal value £m	Book value £m	Fair value £m
Included in assets						
<i>Level 2</i>						
Forward foreign exchange contracts	–	0.4	0.4	–	0.1	0.1
	–	0.4	0.4	–	0.1	0.1
Included in liabilities						
<i>Level 1</i>						
£285m 5.75% Sterling Senior secured Notes	285.0	279.0	273.6	285.0	276.6	278.1
\$400m 6.5% US Dollar Senior secured Notes	301.6	301.6	288.0	314.2	314.3	300.7
\$190m 6.5% US Dollar Senior secured Notes	143.3	137.2	133.8	–	–	–
\$150m 12.0% US Dollar Senior secured Notes	113.1	112.1	122.1	–	–	–
<i>Level 2</i>						
Forward exchange contracts	–	8.9	8.9	–	8.6	8.6
	843.0	838.8	826.4	599.2	599.5	587.4

Under IFRS 7, such assets and liabilities are classified by the way in which their fair value is calculated. The interest-bearing loans and borrowings are considered to be level 1 liabilities with forward exchange contracts being level 2 assets and liabilities.

CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain the future development of the business. Given this, the objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The capital structure of the Group consists of debt which includes the borrowings disclosed in this note, cash and cash equivalents and equity attributable to equity holders of the parent, comprising share capital and reserves as disclosed in the Consolidated Statements of Changes in Equity.

Subsequent to 31 December 2019 the Board approved the reset business plan aimed at rebalancing the debt to equity ratio of the Group and improving liquidity through the issuance of new ordinary shares totalling £500m. Further detail is discussed on page 4.

24 NET DEBT

The Group defines Net Debt as current and non-current borrowings in addition to inventory repurchase arrangements, less cash and cash equivalents including cash held not available for short-term use. Lease liabilities accounted for under IFRS 16 are excluded from Net Debt.

	2019 £m	2018 £m
Cash and cash equivalents	107.9	144.6
Cash held not available for short-term use	8.7	–
Inventory repurchase arrangement	(38.9)	–
Loans and other borrowings – current	(114.8)	(99.4)
Loans and other borrowings – non-current	(839.1)	(604.7)
Net debt	(876.2)	(559.5)
Movement in net debt		
Net decrease in cash and cash equivalents	(42.5)	(25.9)
Add back cash flows in respect of other components of net debt:		
New borrowings	(260.8)	(98.1)
Proceeds from inventory repurchase arrangement	(38.7)	–
Proceeds from existing borrowings	(102.3)	(0.3)
Repayment of existing borrowings	91.5	–
Movement in cash held not available for short-term use	8.7	–
Transaction fees	4.1	–
Increase in net debt arising from cash flows	(340.0)	(124.3)
Non-cash movements:		
Conversion of preference shares to ordinary shares	–	302.9
Foreign exchange gain/(loss) on secured loan	23.7	(18.4)
Interest added to debt	(1.1)	(49.3)
Unpaid transaction fees	(2.0)	–
Foreign exchange gain and other	2.7	2.7
(Increase)/decrease in net debt	(316.7)	113.6
Net debt at beginning of the year	(559.5)	(673.1)
Net debt at the end of the year	(876.2)	(559.5)

25 PROVISIONS

	2019 £m	2018 restated* £m
At the beginning of the year	23.7	20.9
Charge for the year	27.9	19.6
Utilisation	(23.5)	(17.1)
Effect of movements in exchange rates	0.1	0.3
At the end of the year	28.2	23.7
Analysed as:		
Current	12.0	10.8
Non-current	16.2	12.9
	28.2	23.7

The provision represents costs provided in respect of the Group's warranty scheme. The warranty provision is calculated based on the level of historic claims and is expected to be substantially utilised within the next three years.

* Further details of the restatement is disclosed in note 2.

26 PENSION OBLIGATIONS

DEFINED CONTRIBUTION SCHEME

The Group opened a defined contribution scheme in June 2011. The total expense relating to this scheme was £8.6m (2018: £5.7m). Outstanding contributions at the year-end were £0.6m (2018: £0.5m).

DEFINED BENEFIT SCHEME

The Group operates a defined benefit pension scheme. During 2017 it was agreed and communicated to its members that the scheme's benefits would be amended from a final pensionable salary basis to a career average revalued earnings (CARE) basis with effect from 1 January 2018. The scheme was closed to new entrants on 31 May 2011. The benefits of the existing members were not affected by the closure of the scheme. The assets of the scheme are held separately from those of the Group.

In constructing the investment strategy for the scheme, the Trustees take due account of the liability profile of the scheme along with the level of disclosed surplus or deficit. The investment strategy is reviewed on a regular basis and, at a minimum, on a triennial basis to coincide with actuarial valuations. The primary objectives are to provide security for all beneficiaries and to achieve long term growth sufficient to finance any pension increases and ensure the residual cost is held at a reasonable level.

The pension scheme operates under the regulatory framework of the Pensions Act 2004.

The Trustee has the primary responsibility for governance of the Scheme. Benefit payments are from Trustee-administered funds and scheme assets are held in a Trust which is governed by UK regulation. The Trustee is comprised of representatives of the Group and members of the scheme and an independent, professional Trustee has been appointed during the year.

The pension scheme exposes the Group to the following risks:

Asset volatility – the scheme's Statement of Investment Principles targets 55% return-enhancing assets and 45% risk-reducing assets. The Trustee monitors the appropriateness of the scheme's investment strategy, in consultation with the Group, on an on-going basis.

Inflation risk – the majority of benefits are linked to inflation and so increases in inflation will lead to higher liabilities (although in most cases there are caps in place which protect against extreme inflation).

Longevity – increases in life expectancy will increase the period over which benefits are expected to be payable, which increases the value placed on the scheme's liabilities.

There have been no curtailment events in the years ended 31 December 2019 or 31 December 2018. The projected unit method has been used to determine the liabilities.

The pension cost is assessed in accordance with the advice of an independent qualified actuary. The latest actuarial valuation of the scheme had an effective date of 6 April 2017. The assumptions that make the most significant effect on the valuation are those relating to the rate of return on investments, the rate of increase in salaries and pensions and expected longevity. It was assumed that the pre-retirement investment return would be 3.4% per annum and the post retirement return 2.25% per annum and that salary increases would average 3.0% per annum for the period to 31 March 2021 and 3.55% thereafter.

At the 6 April 2017 actuarial valuation, the actuarial value of the scheme assets was £265.4m, sufficient to cover 85% of the benefits which had accrued to members, after allowing for the expected future increases in earnings. Following this latest actuarial valuation of the scheme contributions increased from 22.5% to 23.7% for the Group where the active member does not participate in the salary sacrifice scheme. For active members participating in the salary sacrifice scheme, employees make no contributions and the Group contribution is 30.2% or 34.7% depending on whether the member opted for benefits of 1/80 or 1/70 of pensionable salary.

The actuarial valuation on 6 April 2017 showed a deficit in the scheme of £48.6m. On 5 July 2018, the Group agreed to increase the recovery plan contributions from £2.8m per annum to £4.0m per annum through to 31 March 2020 and £7.1m thereafter through to 31 July 2025.

Estimated contributions for the year ending 31 December 2020 are £12.8m.

A full actuarial valuation was carried out at 6 April 2017 by a qualified independent actuary. This valuation has been updated by an independent qualified actuary to both 31 December 2018 and 31 December 2019 in accordance with IAS 19R. The next triennial valuation as at 6 April 2020 is due to be completed by June 2021 in line with the scheme specific funding requirements of the Pensions Act 2004. As part of that valuation the Trustee and the Group will review the adequacy of the contributions being paid into the Scheme.

ASSUMPTIONS

The principal assumptions used by the actuary were:

	31 December 2019	31 December 2018
Discount rate	2.20%	3.15%
Rate of increase in salaries	2.90%	3.20%
Rate of revaluation in deferment	1.90%	2.20%
Rate of increase in pensions in payment attracting LPI	2.85%	3.10%
Expected return on scheme assets	2.20%	3.15%
RPI Inflation assumption	2.90%	3.20%
CPI Inflation assumption	1.90%	2.20%

26 PENSION OBLIGATIONS (CONTINUED)

ASSUMPTIONS (CONTINUED)

The Group's inflation assumption reflects its long-term expectations and has not been amended for short-term variability. The post mortality assumptions allow for expected increases in longevity. The 'current' disclosures below relate to assumptions based on the longevity (in years) following retirement at each reporting date, with 'future' being that relating to an employee retiring in 2039 (2019 assumptions) or 2038 (2018 assumptions).

Projected life expectancy from age 65

	Future Currently aged 45 2019	Current Currently aged 65 2019	Future Currently aged 45 2018	Current Currently aged 65 2018
Male	23.2	21.8	23.1	21.7
Female	25.5	23.9	25.4	23.8

	Years
Duration of the liabilities in years as at 31 December 2019	25
Duration of the liabilities in years as at 31 December 2018	25

The following table provides information on the composition and fair value of the assets of the Scheme:

Asset Class	31 December 2019 Quoted £m	31 December 2019 Unquoted £m	31 December 2019 Total £m	31 December 2018 Quoted £m	31 December 2018 Unquoted £m	31 December 2018 Total £m
UK Equities	43.4	–	43.4	37.9	–	37.9
Overseas Equities	48.6	–	48.6	43.3	–	43.3
Property	–	28.5	28.5	–	27.8	27.8
Private debt	–	20.4	20.4	–	–	–
Index linked gilts	–	–	–	56.9	–	56.9
Liability driven investment	42.8	19.3	62.1	–	–	–
Corporate bonds	–	–	–	–	53.7	53.7
Absolute return bonds	–	73.9	73.9	–	–	–
Diversified alternatives	–	27.0	27.0	–	26.0	26.0
High yield bonds	–	–	–	–	12.6	12.6
Cash	2.5	–	2.5	6.5	–	6.5
Insurance policies	–	5.4	5.4	–	4.1	4.1
Total	137.3	174.5	311.8	144.6	124.2	268.8

The scheme assets and funded obligations at 31 December are summarised below:

	2019 £m	2018 £m
Total fair value of scheme assets	311.8	268.8
Present value of funded obligations	(333.4)	(275.2)
Funded status at the end of the year	(21.6)	(6.4)
Adjustment to reflect minimum funding requirements	(15.2)	(32.3)
Liability recognised in the Statement of Financial Position	(36.8)	(38.7)

The adjustment to reflect minimum funding requirements represents the excess of the present value of contractual future recovery plan contributions, discounted using the assumed scheme discount rate, over the funding status established through the actuarial valuation.

26 PENSION OBLIGATIONS (CONTINUED)

Amounts recognised in the Consolidated Income Statement during the year ending 31 December were as follows:

	2019 £m	2018 £m
Amounts charged to operating profit/(loss):		
Current service cost	(6.9)	(8.1)
Past service cost	–	(0.1)
	(6.9)	(8.2)
Amounts charged to finance expense:		
Net interest expense on the net defined benefit liability	–	(1.0)
Interest expense on the adjustment to reflect minimum funding requirements	(1.1)	–
Total expense recognised in the Income Statement	(8.0)	(9.2)

Changes in present value of the defined benefit pensions obligations are analysed as follows:

	2019 £m	2018 £m
At the beginning of the year	(275.2)	(318.4)
Current service cost	(6.9)	(8.1)
Past service cost	–	(0.1)
Interest cost	(8.5)	(7.8)
Experience losses	(0.1)	(1.6)
Actuarial (losses)/gains arising from changes in financial assumptions	(52.3)	48.7
Distributions	9.9	7.2
Actuarial (losses)/gains arising from changes in demographic assumptions	(0.3)	4.9
Obligation at the end of the year	(333.4)	(275.2)

Changes in the fair value of plan assets are analysed below:

	2019 £m	2018 £m
At the beginning of the year	268.8	271.5
Interest on assets	8.5	6.8
Employer contributions	11.3	12.0
Return on scheme assets excluding interest income	33.1	(14.3)
Distributions	(9.9)	(7.2)
Fair value at the end of the year	311.8	268.8

	2019 £m	2018 £m
Actual return on scheme assets	41.6	(7.5)

Analysis of amounts recognised in the Statement of Financial Position:

	2019 £m	2018 £m
Liability at the beginning of the year	(38.7)	(46.9)
Net expense recognised in the Income Statement	(8.0)	(9.2)
Employer contributions	11.3	12.0
(Loss)/gain recognised in Other Comprehensive Income	(1.4)	5.4
Liability recognised in the Statement of Financial Position at the end of the year	(36.8)	(38.7)

Analysis of amount taken to Other Comprehensive Income:

	2019 £m	2018 £m
Return on scheme assets excluding interest income	33.1	(14.3)
Experience losses arising on funded obligations	(0.1)	(1.5)
(Losses)/gains arising due to changes in financial assumptions underlying the present value of funded obligations	(52.3)	48.6
Gains/(losses) arising as a result of adjustment made to reflect minimum funding requirements	18.2	(32.3)
(Losses)/gains arising due to changes in demographic assumptions	(0.3)	4.9
Amount recognised in Other Comprehensive Income	(1.4)	5.4

26 PENSION OBLIGATIONS (CONTINUED)

SENSITIVITY ANALYSIS OF THE PRINCIPAL ASSUMPTIONS USED TO MEASURE SCHEME LIABILITIES

At 31 December 2019 the present value of the benefit obligation is £333.4m (2018: £275.2m) and its sensitivity to changes in key assumptions are:

	Change in assumption	Present value of benefit obligations at 31 December 2019 £m	Present value of benefit obligations at 31 December 2018 £m
Discount rate	Decrease by 0.25%	355.1	292.7
Rate of inflation*	Increase by 0.25%	352.2	290.0
Life expectancy increased by approximately 1 year	Increase by one year	348.1	284.6

* Applies to the Retail Prices Index and the Consumer Prices index inflation assumptions. The assumption is that the salary increase assumption would also increase by 0.2% per annum after (2020/21).

Funding levels are monitored on a regular basis by the Trustee and the Group to ensure the security of member's benefits. The next triennial valuation as at 6 April 2020 is due to be completed by June 2021 in line with the scheme specific funding requirements of the Pensions Act 2004. As part of that valuation the Trustee and the Group will review the adequacy of the contributions being paid into the Scheme.

	2019 £m	2018 £m
Expected future benefit payments		
Year 1 (2020 / 2019)	2.6	2.8
Year 2 (2021 / 2020)	3.0	2.6
Year 3 (2022 / 2021)	3.6	3.0
Year 4 (2023 / 2022)	4.6	3.6
Year 5 (2024 / 2023)	4.9	4.7
Years 6 to 10 (2024 to 2029)	38.8	34.9

HISTORY OF SCHEME EXPERIENCE

	2019	2018
Present value of the scheme liabilities (£m)	(333.4)	(275.2)
Fair value of the scheme assets (£m)	311.8	268.8
Deficit in the scheme before adjusting to reflect minimum funding requirements (£m)	(21.6)	(6.4)
Experience gains/(losses) on scheme assets excluding interest income (£m)	33.1	(14.3)
Percentage of scheme assets	10.6%	(5.3%)
Experience losses on scheme liabilities (£m)	(0.1)	(1.5)
Percentage of the present value of the scheme liabilities	0.0%	(0.5%)
Total amount recognised in Other Comprehensive Income (£m)	(1.4)	5.4
Percentage of the present value of the scheme liabilities	(0.4%)	2.0%

27 SHARE CAPITAL AND OTHER RESERVES

	2019 £m	2018 £m
Allotted, called up and fully paid		
228,002,890 ordinary shares of 0.00904p each (2018: 228,002,890)	2.1	2.1
Shares classified as shareholders' funds	2.1	2.1

In 2018 the Group, formally headed by Aston Martin Holdings (UK) Limited, undertook a capital restructuring exercise. As part of this exercise, Aston Martin Lagonda Global Holdings Limited was incorporated on 27 July 2018 and on 3 September 2018 acquired the entire share capital of Aston Martin Holdings (UK) Limited by way of a share for share exchange. This transaction was accounted for as a reverse acquisition in line with IFRS 3.

On 7 September 2018, Aston Martin Global Holdings Limited re-registered as a public limited company under the name Aston Martin Lagonda Global Holdings plc and subsequently on 3 October 2018 the Company's shares were admitted to the London Stock Exchange.

Further details of the capital restructuring are disclosed in the Consolidated Statement of Changes in Equity for the year ended 31 December 2018 as shown on page 128. Included within Capital Reserve is £5.5m relating to a capital contribution made by existing shareholders as part of the acquisition of the Group in 2007 in addition to £1.1m relating to the 50% interest in the share capital of AMWS Limited, the parent company of Aston Martin Works Limited.

Subject to shareholder approval, on 31 January 2020 the Group announced plans to raise £182m through the issuance of 45.6m new ordinary shares. Subsequent to this a rights issue is to be launched to raise a further £318m through the issuance of additional new ordinary shares with the quantity to be determined after the approval of these Consolidated Financial Statements.

28 ADDITIONAL CASH FLOW INFORMATION

RECONCILIATION OF MOVEMENTS OF SELECT LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

The tables below reconcile movements of certain liabilities to cash flows arising from financing activities for the years ending 31 December.

Liabilities	Borrowings and inventory arrangements £m	Lease liability £m	Unsecured Loans £m	\$150m 12.0% SSN £m	\$190m 6.5% SSN £m	£285m 5.75% SSN £m	\$400m 6.5% SSN £m	Total £m
At 1 January 2019	111.8	116.5	1.4	–	–	276.5	314.4	820.6
<i>Changes from financing cash flows</i>								
Interest paid	(3.7)	(4.6)	(0.5)	–	(5.3)	(16.4)	(21.5)	(52.0)
Principal lease payment	–	(10.9)	–	–	–	–	–	(10.9)
Repayment of existing borrowings	(90.0)	–	(1.5)	–	–	–	–	(91.5)
Proceeds from existing borrowings	102.3	–	–	–	–	–	–	102.3
Inventory repurchase arrangement	38.7	–	–	–	–	–	–	38.7
New borrowings	–	–	–	122.2	138.6	–	–	260.8
Transaction costs paid	(0.7)	–	–	(2.8)	(0.6)	–	–	(4.1)
Total changes from financing cash flows	46.6	(15.5)	(2.0)	119.4	132.7	(16.4)	(21.5)	243.3
Effect of changes in exchange rates	–	(0.5)	0.1	(9.1)	(2.0)	–	(12.6)	(24.1)
New leases under IFRS 16	–	9.8	–	–	–	–	–	9.8
Modifications to existing leases	–	(3.5)	–	–	–	–	–	(3.5)
Unpaid transaction costs	–	–	–	(1.2)	(0.8)	–	–	(2.0)
Interest expense	4.3	4.6	0.5	2.9	7.3	18.9	21.4	59.9
Balance at 31 December 2019	162.7	111.4	–	112.0	137.2	279.0	301.7	1,104.0

Liabilities	Loans and Borrowings £m	Unsecured Loans £m	£285m 5.75% SSN £m	\$400m 6.5% SSN £m	Preference Shares £m	Total £m
At 1 January 2018		13.5	1.3	274.3	295.9	840.9
<i>Changes from financing cash flows</i>						
Interest paid		(6.6)	–	(16.4)	(19.2)	(42.2)
Movement in borrowings		0.3	–	–	–	0.3
New borrowings		98.1	–	–	–	98.1
Total changes from financing cash flows		91.8	–	(16.4)	(19.2)	56.2
Effect of changes in exchange rates		–	0.1	–	18.5	18.6
Conversion of preference shares		–	–	–	(349.8)	(349.8)
Interest expense		6.5	–	18.6	19.2	138.2
Balance at 31 December 2018		111.8	1.4	276.5	314.4	704.1

29 SHARE BASED PAYMENTS

LONG-TERM INCENTIVE SCHEME

On 27 June 2019 Executive Directors and certain other employees were granted conditional share awards under the Company's Long-Term Incentive Plan ("LTIP"). In respect of this arrangement total charges to the Consolidated Income Statement were £0.1m (2018: not present). The Directors consider this not material and hence further detailed disclosures have been omitted.

LEGACY EXECUTIVE LONG-TERM INCENTIVE SCHEME

The fair value of options granted is based on a Monte Carlo Simulation due to the vesting being based on market conditions. Enterprise values have been used as the basis for determining the fair value of the Legacy LTIP awards.

	2018 grant of 2014 Legacy LTIP	2018 grant of 2017 Legacy LTIP	2018 grant of 2018 Legacy LTIP
Aggregate fair value at measurement date (£m)	4.8	25.5	1.2
Exercise price (p)	–	–	–
Expected volatility (%)	30	22	23
Dividend yield (%)	0	0	0
Risk free interest rate (%)	1.70	0.14	0.65

The expected volatility is wholly based on the historical volatility of listed automotive peers over a period commensurate with the terms of each award.

29 SHARE BASED PAYMENTS (CONTINUED)

The total expense recognised for both the LTIP and Legacy LTIP in the period arising from equity-settled share-based payments is as follows:

	2019 £m	2018 £m
LTIP share option charge	0.1	–
Legacy LTIP share option charge (note 6)	3.6	24.1
	3.7	24.1

30 CAPITAL COMMITMENTS

Capital expenditure contracts to the value of £74.4m (2018: £94.2m) have been committed but not provided for as at 31 December 2019.

31 RELATED PARTY TRANSACTIONS

Transactions between Group undertakings, which are related parties, have been eliminated on consolidation and accordingly are not disclosed. The Group has entered into transactions, in the ordinary course of business, with entities with significant influence over the Group. Transactions entered into, and trading balances outstanding at each year end with entities with significant influence over the Group are as follows:

<i>Related party – Group</i>		Sales to related party £m	Purchases from related party £m	Amounts owed by related party £m	Amounts owed to related party £m
Entities with significant influence over the Group	31 December 2019	1.1	4.0	0.2	0.6
Entities with significant influence over the Group	31 December 2018	1.4	2.4	–	1.1

During the year ended 31 December 2019 no payments (2018: £9.5m) were made to existing shareholders.

TRANSACTIONS WITH DIRECTORS

In the year ended 31 December 2019 no cars were sold to any directors (2018: one car sold to Dr Andrew Palmer for £0.1m excluding value added tax). No amounts were outstanding at either year end.

TERMS AND CONDITIONS OF TRANSACTIONS WITH RELATED PARTIES

Sales and purchases between related parties are made at normal market prices. Outstanding balances with entities other than subsidiaries are unsecured, interest free and cash settlement is expected within 60 days of invoice. Terms and conditions for transactions with subsidiaries are the same, with the exception that balances are placed on intercompany accounts. The Group has not provided or benefited from any guarantees for any related party receivables or payables.

32 POST BALANCE SHEET EVENTS

On 31 January 2020 the Group announced plans to raise £500m through the issuance of new ordinary shares to a consortium of investors in addition to a subsequent rights issue – see the Prospectus published on 27 February 2020 for further detail.

33 GROUP COMPANIES

In accordance with Section 409 of the Companies Act 2006 a full list of entities in which the Group has an interest of greater than or equal to 20%, the registered office and effective percentage of equity owned as at 31 December 2019 are disclosed below.

INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Subsidiary undertakings	Holding	Proportion of voting rights and shares held	Nature of Business
Aston Martin Holdings (UK) Limited*	Ordinary	100%	Dormant company
Aston Martin Capital Holdings Limited** ◊	Ordinary	100%	Financing company holding the Senior Secured Notes
Aston Martin Investments Limited**	Ordinary	100%	Holding company
Aston Martin Capital Limited** ◊	Ordinary	100%	Dormant company – formerly the financing company that held the previous Senior Secured Notes that were repaid in 2017
Aston Martin Lagonda Group Limited**	Ordinary	100%	Holding company
Aston Martin Lagonda of North America Incorporated** ^	Ordinary	100%	Luxury sports car distributor
Lagonda Properties Limited**	Ordinary	100%	Dormant company
Aston Martin Lagonda Pension Trustees Limited**	Ordinary	100%	Trustee of the Aston Martin Lagonda Limited Pension Scheme
Aston Martin Lagonda Limited**	Ordinary	100%	Manufacture and sale of luxury sports cars, the sale of parts and motorsport activities
AM Brands Limited**◊	Ordinary	100%	Grants licences to third parties for the use of the Aston Martin brand for products worldwide
Aston Martin Lagonda of Europe GmbH** >	Ordinary	100%	Provision of engineering and sales and marketing services
AML Overseas Services Limited**	Ordinary	100%	Dormant company
Aston Martin Italy S.r.l.** <	Ordinary	100%	Dormant company
Aston Martin Lagonda (China) Automobile Distribution Co., Ltd** √	Ordinary	100%	Luxury sports car distributor
AM Nurburgring Racing Limited**	Ordinary	100%	Dormant company
Aston Martin Japan GK** <<	Ordinary	100%	Operator of the sales office in Japan and certain other countries in the Asia Pacific region
Aston Martin Lagonda – Asia Pacific PTE Limited** >>	Ordinary	100%	Operator of the sales office in Singapore and certain other countries in the Asia Pacific region
AMWS Limited** ◊	Ordinary	50%***	Holding company
Aston Martin Works Limited**	Ordinary	50%***	Sale, servicing and restoration of Aston Martin cars, and manufacture of Continuation vehicles.

All subsidiaries are incorporated in England and Wales unless otherwise stated.

◊ incorporated in Jersey (tax resident in the United Kingdom)

^ incorporated in the United States of America

> incorporated in Germany

< incorporated in Italy

<<incorporated in Japan

>>incorporated in Singapore

√ incorporated in the People’s Republic of China

* Held directly by Aston Martin Lagonda Global Holdings plc

** Held indirectly by Aston Martin Lagonda Global Holdings plc

*** The Group exercises management control of these legal entities and therefore the results, assets and liabilities have been wholly included in the Consolidated Financial Statements. The individual results, aggregate assets and aggregate liabilities included within the Consolidated Financial Statements are summarised on page 172.

On 18 December 2019 AML Italy S.r.l was liquidated and ceased to be a subsidiary of the Group as of this date.

33 GROUP COMPANIES (CONTINUED)

	Aston Martin Works Limited	AMWS Limited	Aston Martin	
	2019 £m	2019 £m	Works Limited 2018 £m	AMWS Limited 2018 £m
Total assets	41.0	–	28.0	–
Total liabilities	(12.8)	–	(5.2)	–
Net assets	28.2	–	22.8	–
Revenue	74.0	–	74.3	–
Profit after tax	17.6	–	11.2	–
Group's share of profit	8.8	–	5.6	–

REGISTERED ADDRESSES

Aston Martin Holdings (UK) Limited	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
Aston Martin Capital Holdings Limited	Le Gallais Building, 54 Bath Street, St Helier, Jersey, JE1 8SB
Aston Martin Investments Limited	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
Aston Martin Capital Limited	Le Gallais Building, 54 Bath Street, St Helier, Jersey, JE1 8SB
Aston Martin Lagonda Group Limited	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
Aston Martin Lagonda of North America Incorporated	9920 Irvine Center Drive, Irvine, CA 92618, United States of America
Lagonda Properties Limited	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
Aston Martin Lagonda Pension Trustees Limited	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
Aston Martin Lagonda Limited	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
AM Brands Limited	Le Gallais Building, 54 Bath Street, St Helier, Jersey, JE1 8SB
Aston Martin Lagonda of Europe GmbH	Gottlieb-Daimler-Strasse 30, 53520 Meuspath, Germany
AML Overseas Services Limited	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
Aston Martin Italy S.r.l	Corso Magenta 84, Milano, Italy.
Aston Martin Lagonda (China) Automobile Distribution Co., Ltd	Unit 2901, Raffles City Office Tower, No. 268 Xi Zang Middle Road, Huangpu District, Shanghai, China 200001
AM Nurburgring Racing Limited	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
Aston Martin Japan GK	1-2-3 Kita-Aoyama, Minato-ku, Tokyo 107-0061, Japan
Aston Martin Lagonda – Asia Pacific PTE Limited	8 Marina View, # 41-05, Asia Square Tower 1, Singapore 018960
AMWS Limited	Le Gallais Building, 54 Bath Street, St Helier, Jersey, JE1 8SB
Aston Martin Works Limited	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB

34 ALTERNATIVE PERFORMANCE MEASURES

In the reporting of financial information, the Directors have adopted various Alternative Performance Measures (“APMs”). APMs should be considered in addition to IFRS measurements. The Directors believe that these APMs assist in providing useful information on the underlying performance of the Group, enhance the comparability of information between reporting periods, and are used internally by the Directors to measure the Group's performance.

The key APMs that the Group focuses on are as follows:

- i) Adjusted EBT is the (loss)/profit before tax and adjusting items as shown in the Consolidated Income Statement.
- ii) Adjusted EBIT is (loss)/profit from operating activities before adjusting items.
- iii) Adjusted EBITDA removes depreciation, loss on sale of fixed assets and amortisation from adjusted EBIT.
- iv) Adjusted Earnings Per Share is loss after tax before adjusting items as shown in the Consolidated Income Statement, divided by the weighted average number of ordinary shares in issue during the reporting period.
- v) Normalised Adjusted Earnings Per Share is loss after tax before adjusting items as shown in the Consolidated Income Statement, divided by the closing number of ordinary shares in issue at the end of the reporting period.
- vi) Net Debt is current and non-current borrowings in addition to inventory repurchase arrangements, less cash and cash equivalents and cash held not available for short-term use but excluding lease liabilities recognised following the adoption of IFRS 16, as shown in the Consolidated Statement of Financial Position.
- vii) Adjusted leverage is represented by the ratio of Net Debt to the last twelve months ('LTM') Adjusted EBITDA, excluding the impact of IFRS 16.
- viii) Adjusted Return on Invested Capital represents adjusted operating profit after adjusted tax divided by the sum of gross debt, including inventory repurchase arrangements whilst excluding lease liabilities, and equity.

34 ALTERNATIVE PERFORMANCE MEASURES (CONTINUED)

INCOME STATEMENT

	2019 £m	2018 £m
Loss before tax	(104.3)	(68.2)
Adjusting operating expenses (note 6)	42.1	74.1
Adjusting finance expenses (note 9)	6.6	61.9
Adjusted (loss)/profit before tax (EBT)	(55.6)	67.8
Adjusted finance income	(16.3)	(4.2)
Adjusted finance expense	77.3	83.3
Adjusted operating profit (EBIT)	5.4	146.9
Reported depreciation	42.7	32.4
Reported amortisation	85.2	67.6
Loss on disposal of fixed assets	0.9	0.4
Adjusted EBITDA	134.2	247.3

EARNINGS PER SHARE

	2019 £m	2018 £m
Adjusted earnings per ordinary share		
Loss available for equity holders (£m)	(113.2)	(62.7)
Adjusting items (note 6)		
Adjusting items before tax (£m)	48.7	136.0
Tax on adjusting items (£m)	(8.8)	(10.5)
Adjusted (loss)/earnings (£m)	(73.3)	62.8
Basic weighted average number of ordinary shares ¹ (million)	228.0	202.1
Adjusted (loss)/earnings per ordinary share (pence)	(32.1p)	31.1p
Adjusted diluted earnings per ordinary share		
Adjusted (loss)/earnings (£m)	(73.3)	62.8
Diluted weighted average number of ordinary shares ¹ (million)	228.0	202.1
Adjusted diluted earnings per ordinary share (pence)	(32.1p)	31.1p
	2019 £m	2018 £m
Normalised adjusted earnings per ordinary share		
Adjusted (loss)/earnings (£m)	(73.3)	62.8
Basic number of ordinary shares as at 31 December ² (million)	228.0	228.0
Normalised adjusted (loss)/earnings per ordinary share (pence)	(32.1p)	27.5p
Normalised adjusted diluted earnings per ordinary share		
Adjusted (loss)/earnings (£m)	(73.3)	62.8
Diluted number of ordinary shares as at 31 December ² (million)	228.0	228.0
Normalised adjusted diluted (loss)/earnings per ordinary share (pence)	(32.1p)	27.5p

1. Additional ordinary shares issued as a result of the share split conducted in 2018 have been incorporated in the earnings per share calculation in full without any time apportionment.

2. The basic and diluted number of ordinary shares as at 31 December (see note 27) have been used as the basis for the current year normalised EPS calculation. This represents an indication of the future weighted average number of ordinary shares for evaluating performance of the Group. No adjustment is made for the potential number of ordinary shares issued as part of the 2019 Long-term incentive plan as including them is anti-dilutive.

34 ALTERNATIVE PERFORMANCE MEASURES (CONTINUED)

NET DEBT

	2019 £m	2018 £m
Opening cash and cash equivalents	144.6	167.8
Cash inflow from operating activities	19.4	222.6
Cash outflow from investing activities	(305.2)	(306.3)
Cash inflow from financing activities	243.3	57.8
Effect of exchange rates on cash and cash equivalents	5.8	2.7
Cash and cash equivalents at 31 December	107.9	144.6
Cash held not available for short-term use	8.7	–
Borrowings	(953.9)	(704.1)
Inventory repurchase arrangement	(38.9)	–
Net Debt	(876.2)	(559.5)
Adjusted EBITDA	134.2	247.3
Impact of IFRS 16 on adjusted EBITDA	(14.5)	–
Adjusted EBITDA (excluding the impact IFRS 16 – note 16)	119.7	247.3
Adjusted leverage	7.3x	2.3x

ADJUSTED RETURN ON INVESTED CAPITAL

	2019 £m	2018 £m
Adjusted operating profit (EBIT)	5.4	146.9
Tax (charge)/credit	(8.9)	0.6
Adjusted operating (loss)/profit after tax	(3.5)	147.5
Senior Secured Notes	829.9	590.9
Unsecured loans	–	1.4
Inventory repurchase arrangement	38.9	–
Loans and borrowings	124.0	111.8
Gross Debt	992.8	704.1
Total Shareholders' equity	358.9	449.4
	1,351.7	1,153.5
Adjusted Return on Invested Capital	(0.3%)	12.8%

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019

	Note	2019 £m	2018 £m
Non-current assets			
Investments	3	815.1	815.1
Creditors: amounts falling due within one year	4	(256.5)	(257.9)
Net current liabilities		(256.5)	(257.9)
Net assets		558.6	557.2
Capital and reserves			
Share capital	5	2.1	2.1
Share premium	5	352.3	352.3
Capital reserve	5	2.0	2.0
Retained earnings		202.2	200.8
Shareholder equity		558.6	557.2

The financial statements were approved by the board of directors on 26 February 2020 and were signed on its behalf by:

DR ANDREW PALMER
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Company Number: 11488166

The profit on ordinary activities after taxation amounts to £1.4m (2018: loss of £60.0m). During the year ended 31 December 2019, the executive team agreed, after consultation with the Remuneration Committee, to waive their unpaid IPO bonus in full. This resulted in £4.0m being released to the Income Statement of the Company.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Company	Share Capital £m	Share Premium £m	Share Warrants £m	Capital Reserve £m	Merger Reserve £m	Retained Earnings £m	Total Equity £m
At 1 January 2019	2.1	352.3	–	2.0	–	200.8	557.2
Total comprehensive income for the year							
Profit for the year	–	–	–	–	–	1.4	1.4
Total comprehensive income for the year	–	–	–	–	–	1.4	1.4
At 31 December 2019	2.1	352.3	–	2.0	–	202.2	558.6

Company	Share Capital £m	Share Premium £m	Share Warrants £m	Capital Reserve £m	Merger Reserve £m	Retained Earnings £m	Total Equity £m
At 27 July 2018	–	–	–	–	–	–	–
Total comprehensive expense for the period							
Loss for the period	–	–	–	–	–	(60.0)	(60.0)
Total comprehensive expense for the period	–	–	–	–	–	(60.0)	(60.0)
Transactions with owners, recorded directly in equity							
Issue of shares	2.1	–	–	–	–	–	2.1
Premium on issue of shares	–	352.3	–	–	–	–	352.3
Reduction of capital	–	–	–	–	(242.4)	242.4	–
Arising on share for share exchange	–	–	18.4	2.0	242.4	–	262.8
Exercise of share warrants	–	–	(18.4)	–	–	18.4	–
Total transactions with owners	2.1	352.3	–	2.0	–	260.8	617.2
At 31 December 2018	2.1	352.3	–	2.0	–	200.8	557.2

1 ACCOUNTING POLICIES

Authorisation of Financial Statements and statement of compliance with FRS 101.

The Parent Company Financial Statements of Aston Martin Lagonda Global Holdings plc (the Company) for the year were authorised for issue by the Board of Directors on 26 February 2020 and the Statement of Financial Position was signed on the Board's behalf by Dr Andrew Palmer. The Company is a public limited company incorporated and domiciled in the UK. The Company's ordinary shares are traded on the London Stock Exchange and it is not under the control of any single shareholder.

The Group meets its day-to-day working capital requirements and medium term funding requirements through a mixture of Senior Secured Notes (\$400m and \$190m 6.5%, \$150m 12%, £230m and £55m at 5.75% which all mature in April 2022), a revolving credit facility (£80m) which matures January 2022, facilities to finance inventory, a number of back-to-back loans and a vehicle wholesale financing facility.

As explained in the letter from the Chair and in the CEO Q&A, 2019 was a challenging year for the Group and, following an operational and financial review, on 31 January 2020 the Group announced its intention to raise £500m by way of a placing of shares totalling £182m to a consortium led by Lawrence Stroll, and a rights issue of £318m. Receipt of the £500m is dependent upon sufficient shareholders voting in favour of the placing and rights issue at a General Meeting of the Company scheduled for 16 March 2020. At the date of approving these financial statements, the Company had irrevocable support from the major shareholders for the placing and rights issue but this was below the 75% needed for the proposals to be approved. Assuming the relevant resolutions are passed, and other formalities are consequently met, the rights issue is fully underwritten and committed.

Based on the reset business plan described on pages 14 and 15 the Directors have prepared trading and cash flow forecasts for the 12-month period from the date of approval of these financial statements. These forecasts assume that the £500m placing and rights issue funding is received in March and April 2020 and show that the Group has sufficient financial resources to meet its obligations as they fall due for the period of at least 12 months from the date of these financial statements.

The forecasts make assumptions in respect of future market conditions and, wholesale volumes, average selling price, the launch of new models including DBX and Valkyrie and the potential impact of Coronavirus on sales in China and the supply of components needed for production. The nature of the Group's business is that there can be variation in the timing of cash flows around the development and launch of new models and the availability of funds provided through the vehicle wholesale finance facility. The forecasts take into account these factors to an extent which the directors consider represent their best estimate of the future based on the information that is available to them at the time of approval of these financial statements.

The Directors have also prepared a downside forecast which incorporates certain adverse sensitivities representing those key risks disclosed in the Strategic Report which the directors consider most likely to impact cash flows over the period of the forecast, including lower wholesale volumes as a result of trading or supply chain disruption, product launch delays and the non-renewal of financing facilities that mature in the period. In the event that these downsides materialise the Directors have considered the mitigating actions that could be taken including renewals of current financing, access to other financing and deferral of capital expenditure. If the Placing and Rights Issue were not to happen this downside could not be mitigated by other actions. As the Placing and Rights Issue is not guaranteed as it is subject to shareholder

approval and is critical to the funding requirements of the Group, the directors consider this matter represents a material uncertainty which could cast significant doubt on the Group's ability to continue as a going concern.

Despite the material uncertainty noted, the Directors are of the view that there is a reasonable expectation that the Rights Issue and Placing will proceed and that they can therefore conclude that they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and they can continue to adopt the going concern basis in preparing the financial statements. Therefore, these financial statements do not include any adjustments that would result if the going concern basis of preparation was inappropriate.

The Parent Company Financial Statements are presented in Sterling.

These Financial Statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). No Income Statement is presented for the Company as permitted by Section 408 of the Companies Act 2006. There were no gains or losses in the period ended 31 December 2019 (2018: £nil) in Other Comprehensive Income. The fee relating to the audit of these financial statements of £0.2m (2018: £0.2m) was borne by a subsidiary undertaking in the year.

BASIS OF PREPARATION

The Parent Company Financial Statements have been prepared in accordance with FRS 101, as applied in accordance with the provisions of the Companies Act 2006. FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply this recognition, measurement and disclosure requirements of IRFS as adopted by the EU.

FRS 101 sets out amendments to IFRS as adopted by the EU that are necessary to achieve compliance with the Companies Act and related Regulations. The following disclosures have not been included as permitted by FRS 101.

- A Cash Flow Statement and related notes as required by IAS 7 'Statement of Cash Flows';
- Disclosures in respect of transactions with wholly owned subsidiaries as required by IAS 24 'Related Party Disclosures';
- Disclosures in respect of capital management as required by paragraphs 134 to 136 of IAS 1 'Presentation of Financial Statements';
- The effects of new but not yet effective IFRSs as required by paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'; and
- Disclosures in respect of the compensation of key management personnel as required by paragraph 17 of IAS 24 'Related Party Disclosures'.

As the financial statements of the Group include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 'Share-based Payment' in respect of group-settled shared based payments; and
- The requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instruments: Disclosures'.

The accounting policies set out herein have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements.

1 ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS

The Company recognises investments in subsidiaries at cost less impairment in its individual Financial Statements.

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses on continuing operations are recognised in the Income Statement in those expense categories consistent with the function of the impaired asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior periods. A reversal of an impairment loss is recognised as income immediately.

AMOUNTS DUE TO GROUP UNDERTAKINGS

Amounts due to Group undertakings are initially recognised at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

2 DIRECTORS' REMUNERATION

The Company has no employees other than the directors. Full details of the directors' remuneration is given in the Directors' Remuneration Report.

3 INVESTMENTS

	£m
Cost and net book value	
At 1 January 2019 and 31 December 2019	815.1

	£m
Cost and net book value	
At 27 July 2018	–
Additions	815.1
At 31 December 2018	815.1

On 3 September 2018 the Company acquired the entire share capital of Aston Martin Holdings (UK) Limited by way of a share for share exchange with the existing shareholders.

The Company directly owns 100% of the share capital of Aston Martin Holdings (UK) Limited, a dormant company registered in England and Wales.

A full list of subsidiary and other related undertakings is given in note 33 of the Group Financial Statements.

4 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £m	2018 £m
Amounts due to Group undertakings	256.5	257.9

5 CAPITAL AND RESERVES

	2019 £m	2018 £m
Allotted, called up and fully paid		
228,002,890 ordinary shares of 0.00904p each	2.1	2.1

SHARE PREMIUM

In the year ended 31 December 2018, share premium totalling £352.3m arose from the conversion of the preference shares into ordinary shares, £347.8m, and the issue of shares to the former directors of Aston Martin Holdings (UK) Limited, £4.5m.

CAPITAL RESERVE

The capital reserve of £2.0m arose from the share-for-share exchange on the acquisition of the entire share capital of Aston Martin Holdings (UK) Limited.

6 POST BALANCE SHEET EVENTS

See note 32 of the Group Financial Statement for disclosure of notable events subsequent to 31 December 2019.

SHAREHOLDER INFORMATION

GENERAL SHAREHOLDER ENQUIRIES

Enquiries relating to shareholdings, such as the transfer of shares, change of name or address, lost share certificates or dividend cheques, should be referred to the Company's registrar:

Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, United Kingdom.

Tel: 0333 207 5973.

Lines are open 8.30am to 5.30pm, Monday to Friday. Please dial +44 121 415 0920 if calling from outside the UK or online at help.shareview.co.uk for additional information.

ANNUAL GENERAL MEETING

Information on the date and venue for our Annual General Meeting, together with the Notice of Meeting containing details of the business to be conducted, will be posted on our website www.astonmartinlagonda.com.

The voting results for the 2020 Annual General Meeting will also be accessible on www.astonmartinlagonda.com shortly after the meeting.

ELECTRONIC COMMUNICATION

Shareholders may at any time choose to receive all shareholder documentation in electronic form via the internet, rather than in paper format. Shareholders who decide to register for this option will receive an email each time a shareholder document is published on the internet. Shareholders who wish to receive documentation in electronic form should register online at www.shareview.co.uk.

Equiniti offers a range of shareholder information and services online at www.shareview.co.uk.

REGISTERED OFFICE

Aston Martin Lagonda Global Holdings plc
Banbury Road
Gaydon
Warwick CV35 0DB
United Kingdom

Registered in England and Wales
Registered Number: 11488166

www.astonmartinlagonda.com

SHARE DEALING

Aston Martin Lagonda Global Holdings plc shares can be traded through most banks, building societies or stock brokers. Equiniti offers a telephone and internet dealing service. Terms and conditions and details of the commission charges are available on request.

For telephone dealing, please telephone 03456 037 037 between 8.00am and 4.30pm, Monday to Friday, and for internet dealing visit www.shareview.co.uk/dealing.

Shareholders will need their reference number which can be found on their share certificate.

SHAREGIFT

Shareholders with a small number of shares, the value of which makes them uneconomic to sell, may wish to consider donating their shares to charity through ShareGift, a donation scheme operated by The Orr Mackintosh Foundation. A ShareGift donation form can be obtained from Equiniti. Further information is available at www.sharegift.org or by telephone on 0207 930 3737.

SHARE PRICE INFORMATION

The latest Aston Martin Lagonda Global Holdings plc share price is available on the Company's website at www.astonmartinlagonda.com.

UNAUTHORISED BROKERS (BOILER ROOM SCAMS)

Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount, or offers of free company reports. These are typically from overseas-based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high-risk shares in US or UK investments. These operations are commonly known as boiler rooms.

If you receive any unsolicited investment advice, get the correct name of the person and organisation, and check that they are properly authorised by the FCA before proceeding any further. This can be done by visiting www.fca.org.uk/register/.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme if things go wrong. If you think you have been approached by an unauthorised firm, you should contact the FCA consumer helpline on 0800 111 6768.

More detailed information can be found on the FCA website at www.fca.org.uk/consumers/protect-yourself/unauthorised-firms.

WEBSITE

This Annual Report and other information about Aston Martin Lagonda Global Holdings plc, including share price information and details of results announcements, are available at www.astonmartinlagonda.com.



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DISCLAIMER

The purpose of this Annual Report is to provide information to the members of Aston Martin Lagonda Global Holdings plc. This document contains certain statements with respect to the operations, performance and financial condition of the Group including among other things, statements about expected revenues, margins, earnings per share or other financial or other measures. Forward-looking statements appear in a number of places throughout this document and include statements regarding our intentions, beliefs or current expectations and those of our officers, directors and employees concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the business we operate. By their nature, these statements involve uncertainty and are subject to a number of risks since future events and circumstances can cause actual results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this document and unless otherwise required by applicable law the Company undertakes no obligation to update or revise these forward-looking statements. Nothing in this document should be construed as a profit forecast. All members, wherever located, should consult any additional disclosures that the Company may make in any regulatory announcements or documents which it publishes. The Company and its directors accept no liability to third parties in respect of this document save as would arise under English law. This document does not constitute an invitation to underwrite, subscribe for or otherwise acquire or dispose of any Aston Martin Lagonda Global Holdings plc shares, in the UK, or in the USA, or under the USA Securities Act 1933 or any other jurisdiction.



L A G O N D A



By Appointment to
His Royal Highness the Prince of Wales
Motor Car Manufacturer and Repairer



ASTON MARTIN

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