

Aston Martin Holdings (UK) Limited

Interim financial report

for the period ended 30 June 2017

**Interim financial report for the period ended
30 June 2017**

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**Interim financial report
for the period ended 30 June 2017**

Business review and outlook

The Aston Martin brand is one of the most widely recognised luxury sports car brands with a one hundred and four year history of technical automotive performance and a high standard of styling and design. Our portfolio of sports cars is one of the most diversified offerings in the high luxury sport ("HLS") segment. We currently have five models in our product range: V8 Vantage (including the V8 Vantage S), V12 Vantage S, DB11, Vanquish S and Rapide S. Some of these models are available in different model types, including engine sizes, as well as in coupe and convertible models. For the twelve months ended 30 June 2017, we sold 4,663 cars.

Our primary production facility is located in Gaydon, UK. The Gaydon facility was opened in 2003, developed for the specific needs of Aston Martin and is one of Europe's most modern automotive manufacturing facilities and one of the most advanced manufacturing facilities in the HLS segment. Other than the engines and certain other components, we manufacture all of our models in Gaydon.

Our total sales (excluding Vulcan and Taraf) in the second quarter of 2017 were 1,236 vehicles (768 in the second quarter of 2016).

Average prices

	For the three months ended 30 June 2017	For the year ended 31 December 2016	For the three months ended 30 June 2016
Average car sale price in £ thousands	154 ⁽¹⁾	137 ⁽¹⁾	127 ⁽¹⁾

(1) Excludes Vulcan, GT8, GT12, Vanquish Zagato and Taraf models

Sales volumes

	For the three months ended 30 June 2017	For the year ended 31 December 2016	For the three months ended 30 June 2016
V8	110	805	268
V12	1,126	2,882	509
Total	1,236	3,687	777

Recent developments and factors affecting comparability

On 18 April 2017, the group issued \$400,000,000 6.5% Senior Secured Notes and £230,000,000 5.75% Senior Secured Notes both of which mature in April 2022. The proceeds of this issue were used to settle the existing Senior Secured Notes and Senior Subordinated PIK Notes, both of which were due to mature in July 2018. The new financing also has a Revolving Credit Facility of £80,000,000.

In May 2017, in view of the anticipated growth in sales volumes, the group increased the size of its wholesale financing facility with Standard Chartered Bank plc from £125,000,000 to £150,000,000.

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Financial review - income statement

Revenue

Revenue was £222.0m for the three months ended 30 June 2017, compared to £119.2m for the three months ended 30 June 2016, an increase of £102.8m or 86.2%, giving revenue of £410.4m for the year to date, an increase of £198.6m or 93.8% over the revenue in the corresponding period in 2016 of £211.8m. Vehicle sales increased by 459 units or 59.1% to 1,236 vehicles in the 2017 quarter as compared to 777 vehicles in the second quarter of 2016. There was also a significant improvement in the model mix with V12 sales increasing to 91.1% of sales from 65.5%, whilst V8 sales have decreased to 8.9% from 34.5%. In the half year sales volumes increased by 976 units or 66.7% to 2,439 vehicles from 1,463 in 2016 with again a significant improvement in the model mix with V12 sales increasing to 88.2% from 65.6% and V8 sales decreasing to 11.8% from 34.4%. Favourable exchange movements also contributed to the increased turnover, with in particular the US Dollar 13.0% stronger in the quarter and 14.6% stronger in the half year. The overall effect was that the average wholesale price for core models i.e. excluding Vulcan, Taraf, GT8, GT12 and Vanquish Zagato improved from £127,000 to £154,000 in the quarter and from £119,000 to £149,000 in the half year.

Cost of sales

Cost of sales were £136.4m for the three months ended 30 June 2017, compared to £78.7m for the three months ended 30 June 2016, an increase of £57.7m or 73.3%, whilst for the half year they increased to £251.2m from £140.7m, an increase of £110.5m or 78.5%.

Material costs for the three months ended 30 June 2017 increased to £90.7m or 40.9% of revenue compared to £57.0m or 47.8% of revenue for the same period in 2016. Material costs in the half year increased to £174.1m or 42.4% of revenue from £102.6m or 48.4% of revenue. The increase in the absolute amounts in both the quarter and the half year is due to the increased volumes and favourable model mix referred to above with the higher percentage of V12 sales as compared to V8, partially offset by adverse exchange movements with in particular the Euro 7.3% stronger in the quarter and 10.6% stronger in the half year. The overall decrease in material costs as a percentage of revenue in both the quarter and half year is mainly a function of the significant improvement in model mix.

Direct labour for the three months ended 30 June 2017 was £6.6m or 3.0% of revenue, whilst in 2016 it was £4.6m or 3.9% of revenue. The corresponding figures for the half year are £13.8m or 3.4% of revenue in 2017 and £8.5m or 4.0% of revenue in 2016. The reduction arises from improved efficiency in manufacturing coupled with the increased turnover and higher average wholesale price following the launch of the DB11.

Other cost of sales for the three months ended 30 June 2017 were £39.1m or 17.6% of revenue, compared to £17.1m or 14.3% of revenue for the three months ended 30 June 2016. In the half year these costs increased to £63.3m from £29.6m, 15.4% and 14.0% of revenue respectively. These increases principally arose from the increased volumes, but the percentages of revenue are slightly higher due to higher Chinese sales leading to additional duty costs, the strengthening Euro and USD as described above and additional warranty costs following recall campaigns.

Gross profit

The gross profit was £85.6m or 38.6% of revenue for the three months ended 30 June 2017, compared to £40.5m or 34.0% for the quarter ended 30 June 2016. The gross profit for the half year was £159.1m or 38.8% whilst the 2016 comparatives were £71.2m and 33.6%. Increased volumes, favourable model mix and a net benefit from the weakening of Sterling against other currencies, in particular the US Dollar, all contributed to the significant increase in the gross profit percentage in both the quarter and half year.

Selling and distribution expenses

Selling and distribution expenses increased by £7.4m to £16.9m for the three months to 30 June 2017, as compared to £9.5m for the three months to 30 June 2016. In the half year they increased by £10.0m to £30.0m from £20.0m in 2016. The increase in both the quarter and the half year arose from additional fixed marketing costs in connection with the DB11, the relationship with Red Bull Racing and the appointment of Tom Brady, Serena Williams, Max Verstappen and Daniel Ricciardo as brand ambassadors as well as improvements to our customer relationship data base and website and set up costs for a Chinese parts warehouse and Tokyo brand centre.

Administrative and other expenses

Administrative and other expenses were £37.8m for the three months to 30 June 2017, compared to £35.6m for the three months to 30 June 2016, an increase of £2.2m, and £74.2m for the half year in 2017 as compared to £69.0m in 2016, an increase of £5.2m. Depreciation and amortisation increased by £1.4m in the quarter and £0.8m in the half year, following the launch of DB11 and the depreciation of the associated facilities and tooling partly offset by the effect of the impairment charge on assets at the end of 2016. Consequently, the core costs before depreciation and amortisation increased by £0.8m in the quarter and £4.4m in the half year. This arose primarily from increased manufacturing costs arising from the launch of DB11, preparation of the St. Athan site and increased charges for engineering costs where the criteria for capitalisation has not yet been met.

Operating profit / (loss)

The operating profit was £30.9m in the three months ended 30 June 2017, compared to a loss of £(4.7)m in the three months to 30 June 2016, an improvement of £35.6m. The half year also saw an improvement of £72.8m with a profit of £55.0m in 2017 as compared to a loss of £(17.8)m in 2016. In the quarter and half year, gross profit increased by £45.1m and £88.0m respectively, due to increased volumes, favourable model mix and favourable exchange rates. In the equivalent periods fixed costs increased by £(9.5)m and £(15.2)m respectively, due largely to increased fixed marketing spend related to DB11 in particular and the Aston Martin brand more generally, as well as increased depreciation and amortisation charges relating to DB11 facilities and tooling and increased manufacturing costs not only related to DB11 but also the St Athan site.

Finance income / (expense)

The net finance expense was £(15.7)m in the three months to 30 June 2017, compared to £(47.9)m in the corresponding quarter of 2016. For the half year the net finance expense was £(33.8)m in 2017 as compared to £(64.5)m in 2016. In 2017 the figures for both the quarter and the half year were inflated as a result of non-recurring costs of £(12.9)m in respect of the bond refinancing in April 2017. Consequently, on an underlying basis, net financing expense decreased by £(45.1)m in the quarter from £(47.9)m to £(2.8)m and by £(43.6)m in the half year from £(64.5)m to £(20.9)m. In the quarter there was a net gain on fair value adjustments on foreign exchange hedges of £7.1m in 2017 as compared to a loss of £(17.5)m in 2016. In 2017 the gain mainly arose through the strengthening of Sterling against the US Dollar, whilst in 2016 the loss was mainly the result of the weakening of Sterling and the Euro against the US Dollar. This strengthening of Sterling against the US Dollar in 2017 also led to a foreign exchange gain on the translation of the US Dollar denominated debt of £10.9m in 2017 as compared to a loss of £(10.9)m in 2016 when the US Dollar weakened. Preference share interest increased to £(9.5)m in the 2017 quarter from £(7.8)m in 2016 as a result of the compounding effect of interest on this PIK related debt. Other net interest costs in the quarter decreased to £(11.3)m in 2017 from £(11.8)m in 2016. In 2016 the group had drawn down £35m of the Revolving Credit Facility, which did not occur in 2017, albeit there is an increased interest cost of funding the pension fund deficit. In the 2017 half year the net gain on the fair value of foreign exchange hedges was £8.4m, as compared to a net loss of £(14.9)m in 2016. The reasons behind this are similar to those for the quarter and likewise, due to the US Dollar weakening against Sterling in 2017, there was an exchange gain on the translation of US Dollar denominated debt of £13.0m in 2017 as compared to a loss of £(14.4)m in 2016 when the US Dollar strengthened. Preference share interest increased to £(18.2)m in 2017 as compared to £(11.8)m in 2016 due not only to the compounding effect, but also because the second tranche of £100m of preference shares was drawn down in April 2016. Other net finance costs increased to £(24.1)m in 2017 from £(23.4)m in 2016 due to the compounding effect of interest of the unsecured PIK Notes and additional interest on the pension fund deficit, partly offset by the effect of not drawing down on the Revolving Credit Facility in 2017. Further analysis of finance income and expense is set out in notes 3 and 4.

Income tax (charge) / credit

The income tax charge was £(3.0)m in the three months to 30 June 2017, as compared to a credit of £5.6m in the three months to 30 June 2016, representing rates of 20.0% and 10.7% of the profit / (loss) before tax respectively. In the half year to 30 June 2017 there was a charge of £(4.2)m representing a rate of 19.9%, which compared to a credit of £8.6m in 2016, a rate of 10.4%. Whilst in 2017 the rate is in line with the applicable UK corporation tax rate, in 2016 it was lower than 20.0% as a result of credit not being taken for certain losses, the utilisation of which is not certain, and permanently disallowable expenditure. Please refer to note 5 for more information on income tax.

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Financial review - cash flow statement

The three months to 30 June 2017 saw a net cash inflow of £27.2m, compared to an inflow of £41.6m in the three months to 30 June 2016. The equivalent flows for the half year were an inflow of £21.4m in 2017 as compared to an inflow of £12.9m in 2016. The cash balance at 30 June 2017 is £123.1m.

Cash flow from operating activities

We generated £38.9m of net cash from our operating activities in the three months to 30 June 2017, and £94.6m in the half year to 30 June 2017, as compared to generating £59.6m and £53.6m in the equivalent three month and six month periods to 30 June 2016. In the 2017 quarter working capital increased by £(4.2)m due to the timing of deliveries resulting in an increase in receivables which were settled shortly after the period end. In the 2016 quarter there had been an exceptional increase in payables of £65.8m due to liabilities in respect of the impending launch of the new DB11 model. Other than the working capital movement, the group generated £43.1m from other operating activities in the 2017 quarter as compared £8.4m in 2016 reflective of the significant improvement in the EBITDA of £50.4m in 2017 as compared to £13.4m in 2016. In the half year the group generated £11.3m from working capital and £83.3m from other operating activities as compared to £43.0m and £10.6m respectively in 2016. As compared to the quarter, the improved working capital over the six months of 2017 primarily arose from an improved receivable position and higher payables as compared to the year end partly offset by increased inventory, whilst the improvement in 2016 was mainly for the same reasons as the quarter. Similarly, EBITDA improved to £93.0 in 2017 as compared to £19.4m in 2016 contributing to the improvement in other operating cash flows of £72.8m.

Cash flow from investing activities

Net cash used in investing activities decreased to £54.6m in the three months to 30 June 2017, compared to £72.3m in the three months to 30 June 2016. The half year also saw a decrease to £105.4m in 2017 from £115.3m in 2016. Whilst these amounts of expenditure in 2017 are high compared to historic levels, the reductions are reflective of the significant expenditure in 2016 in the build up to the launch of DB11. Within these overall decreases, whilst expenditure on tangible assets has fallen from £41.9m and £49.9m in 2016 to £16.3m and £32.8m in 2017 in the quarter and half year respectively, expenditure on intangible assets has increased from £31.0m and £66.5m in 2016 to £39.4m and £74.5m in the equivalent periods in 2017. This reflects the change that occurs immediately prior to a new vehicle launch to expenditure on facilities and tooling, to expenditure on engineering costs in the earlier stages of future new model development.

Cash flow from financing activities

Net cash generated from financing activities was £43.6m in the three months to 30 June 2017, as compared to £61.7m in the three months to 30 June 2016. The half year to June 2017 saw net cash generated of £33.1m as compared to £80.5m in 2016. The major reason for the net inflow in the 2017 quarter was the issue of the new Senior Secured Notes, which generated £536.6m net of transaction fees. These funds were used to pay down the existing Senior Secured Notes and Senior Subordinated PIK Notes amounting to £482.8m. Other short term borrowings increased by £5.7m in the 2017 quarter. In the 2016 quarter the group had drawn down the second tranche of £100m of preference shares and repaid short term borrowings of £(37.1)m, primarily relating to the settlement of the Revolving Credit Facility of £35.0m which had been drawn down in the first quarter of 2016. Interest paid in the 2017 quarter increased to £(15.9)m in 2017 from £(1.2)m in 2016 as a result of settling accrued interest up to the date of repayment of the Senior Secured Notes and redemption interest arising on the early settlement of the debt. In the 2017 half year the net cash generated from the new issue and settlement of existing debt was the same as in the quarter, whilst short term debt increased by £10.0m and interest paid amounted to £(31.1)m. In the 2016 half year the funds raised from the preference share issue were the same as in the quarter whilst short term borrowings reduced by £(3.1)m and interest paid amounted to £(16.5)m. The reasons behind the increase in interest paid are the same as for the quarter.

**Interim financial report
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Responsibility statement of the directors in respect of the interim financial report

The undersigned certifies on behalf of Aston Martin Holdings (UK) Limited (the "Company") that to the best of our knowledge the condensed set of consolidated financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU and fairly represent the financial condition and operations of the Aston Martin Holdings (UK) Limited group as at 30 June 2017.

Pursuant to clause 25.1 and Schedule 14 of the Company's Revolving Credit Facility Agreement with Elavon Financial Services DAC, UK Branch acting as Agent

Mark Wilson
EVP & Chief Financial Officer

25 August 2017

**Condensed consolidated statement of comprehensive income
for the period ended 30 June 2017**

	Notes	6 months ended 30 June 2017	3 months ended 30 June 2017	6 months ended 30 June 2016	3 months ended 30 June 2016
		£'000	£'000	£'000	£'000
Revenue	2	410,364	222,043	211,832	119,185
Cost of sales		(251,224)	(136,433)	(140,672)	(78,684)
Gross profit		159,140	85,610	71,160	40,501
Selling and distribution expenses		(30,005)	(16,894)	(20,001)	(9,544)
Administrative and other expenses		(74,164)	(37,779)	(68,996)	(35,643)
Operating profit / (loss)		54,971	30,937	(17,837)	(4,686)
Finance income	3	23,160	19,057	1,768	571
Finance expense	4	(56,999)	(34,802)	(66,262)	(48,482)
Net financing expense		(33,839)	(15,745)	(64,494)	(47,911)
Analysed as:					
Loan interest on the redemption of Senior Secured Loan notes and Senior Subordinated PIK notes		(10,535)	(10,535)	-	-
Write-off of capitalised arrangement fees on Senior Secured Loan notes and Senior Subordinated PIK notes		(2,377)	(2,377)	-	-
Underlying net financing expense*		(20,927)	(2,833)	(64,494)	(47,911)
Net financing expense		(33,839)	(15,745)	(64,494)	(47,911)
Profit / (loss) before tax		21,132	15,192	(82,331)	(52,597)
Income tax (charge) / credit	5	(4,205)	(3,043)	8,551	5,622
Profit / (loss) for the period		16,927	12,149	(73,780)	(46,975)
Other comprehensive income / (expense)					
Items that will never be reclassified to profit or loss					
Measurement of defined benefit liability		(6,067)	(10,231)	(20,206)	(13,981)
Related income tax		1,031	1,739	3,637	2,517
		(5,036)	(8,492)	(16,569)	(11,464)
Items that are or maybe reclassified to profit or loss					
Foreign exchange translation differences		(791)	(21)	387	145
Other comprehensive expense for the period, net of income tax		(5,827)	(8,513)	(16,182)	(11,319)
Total comprehensive income / (expense) for the period		11,100	3,636	(89,962)	(58,294)
Profit / (loss) attributable to:					
Owners of the group		16,424	11,905	(74,023)	(47,107)
Non-controlling interests		503	244	243	132
		16,927	12,149	(73,780)	(46,975)
Total comprehensive income / (expense) attributable to:					
Owners of the group		10,597	3,392	(90,205)	(58,426)
Non-controlling interests		503	244	243	132
		11,100	3,636	(89,962)	(58,294)

* underlying net financing expense represents net financing expense excluding non-recurring items.

Notes on pages 10 to 12 form an integral part of the financial statements.

Condensed consolidated statement of changes in equity

Group	Share capital	Share premium and Share warrants	Capital reserve and Non-controlling interests	Translation reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2016	3	377,861	98,845	1,085	(245,382)	232,412
Total comprehensive income / (expense) for the period						
Profit / (loss)	-	-	132	-	(47,107)	(46,975)
Other comprehensive income / (expense) for the period						
Foreign currency translation differences	-	-	-	145	-	145
Measurement of defined benefit asset (note 10)	-	-	-	-	(13,981)	(13,981)
Income tax on other comprehensive income					2,517	2,517
Total other comprehensive income / (expense)	-	-	-	145	(11,464)	(11,319)
Total comprehensive income / (expense) for the period	-	-	132	145	(58,571)	(58,294)
Transactions with owners, recorded directly in equity						
Capital Increase	-	9,419	-	-	-	9,419
Total transactions with owners	-	9,419	-	-	-	9,419
At 30 June 2016	3	387,280	98,977	1,230	(303,953)	183,537

The capital increase during the 3 months ended 30 June 2016 represents the fair value of the share warrants granted in connection with the issue of preference shares.

Included in Capital Reserve and Non-controlling interests is £1,100,000 of additional capital reserve and £4,913,000 of Non-controlling interest relating to the 50% interest in the share capital of AMWS Limited, the parent company of Aston Martin Works Limited.

Group	Share capital	Share premium and Share warrants	Capital reserve and Non-controlling interests	Translation reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2016	3	377,861	98,734	843	(213,361)	264,080
Total comprehensive income / (expense) for the period						
Profit / (loss)	-	-	243	-	(74,023)	(73,780)
Other comprehensive income / (expense) for the period						
Foreign currency translation differences	-	-	-	387	-	387
Remeasurement of defined benefit liability (note 10)	-	-	-	-	(20,206)	(20,206)
Income tax on other comprehensive income					3,637	3,637
Total other comprehensive income / (expense)	-	-	-	387	(16,569)	(16,182)
Total comprehensive income / (expense) for the period	-	-	243	387	(90,592)	(89,962)
Transactions with owners, recorded directly in equity						
Capital Increase	-	9,419	-	-	-	9,419
Total transactions with owners	-	9,419	-	-	-	9,419
At 30 June 2016	3	387,280	98,977	1,230	(303,953)	183,537

The capital increase during the 6 months ended 30 June 2016 represents the fair value of the share warrants granted in connection with the issue of preference shares.

Included in Capital Reserve and Non-controlling interests is £1,100,000 of additional capital reserve and £4,913,000 of Non-controlling interest relating to the 50% interest in the share capital of AMWS Limited, the parent company of Aston Martin Works Limited.

Condensed consolidated statement of changes in equity (continued)

<i>Group</i>	Share capital	Share premium and share warrants	Capital reserve and Non-controlling interests	Translation reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2017	3	387,280	99,322	1,566	(408,047)	80,124
Total comprehensive income / (expense) for the period						
Profit	-	-	244	-	11,905	12,149
Other comprehensive income						
Foreign currency translation differences	-	-	-	(21)	-	(21)
Remeasurement of defined benefit liability (note 10)	-	-	-	-	(10,231)	(10,231)
Income tax on other comprehensive income	-	-	-	-	1,739	1,739
Total other comprehensive income / (expense)	-	-	-	(21)	(8,492)	(8,513)
Total comprehensive income / (expense) for the period	-	-	244	(21)	3,413	3,636
At 30 June 2017	3	387,280	99,566	1,545	(404,634)	83,760

Included in Capital Reserve and Non-controlling interests is £1,100,000 of additional capital reserve and £5,502,000 of Non-controlling interest relating to the 50% interest in the share capital of AMWS Limited, the parent company of Aston Martin Works Limited.

<i>Group</i>	Share capital	Share premium and share warrants	Capital reserve and Non-controlling interests	Translation reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2017	3	387,280	99,063	2,336	(416,022)	72,660
Total comprehensive income / (expense) for the period						
Profit	-	-	503	-	16,424	16,927
Other comprehensive income						
Foreign currency translation differences	-	-	-	(791)	-	(791)
Remeasurement of defined benefit asset (note 10)	-	-	-	-	(6,067)	(6,067)
Income tax on other comprehensive income	-	-	-	-	1,031	1,031
Total other comprehensive income / (expense)	-	-	-	(791)	(5,036)	(5,827)
Total comprehensive income / (expense) for the period	-	-	503	(791)	11,388	11,100
At 30 June 2017	3	387,280	99,566	1,545	(404,634)	83,760

Included in Capital Reserve and Non-controlling interests is £1,100,000 of additional capital reserve and £5,502,000 of Non-controlling interest relating to the 50% interest in the share capital of AMWS Limited, the parent company of Aston Martin Works Limited.

**Condensed consolidated statement of financial position
at 30 June 2017**

	As at 30.06.17 £'000	As at 30.06.16 £'000	As at 31.12.16 £'000
Non-current assets			
Intangible assets	755,965	719,367	706,947
Property, plant and equipment	216,498	203,422	196,321
Other receivables	2,452	2,169	2,309
Other financial assets	542	99	88
Deferred tax asset	32,124	48,303	32,124
	<u>1,007,581</u>	<u>973,360</u>	<u>937,789</u>
Current assets			
Inventories	135,040	95,252	117,245
Trade and other receivables	95,917	65,465	112,757
Other financial assets	151	343	272
Cash and cash equivalents	7 123,143	78,476	101,718
	<u>354,251</u>	<u>239,536</u>	<u>331,992</u>
Total assets	<u>1,361,832</u>	<u>1,212,896</u>	<u>1,269,781</u>
Current liabilities			
Borrowings	7 15,215	14,898	5,153
Trade and other payables	347,333	227,136	340,893
Income tax payable	125	43	680
Other financial liabilities	12,194	10,912	18,646
Provisions	9 6,484	3,539	7,631
	<u>381,351</u>	<u>256,528</u>	<u>373,003</u>
Non-current liabilities			
Borrowings	7 761,319	656,669	696,065
Other financial liabilities	474	9,435	9,611
Employee benefits	10 77,951	24,537	69,769
Provisions	9 11,190	8,419	6,070
Deferred tax liabilities	45,787	73,771	42,603
	<u>896,721</u>	<u>772,831</u>	<u>824,118</u>
Total liabilities	<u>1,278,072</u>	<u>1,029,359</u>	<u>1,197,121</u>
Net assets	<u>83,760</u>	<u>183,537</u>	<u>72,660</u>
Equity			
Share capital	3	3	3
Share premium	368,818	368,818	368,818
Share warrants	18,462	18,462	18,462
Capital reserves	94,064	94,064	94,064
Translation reserve	1,545	1,230	2,336
Retained earnings	(404,634)	(303,953)	(416,022)
Equity attributable to owners of the group	<u>78,258</u>	<u>178,624</u>	<u>67,661</u>
Non-controlling interests	5,502	4,913	4,999
Total equity	<u>83,760</u>	<u>183,537</u>	<u>72,660</u>

Notes on pages 10 to 12 form an integral part of the financial statements.

**Condensed consolidated statement of cash flows
for the period ended 30 June 2017**

	Notes	6 months ended 30 June 2017 £'000	3 months ended 30 June 2017 £'000	6 months ended 30 June 2016 £'000	3 months ended 30 June 2016 £'000
Operating activities					
Profit / (loss) for the period		16,927	12,149	(73,780)	(46,975)
<i>Adjustments to reconcile profit / (loss) for the period to net cash inflow from operating activities</i>					
Tax on continuing operations	5	4,205	3,043	(8,551)	(5,622)
Net finance costs		19,342	5,364	59,811	45,343
Other non cash movements		(791)	(21)	387	145
Depreciation and impairment of property, plant and equipment		12,606	6,192	12,759	6,649
Amortisation and impairment of intangible assets		25,434	13,249	24,456	11,411
Difference between pension contributions paid and amounts recognised in income statement		2,115	1,018	(616)	(266)
Increase in inventories		(17,795)	(687)	(14,889)	(2,637)
Decrease / (increase) in trade and other receivables		14,613	(18,456)	6,754	(11,947)
Increase in trade and other payables		14,433	14,921	51,105	65,776
Movement in provisions		4,073	2,782	(2,840)	(1,718)
Cash generated from operations		95,162	39,554	54,596	60,159
Income taxes paid		(568)	(637)	(974)	(581)
Net cash inflow from operating activities		94,594	38,917	53,622	59,578
Cash flows from investing activities					
Interest received	3	1,786	1,091	1,075	571
Payments to acquire property, plant and equipment		(32,783)	(16,315)	(49,867)	(41,891)
Payments to acquire intangible assets		(74,452)	(39,351)	(66,526)	(31,027)
Net cash used in investing activities		(105,449)	(54,575)	(115,318)	(72,347)
Cash flows from financing activities					
Interest paid		(31,055)	(15,926)	(16,475)	(1,200)
New borrowings		549,872	549,872	100,000	100,000
Movement in existing borrowings		(472,415)	(477,082)	(3,061)	(37,074)
Transaction fees on new borrowings		(13,311)	(13,311)	-	-
Net cash inflow from financing activities		33,091	43,553	80,464	61,726
Net increase in cash and cash equivalents		22,236	27,895	18,768	48,957
Cash and cash equivalents at the beginning of the period		101,718	95,987	65,562	36,863
Effect of exchange rates on cash and cash equivalents		(811)	(739)	(5,854)	(7,344)
Cash and cash equivalents at the end of the period	7	123,143	123,143	78,476	78,476

Notes on pages 10 to 12 form an integral part of the financial statements.

**Notes to the financial statements for the period ended
30 June 2017**

1 Basis of preparation and principal accounting policies

Aston Martin Holdings (UK) Limited (the "company") is a company incorporated and domiciled in the UK. The condensed consolidated interim financial statements of the company as at the end of the period ended 30 June 2017 comprise the company and its subsidiaries (together referred to as the 'group').

At 30 June 2017 the group met its day-to-day working capital requirements and medium term funding requirements through a mixture of Senior Secured Notes, Redeemable cumulative preference shares, a revolving credit facility, facilities to finance inventory, a back-to-back loan and a wholesale vehicle financing facility. On 18 April 2017, the group issued \$400,000,000 6.5% Senior Secured Notes and £230,000,000 5.75% Senior Secured Notes both of which mature in April 2022. Attached to these Senior Secured Notes is an £80,000,000 revolving credit facility which was undrawn at 30 June 2017. The amounts outstanding on all the borrowings are shown in note 7 to the accounts.

The Senior Secured Notes and the Senior Subordinated PIK notes which were due to be repaid in July 2018 were repaid in April 2017.

The directors have prepared trading and cash flow forecasts for the period to 2022. These forecasts showed that the group has sufficient financial resources to meet its obligations as they fall due and meet all covenant tests.

The forecasts make assumptions in respect of future trading conditions and in particular, the launch of future models. The nature of the group's business is such 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 as the availability of credit insurance and sales volumes vary, in total and seasonally. The forecasts take into account the aforementioned factors to an extent which the directors consider to be reasonably prudent, based on the information that is available to them at the time of approval of these financial statements.

Accordingly, after considering the forecasts, appropriate sensitivities, current trading and available facilities, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future and therefore the directors continue to adopt the going concern basis in preparing the financial statements.

Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as endorsed by the European Union. They do not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the group as at and for the year ended 31 December 2016.

Significant accounting policies

The condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the group's published consolidated financial statements for the year ended 31 December 2016.

Estimates and judgements

The preparation of a condensed set of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In the process of applying the group's accounting policies, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements:

- the point of capitalisation and amortisation of development costs
- the useful lives of tangible and intangible assets

The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next year are as follows:

- the measurement and impairment of indefinite life intangible assets (including goodwill);
- the measurement of warranty liabilities; and
- the measurement of defined benefit pension assets and obligations.

The measurement of intangible assets other than goodwill on a business combination involves estimation of future cash flows and the selection of a suitable discount rate. The group determines whether indefinite life intangible assets are impaired on an annual basis and this requires an estimation of the value in use of the cash generating units to which the intangible assets are allocated.

The measurement of warranty liabilities has been estimated on past experience of the actual level of warranty claims received. Management establishes these estimates based on historical information on the nature, frequency and average cost of the warranty claims.

Measurement of defined benefit pension assets and obligations requires estimation of future changes in salaries and inflation, as well as mortality rates, the expected return on assets and suitable discount rates.

**Notes to the financial statements for the period ended
30 June 2017 (continued)**

2 Revenue

	6 months ended 30.06.17 £'000	3 months ended 30.06.17 £'000	6 months ended 30.06.16 £'000	3 months ended 30.06.16 £'000
Sale of vehicles	377,854	204,825	182,668	102,112
Sale of parts	27,722	14,509	23,450	12,324
Servicing of vehicles	4,788	2,709	5,714	4,749
Total revenue	<u>410,364</u>	<u>222,043</u>	<u>211,832</u>	<u>119,185</u>

3 Finance income

	6 months ended 30.06.17 £'000	3 months ended 30.06.17 £'000	6 months ended 30.06.16 £'000	3 months ended 30.06.16 £'000
Bank deposit and other interest income	1,786	1,091	1,075	571
Net gain on financial instruments recognised at fair value through profit or loss	8,377	7,113	693	-
Net foreign exchange gain	12,997	10,853	-	-
Total finance income	<u>23,160</u>	<u>19,057</u>	<u>1,768</u>	<u>571</u>

4 Finance expense

	6 months ended 30.06.17 £'000	3 months ended 30.06.17 £'000	6 months ended 30.06.16 £'000	3 months ended 30.06.16 £'000
Bank loans and overdrafts	25,007	11,907	24,439	12,334
Net interest expense on the net defined benefit liability	903	444	48	13
Interest on preference shares classified as financial liabilities	18,177	9,539	11,847	7,783
Net loss on financial instruments recognised at fair value through profit or loss	-	-	15,563	17,487
Net foreign exchange loss	-	-	14,365	10,865
Finance expense before non-recurring finance expense	<u>44,087</u>	<u>21,890</u>	<u>66,262</u>	<u>48,482</u>
Non-recurring finance expense:				
Loan interest on the redemption of Senior Secured Loan notes and Senior Subordinated PIK notes	10,535	10,535	-	-
Write-off of capitalised arrangement fees on Senior Secured Loan notes and Senior Subordinated PIK notes	2,377	2,377	-	-
Total finance expense	<u>56,999</u>	<u>34,802</u>	<u>66,262</u>	<u>48,482</u>

5 Income tax credit

The effective tax rate for the period ended 30 June 2017 has been estimated at 19.9% (period ended 30 June 2016 : 10.4%). This compares to a UK statutory rate of tax 19.5% applicable to the group for the period to 30 June 2017.

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. A further reduction to 18% (effective 1 April 2020) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the group's future current tax charge accordingly.

The deferred tax liability at 30 June 2017 has been calculated based on the rate of 17% substantively enacted at the balance sheet date.

In addition to the change in tax rates, permanently disallowable expenditure and restrictions on the use of tax losses give rise to further adjustments to the total tax arising in the periods.

6 Dividends

No dividends have been declared or paid in the six month period to 30 June 2017 or the six month period to 30 June 2016.

**Notes to the financial statements for the period ended
30 June 2017 (continued)**

7 Net borrowings

	As at 30.06.17 £'000	As at 30.06.16 £'000	As at 31.12.16 £'000
Cash and cash equivalents	123,143	78,476	101,718
Bank loans and overdrafts (a)	(15,215)	(14,898)	(5,153)
Senior Secured Loan Notes (b)	-	(300,860)	(301,679)
Senior Subordinated PIK notes (c)	-	(155,117)	(176,417)
Preference shares (d)	(236,146)	(200,692)	(217,969)
6.5% Senior Secured Notes (e)	(307,929)	-	-
5.75% Senior Secured Notes (f)	(217,244)	-	-
	<u>(653,391)</u>	<u>(593,091)</u>	<u>(599,500)</u>

(a) The group has facilities to fund the in transit inventory between the UK company, Aston Martin Lagonda Limited, and its US and Chinese subsidiaries. The group also has a facility to fund certain inventory at Aston Martin Works Limited. At 30 June 2017 the utilisation of these facilities was £1,815,000 (30 June 2016 : £14,898,000). At 30 June 2017, 31 December 2016 and 30 June 2016 the revolving credit facility was undrawn. The group has a wholesale vehicle financing facility of £150,000,000 with Standard Chartered Bank plc. Following a renegotiation of the terms of the facility and the transfer of substantially all of the risk to Standard Chartered Bank plc the facility is off-balance sheet. In May 2017 the group entered into a back-to-back loan arrangement with HSBC Bank plc, whereby Chinese Yuan to the value of £13,638,000 were deposited in a restricted account with HSBC in China in exchange for a Sterling overdraft facility with HSBC in the United Kingdom. The £13,638,000 of restricted cash is shown in the total of cash and cash equivalents above. The group drew down £(13,400,000) of the overdraft facility which is included in both cash and cash equivalents and bank overdrafts. The back-to-back loan arrangement is for a one year period.

(b) In June 2011 the group issued £304,000,000 of 9.25% Senior Secured Notes due for repayment in July 2018. These notes were repaid in April 2017.

(c) In March 2014, the group issued 10.25% Senior Subordinated PIK notes with a value of 165m US Dollars. The 10.25% Senior Subordinated PIK Notes were repaid in April 2017.

(d) In April 2015 the company accepted binding subscriptions for £200,000,000 of preference shares with an interest rate of 15% payable on a PIK basis. The first tranche of £100,000,000 was received on 27 April 2015 and the second tranche of £100,000,000 was received in April 2016. These subscriptions also include warrants for a pro rata allocation of P shares (non voting ordinary shares) corresponding to 4% of the fully diluted share capital of the company. At 30 June 2017 the liability relating to the preference shares, including accrued interest, was £236,146,000 (30 June 2016 : £200,692,000)

(e) On 18 April 2017, the group issued \$400,000,000 6.5% Senior Secured Notes which mature in April 2022. The proceeds of this issue, together with the issue in (f) below, were used to settle the existing Senior Secured Notes and Senior Subordinated PIK Notes (see (b) and (c) above), both of which were due to mature in July 2018. The new financing has a Revolving Credit Facility of £80,000,000 which was undrawn at 30 June 2017. At the 30 June 2017 closing exchange rate the liability relating to the 6.5% Senior Secured Notes was £307,929,000

(f) On 18 April 2017, the group issued £230,000,000 5.75% Senior Secured Notes which mature in April 2022. The proceeds of this issue, together with the issue in (e) above, were used to settle the existing Senior Secured Notes and Senior Subordinated PIK Notes (see (b) and (c) above), both of which were due to mature in July 2018. The new financing has a Revolving Credit Facility of £80,000,000 which was undrawn at 30 June 2017. At 30 June 2017 the liability relating to the 5.75% Senior Secured Notes was £217,244,000.

The Senior Secured Notes 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 profit or loss over the period of the borrowings on an effective interest basis.

At 30 June 2017, 31 December 2016 and 30 June 2016 the revolving credit facility was undrawn.

8 Foreign exchange rates

	Average rate 6 months ended 30.06.17	Average rate 3 months ended 30.06.17	Average rate 6 months ended 30.06.16	Average rate 3 months ended 30.06.16
US dollar	1.2431	1.2505	1.4556	1.4373
Chinese renminbi	8.6026	8.6179	9.4820	9.2819
Euro	1.1703	1.1691	1.3091	1.2613

9 Provisions

	As at 30.06.17 £'000	As at 30.06.16 £'000	As at 31.12.16 £'000
Warranty	<u>17,674</u>	<u>11,958</u>	<u>13,701</u>
Non-current	11,190	8,419	6,070
Current	6,484	3,539	7,631
	<u>17,674</u>	<u>11,958</u>	<u>13,701</u>

10 Pension scheme

The net liability for defined benefit obligations of £(66,702,000) at 31 March 2017 has increased to a net liability of £(77,951,000) at 30 June 2017. The movement of £(11,249,000) comprises a net actuarial loss of £(10,231,000) plus a charge to the income statement of £(3,533,000) less contributions of £2,515,000. The net actuarial loss has arisen mainly due a change in the discount rate assumptions used in the valuation of the scheme's assets and liabilities compared to those used at 31 March 2017 and an increase in the commutation factors on retirement. The discount rate decreased to 2.65% at 30 June 2017 compared to 2.70% at 31 March 2017.

11 Related party transactions

There have been no new related party transactions that have taken place in the first six months of the current financial year that have materially affected the financial position or performance of the group during that period and there have been no changes in the related party transactions described in the last annual report that could do so.