Aston Martin Holdings (UK) Limited

Interim financial report

for the period ended 31 December 2016

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Business review and outlook

The Aston Martin brand is one of the most widely recognised 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 S, V12 Vantage S, DB11 (which replaced the DB9 in Q4 16), 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 31 December 2016, we sold 3,687 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 in the fourth quarter of 2016 were 1,668 vehicles (1,128 in the fourth quarter of 2015).

Average prices

	For the three months ended 31 December 2016	For the year ended 31 December 2016	For the three months ended 31 December 2015
Average car sale price in £ thousands	151(1)	137(1)	118(1)

(1) Excludes Vulcan, GT8, GT12 and Lagonda models

Sales volumes

	For the three months ended 31 December 2016	For the year ended 31 December 2016	For the three months ended 31 December 2015
V8	136	805	186
V12	1,532	2,882	942
Total	1,668	3,687	1,128

Recent developments and factors affecting comparability

On 23 April 2015, the company accepted binding subscriptions for £200 million of preference shares. The first tranche of £100 million was received on 27 April 2015 and the second tranche of £100 million 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.

In February 2016 the group announced the expansion of manufacturing to a new site at St Athan in South Wales, with the creation of 1,000 new jobs at St Athan and Gaydon, for the production of the new DBX model.

In March 2016 the group announced it would be joining forces with Adrian Newey and Red Bull Advanced Technologies to create a vehicle codenamed AM-RB 001 which will be faster than a current F1 car around the Silverstone Grand Prix circuit. We will produce 175 of these vehicles. In recognition of this partnership, the Aston Martin wings graced the Red Bull Racing RB12 racing cars in the 2016 season and will do so again in 2017.

In September 2016 the group renewed the existing wholesale vehicle financing facility with Standard Chartered Bank plc for a further two years and in view of the anticipated growth in the sales volumes, increased its size from £100m to £125m. The facility is backed by an Atradius credit insurance policy which was also renewed for the same period.

In Q4/16 the group made the first sales of the DB11, which replaced the DB9, and exceeded its target of 1,000 deliveries in this quarter.

In December 2016, in view of the launch of the DB11 in Q4/16 and the further launch of new models from 2017 to 2019, the group performed a review of the carrying value of its intangible and tangible assets which has resulted in an impairment charge in these accounts of £48.7m which has been shown as a non-recurring item.

Financial review - income statement

Revenue

Revenue was £285.0m for the three months ended 31 December 2016, compared to £184.7m for the three months ended 31 December 2015, an increase of £100.3m or 54.3%, giving revenue of £593.5m for the year, an increase of £83.3m or 16.3% over the corresponding period in 2015 when revenue totalled £510.2m. Vehicle sales in the fourth quarter increased by 47.9% to 1,668 vehicles in 2016 from 1,128 vehicles in 2015. The V12 mix rose to 91.8% of sales in the 2016 quarter from 83.5% in 2015, whilst the V8 mix decreased to 8.2% as compared to 16.5% in 2015. Similarly, in the full year, vehicle sales increased to 3,687 vehicles in 2016 from 3,615 vehicles, an increase of 2.0%. The proportion of V12 sales also increased to 78.2% in 2016 from 71.5% in 2015 with a corresponding reduction in V8 sales to 21.8% from 28.5%. This increase in V12 sales relative to V8 was due to the launch of the DB11, which replaced the DB9, in Q4 16. The DB11 was also responsible for the disproportionate increase in revenue as compared to volumes, due to the significantly higher wholesale price as compared to the DB9. The average wholesale price for core models consequently increased to £151,000 from £118,000 in the quarter and to £137,000 from £116,000 in the full year.

Cost of sales

Cost of sales were £171.7m for the three months ended 31 December 2016, compared to £121.3m for the three months ended 31 December 2015, an increase of £50.4m or 41.5%, whilst for the year they increased to £371.9m from £345.3m, an increase of £26.6m or 7.7%.

Material costs for the three months ended 31 December 2016 increased to £114.9m or 40.3% of revenue compared to £84.2m or 45.6% of revenue for the same period in 2015. Material costs in the year increased to £256.3m or 43.2% of revenue from £234.2m or 45.9% of revenue. The decrease as a percentage of revenue in the quarter and In the year, as with revenue, arises from the launch of DB11 with higher profit margins as compared to its predecessor model..

Direct labour for the three months ended 31 December 2016 was £5.6m or 2.0% of revenue compared to £4.9m or 2.7% of revenue in the three months to 31 December 2015, a increase in absolute direct labour costs of £0.7m or 14.3%. In the year there was an increase of £1.8m or 9.8% from £18.4m, or 3.6% of revenue, to £20.2m or 3.4% of revenue. The increases in absolute terms both in the quarter and the year are due to an uplift in volumes arising from the launch of DB11 but in both cases the percentage of revenue fell due to increased efficiencies arising from the higher volume.

Other cost of sales for the three months ended 31 December 2016 were £51.2m or 18.0% of revenue, compared to £32.2m or 17.4% of revenue for the three months ended 31 December 2015, an increase of 59%. In the year these costs increased by 2.9% to £95.4m from £92.7m, 16.1% and 18.2% of revenue respectively. These increases in the quarter and the year are reflective of the increased volumes and revenues, although in particular in the quarter, the percentage increase is higher than expected given the volume increase due to the disproportionate effect of sales in the Chinese market and the high level of duties associated with these sales.

Gross profit

The gross profit was £113.3m or 39.8% of revenue for the three months ended 31 December 2016, compared to £63.4m or 34.3% for the quarter ended 31 December 2015. The gross profit for the year was £221.5m or 37.3%, whilst the 2015 comparatives were £164.9m and 32.3%. The improvement in the quarter and the year, in both absolute and percentage terms, again resulted from the launch of the DB11 which has both a higher wholesale price and a higher profit contribution than its predecessor model, the DB9.

Selling and distribution expenses

Selling and distribution expenses increased by £3.8m to £11.8m for the three months to 31 December 2016, as compared to £8.0m for the three months to 31 December 2015. In the year they also increased by £9.8m to £41.9m from £32.1m in 2015. The increases, in particular in the full year and to some extent in the quarter, have arisen from DB11 launch events with the press launch in Tuscany in the third quarter, its unveiling at the Geneva Motor Show in March and the DB11 Confidential event at Gaydon in February. Additional expenditure has been incurred on the group's motorsport activities, including the relationship with Red Bull, and the year has also seen the launches of the Vanquish Zagato and GT8 special editions.

Administrative and other expenses

Administrative and other expenses were £107.2m for the three months to 31 December 2016, compared to £82.0m for the three months to 31 December 2015, an increase of £25.3m, and £212.0m for the year in 2016 as compared to £191.1m in 2015, an increase of £20.9m. Non-recurring costs of £48.7m where incurred in the final quarter of 2016 relating to the impairment of intangible and tangible assets as compared to £37.7m in the 2015 quarter for both the impairment of intangible and tangible assets and restructuring costs. The full year non-recurring costs in 2015, also included £2.6m for a payment to a former director for the settlement of shares making a total of £40.4m in 2015. Adjusting for these items, the costs were £58.5m in the 2016 quarter as compared to £44.3m in 2015, and £163.3m in the year as compared to £150.7m in 2015.The higher underlying costs in both the 2016 quarter and full year of £14.2m and £12.6m respectively were due to increased engineering charges for costs that did not meet the capitalisation criteria and performance related rewards.

Operating profit / (loss)

The operating loss was £(5.8)m in the three months ended 31 December 2016, compared to a loss of £(26.5)m in the three months to 31 December 2015, an improvement of £20.7m. However, after adjusting for non-recurring costs, the underlying operating profit increased by £31.8m from £11.2m in 2015 to £43.0m in 2016. The gross profit increased by £49.9m in the quarter primarily due to increased volumes mainly arising from the higher contribution DB11 model, but fixed costs, adjusted for non-recurring items, increased by £18.0m, mainly due to additional fixed marketing costs, a higher charge for engineering costs and performance related rewards. The annual result for 2016 saw an decrease of £26.0m in the operating loss with a loss of £(32.3)m in 2016 as compared to a loss of £(58.3)m in 2015. But, again, adjusting for non-recurring items the underlying result, improved by £34.3m to a profit of £16.4m in 2016 as compared to a loss of £(17.9)m in 2015. Gross profit improved by £56.6m, whilst fixed costs adjusted for non-recurring items increased by £(22.4)m, for the same reasons as highlighted in the quarter.

Finance income / (expense)

The net finance expense was £(32.6)m in the three months to 31 December 2016, compared to £(20.5)m in the corresponding quarter of 2015, an increase of £(12.1)m. For the full year the net finance expense was £(130.5)m in 2016 as compared to £(69.7)m in 2015, an increase of £(60.8)m. The increase in the quarter arose primarily from the additional interest on the preference shares of £(4.5)m, due to the issue of a further £100m of shares earlier in the year and the compounding interest effect, an increase of £(5.0)m in the exchange loss on the translation of the US Dollar denominated PIK Notes, an increase of £(0.8)m in net interest on bank loans and overdrafts relating to the compounding effect of the interest on the PIK Notes and an increase of £(1.8)m in the net loss on fair value adjustments on foreign exchange hedges due to the strengthening of the Us Dollar. In the full year the preference share interest increased by £(18.3)m, the exchange loss of the US Dollar denominated PIK Notes increased by £(20.5)m, net bank loans and overdrafts interest increased by £(2.8)m and the net loss on fair value adjustments on foreign exchange hedges increased by £(19.5)m for the same reasons as in the quarter. In addition there was a decrease £0.3m the net interest expense on the defined benefit pension scheme. A detailed analysis of finance income and expense is set out in notes 3 and 4.

Income tax credit

The income tax credit was £2.6m in the three months to 31 December 2016, as compared to £12.8m in the three months to 31 December 2015. In the year to 31 December 2016 there was a credit of £15.2m representing a rate of 9.3%, which compared to a credit of £21.0m in 2015, a rate of 16.4%. In both years the tax credit is lower than the corporation tax rate applicable to the group of 20.0% in 2016 and 20.25% in 2015 as no credit has been taken for certain losses, the utilisation of which is uncertain, and certain costs that are disallowable for tax purposes, in particular the preference share interest. Please refer to note 5 for more information on income tax.

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Financial review - cash flow statement

The three months to 31 December 2016 saw a net cash inflow of £46.3m, compared to an inflow of £7.9m in the three months to 31 December 2015. The cash balance at 31 December 2016 was £101.7m. The equivalent flows for the full years were an inflow of £ 36.2m in 2016 as compared to an outflow of £(23.7)m in 2015.

Cash flow from operating activities

We generated £74.8m of net cash from our operating activities in the three months to 31 December 2016, and £164.6m in the year to 31 December 2016, as compared to £53.0m and £75.2m in the equivalent three month and twelve month periods to 31 December 2015. In the 2016 quarter the group generated £4.2m from an improvement in working capital as compared to £24.2m in 2015, but the main reason for the higher cash generation was the improvement in the underlying operating profit from £11.2m in 2015 to £43.0m in 2016. The slight improvement in working capital in 2016 arose mainly from higher trade and other payables of £51.0m due to the deposits received on the AM-RB 001 and other future vehicle sales, and engineering and capital liabilities related to the DB11 vehicle. Offsetting this was an increase of £(48.5)m in trade and other receivables arising from the timing of cash receipts over the year end, which has subsequently normalised. In the full year working capital improved by £74.3m in 2016 as compared to £19.8m in 2015 whilst there was an underlying operating profit of £16.4m as compared to a loss of £(17.9)m in 2015. In 2016 trade and other payables increased by £150.3m for the same reasons as in the quarter, but both trade and other receivables and inventory increased by £(39.1)m and £(36.9)m respectively. The reason for the trade and other receivable increase was as in the quarter, whilst the inventory increase arose from the launch of DB11 and the additional associated inventory.

Cash flow from investing activities

Net cash used in investing activities decreased to £38.9m in the three months to 31 December 2016 from £48.6m in the three months to 31 December 2015. The full year, however, saw an increase to £190.2m in 2016 from £161.0m in 2015. The reduction in the quarter resulted from DB11 sales commencing in Q4 16 and a consequent reduction in the high levels of capital expenditure on this project. By contrast, the increase in the year was almost totally due to the higher levels of spend on tangible as opposed to intangible assets, as the group acquired the facilities and tooling required for the manufacture of the DB11.

Cash flow from financing activities

There was a net cash outflow from financing activities of £(5.6)m in the three months to 31 December 2016, as compared to an inflow £4.1m in the three months to 31 December 2015. In Q4 16 there were decreases in inventory funding in the US and China, whereas in 2015 the inventory funding had increased. The year to 31 December 2016 saw an inflow of £53.6m as compared to £62.8m in 2015. In 2016 the group raised £100m from the issue of the second tranche of the preference shares whilst paying back £(13.8)m of short term inventory funding and paying £(32.6)m of interest, mainly associated with the Senior Secured Loan Notes. In 2015 the group raised £96.5m, net of transaction fees, from the issue of the first tranche of preference shares and £2.4m from the receipt of funds from previously partly paid shares, whilst paying back £(3.8)m of short term inventory funding and paying £(32.3)m of interest.

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

Pursuant to clause 22.3 (b) of the Revolving Credit Facility agreement between Aston Martin Holdings (UK) Limited (the "Company") and Deutsche Bank AG, London Branch (acting as Agent), the undersigned certifies on behalf of the Company that to the best of his 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 Company's group as at 31 December 2016.

Mark Wilson
Chief Financial Officer

24 February 2017

Condensed consolidated statement of comprehensive income
for the period ended 31 December 2016

	Notes	Year ended 31 December 2016 £'000	3 months ended 31 December 2016 £'000	Year ended 31 December 2015 £'000	3 months ended 31 December 2015 £'000
Revenue	2	**593,450**	**284,996**	510,172	184,713
Cost of sales		**(371,903)**	**(171,741)**	(345,294)	(121,298)
Gross profit		**221,547**	**113,255**	164,878	63,415
Selling and distribution expenses		**(41,858)**	**(11,774)**	(32,084)	(7,961)
Administrative and other expenses		**(212,008)**	**(107,256)**	(191,076)	(81,983)
Operating loss		**(32,319)**	**(5,775)**	(58,282)	(26,529)
Analysed as :					
Impairment of intangible and tangible assets		**(48,738)**	**(48,738)**	(30,169)	(30,169)
Restructuring costs including related consultancy costs		**-**	**-**	(7,547)	(7,547)
Payment to a former director relating to the settlement of shares		**-**	**-**	(2,636)	-
Underlying operating profit / (loss)*	7	**16,419**	**42,963**	(17,930)	11,187
Operating loss		**(32,319)**	**(5,775)**	(58,282)	(26,529)
Finance income	3	**2,584**	**638**	2,090	521
Finance expense	4	**(133,042)**	**(33,267)**	(71,764)	(21,035)
Net financing expense		**(130,458)**	**(32,629)**	(69,674)	(20,514)
Loss before tax		**(162,777)**	**(38,404)**	(127,956)	(47,043)
Income tax credit	5	**15,204**	**2,626**	20,999	12,784
Loss for the period		**(147,573)**	**(35,778)**	(106,957)	(34,259)
Other comprehensive income					
Items that will never be reclassified to profit or loss					
Remeasurement of defined benefit liability		**(65,975)**	**24,022**	7,101	(2,678)
Related income tax		**11,216**	**(4,983)**	(1,278)	678
		(54,759)	**19,039**	5,823	(2,000)
Items that are or may be reclassified to profit or loss					
Foreign exchange translation differences		**1,493**	**133**	1,015	1,068
Other comprehensive (expense) / income for the period, net of income tax		**(53,266)**	**19,172**	6,838	(932)
Total comprehensive expense for the period		**(200,839)**	**(16,606)**	(100,119)	(35,191)
Loss attributable to:					
Owners of the group		**(147,902)**	**(35,757)**	(107,108)	(34,237)
Non-controlling interests		**329**	**(21)**	151	(22)
		(147,573)	**(35,778)**	(106,957)	(34,259)
Total comprehensive expense attributable to:					
Owners of the group		**(201,168)**	**(16,585)**	(100,270)	(35,169)
Non-controlling interests		**329**	**(21)**	151	(22)
		(200,839)	**(16,606)**	(100,119)	(35,191)

* underlying operating profit / (loss) represents operating profit / (loss) excluding non-recurring items.
A non-recurring item is an item on the Group's consolidated statement of comprehensive income that is not expected to occur regularly.

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

Condensed consolidated statement of changes in equity (continued)

Group	Share capital	Share premium and Share warrants	Capital reserve and non-controlling interest	Translation reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 October 2016	**3**	**387,280**	**99,084**	**2,203**	**(399,304)**	**89,266**
Total comprehensive income / (expense) for the period						
Loss	**-**	**-**	**(21)**	**-**	**(35,757)**	**(35,778)**
Other comprehensive income / (expense)						
Foreign currency translation differences	-	-	-	133	-	133
Remeasurement of defined benefit liability	-	-	-	-	24,022	24,022
Income tax on other comprehensive income	-	-	-	-	(4,983)	(4,983)
Total other comprehensive income	**-**	**-**	**-**	**133**	**19,039**	**19,172**
Total comprehensive (expense) / income for the period	**-**	**-**	**(21)**	**133**	**(16,718)**	**(16,606)**
At 31 December 2016	**3**	**387,280**	**99,063**	**2,336**	**(416,022)**	**72,660**

Group	Share capital	Share premium and Share warrants	Capital reserve and non-controlling interest	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)	**-**	**-**	**329**	**-**	**(147,902)**	**(147,573)**
Other comprehensive income / (expense)						
Foreign currency translation differences	-	-	-	1,493	-	1,493
Remeasurement of defined benefit liability	-	-	-	-	(65,975)	(65,975)
Income tax on other comprehensive expense	-	-	-	-	11,216	11,216
						-
Total other comprehensive income / (expense)	**-**	**-**	**-**	**1,493**	**(54,759)**	**(53,266)**
Total comprehensive income / (expense) for the period	**-**	**-**	**329**	**1,493**	**(202,661)**	**(200,839)**
Transactions with owners, recorded directly in equity						
Capital increase		9,419	-	-	-	9,419
Total transactions with owners	**-**	**9,419**	**-**	**-**	**-**	**9,419**
At 31 December 2016	**3**	**387,280**	**99,063**	**2,336**	**(416,022)**	**72,660**

The capital increase during the year ended 31 December 2016 represents the fair value of the share warrants granted in connection with the issue of the preference shares amounting to £9,419,000 as £100,000,000 of preference shares were issued in both April 2015 and April 2016.

Included in Capital Reserve and Non-controlling interests is £1,100,000 of additional capital reserve and £4,999,000 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)

Group	Share capital	Share premium and Share warrants	Capital reserve Non-controlling interests	Translation reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 October 2015	**3**	**377,861**	**98,756**	**(225)**	**(177,124)**	**299,271**
Total comprehensive income / (expense) for the period						
Loss	**-**	**-**	**(22)**	**-**	**(34,237)**	**(34,259)**
Other comprehensive income / (expense)						
Foreign currency translation differences	-	-	-	1,068	-	1,068
Remeasurement of defined benefit liability	-	-	-	-	(2,678)	(2,678)
Income tax on other comprehensive income	-	-	-	-	678	678
Total other comprehensive income / (expense)	**-**	**-**	**-**	**1,068**	**(2,000)**	**(932)**
Total comprehensive (expense) / income for the period	**-**	**-**	**(22)**	**1,068**	**(36,237)**	**(35,191)**
At 31 December 2015	**3**	**377,861**	**98,734**	**843**	**(213,361)**	**264,080**

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 2015	**3**	**366,463**	**98,583**	**(172)**	**(112,076)**	**352,801**
Total comprehensive income / (expense) for the period						
Profit / (loss)	**-**	**-**	**151**	**-**	**(107,108)**	**(106,957)**
Other comprehensive income / (expense)						
Foreign currency translation differences	-	-	-	1,015	-	1,015
Remeasurement of defined benefit liability	-	-	-	-	7,101	7,101
Income tax on other comprehensive expense	-	-	-	-	(1,278)	(1,278)
						-
Total other comprehensive income	**-**	**-**	**-**	**1,015**	**5,823**	**6,838**
Total comprehensive income / (expense) for the period	**-**	**-**	**151**	**1,015**	**(101,285)**	**(100,119)**
Transactions with owners, recorded directly in equity						
Capital increase	-	11,398	-	-	-	11,398
Total transactions with owners	**-**	**11,398**	**-**	**-**	**-**	**11,398**
At 31 December 2015	**3**	**377,861**	**98,734**	**843**	**(213,361)**	**264,080**

Included in Capital Reserve and Non-controlling interests is £1,100,000 of additional capital reserve and £4,670,000 of Non-controlling interest relating to the 50% interest in the share capital of AMWS Limited, the parent company of Aston Martin Works Limited.

The capital increase during the year ended 31 December 2015 represents the share premium paid for previously partly paid shares of £2,355,000 and the fair value of the share warrants granted in connection with the issue of the preference shares amounting to £9,043,000.

Condensed consolidated statement of financial position
at 31 December 2016

	Note	31.12.16 £'000	31.12.15 £'000
Non-current assets			
Intangible assets		**706,947**	677,297
Property, plant and equipment		**196,321**	166,314
Other receivables		**2,309**	2,169
Other financial assets		**88**	63
Deferred tax asset		**32,124**	48,303
		937,789	894,146
Current assets			
Inventories		**117,245**	80,363
Trade and other receivables		**112,757**	69,113
Other financial assets		**272**	52
Cash and cash equivalents	8	**101,718**	65,562
		331,992	215,090
Total assets		**1,269,781**	1,109,236
Current liabilities			
Borrowings	8	**5,153**	16,597
Trade and other payables		**340,893**	180,293
Income tax payable		**680**	894
Other financial liabilities		**18,646**	8,200
Provisions	10	**7,631**	6,361
		373,003	212,345
Non-current liabilities			
Borrowings	8	**696,065**	532,103
Other financial liabilities		**9,611**	1,584
Employee benefits	11	**69,769**	4,947
Provisions	10	**6,070**	8,218
Deferred tax liabilities		**42,603**	85,959
		824,118	632,811
Total liabilities		**1,197,121**	845,156
Net assets		**72,660**	264,080
Capital and reserves			
Share capital		**3**	3
Share premium		**368,818**	368,818
Share warrants		**18,462**	9,043
Capital reserves		**94,064**	94,064
Translation reserve		**2,336**	843
Retained earnings		**(416,022)**	(213,361)
Equity attributable to owners of the group		**67,661**	259,410
Non-controlling interests		**4,999**	4,670
Total shareholders' equity		**72,660**	264,080

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

Condensed consolidated statement of cash flows
for the period ended 31 December 2016

	Notes	Year ended 31 December 2016 £'000	3 months ended 31 December 2016 £'000	Year ended 31 December 2015 £'000	3 months ended 31 December 2015 £'000
Operating activities					
Loss for the period		**(147,573)**	**(35,778)**	(106,957)	(34,259)
Adjustments to reconcile loss for the period					
to net cash inflow from operating activities					
Tax on continuing operations	5	**(15,204)**	**(2,626)**	(20,999)	(12,784)
Net finance costs		**122,306**	**31,285**	66,838	19,940
Other non cash movements		**1,035**	**(325)**	1,129	1,182
Losses on sale of property, plant and equipment		**22**	**22**	54	54
Depreciation and impairment of property, plant and equipment		**38,314**	**18,146**	46,320	23,704
Amortisation and impairment of intangible assets		**94,858**	**56,513**	73,157	31,466
Difference between pension contributions paid and amounts recognised in income statement		**(1,153)**	**(277)**	(356)	(810)
Decrease / (increase) in inventories		**(36,882)**	**1,725**	18,064	17,483
Increase in trade and other receivables		**(39,126)**	**(48,548)**	(19,816)	(5,209)
Increase in trade and other payables		**150,333**	**51,019**	21,574	11,907
Movement in provisions		**(1,289)**	**3,867**	(2,876)	338
Cash generated from operations		**165,641**	**75,023**	76,132	53,012
Income taxes paid		**(1,082)**	**(225)**	(905)	(22)
Net cash inflow from operating activities		**164,559**	**74,798**	75,227	52,990
Cash flows from investing activities					
Interest received	3	**2,224**	**604**	2,090	503
Proceeds on the disposal of property, plant and equipment		**395**	**395**	94	94
Payments to acquire property, plant and equipment		**(68,280)**	**(9,774)**	(38,517)	(13,170)
Payments to acquire intangible assets		**(124,508)**	**(30,100)**	(124,649)	(35,990)
Net cash used in investing activities		**(190,169)**	**(38,875)**	(160,982)	(48,563)
Cash flows from financing activities					
Interest paid		**(32,612)**	**(1,099)**	(32,252)	(1,004)
Proceeds from equity share issue		**-**	**-**	2,355	-
New borrowings		**100,000**	**-**	100,000	-
Movement in existing borrowings		**(13,787)**	**(4,503)**	(3,751)	5,149
Transaction fees on new borrowings		**-**	**-**	(3,536)	-
Net cash inflow / (outflow) from financing activities		**53,601**	**(5,602)**	62,816	4,145
Net increase / (decrease) in cash and cash equivalents		**27,991**	**30,321**	(22,939)	8,572
Cash and cash equivalents at the beginning of the period		**65,562**	**55,453**	89,250	57,638
Effect of exchange rates on cash and cash equivalents		**8,165**	**15,944**	(749)	(648)
Cash and cash equivalents at the end of the period	8	**101,718**	**101,718**	65,562	65,562

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

Notes to the financial statements for the period ended 31 December 2016

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 31 December 2016 comprise the company and its subsidiaries (together referred to as the 'group').

The group meets its day-to-day working capital requirements and medium term funding requirements through a mixture of Senior Secured Notes, Senior Subordinated PIK notes, Preference shares, a revolving credit facility, facilities to finance inventory and a wholesale vehicle financing facility. The Senior Secured Notes, which expire in July 2018, amount to £304,000,000 and include certain covenant tests. The Senior Subordinated PIK notes and related accrued interest amount to £176,417,000 at 31 December 2016 and are also due for repayment in July 2018. The Preference shares and related accrued interest amounted to £217,969,000 at 31 December 2016. The £40,000,000 revolving credit facility is available until July 2018. The revolving credit facility was undrawn at 31 December 2016 and 31 December 2015.

The directors have prepared trading and cash flow forecasts for the period to 2020. 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 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 31 December 2016 (continued)

2 Revenue

	Year ended 31.12.16 £'000	**3 months ended 31.12.16 £'000**	Year ended 31.12.15 £'000	3 months ended 31.12.15 £'000
Sale of vehicles	**528,974**	**266,425**	457,404	171,184
Sale of parts	**53,605**	**16,547**	44,700	10,762
Servicing of vehicles	**10,871**	**2,024**	8,068	2,767
Total revenue	**593,450**	**284,996**	510,172	184,713

3 Finance income

	Year ended 31.12.16 £'000	**3 months ended 31.12.16 £'000**	Year ended 31.12.15 £'000	3 months ended 31.12.15 £'000
Bank deposit and other interest income	**2,224**	**604**	2,090	521
Net interest income on the net defined benefit liability	**-**	**34**	-	-
Net gain on financial instruments recognised at fair value through profit or loss	**360**	**-**	-	-
Total finance income	**2,584**	**638**	2,090	521

4 Finance expense

	Year ended 31.12.16 £'000	**3 months ended 31.12.16 £'000**	Year ended 31.12.15 £'000	3 months ended 31.12.15 £'000
Bank loans and overdrafts	**49,571**	**12,753**	46,670	11,855
Net interest expense on the net defined benefit liability	**3**	**-**	277	30
Interest on preference shares classified as financial liabilities	**29,124**	**8,639**	10,838	4,064
Net loss on financial instruments recognised at fair value through profit or loss	**26,737**	**3,268**	6,850	1,464
Net foreign exchange loss	**27,607**	**8,607**	7,129	3,622
Total finance expense	**133,042**	**33,267**	71,764	21,035

5 Income tax credit

The effective tax rate for the year ended 31 December 2016 is 9.3% (year ended 31 December 2015 : 16.4%). This compares to a UK statutory rate of tax 20% applicable to the group for the year to 31 December 2016 (20.25% for the year ended 31 December 2015).

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantially enacted on 6 September 2016. This will reduce the Group's future current tax charge accordingly. The deferred tax assets and liabilities at 31 December 2016 have been calculated based on these rates.

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

The directors have not declared or paid a dividend in either 2016 or 2015.

Notes to the financial statements for the period ended 31 December 2016 (continued)

7 Underlying operating profit / (loss)

	Year ended 31.12.16 £'000	**3 months ended 31.12.16 £'000**	Year ended 31.12.15 £'000	3 months ended 31.12.15 £'000
Operating loss	**(32,319)**	**(5,775)**	(58,282)	(26,529)
Impairment of intangible and tangible assets	**48,738**	**48,738**	30,169	30,169
Restructuring costs including related consultancy costs	**-**	**-**	7,547	7,547
Payment to a former director relating to the settlement of shares	**-**	**-**	2,636	-
Underlying operating profit / (loss)*	**16,419**	**42,963**	(17,930)	11,187

* underlying operating profit / (loss) represents operating profit / (loss) excluding non-recurring items.

8 Net borrowings

	As at 31.12.16 £'000	As at 31.12.15 £'000
Cash and cash equivalents	**101,718**	65,562
Bank loans and overdrafts (a)	**(5,153)**	(16,597)
Senior Secured Loan Notes (b)	**(301,679)**	(300,042)
Senior Subordinated PIK notes (c)	**(176,417)**	(133,796)
Redeemable cumulative preference shares (d)	**(217,969)**	(98,265)
	(599,500)	(483,138)

(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 and certain other elements of group inventory. At 31 December 2016 the utilisation of these facilities was £5,153,000 (31 December 2015 : £16,597,000). The £40,000,000 revolving credit facility was undrawn at both 31 December 2016 and 31 December 2015. The group has a wholesale vehicle financing facility of £125,000,000 with Standard Chartered Bank plc. Until May 2011 this facility was treated as on-balance sheet. Following a renegotiation of the terms of the facility in June 2011 and the transfer of substantially all of the risk to Standard Chartered Bank plc the facility is now off-balance sheet.

(b) The group raised £304,000,000 through the issue of 9.25% Senior Secured Loan Notes in July 2011 which are due for repayment in July 2018.

(c) In March 2014, the group issued 10.25% Senior Subordinated PIK notes with a value of 165m US Dollars. At the 31 December 2016 closing exchange rate the liability relating to the Senior Subordinated PIK notes, including accrued interest, was £176,417,000 (31 December 2015 : £133,796,000).

(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 31 December 2016 the liability relating to the preference shares, including accrued interest, was £217,969,000 (31 December 2015 : £98,265,000).

9 Foreign exchange rates

	Average rate year ended 31.12.16	**Average rate 3 months ended 31.12.16**	Average rate year ended 31.12.15	Average rate 3 months ended 31.12.15
Euro	**1.2443**	**1.1559**	1.3598	1.3570
Chinese renminbi	**9.1285**	**8.6688**	9.5647	9.6295
US dollar	**1.3868**	**1.2990**	1.5328	1.5148

10 Provisions

	As at 31.12.16 £'000	As at 31.12.15 £'000
Warranty and service plans	**13,701**	14,579
Non-current	**6,070**	8,218
Current	**7,631**	6,361
	13,701	14,579

11 Pension scheme

The net liability for defined benefit pension asset has decreased from £(94,068,000) at 30 September 2016 to £(69,769,000) at 31 December 2016. The movement of £24,299,000 comprises contributions of £2,502,000 plus a net actuarial gain of £24,022,000, less a charge to the income statement of £(2,225,000). The net actuarial gain has arisen primarily due an increase in the discount rate assumption used in the valuation of the scheme's assets and liabilities as compared to 30 September 2016. The discount rate increased to 2.7% at 31 December 2016 as compared to 2.3% at 30 September 2016.

12 Related party transactions

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 the year end with entities with significant influence over the group are as follows:

		Sales to related party £'000	**Purchases from related party £'000**	**Amounts owed by related party £'000**	**Amounts owed to related party £'000**
Entities with significant influence over the group	**31 December 2016**	**1,446**	**2,651**	**466**	**1,690**
Entities with significant influence over the group	31 December 2015	-	1,725	-	483