Aston Martin Holdings (UK) Limited

Interim financial report

for the period ended 31 December 2017

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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 core product range: DB11, V8 Vantage S, V12 Vantage S, 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 2017, we sold 5,098 cars including special editions.

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 2017 were 1,768 vehicles (1,668 in the fourth quarter of 2016).

Average prices

	For the three months ended 31 December 2017	For the year ended 31 December 2017	For the three months ended 31 December 2016
Average car sale price in £ thousands	151(1)	150(1)	151(1)

(1) Excludes special editions

Sales volumes

	For the three months ended 31 December 2017	For the year ended 31 December 2017	For the three months ended 31 December 2016
V8	743	1,086	136
V12	1,025	4,012	1,532
Total	1,768	5,098	1,668

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 these issues were used to settle the existing Senior Secured Loan 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 December 2017, the group issued a further £55,000,000 5.75% Senior Secured Notes which also mature in April 2022. The proceeds of this issue were used to purchase 100% of the voting shares of AM Brands Limited, a company incorporated in Jersey.

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

In September 2017, the innovation partnership with Red Bull Racing was further strengthened by the announcement that the Formula One team will compete as 'Aston Martin Red Bull Racing' from 2018 and that a new Advanced Performance centre will open on the Red Bull campus at Milton Keynes.

In September 2017, following the launch of the DB11 V12 coupe in 2016, a second engine derivative (a twin turbo 4.0 litre V8) was introduced.

On 1 January 2018, the pension scheme benefit structure changed from being based on an employee's final salary based to being based on career average revalued earnings (CARE). The effect of this was to reduce the deficit on the pension scheme by £24,274,000 by way of a past service pension benefit, which has been shown as a non-recurring credit in the condensed consolidated statement of comprehensive income.

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Financial review - income statement

Revenue

Revenue was £309.2m for the three months ended 31 December 2017, compared to £285.0m for the three months ended 31 December 2016, an increase of £24.2m or 8.5%, giving revenue of £876.0m for the year, an increase of £282.5m or 47.6% over the corresponding period in 2016 when revenue totalled £593.5m. Vehicle sales in the fourth quarter increased by 6.0% to 1,768 vehicles in 2017 from 1,668 vehicles in 2016. The V12 mix fell to 58.0% of sales in the 2017 quarter from 91.8% in 2016, whilst the V8 mix increased to 42.0% as compared to 8.2% in 2016. Similarly, in the full year, vehicle sales increased to 5,098 vehicles in 2017 from 3,687 vehicles, an increase of 38.3%. The proportion of V12 sales increased slightly to 78.7% in 2017 from 78.2% in 2016 with a corresponding reduction in V8 sales to 21.3% from 21.8%. This decrease in V12 sales relative to V8 in the fourth quarter of 2017 was due to the launch of the V8 version of the DB11. However, in the full year the mix was almost unchanged with the additional DB11 V8 sales being offset by lower V8 Vantage sales. The DB11 was also responsible for the disproportionate increase in revenue in the full year as compared to volumes, due to the significantly higher wholesale price as compared to the DB9. The average wholesale price for core models was unchanged at £151,000 in the quarter but increased to £150,000 from £137,000 in the full year.

Cost of sales

Cost of sales were £152.7m for the three months ended 31 December 2017, compared to £171.7m for the three months ended 31 December 2016, a decrease of £19.0m or 11.1%, whilst for the year they increased to £496.2m from £371.9m, an increase of £124.3m or 33.4%.

Material costs for the three months ended 31 December 2017 increased to £119.4m or 38.6% of revenue compared to £114.9m or 40.3% of revenue for the same period in 2016. Material costs in the year increased to £356.8m or 40.7% of revenue from £256.3m or 43.2% of revenue. The decrease as a percentage of revenue in the quarter and In the year, as with revenue, arises from the full year effect of DB11 with the launch of the V8 version in the fourth quarter of 2017, which has higher profit margins as compared to its predecessor model, the DB9.

Direct labour for the three months ended 31 December 2017 was £7.6m or 2.5% of revenue compared to £5.6m or 2.0% of revenue in the three months to 31 December 2016, an increase in absolute direct labour costs of £2.0m or 35.7%. In the year there was an increase of £8.2m or 40.6% from £20.2m, (3.4% of revenue), to £28.4m (3.2% 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 the DB11 V8 and a full year effect of DB11. In the quarter the percentage of revenue increased due to the group putting in place the higher manpower requirements for a further growth in volumes in 2018, whilst in the full year the percentage fell due to increased efficiencies arising from the higher volume.

Other cost of sales for the three months ended 31 December 2017 were £25.7m or 8.3% of revenue, compared to £51.2m or 18.0% of revenue for the three months ended 31 December 2016, a decrease of 50.2%. In the year these costs increased by 16.4% to £111.0m from £95.4m, 12.7% and 16.1% of revenue respectively. Both of the 2017 figures, however, include a non-recurring past service pension benefit of £24.3m, relating to the change of benefits for the defined benefit pension scheme. Adjusting for this item, the costs for Q4 17 increase to £50.0 or 16.2% of revenue and £135.3m or 15.4% of revenue in the full year. The reduction in absolute costs in the quarter arises from lower China duty costs for the DB11 V8, and favourable exchange benefits as a result of the strengthening of Sterling, particularly against the US Dollar, offset in part by volume related increases. The increase in the year is largely reflective of the increased volumes and revenues, with the percentage falling due to the higher average wholesale price due to the full year effect of DB11.

Gross profit

The gross profit was £156.6m or 50.6% of revenue for the three months ended 31 December 2017, compared to £113.3m or 39.8% for the quarter ended 31 December 2016. The gross profit for the year was £379.8m or 43.4% of revenue, whilst the 2016 comparatives were £221.5m and 37.3% of revenue. Adjusting for the non-recurring pension benefit, the figures for 2017 are £132.3m or 42.8% for the quarter and £355.5m or 40.6% for the year. The improvement in the quarter and the year, in both absolute and percentage terms, again resulted from the full year effect 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 £0.4m to £12.2m for the three months to 31 December 2017, as compared to £11.8m for the three months to 31 December 2016. In the year they also increased by £18.1m to £60.0m from £41.9m in 2016. The increase in the quarter is due to there being new Vantage and DB11 V8 and Volante launch events in 2017 whilst in 2016 there were DB11 V12 events. In the full year, in addition to the launch events, costs have been incurred in extending the relationship with Red Bull Racing, the appointment of Tom Brady, Serena Williams, Max Verstappen and Daniel Ricciardo as brand ambassadors, the opening of the Tokyo brand centre, the set up of the Chinese parts warehouse and improvements to the customer relationship database.

Administrative and other expenses

Administrative and other expenses were £59.1m for the three months to 31 December 2017, compared to £107.3m for the three months to 31 December 2016, a decrease of £48.2m, and £171.0m for the year in 2017 as compared to £212.0m in 2016, a decrease of £41.0m. However, non-recurring costs of £48.7m where incurred in the final quarter of 2016 relating to the impairment of intangible and tangible assets. Adjusting for this item, the costs were £58.6m in the 2016 quarter as compared to £59.1m in 2017, and £163.3m in the year as compared to £171.0m in 2017.In the quarter and the year, as a result of the impairment in 2016, depreciation and amortisation costs before the non-recurring item were £1.6m and £2.5m lower respectively, and consequently underlying fixed costs were £2.1m and £10.2m higher in the quarter and full year. This arose from higher manufacturing costs due to the launch of DB11 as well as preparation of the St. Athan site, and increased headcount due to the current and future growth of the business.

Operating profit / (loss)

The operating profit was £85.3m in the three months ended 31 December 2017, compared to a loss of £(5.8)m in the three months to 31 December 2016, an improvement of £91.1m. However, after adjusting for non-recurring costs, the underlying operating profit increased by £18.0m from £43.0m in 2016 to £61.0m in 2017. The adjusted gross profit increased by £19.0m in the quarter due to both increased volumes and lower per unit variable costs, offset by a small increase of £(1.0) in adjusted fixed costs. The annual result for 2017 saw an improvement in the operating result of £181.1m with an operating profit £148.8m in 2017 as compared to a loss of £(32.3)m in 2016. But again, adjusting for non-recurring items, the underlying result, improved by £108.1m, with a profit of £124.5m in 2017 as compared to £16.4m in 2016. Adjusted gross profit improved by £134.0m, whilst fixed costs adjusted for non-recurring items increased by £(25.9)m, for the reasons highlighted above.

Finance income / (expense)

The net finance expense was £(20.4)m in the three months to 31 December 2017, compared to £(32.6)m in the corresponding quarter of 2016, a decrease of £12.2m. For the full year the net finance expense was £(62.1)m in 2017 as compared to £(130.5)m in 2016, a decrease of £68.4m. The decrease in the quarter principally arose from a net foreign exchange gain in 2017 of £2.3m as opposed to a loss of £(8.6)m in 2016 on the translation of US Dollar denominated debt. There was also a reduction of £0.4m in the net loss on the fair value adjustments on financial instruments as well a reduction of £2.6m in the interest on loans and overdrafts, as a result of the refinancing of long term debt at lower interest rates earlier in the year. Offsetting these benefits of £13.9m, was additional interest on the preference shares of £(1.2)m, due to the compounding interest effect, and an increase of £(0.5)m on the net interest cost of the defined benefit pension scheme. In the full year the net finance expense in 2017 included £(12.9)m of non-recurring costs relating to the refinancing. Adjusting for this item, net finance expense reduced by £81.3m to £(49.2)m in 2017 from £(130.5)m in 2016. This was mainly due to an £86.5m improvement due to gains of £24.9m and £7.6m in 2017 as opposed to losses of £(27.6)m and £(26.4)m in 2016 on the translation of US Dollar denominated debt and the fair value adjustments on financial instruments respectively. There was also a reduction of £4.5m in the interest on loans and overdrafts as a result of the loan refinancing and an increase in interest received of £0.9m As in the quarter, offsetting these benefits totalling £91.9m was additional preference share interest of £(8.7)m due to the compounding effect, and an increase of £(1.8)m in the net interest cost of the defined benefit pension scheme. Please refer to notes 3 and 4 for more information on finance income and expense.

Income tax (charge) / credit

The income tax charge was £(3.3)m in the three months to 31 December 2017, as compared to a credit £2.6m in the three months to 31 December 2016. In the year to 31 December 2017 there was a charge of £(7.7)m representing a rate of 8.9%, which compared to a credit of £15.2m in 2016, a rate of 9.3%. In both years the tax (charge) / credit is lower than the corporation tax rate applicable to the group of 19.25% in 2017 and 20.0% in 2016. In 2017 the charge is lower as credit has been taken for certain historic losses, the utilisation of which was previously uncertain. In contrast, in 2016 credit was not taken for some losses, as their utilisation was not certain. In both years the tax (charge) / credit has been affected by 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 2017 saw a net cash inflow of £95.9m, compared to an inflow of £46.3m in the three months to 31 December 2016. The cash balance at 31 December 2017 was £167.9m. The equivalent flows for the full years were an inflow of £66.1m in 2017 as compared to an inflow of £36.2m in 2016.

Cash flow from operating activities

We generated £193.5m of net cash from our operating activities in the three months to 31 December 2017, and £343.8m in the year to 31 December 2017, as compared to £74.8m and £164.6m in the equivalent three month and twelve month periods to 31 December 2016. In the 2017 quarter the group generated £105.7m from an improvement in working capital as compared to £4.2m in 2016, mainly due to receipts of second deposits for the Valkyrie and receipt of funds following the inception of the St Athan lease which accounts for the significant increase in trade and other payables of £91.0m. The group also significantly reduced its inventory generating £39.6m, whilst receivables increased by £(24.9)m due to the timing of receipts around the year end. In addition the operating performance showed a improvement of £16.5m with an underlying operating profit before depreciation and amortisation of £85.4m in the 2017 quarter as compared to £68.9m in 2016. In the full year working capital improved by £148.3m in 2017 as compared to £74.3m in 2016 whilst there was an underlying operating profit before depreciation and amortisation of £206.5m as compared to £100.9m in 2016. In 2017 trade and other payables increased by £166.6m for the same reasons as in the quarter, but both trade and other receivables and inventory increased marginally by £(7.8)m and £(10.5)m respectively, indicative of the growth in the business.

Cash flow from investing activities

Net cash used in investing activities increased to £130.6m in the three months to 31 December 2017 from £38.9m in the three months to 31 December 2016, and in the full year there was an increase to £340.9m in 2017 from £190.2m in 2016. In the quarter and the year, the increase included £50.0m on the acquisition of AM Brands Limited, whilst expenditure on tangible and intangible assets increased by £15.9m and £25.6m respectively in the quarter, and £6.7m and £94.6m respectively in the full year, as the group continues its investment in new models to be launched in future years.

Cash flow from financing activities

There was a net cash inflow from financing activities of £32.4m in the three months to 31 December 2017, as compared to an outflow of £(5.6)m in the three months to 31 December 2016. In the 3 months to 31 December 2017 the Group raised £53.8m, net of transaction fees, from Senior Secured Notes in order to fund the acquisition of AM Brands Limited and raised £1.3m to fund the Tokyo brand centre. There was a decrease of £(7.7)m in respect of in-transit inventory funding and the Group paid £(17.4)m of interest. In the 3 months to 31 December 2016 there was a decrease in in-transit inventory funding of £(4.5)m and interest paid was £(1.1)m. The year to 31 December 2017 saw an inflow of £64.3m as compared to £53.6m in 2016. In 2017 the group raised £594.0m of new funding, net of transaction fees, principally through new Senior Secured Notes which it used to pay off existing borrowings of £(474.3)m. It also repaid £(5.6)m to its existing shareholders in respect of an adjustment to the £150.0m equity consideration received in 2013 and paid £(49.8)m of interest. 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 paid £(32.6)m of interest, mainly associated with the Senior Secured Notes.

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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 31 December 2017.

Mark Wilson
EVP & Chief Financial Officer

22 February 2018

Condensed consolidated statement of comprehensive income
for the period ended 31 December 2017

	Notes	Year ended 31 December 2017 £'000	3 months ended 31 December 2017 £'000	Year ended 31 December 2016 £'000	3 months ended 31 December 2016 £'000
Revenue	2	**875,993**	**309,215**	593,450	284,996
Cost of sales		**(496,184)**	**(152,651)**	(371,903)	(171,741)
Gross profit		**379,809**	**156,564**	221,547	113,255
Selling and distribution expenses		**(59,983)**	**(12,170)**	(41,858)	(11,774)
Administrative and other expenses		**(171,044)**	**(59,136)**	(212,008)	(107,256)
Operating profit / (loss)		**148,782**	**85,258**	(32,319)	(5,775)
Analysed as :					
Past service pension benefit		**24,274**	**24,274**	-	-
Impairment of intangible and tangible assets		**-**	**-**	(48,738)	(48,738)
Underlying operating profit*	7	**124,508**	**60,984**	16,419	42,963
Operating profit / (loss)		**148,782**	**85,258**	(32,319)	(5,775)
Finance income	3	**35,599**	**2,923**	2,584	638
Finance expense	4	**(97,649)**	**(23,358)**	(133,042)	(33,267)
Net financing expense		**(62,050)**	**(20,435)**	(130,458)	(32,629)
Analysed as :					
Loan interest on the redemption of Senior Secured Loan notes and Senior Subordinated PIK notes		**(10,535)**	**-**	-	-
Write-off of capitalised arrangement fees on Senior Secured Loan notes and Senior Subordinated PIK notes		**(2,377)**	**-**	-	-
Underlying net financing expense **	7	**(49,138)**	**(20,435)**	(130,458)	(32,629)
Net financing expense		**(62,050)**	**(20,435)**	(130,458)	(32,629)
Profit / (loss) before tax		**86,732**	**64,823**	(162,777)	(38,404)
Income tax (charge) / credit	5	**(7,730)**	**(3,312)**	15,204	2,626
Profit / (loss) for the period		**79,002**	**61,511**	(147,573)	(35,778)
Other comprehensive income					
Items that will never be reclassified to profit or loss					
Remeasurement of defined benefit liability		**2,923**	**(1,088)**	(65,975)	24,022
Related income tax		**(497)**	**185**	11,216	(4,983)
		2,426	**(903)**	(54,759)	19,039
Items that are or may be reclassified to profit or loss					
Foreign exchange translation differences		**(677)**	**147**	1,493	133
Other comprehensive income for the period, net of income tax		**1,749**	**(756)**	(53,266)	19,172
Total comprehensive income / (expense) for the period		**80,751**	**60,755**	(200,839)	(16,606)
Profit / (loss) attributable to:					
Owners of the group		**76,371**	**59,575**	(147,902)	(35,757)
Non-controlling interests		**2,631**	**1,936**	329	(21)
		79,002	**61,511**	(147,573)	(35,778)
Total comprehensive income / (expense) for the period attributable to:					
Owners of the group		**78,120**	**58,819**	(201,168)	(16,585)
Non-controlling interests		**2,631**	**1,936**	329	(21)
		80,751	**60,755**	(200,839)	(16,606)

* underlying operating profit represents operating profit excluding non-recurring items.

** underlying net financing expense represents net financing expense 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 13 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 2017	**3**	**381,695**	**99,758**	**1,512**	**(395,897)**	**87,071**
Total comprehensive income / (expense) for the period						
Profit	**-**	**-**	**1,936**	**-**	**59,575**	**61,511**
Other comprehensive income						
Foreign currency translation differences	-	-	-	147	-	147
Remeasurement of defined benefit liability	-	-	-	-	(1,088)	(1,088)
Income tax on other comprehensive income	-	-	-	-	185	185
Total other comprehensive income	**-**	**-**	**-**	**147**	**(903)**	**(756)**
Total comprehensive income for the period	**-**	**-**	**1,936**	**147**	**58,672**	**60,755**
At 31 December 2017	**3**	**381,695**	**101,694**	**1,659**	**(337,225)**	**147,826**

Included in Capital Reserve and Non-controlling interests is £1,100,000 of additional capital reserve and £7,630,000 of Non-controlling interest relating to the 50% interest in the share capital of AMWS Limited, the parent company of Aston Martin Works Limited.

Equity repayment

The equity repayment of £5,585,000 represents a part repayment to Prestige Motor Holdings S.A. of the £150,000,000 equity received in 2013 in order to reflect the value of the shares acquired at that date.

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 2017	**3**	**387,280**	**99,063**	**2,336**	**(416,022)**	**72,660**
Total comprehensive income for the period						
Profit	**-**	**-**	**2,631**	**-**	**76,371**	**79,002**
Other comprehensive income						
Foreign currency translation differences	-	-	-	(677)	-	(677)
Remeasurement of defined benefit liability	-	-	-	-	2,923	2,923
Income tax on other comprehensive expense	-	-	-	-	(497)	(497)
						-
Total other comprehensive income	**-**	**-**	**-**	**(677)**	**2,426**	**1,749**
Total comprehensive income for the period	**-**	**-**	**2,631**	**(677)**	**78,797**	**80,751**
Transactions with owners, recorded directly in equity						
Equity adjustment		(5,585)	-	-	-	(5,585)
Total transactions with owners	**-**	**(5,585)**	**-**	**-**	**-**	**(5,585)**
At 31 December 2017	**3**	**381,695**	**101,694**	**1,659**	**(337,225)**	**147,826**

Included in Capital Reserve and Non-controlling interests is £1,100,000 of additional capital reserve and £7,630,000 of Non-controlling interest relating to the 50% interest in the share capital of AMWS Limited, the parent company of Aston Martin Works Limited.

Equity adjustment

The equity adjustment of £5,585,000 represents a part repayment to Prestige Motor Holdings S.A., which is controlled by Investindustrial V L.P., of the £150,000,000 equity received in 2013 in order to reflect the value of the shares acquired at that date, which has been adjusted based on the deficit of the defined benefit pension scheme over the four year period to June 2017.

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 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 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)	**-**	**-**	**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	**-**	**-**	**-**	**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**

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 2016 represents the fair value of the share warrants granted in connection with the issue of the preference shares amounting to £9,419,000.

Condensed consolidated statement of financial position
at 31 December 2017

	Note	**31.12.17 £'000**	31.12.16 £'000
Non-current assets			
Intangible assets		**930,705**	706,947
Property, plant and equipment		**243,885**	196,321
Other receivables		**2,077**	2,309
Other financial assets		**-**	88
Deferred tax asset		**37,091**	32,124
		1,213,758	937,789
Current assets			
Inventories		**127,785**	117,245
Trade and other receivables		**115,666**	112,757
Other financial assets		**1,381**	272
Cash and cash equivalents	8	**167,851**	101,718
		412,683	331,992
Total assets		**1,626,441**	1,269,781
Current liabilities			
Borrowings	8	**13,481**	5,153
Trade and other payables		**480,863**	340,893
Income tax payable		**2,677**	680
Other financial liabilities		**3,112**	18,646
Provisions	11	**12,016**	7,631
		512,149	373,003
Non-current liabilities			
Borrowings	8	**827,453**	696,065
Trade and other payables		**17,623**	-
Other financial liabilities		**-**	9,611
Employee benefits	12	**46,847**	69,769
Provisions	11	**13,931**	6,070
Deferred tax liabilities		**60,612**	42,603
		966,466	824,118
Total liabilities		**1,478,615**	1,197,121
Net assets		**147,826**	72,660
Capital and reserves			
Share capital		**3**	3
Share premium		**363,233**	368,818
Share warrants		**18,462**	18,462
Capital reserves		**94,064**	94,064
Translation reserve		**1,659**	2,336
Retained earnings		**(337,860)**	(416,022)
Equity attributable to owners of the group		**139,561**	67,661
Non-controlling interests		**8,265**	4,999
Total shareholders' equity		**147,826**	72,660

Notes on pages 10 to 13 form an integral part of the financial statements.

Condensed consolidated statement of cash flows
for the period ended 31 December 2017

	Notes	Year ended 31 December 2017 £'000	3 months ended 31 December 2017 £'000	Year ended 31 December 2016 £'000	3 months ended 31 December 2016 £'000
Operating activities					
Profit / (loss) for the period		**79,002**	**61,511**	(147,573)	(35,778)
Adjustments to reconcile profit / (loss) for the period					
to net cash inflow from operating activities					
Tax on continuing operations	5	**7,730**	**3,312**	(15,204)	(2,626)
Net finance costs		**35,719**	**13,992**	122,306	31,285
Other non cash movements		**(748)**	**76**	1,035	(325)
(Gains) / losses on sale of property, plant and equipment		**(140)**	**(140)**	22	22
Depreciation and impairment of property, plant and equipment		**27,441**	**8,170**	38,314	18,146
Amortisation and impairment of intangible assets		**54,726**	**16,361**	94,858	56,513
Difference between pension contributions paid and amounts recognised in income statement		**(19,999)**	**(23,193)**	(1,153)	(277)
(Increase) / decrease in inventories		**(10,540)**	**39,649**	(36,882)	1,725
Increase in trade and other receivables		**(7,782)**	**(24,917)**	(39,126)	(48,548)
Increase in trade and other payables		**166,613**	**91,005**	150,333	51,019
Movement in provisions		**12,493**	**7,642**	(1,289)	3,867
Cash generated from operations		**344,515**	**193,468**	165,641	75,023
Income taxes paid		**(677)**	**29**	(1,082)	(225)
Net cash inflow from operating activities		**343,838**	**193,497**	164,559	74,798
Cash flows from investing activities					
Interest received	3	**3,085**	**652**	2,224	604
Proceeds on the disposal of property, plant and equipment		**200**	**200**	395	395
Payment to acquire subsidiary undertaking	9	**(50,022)**	**(50,022)**	-	-
Payments to acquire property, plant and equipment		**(74,994)**	**(25,682)**	(68,280)	(9,774)
Payments to acquire intangible assets		**(219,131)**	**(55,707)**	(124,508)	(30,100)
Net cash used in investing activities		**(340,862)**	**(130,559)**	(190,169)	(38,875)
Cash flows from financing activities					
Interest paid		**(49,815)**	**(17,361)**	(32,612)	(1,099)
Adjustment to equity share issue		**(5,585)**	**-**	-	-
Movement in existing borrowings		**(474,325)**	**(7,716)**	(13,787)	(4,503)
New borrowings		**606,150**	**56,278**	100,000	-
Transaction fees on new borrowings		**(12,134)**	**1,212**	-	-
Net cash inflow / (outflow) from financing activities		**64,291**	**32,413**	53,601	(5,602)
Net increase in cash and cash equivalents		**67,267**	**95,351**	27,991	30,321
Cash and cash equivalents at the beginning of the period		**101,718**	**72,000**	65,562	55,453
Effect of exchange rates on cash and cash equivalents		**(1,134)**	**500**	8,165	15,944
Cash and cash equivalents at the end of the period	8	**167,851**	**167,851**	101,718	101,718

Notes on pages 10 to 13 form an integral part of the financial statements.

Notes to the financial statements for the period ended 31 December 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 31 December 2017 comprise the company and its subsidiaries (together referred to as the 'group').

At 31 December 2017 the group meets 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 $400,00,000 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 31 December 2017. The amounts outstanding on all borrowings are shown in note 8 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 2021. 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 2017.

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 2017.

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 2017 (continued)

Analysis by category

2 Revenue

	Year ended 31.12.17 £'000	**3 months ended 31.12.17 £'000**	Year ended 31.12.16 £'000	3 months ended 31.12.16 £'000
Sale of vehicles	**810,102**	**292,128**	528,974	266,425
Sale of parts	**55,966**	**14,473**	53,605	16,547
Servicing of vehicles	**9,925**	**2,614**	10,871	2,024
Total revenue	**875,993**	**309,215**	593,450	284,996

3 Finance income

	Year ended 31.12.17 £'000	**3 months ended 31.12.17 £'000**	Year ended 31.12.16 £'000	3 months ended 31.12.16 £'000
Bank deposit and other interest income	**3,085**	**652**	2,224	604
Net interest income on the net defined benefit liability	**-**	**-**	-	34
Net gain on financial instruments recognised at fair value through profit or loss	**7,608**	**-**	360	-
Net foreign exchange gain	**24,906**	**2,271**	-	-
Total finance income	**35,599**	**2,923**	2,584	638

4 Finance expense

	Year ended 31.12.17 £'000	**3 months ended 31.12.17 £'000**	Year ended 31.12.16 £'000	3 months ended 31.12.16 £'000
Bank loans and overdrafts	**45,108**	**10,172**	49,571	12,753
Net interest expense on the net defined benefit liability	**1,756**	**420**	3	-
Interest on preference shares classified as financial liabilities	**37,873**	**9,848**	29,124	8,639
Net loss on financial instruments recognised at fair value through profit or loss	**-**	**2,918**	26,737	3,268
Net foreign exchange loss	**-**	**-**	27,607	8,607
Finance expense before non-recurring finance expense	**84,737**	**23,358**	**133,042**	**33,267**
Non-recurring finance expense				
Loan interest on the redemption of Senior Secured Loan Notes and Senior Subordinated PIK Notes	**10,535**	**-**	-	-
Write-off of capitalised arrangement fees on Senior Secured Loan Notes and Senior Subordinated PIK Notes	**2,377**	**-**	-	-
Total finance expense	**97,649**	**23,358**	**133,042**	**33,267**

5 Income tax (charge) / credit

The effective tax rate for the year ended 31 December 2017 is a charge of 8.9% (year ended 31 December 2016 : a credit of 9.3%). This compares to a UK statutory rate of tax 19.25% applicable to the group for the year to 31 December 2017 (20% for the year ended 31 December 2016).

A reduction in the UK corporation tax rate from 20% 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 2017 have been calculated based on these rates.

In addition to the change in tax rates, permanently disallowable expenditure and restrictions or access to 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 2017 or 2016.

7 Underlying operating profit / (loss)

	Year ended 31.12.17 £'000	**3 months ended 31.12.17 £'000**	Year ended 31.12.16 £'000	3 months ended 31.12.16 £'000
Operating profit / (loss)	**148,782**	**85,258**	(32,319)	(5,775)
Past service pension benefit	**(24,274)**	**(24,274)**	-	-
Impairment of intangible and tangible assets	**-**	**-**	48,738	48,738
Underlying operating profit *	**124,508**	**60,984**	16,419	42,963

* underlying operating profit represents operating profit excluding non-recurring items.

Notes to the financial statements for the period ended 31 December 2017 (continued)

8 Net borrowings

	As at 31.12.17 £'000	As at 31.12.16 £'000
Cash and cash equivalents	**167,851**	101,718
Bank loans and overdrafts (a)	**(13,481)**	(5,153)
Senior Secured Loan Notes (b),(e),(f)	**(570,333)**	(301,679)
Senior Subordinated PIK notes (c)	**-**	(176,417)
Redeemable cumulative preference shares (d)	**(255,842)**	(217,969)
Unsecured loan (g)	**(1,278)**	-
	(673,083)	(599,500)

(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 31 December 2017 the utilisation of these facilities was £Nil (31 December 2016 : £5,153,000). The £80,000,000 revolving credit facility was undrawn at both 31 December 2017 and 31 December 2016. The group has a wholesale vehicle financing facility of £150,000,000 with Standard Chartered Bank plc. The risks associated with this facility are substantially with Standard Chartered Bank plc and the facility is therefore 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 has been revalued at 31 December 2017 to £13,666,000 and is shown in the total of cash and cash equivalents above. At 31 December the group has drawn down, including accrued interest £(13,481,000) of the overdraft facility which is included in bank loans and overdrafts. The back to back loan is for a one year period.

(b) In June 2011 the group raised £304,000,000 of 9.25% Senior Secured Loan 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. These 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 31 December 2017 the liability relating to the preference shares, including accrued interest, was £255,842,000 (31 December 2016 : £217,969,000).

(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 Loan 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 31 December 2017. At the 31 December 2017 closing exchange rate the liability relating to the 6.5% Senior Secured Notes was £295,858,000.

(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 Loan Notes and Senior Subordinated PIK Notes (see (b) and (c) above, both of which were due to mature in July 2018. In December 2017 the group issued a further £55,000,000 of 5.75% Senior Secured Notes which also mature in April 2022. The new financing has a Revolving Credit Facility of £80,000,000 which was undrawn at 31 December 2017. At 31 December 2017 the liability relating to the 6.5% Senior Secured Notes was £274,475,000.

(g) The group has borrowed £200 million Japanese Yen (£1,278,000) to finance the construction of a brand communication centre in Tokyo. The amount is repayable in January 2020 and the interest rate is 5% per annum.

9 Acquisition

In December 2017 the group acquired 100% of the voting shares of AM Brands Limited, a company incorporated in Jersey, for a consideration of £57,770,000 settled in cash.

The book values of the identifiable assets and liabilities and their fair value to the Group at the date of acquisition were as follows:

	Book value £'000	Provisional fair value adjustments £'000	Fair value to group £'000
Intangible assets	4,337	55,016	59,353
Trade and other receivables	828	-	828
Cash at bank	7,748	-	7,748
Trade and other payables	(806)	-	(806)
Deferred tax	-	(9,353)	(9,353)
Net assets	12,107	45,663	57,770
Cash consideration			57,770
Cash acquired			(7,748)
Net cash outflow from acquisition			50,022

10 Foreign exchange rates

	Average rate year ended 31.12.17	**Average rate 3 months ended 31.12.17**	Average rate year ended 31.12.16	Average rate 3 months ended 31.12.16
Euro	**1.1536**	**1.1349**	1.2443	1.1559
Chinese renminbi	**8.7309**	**8.9123**	9.1285	8.6688
US dollar	**1.2817**	**1.3417**	1.3868	1.2990

11 Provisions

	As at 31.12.17 £'000	As at 31.12.16 £'000
Warranty and service plans	**25,947**	13,701
Non-current	**13,931**	6,070
Current	**12,016**	7,631
	25,947	13,701

12 Pension scheme

The net liability for defined benefit pension asset has decreased from £(68,952,000) at 30 September 2016 to £(46,847,000) at 31 December 2017. The movement of £22,105,000 comprises contributions of £2,428,000 less a net actuarial loss of £(1,088,000), plus a net credit to the income statement of £20,765,000. The net actuarial loss has arisen primarily due to a decrease in the discount rate assumption used in the valuation of the scheme's assets and liabilities as compared to 30 September 2017. The discount rate decreased to 2.5% at 31 December 2017 as compared to 2.75% at 30 September 2017. The credit to the income statement arose primarily due to a change in the scheme's benefits from final salary to career average revalued earnings (CARE) effective from 1 January 2018. This resulted in a past service pension benefit of £24,276,000 which has been shown as a non-recurring item (see note 7).

Notes to the financial statements for the period ended 31 December 2017 (continued)

13 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 2017**	**2,047**	**4,305**	**-**	**626**
Entities with significant influence over the group	31 December 2016	1,446	2,651	466	1,690

Transactions with directors

During the year ended 31 December 2017, one car was sold to Dr. Andrew Palmer for £110,000 excluding value added tax.
During the year ended 31 December 2016, there were no transactions with directors.

No amounts were outstanding at either year end with regards to transactions with directors.