# Aston Martin Holdings (UK) Limited

## Interim financial report

### for the period ended 31 March 2018

# Interim financial report for the period ended 31 March 2018

**Interim financial report**
**for the period ended 31 March 2018**

***Business review and outlook***

The Aston Martin brand is one of the most widely recognised luxury sports car brands with a one hundred and five 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 31 March 2018, we sold 4,858 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. A second production site at St Athan in Wales in currently in the course of being facilitised.

Our total sales in the first quarter of 2018 were 963 vehicles (1,203 in the first quarter of 2017).

**Average prices**

| | For the three months ended 31 March 2018 | For the year ended 31 December 2017 | For the three months ended 31 March 2017 |
|---|---|---|---|
| Average car sale price in £ thousands | 160 (1) | 150 (1) | 144 (1) |

(1) Excludes special editions

**Sales volumes (including special editions)**

| | For the three months ended 31 March 2018 | For the year ended 31 December 2017 | For the three months ended 31 March 2017 |
|---|---|---|---|
| V8 | 471 | 1,086 | 178 |
| V12 | 492 | 4,012 | 1,025 |
| Total | 963 | 5,098 | 1,203 |

***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 December 2017, the group issued a further £55,000,000 of 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 financing facility with Standard Chartered Bank plc from £125,000,000 to £150,000,000.

From 1 January 2018 the company adopted IRFS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

The effect of adopting IFRS 9 is to report the exchange movement on the $400m 6.5% Senior Secured Notes and the gains or losses on financial instruments entered into from 1 January 2018, within other comprehensive income or expense and capital and reserves as opposed to within net financing expense in the income statement. The impact in Q1 / 2018 is to report a gain of £7,983,000 within other comprehensive income, comprising a gross gain of £9,618,000 less a deferred tax charge of £1,635,000, as compared to crediting £9,618,000 to net interest expense prior to adopting IFRS 9.

The effect of adopting IFRS 15 is to charge £1,087,000 to interest expense in Q1 / 2018, The comparative figures for 2017 have been restated which has resulted in a charge of £430,000 in Q1 / 2017 and £2,230,000 in the year to 31 December 2017. Details of the restatement to prior periods are shown in Note 1 on page 10.

**Interim financial report**
**for the period ended 31 March 2018**

**Financial review - income statement**

***Revenue***

Revenue was £185.4m for the three months ended 31 March 2018, as compared to £188.3m for the three months ended 31 March 2017, a decrease of £2.9m or 1.5%. Vehicle sales decreased by 240 units or 20.0% to 963 units in the 2018 quarter as compared to 1,203 in the first quarter of 2017. The decrease in revenue arose from the decrease in volumes, with V12 sales representing 51.1% of volumes and V8 48.9% of volumes as compared to 85.2% and 14.8% respectively in 2017. However, the decrease in revenue was disproportionately far lower due to V8 sales including the recently launched DB11 V8 version, whereas previously V8 sales only comprised the Vantage, and sales of the limited edition Vanquish Zagato and DB4GT models. Consequently, the average wholesale price per vehicle for core models increased to £160,000 in Q1 2018 from £144,000 in Q1 2017 and including limited edition models it increased to £177,000 in 2018 from £144,000 in 2017.

***Cost of sales***

Cost of sales were £103.1m for the three months ended 31 March 2018, as compared to £114.8m for the three months ended 31 March 2017, a decrease of £11.7m or 10.2%.

Material costs for the three months ended 31 March 2018 increased to £72.7m or 39.2% of revenue as compared to £83.4m or 44.3% of revenue for the same period in 2017. This decrease as a percentage of revenue in the quarter is due to changes in the model mix with the launch of the DB11 V8 significantly improving V8 margins, and the limited edition Vanquish Zagato and DB4 GT improving V12 margins.

Direct labour for the three months ended 31 March 2018 was £8.0m or 4.3% of revenue compared to £7.1m or 3.8% of revenue in the three months to 31 March 2017. The increase in both absolute and percentage terms arose from increased headcount being taken on in advance of the launch of the new V8 Vantage in Q2/18.

Other cost of sales for the three months ended 31 March 2018 were £22.4m or 12.1% of revenue, compared to £24.3m or 12.9% of revenue for the three months ended 31 March 2017. The reduction in costs in both absolute and percentage terms is primarily due to an increase in inventory resulting in costs being absorbed into inventory which will be charged to profit on the sale of the vehicles.

***Gross profit***

The gross profit was £82.3m or 44.4% of revenue for the three months ended 31 March 2018, as compared to £73.5m or 39.0% for the three months ended 31 March 2017. The increase in both absolute and percentage terms arises from an improvement in model mix within V8 sales following the launch of the DB11 V8 and the sale of high margin limited edition models.

***Selling and distribution expenses***

Selling and distribution expenses were £16.0m for the three months to 31 March 2018, as compared to £13.1m for the three months to 31 March 2017, an increase of £2.9m. This arose  from additional fixed marketing costs in connection with the launch of the new Vantage, increased motorsport activity including the relationship with Red Bull Racing, plus investment in new brand centres and increased headcount to support the growth in the business.

***Administrative and other expenses***

Administrative and other expenses increased by £7.8m to £44.2m for the three months to 31 March 2018, as compared to £36.4m for the three months to 31 March 2017. Depreciation and amortisation has increased by £3.1m from £18.6m in 2017 to £21.7m in 2018 resulting mainly from a full year charge for DB11 assets as compared to only 3 months in 2017. Other cost increases of £4.7m have arisen from increased fixed manufacturing costs following the launch of the DB11 and preparation of the new St Athan site and increased headcount across the group with the growth in activity levels.

***Operating profit***

The operating profit was £22.0m in the three months ended 31 March 2018, as compared to £24.0m in the three months to 31 March 2017, a reduction of £2.0m. Gross profit increased by £8.8m due to an improved V8 model mix following the launch of DB11 V8 and the sale of high margin limited edition models. However, fixed costs in total increased by £(10.8)m with increases of £(2.9)m in selling and distribution expenses and £(7.9)m in administrative and other expenses as described above.

***Finance income / (expense)***

The net finance expense was £(19.3)m in the three months to 31 March 2018, as compared to £(18.5)m in the corresponding quarter of 2017, an increase of £(0.8)m. This increase arose from additional interest on the preference shares which increased by £(1.2)m from £(8.6)m in 2017 to £(9.8)m in 2018 due to the compounding effect of the interest cost. Also, following the adoption of hedge accounting from 1 January 2018, there was no exchange gain in 2018 on the translation of the US Dollar denominated Senior Secured Notes, as compared to £2.2m in 2017. Offsetting these increases of £(3.4)m is an increase in the net gain on fair value adjustments of financial instruments of £0.2m, increasing to £1.5m in 2018 from £1.3m in 2017, a reduction in net bank and overdraft interest of  £2.2m, reducing to £(10.6)m in 2018 as compared to £(12.8)m in 2017 and a reduction of £0.2m in the net interest expense for the pension scheme. An analysis of the finance income / (expense) is given in notes 3 and 4 of the accounts.

***Income tax charge***

The income tax charge was £0.8m in the three months to 31 March 2018, 29.0% of the profit before tax, as compared to £1.2m in the three months to 31 March 2017 or 21.1% of the profit before tax. The percentages are higher than the applicable UK corporation rate for of 19.0% for 2018 and 19.25% in 2017 mainly as a result of preference share interest, which is not an allowable cost for income tax purposes. Please refer to note 5 for more information on income tax.

**Interim financial report**
**for the period ended 31 March 2018**

**Financial review - cash flow statement**

The three months to 31 March 2018 saw a net cash outflow of £(72.1)m, compared to an outflow of £(5.7)m in the three months to 31 March 2017. The cash balance at 31 March 2018 was £95.7m as compared to £96.0m as at 31 March 2017, a decrease of £(0.3)m.

***Cash flow from operating activities***

We generated £9.9m of net cash from our operating activities in the three months to 31 March 2018 as compared to £55.7m in the equivalent three month period to 31 March 2017. The quarter saw a increase in working capital of £(32.0)m in 2018, as compared to a decrease of £15.5m in 2017. This increase in 2018 resulted from an increase in receivables of £(18.2)m, due to the timing of cash receipts over the quarter end, which were received in the first week of April, plus an increase in inventory of £(41.2)m, due to the seasonality of production with, in particular, inventory being built for the new Vantage and limited edition models. Offsetting this was an increase in payables of £27.4m due to an increase in activity levels generally and investment in new products at the St Athan site. In 2017 whilst receivables reduced by £33.1m, as levels had been exceptionally high at December 2017 due to the timing of sales, and inventory increased by £(17.1)m, payables reduced by £(0.5)m. The cash generated from other operating activities amounted to £41.9m as compared to £40.2m in 2017, an increase of £1.7m, primarily reflective of the EBITDA in the quarter which amounted to £43.7m in 2018 as compared to £42.6m in 2017.

***Cash flow from investing activities***

Net cash used in investing activities increased to £87.2m in the three months to 31 March 2018, as compared to £50.9m in the three months to 31 March 2017. Expenditure on property, plant and equipment increased to £40.5m from £16.5m, whilst expenditure on intangible assets increased to £47.7m in 2018 as compared to £35.1m in 2017 as the group continued its investment in the new range of vehicles due to be launched progressively over the next few years as well as investment in the St Athan site. Interest received increased slightly to £1.0m in 2018 as compared to £0.7m in 2017.

***Cash flow from financing activities***

Net cash generated from financing activities was £7.0m in the three months to 31 March 2018, as compared to a utilisation of £(10.5)m in the three months to 31 March 2017. In 2018 the interest payments were £(2.5)m, as compared to £(15.1)m in 2017, as the payment dates for the Senior Secured Notes moved to April and October following the refinancing as compared to January and July previously. The increase in existing borrowings was £9.4m in 2018 as compared to £4.7m in 2017, with the group increasing its back-to-back loan facility by £6.4m.

**Interim financial report**
**for the period ended 31 March 2018**

**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 March 2018.

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

21 May 2018

**Condensed consolidated statement of comprehensive income**
**for the period ended 31 March 2018**

| | Notes | 3 months ended 31 March 2018 | 3 months ended 31 March 2017 (as restated) |
|---|---|---|---|
| | | **£'000** | £'000 |
| **Revenue** | 2 | **185,417** | 188,321 |
| Cost of sales | | **(103,141)** | (114,791) |
| **Gross profit** | | **82,276** | 73,530 |
| Selling and distribution expenses | | **(16,014)** | (13,111) |
| Administrative and other expenses | | **(44,243)** | (36,385) |
| **Operating profit** | | **22,019** | 24,034 |
| Finance income | 3 | **2,588** | 4,826 |
| Finance expense | 4 | **(21,844)** | (23,350) |
| **Net financing expense** | | **(19,256)** | (18,524) |
| **Profit before tax** | | **2,763** | 5,510 |
| **Income tax charge** | 5 | **(800)** | (1,162) |
| **Profit for the period** | | **1,963** | 4,348 |
| **Other comprehensive income** | | | |
| **Items that will never be reclassified to profit or loss** | | | |
| Remeasurement of defined benefit liability | | **4,148** | 4,164 |
| Related income tax | | **(705)** | (708) |
| | | **3,443** | 3,456 |
| **Items that are or may be reclassified to profit or loss** | | | |
| Foreign exchange translation differences | | **(260)** | (770) |
| **Other comprehensive income for the period, net of income tax** | | **3,183** | 2,686 |
| **Total comprehensive income for the period** | | **5,146** | 7,034 |
| **Profit attributable to:** | | | |
| Owners of the group | | **498** | 4,089 |
| Non-controlling interests | | **1,465** | 259 |
| | | **1,963** | 4,348 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the group | | **3,681** | 6,775 |
| Non-controlling interests | | **1,465** | 259 |
| | | **5,146** | 7,034 |

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

**Condensed consolidated statement of changes in equity**

| *Group* | Share capital £'000 | Share premium £'000 | Capital reserve and non-controlling interest £'000 | Translation reserve £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|
| **At 1 January 2017** | **3** | **387,280** | **99,063** | **2,336** | **(416,022)** | **72,660** |
| **Total comprehensive income for the period** | | | | | | |
| **Profit (restated)** | **-** | **-** | **259** | **-** | **4,089** | **4,348** |
| **Other comprehensive income** | | | | | | |
| Foreign currency translation differences | - | - | - | (770) | - | (770) |
| Remeasurement of defined benefit liability | - | - | - | - | 4,164 | 4,164 |
| Income tax on other comprehensive income | | | | | (708) | (708) |
| **Total other comprehensive income / (expense)** | **-** | **-** | **-** | **(770)** | **3,456** | **2,686** |
| **Total comprehensive income / (expense) for the period** | **-** | **-** | **259** | **(770)** | **7,545** | **7,034** |
| **At 31 March 2017 (as restated)** | **3** | **387,280** | **99,322** | **1,566** | **(408,477)** | **79,694** |

The profit for the period ended 31 March 2017 has been restated following the introduction of IFRS15 *Revenue from Contracts with Customers.*
The effect has been to reduce profit by £430,000 in that period.

| *Group* | Share capital £'000 | Share premium and Share warrants £'000 | Capital reserve and non-controlling interest £'000 | Translation reserve £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|
| **At 1 January 2017** | **3** | **387,280** | **99,063** | **2,336** | **(416,022)** | **72,660** |
| **Total comprehensive income for the period** | | | | | | |
| **Profit (restated)** | **-** | **-** | **2,631** | **-** | **74,141** | **76,772** |
| **Other comprehensive income** | | | | | | |
| Foreign currency translation differences | - | - | - | (677) | - | (677) |
| Remeasurement of defined benefit liability | - | - | - | - | 2,923 | 2,923 |
| Income tax on other comprehensive income | | | | | (497) | (497) |
| **Total other comprehensive income** | **-** | **-** | **-** | **(677)** | **2,426** | **1,749** |
| **Total comprehensive income / (expense) for the period** | **-** | **-** | **2,631** | **(677)** | **76,567** | **78,521** |
| **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 (restated)** | **3** | **381,695** | **101,694** | **1,659** | **(339,455)** | **145,596** |

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.
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.

For details of the restatement to profit see note 1

**Condensed consolidated statement of changes in equity (continued)**

| *Group* | Share capital | Share premium, Share warrants and | Capital reserve and non-controlling interest | Translation reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **At 1 January 2018 (as restated)** | **3** | **381,695** | **101,694** | **1,659** | **(339,455)** | **145,596** |
| **Total comprehensive income for the period** | | | | | | |
| **Profit** | **-** | **-** | **1,465** | **-** | **498** | **1,963** |
| **Other comprehensive income** | | | | | | |
| Foreign currency translation differences | - | - | - | (260) | - | (260) |
| Gain recognised in cash flow hedge reserve | - | 7,983 | - | - | - | 7,983 |
| Remeasurement of defined benefit liability | - | - | - | - | 4,148 | 4,148 |
| Income tax on other comprehensive income | - | - | - | - | (705) | (705) |
| | | | - | | | - |
| **Total other comprehensive income / (expense)** | **-** | **7,983** | **-** | **(260)** | **3,443** | **11,166** |
| **Total comprehensive income / (expense) for the period** | **-** | **7,983** | **1,465** | **(260)** | **3,941** | **13,129** |
| **At 31 March 2018** | **3** | **389,678** | **103,159** | **1,399** | **(335,514)** | **158,725** |

Included in Capital Reserve and Non-controlling interests is £1,100,000 of additional capital reserve and £9,095,000 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 31 March 2018**

| | Notes | As at 31.03.18 £'000 | As at 31.03.17 £'000 (as restated) | As at 31.12.17 £'000 (as restated) |
|---|---|---|---|---|
| ***Non-current assets*** | | | | |
| Intangible assets | | **963,550** | 729,863 | 930,705 |
| Property, plant and equipment | | **277,479** | 206,375 | 243,885 |
| Other receivables | | **2,159** | 2,317 | 2,077 |
| Other financial assets | | **-** | 142 | - |
| Deferred tax asset | | **37,091** | 32,124 | 37,091 |
| | | **1,280,279** | 970,821 | 1,213,758 |
| ***Current assets*** | | | | |
| Inventories | | **169,021** | 134,353 | 127,785 |
| Trade and other receivables | | **132,810** | 79,353 | 115,666 |
| Other financial assets | | **1,923** | 2 | 1,381 |
| Cash and cash equivalents | 7 | **95,716** | 95,987 | 167,851 |
| | | **399,470** | 309,695 | 412,683 |
| ***Total assets*** | | **1,679,749** | 1,280,516 | 1,626,441 |
| **Current liabilities** | | | | |
| Borrowings | 7 | **22,909** | 9,744 | 13,481 |
| Trade and other payables | | **517,678** | 333,528 | 483,093 |
| Income tax payable | | **2,498** | 758 | 2,677 |
| Other financial liabilities | | **1,640** | 17,965 | 3,112 |
| Provisions | 9 | **10,844** | 7,536 | 12,016 |
| | | **555,569** | 369,531 | 514,379 |
| **Non-current liabilities** | | | | |
| Borrowings | 7 | **827,050** | 707,511 | 827,453 |
| Trade and other payables | | **17,535** | | 17,623 |
| Other financial liabilities | | **-** | 5,180 | - |
| Employee benefits | 10 | **42,542** | 66,702 | 46,847 |
| Provisions | 9 | **14,609** | 7,432 | 13,931 |
| Deferred tax liabilities | | **63,719** | 44,466 | 60,612 |
| | | **965,455** | 831,291 | 966,466 |
| ***Total liabilities*** | | **1,521,024** | 1,200,822 | 1,480,845 |
| ***Net assets*** | | **158,725** | 79,694 | 145,596 |
| **Capital and reserves** | | | | |
| Share capital | | **3** | 3 | 3 |
| Share premium | | **363,233** | 368,818 | 363,233 |
| Share warrants | | **18,462** | 18,462 | 18,462 |
| Capital reserves | | **94,064** | 94,064 | 94,064 |
| Translation reserve | | **1,399** | 1,566 | 1,659 |
| Other reserves | | **7,983** | - | - |
| Retained earnings | | **(335,514)** | (408,477) | (339,455) |
| **Equity attributable to owners of the group** | | **149,630** | 74,436 | 137,966 |
| Non-controlling interests | | **9,095** | 5,258 | 7,630 |
| **Total shareholders' equity** | | **158,725** | 79,694 | 145,596 |

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 March 2018**

| | Notes | 3 months ended 31 March 2018 £'000 | 3 months ended 31 March 2017 £'000 (as restated) | Year ended 31 December 2017 £'000 (as restated) |
|---|---|---|---|---|
| ***Operating activities*** | | | | |
| Profit for the period | | **1,963** | 4,348 | 76,772 |
| *Adjustments to reconcile profit for the period to net cash inflow from operating activities* | | | | |
| Tax on continuing operations | 5 | **800** | 1,162 | 7,730 |
| Net finance costs | | **18,452** | 14,408 | 37,949 |
| Other non cash movements | | **(348)** | (770) | (748) |
| Gains on sale of property, plant and equipment | | **-** | - | (140) |
| Depreciation and impairment of property, plant and equipment | | **6,906** | 6,414 | 27,441 |
| Amortisation and impairment of intangible assets | | **14,810** | 12,185 | 54,726 |
| Difference between pension contributions paid and amounts recognised in income statement | | **(157)** | 1,097 | (19,999) |
| Increase in inventories | | **(41,236)** | (17,108) | (10,540) |
| (Increase) / decrease in trade and other receivables | | **(18,177)** | 33,069 | (7,782) |
| Increase / (decrease) in trade and other payables | | **27,417** | (488) | 166,613 |
| Movement in provisions | | **(328)** | 1,291 | 12,493 |
| Cash generated from operations | | **10,102** | 55,608 | 344,515 |
| Income taxes (paid) / received | | **(215)** | 69 | (677) |
| ***Net cash inflow from operating activities*** | | **9,887** | 55,677 | 343,838 |
| ***Cash flows from investing activities*** | | | | |
| Interest received | 3 | **983** | 695 | 3,085 |
| Proceeds on the disposal of property, plant and equipment | | **-** | - | 200 |
| Payment to acquire subsidiary undertaking | | | | (50,022) |
| Payments to acquire property, plant and equipment | | **(40,500)** | (16,468) | (74,994) |
| Payments to acquire intangible assets | | **(47,655)** | (35,101) | (219,131) |
| ***Net cash used in investing activities*** | | **(87,172)** | (50,874) | (340,862) |
| ***Cash flows from financing activities*** | | | | |
| Interest paid | | **(2,475)** | (15,129) | (49,815) |
| Adjustment to equity share issue | | **-** | - | (5,585) |
| Movement in existing borrowings | | **9,428** | 4,667 | (474,325) |
| New borrowings | | **-** | - | 606,150 |
| Transaction fees on new borrowings | | **-** | - | (12,134) |
| ***Net cash inflow / (outflow) from financing activities*** | | **6,953** | (10,462) | 64,291 |
| **Net (decrease) / increase in cash and cash equivalents** | | **(70,332)** | (5,659) | 67,267 |
| Cash and cash equivalents at the beginning of the period | | **167,851** | 101,718 | 101,718 |
| Effect of exchange rates on cash and cash equivalents | | **(1,803)** | (72) | (1,134) |
| ***Cash and cash equivalents at the end of the period*** | 7 | **95,716** | 95,987 | 167,851 |

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

**Notes to the financial statements for the period ended 31 March 2018**

**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 March 2018 comprise the company and its subsidiaries (together referred to as the 'group').

At 31 March 2018 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, back-to-back loans 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 March 2018. The amounts outstanding on all 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 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.

**Change in Accounting Policy**

IFRS 15 Revenue from Contracts with Customers became effective for annual periods beginning on or after 1 January 2018. In 2017 the group carried out a detailed impact assessment of the provisions of IFRS 15 and concluded that the only area where the accounting is affected is for deposits held for in excess of one year. The effect of adopting the standard, including on the comparative figures for 2017 is as follows:

| | **3 months ended 31.03.18** | 3 months ended 31.03.17 | Year ended 31.12.17 |
|---|---|---|---|
| | **£'000** | £'000 | £'000 |
| Finance expense before the accounting policy change | **(20,757)** | (22,920) | (97,649) |
| Finance expense following the accounting policy change | **(21,844)** | (23,350) | (99,879) |
| **Impact of the accounting policy change on the statement of comprehensive income** | **(1,087)** | (430) | (2,230) |
| Current trade and other payables before the accounting policy change | **(514,361)** | (333,098) | (480,863) |
| Current trade and other payables following the accounting policy change | **(517,678)** | (333,528) | (483,093) |
| **Impact of the accounting policy change on shareholders' funds** | **(3,317)** | (430) | (2,230) |

**Notes to the financial statements for the period ended 31 March 2018 (continued)**

## 2 Revenue

| | **3 months ended 31.03.18 £'000** | 3 months ended 31.03.17 £'000 |
|---|---|---|
| Sale of vehicles | **169,035** | 173,029 |
| Sale of parts | **13,619** | 13,213 |
| Servicing of vehicles | **2,763** | 2,079 |
| Total revenue | **185,417** | 188,321 |

## 3 Finance income

| | **3 months ended 31.03.18 £'000** | 3 months ended 31.03.17 £'000 |
|---|---|---|
| Bank deposit and other interest income | **983** | 695 |
| Net gain on financial instruments recognised at fair value through profit or loss | **1,605** | 1,987 |
| Net foreign exchange gain | **-** | 2,144 |
| Total finance income | **2,588** | 4,826 |

## 4 Finance expense

| | **3 months ended 31.03.18 £'000** | 3 months ended 31.03.17 £'000 |
|---|---|---|
| Bank loans and overdrafts | **11,610** | 13,530 |
| Net interest expense on the net defined benefit liability | **283** | 459 |
| Interest on preference shares classified as financial liabilities | **9,848** | 8,638 |
| Net loss on financial instruments recognised at fair value through profit or loss | **103** | 723 |
| Total finance expense | **21,844** | 23,350 |

## 5 Income tax charge

The effective tax rate for the period ended 31 March 2018 has been estimated at 29.0% (year ended 31 December 2017 : 8.9%). This compares to a UK statutory rate of tax 19% applicable to the group for the period to 31 March 2018.

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 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

No dividends have been declared or paid in the three month period to 31 March 2018 or the three month period to 31 March 2017.

**Notes to the financial statements for the period ended**
**31 March 2018 (continued)**

### 7 Net borrowings

| | As at 31.03.18 £'000 | As at 31.03.17 £'000 | As at 31.12.17 £'000 |
|---|---|---|---|
| Cash and cash equivalents | 95,716 | 95,987 | 167,851 |
| Bank loans and overdrafts (a) | (22,909) | (9,744) | (13,481) |
| Senior Secured Loan Notes (b),(e),(f) | (560,082) | (302,088) | (570,333) |
| Senior Subordinated PIK notes (c) | - | (178,815) | - |
| Redeemable cumulative preference shares (d) | (265,690) | (226,608) | (255,842) |
| Unsecured loan (g) | (1,278) | - | (1,278) |
| | (754,243) | (621,268) | (677,083) |

(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 March 2018 the utilisation of these facilities was £3,399,000 (31 March 2017 : £9,744,000). The £80,000,000 revolving credit facility was undrawn at both 31 March 2018 and 31 December 2017. 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 March 2018 to £13,613,000 and is shown in the total of cash and cash equivalents above. In March 2018 the group entered into a second back-to-back loan agreement with HSBC Bank plc, whereby Chinese Yuan to the value of £6,267,000 were deposited in a restricted account with HSBC in China in exchange for a Sterling overdraft facility with HSBC in the United Kingdom. The £6,267,000 of restricted cash has been revalued at 31 March 2018 to £6,239,000 and is shown in the total of cash and cash equivalents above. At 31 March 2018 the group has drawn down, including accrued interest £(19,510,000) of the combined overdraft facility which is included in bank loans and overdrafts. The back-to-back loans are each 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 March 2018 the liability relating to the preference shares, including accrued interest, was £265,690,000 (31 March 2017 : £226,608,000).

(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 March 2018. At the 31 March 2018 closing exchange rate the liability relating to the 6.5% Senior Secured Notes was £285,144,000.

(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 March 2018. At 31 March 2018 the liability relating to the 6.5% Senior Secured Notes was £274,938,000.

(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.

### 8 Foreign exchange rates

| | Average rate 3 months ended 31.03.18 | Average rate 3 months ended 31.03.17 | Average rate year ended 31.12.17 |
|---|---|---|---|
| US dollar | 1.3520 | 1.2357 | 1.2817 |
| Chinese renminbi | 8.7808 | 8.5872 | 8.7309 |
| Euro | 1.1260 | 1.1715 | 1.1536 |

### 9 Provisions

| | As at 31.03.18 £'000 | As at 31.03.17 £'000 | As at 31.12.17 £'000 |
|---|---|---|---|
| Warranty and service plans | 25,453 | 14,968 | 25,947 |
| Non-current | 14,609 | 7,432 | 13,931 |
| Current | 10,844 | 7,536 | 12,016 |
| | 25,453 | 14,968 | 25,947 |

### 10 Pension scheme

The net liability for defined benefit obligations has decreased from £(46,847,000) at 31 December 2017 to £(42,542,000) at 31 March 2018. The movement of £4,305,000 comprises contributions of £2,408,000 plus an actuarial gain of £4,148,000 less a charge to the income statement of £(2,251,000). The net actuarial gain has arisen in part due to a change in discount rate assumptions used in the valuation of the scheme's assets and liabilities compared to those used at 31 December 2017. The discount rate increased to 2.6% at 31 March 2018 from 2.5% at 31 December 2017.

### 11 Related party transactions

There have been no new related party transactions that have taken place in the first three 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.