Aston Martin Holdings (UK) Limited

Interim financial report

for the period ended 30 June 2018

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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: New Vantage, Vantage AMR, DB11, Vanquish S Ultimate and Rapide S. Some of these models are available in different model types, including engine sizes, as well as in coupe and convertible models. For the twelve months ended 30 June 2018, we sold 4,958 cars.

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

Our total sales (excluding special editions) in the second quarter of 2018 were 1,336 vehicles (1,236 in the second quarter of 2017).

Average prices

	For the three months ended 30 June 2018	For the year ended 31 December 2017	For the three months ended 30 June 2017
Average car sale price in £ thousands	136	150	154 (1)

(1) Excludes special editions

Sales volumes

	For the three months ended 30 June 2018	For the year ended 31 December 2017	For the three months ended 30 June 2017
V8	978	1,086	110
V12	358	4,012	1,126
Total	1,336	5,098	1,236

Recent developments and factors affecting comparability

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

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

From 1 January 2018, the group adopted IFRS 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 / (expense) and capital and reserves as opposed to within net financing expense in the income statement. The impact before tax in Q2 / 2018 is to report a loss of £(19,760,000) and in the half year a loss of £(10,142,000) within other comprehensive income / (expense) as opposed to charging these amounts to net interest expense prior to adopting IFRS 9.

The effect of adopting IFRS 15 is to charge £(1,258,000) and £(2,345,000) to interest expense in the 2018 quarter and half year respectively. The comparative figures for 2017 have been restated which has resulted in a charge of £(450,000) and £(880,000) in the 2017 quarter and half year respectively. The charge in the year to 31 December 2017 is £(2,230,000). Details of the restatement in prior periods is shown in Note 1 Change in Accounting Policy.

An adjustment has been made to include full provision for the return of proceeds due to shareholders in respect of an adjustment to the equity proceeds received by the Aston Martin Holdings (UK) Limited in 2013. At 30 June 2017 the adjustment has been to reduce the balance on the share premium account and increase trade and other payables by £15,114,000 and at 31 December 2017 to reduce the balance on share premium account by £9,528,000, increase trade and other payables by £15,114,000 and increase trade and other receivables by £5,586,000. Previously the transaction was accounted for on an actual basis.The adjustment has no effect on either the income statement or cash flow statement.

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Financial review - income statement

Revenue

Revenue was £259.4m for the three months ended 30 June 2018, compared to £222.0m for the three months ended 30 June 2017, an increase of £37.4m or 16.8%, giving revenue of £444.9m for the year to date, an increase of £34.5m or 8.4% over the revenue in the corresponding period in 2017 of £410.4m. Vehicle sales increased by 100 units or 8.1% to 1,336 vehicles in the 2018 quarter as compared to 1,236 vehicles in the second quarter of 2017. There was a deterioration in the model mix, following the launch of the new Vantage in the quarter, with V12 sales decreasing to 26.8% of sales from 91.1%, whilst V8 sales have decreased to 73.2% from 8.9%. Revenue in the quarter also benefitted from a new revenue stream from partnerships including motor sport of £22.8m, following the set up of the Aston Martin Consulting division. In the half year sales volumes decreased by 140 units or 5.7% to 2,299 vehicles from 2,439 in 2017 with again a deterioration in the model mix with V12 sales decreasing to 37.0% from 88.2% and V8 sales increasing to 63.0% from 11.8%. In both the quarter and the half year, revenue has increased disproportionately as compared to the volume changes and despite higher V8 mix and unfavourable exchange rates as compared to 2017. This is due to the new DB11 and Vantage models selling a significantly higher price than their processors and increased sales of special editions, in particular the Vanquish Zagato and DB4GT.models as well as the new revenue stream from partnerships including motorsport. As a result of the launch of new Vantage, as demonstrated by the high percentage of V8 mix, the average wholesale price for core models i.e. excluding special editions reduced from £154,000 to £136,000 in the quarter and from £149,000 to £146,000 in the half year.

Cost of sales

Cost of sales were £141.3m for the three months ended 30 June 2018, compared to £136.4m for the three months ended 30 June 2017, an increase of £4.9m or 3.6%, whilst for the half year they decreased to £244.5m from £251.2m, a decrease of £6.7m or 2.7%.

Material costs for the three months ended 30 June 2018 increased to £100.8m or 38.9% of revenue compared to £90.7m or 40.9% of revenue for the same period in 2017. Material costs in the half year decreased to £173.5m or 39.0% of revenue from £174.1m or 42.4% of revenue. The increase in the absolute amount in the quarter is due to the increased volumes whilst the reduction as a percentage of revenue results from the sales mix and increased average wholesale price referred to above. In the half year the absolute fall in material costs is not reflective of the fall in volumes due to the high level of special editions at a higher cost. However, as in the quarter, due to the higher revenue generation, this has resulted in a significant fall in material costs as a percentage of revenue.

Direct labour for the three months ended 30 June 2018 was £8.8m or 3.4% of revenue, whilst in 2017 it was £6.6m or 3.0% of revenue. The corresponding figures for the half year are £16.8m or 3.8% of revenue in 2018 and £13.8m or 3.4% of revenue in 2017. The absolute increases arise from the higher production volumes whilst the increase as a percentage of revenue reflects the increased staffing levels both for the launch of new Vantage in the second quarter of 2018 and the future launch of DBS Superleggera in the second half of 2018.

Other cost of sales for the three months ended 30 June 2018 were £31.7m or 12.2% of revenue, compared to £39.1m or 17.6% of revenue for the three months ended 30 June 2017. In the half year these costs decreased to £54.1m from £63.3m, 12.2% and 15.4% of revenue respectively. These decreases principally arose from lower warranty costs following the launch of new models, reduced duty costs in overseas markets and favourable exchange movements as compared to the rates at which hedges had been placed.

Gross profit

The gross profit was £118.1m or 45.5% of revenue for the three months ended 30 June 2018, compared to £85.6m or 38.6% for the quarter ended 30 June 2017. The gross profit for the half year was £200.4m or 45.0% of revenue whilst the 2017 comparatives were £159.1m and 38.8%. The launch of new models at higher wholesale prices coupled with the new revenue from partnerships including motorsport, combined to increase the gross profit in the quarter and half year in both absolute and percentage terms.

Selling and distribution expenses

Selling and distribution expenses increased by £12.2m to £29.1m for the three months to 30 June 2018, as compared to £16.9m for the three months to 30 June 2017. In the half year they increased by £15.1m to £45.1m from £30.0m in 2017.The increase In both the quarter and the half year 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 were £46.6m for the three months to 30 June 2018, compared to £37.8m for the three months to 30 June 2017, an increase of £8.8m, and £90.9m for the half year in 2018 as compared to £74.2m in 2017, an increase of £16.7m. Depreciation and amortisation increased by £0.4m in the quarter and £3.5m in the half year, following the launch of new models and the depreciation of the associated facilities and tooling partly offset by the effect of the impairment charge on assets at the end of 2016. Consequently, the core costs before depreciation and amortisation increased by £8.4m in the quarter and £13.2m in the half year. This arose primarily from increased fixed manufacturing costs arising from the launch of new models, preparation of the St. Athan site and increased charges for engineering costs where the criteria for capitalisation has not yet been met.

Operating profit

The operating profit was £42.4m in the three months ended 30 June 2018, compared to £30.9m in the three months to 30 June 2017, an improvement of £11.5m. The half year also saw an improvement of £9.4m with a profit of £64.4m in 2018 as compared to £55.0m in 2017. In the quarter and half year, gross profit increased by £32.5m and £41.3m respectively, due to new models with higher average wholesale prices and an increase in the sales of special editions as well as a new revenue stream from partnerships including motorsport. In the equivalent periods fixed costs increased by £(21.1)m and £(31.8)m respectively, due largely to increased fixed marketing spend relating to new model launches and motorsport activities, as well as increased depreciation and amortisation charges relating to new model facilities and tooling, increased manufacturing costs not only related to new models but also the St Athan site as well as increased engineering costs where the criteria for capitalisation has not yet been met.

Finance income / (expense)

The net finance expense was £(24.3)m in the three months to 30 June 2018, compared to £(16.2)m in the corresponding quarter of 2017. For the half year the net finance expense was £(43.6)m in 2018 as compared to £(34.7)m in 2017. In 2017 the figures for both the quarter and the half year were inflated as a result of non-recurring costs of £(12.9)m in respect of the bond refinancing in April 2017. Consequently, on an underlying basis, net financing expense increased by £(21.0)m in the quarter from £(3.3)m to £(24.3)m and by £(21.8)m in the half year from £(21.8)m to £(43.6)m. In the quarter there was a net loss on fair value adjustments on foreign exchange hedges of £(2.2)m in 2018 as compared to a gain of £7.1m in 2017, mainly as a result of the weakening of Sterling against the US Dollar in 2018 as compared to a strengthening in 2017. This strengthening of Sterling against the US Dollar in 2017 also led to a foreign exchange gain on the translation of the US Dollar denominated debt of £10.9m whereas in 2018, due to adopting hedge accounting from 1 January 2018, any gains or losses are now shown in other comprehensive income/(expense). Preference share interest increased to £(10.9)m in the 2018 quarter from £(9.5)m in 2017 as a result of the compounding effect of interest on this PIK related debt. Other net interest costs in the quarter decreased slightly to £(11.2)m in 2018 from £(11.7)m in 2017 mainly due to the refinancing at lower rates in April 2017. For the same reasons as in the quarter, in the 2018 half year, the net loss on the fair value of foreign exchange hedges was £(0.7)m, as compared to a net gain of £8.4m in 2017, and there was an exchange gain on the translation of US Dollar denominated debt of £13.0m in 2017. Preference share interest increased to £(20.7)m in 2018 as compared to £(18.2)m in 2017 due to the compounding effect and other net finance costs decreased to £(22.1)m in 2018 from £(25.0)m in 2017 due to the refinancing at lower rates in April 2017. The finance expense in 2017 has been restated to take account of the adoption of IFRS15, details of which are given in Note 1 , Change of Accounting policy. Further analysis of finance income and expense is set out in notes 3 and 4.

Income tax charge

The income tax charge was £(8.5)m in the three months to 30 June 2018, as compared to a charge of £(3.0)m in the three months to 30 June 2017, representing rates of 47.2% and 20.6% of the profit before tax respectively. In the half year to 30 June 2018 there was a charge of £(9.3)m representing a rate of 44.7%, as compared to £(4.2)m in 2017, a rate of 20.8%. The rates in both the quarter and half year in 2018 are higher than the applicable UK corporation tax rate of 19% due to permanently disallowable expenditure and profits in overseas markets which are at a higher rate. In 2017 the rates were similar to the applicable UK corporation tax rate of 19.25% due to the effects mentioned above being largely offset by credit being taken for tax losses that were incurred in prior periods for which credit had not previously been taken due to uncertainty over their utilisation. Please refer to note 5 for more information on income tax.

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Financial review - cash flow statement

The three months to 30 June 2018 saw a net cash outflow of £(24.2)m, compared to an inflow of £27.2m in the three months to 30 June 2017. The equivalent flows for the half year were an outflow of £(96.4)m in 2018 as compared to an inflow of £21.4m in 2017. The cash balance at 30 June 2018 is £71.5m as compared to £123.1m at 30 June 2017.

Cash flow from operating activities

We generated £52.1m of net cash from our operating activities in the three months to 30 June 2018, and £62.0m in the half year to 30 June 2018, as compared to generating £38.9m and £94.6m in the equivalent three month and six month periods to 30 June 2017. In the 2018 quarter working capital increased by £(3.4)m primarily due to an increase in receivables of £(55.4)m, due to timing of receivables which were received shortly after the period end and the reclassification of £12.5m of deposits in China to financial assets due to a recent legislative change, being partially offset by an increase in payables of £52.9m due to deposit receipts on special editions and overall increased activity levels. In 2017 working capital had deteriorated by £(4.2)m with again an increase in receivables and payables for similar reasons, Other than the working capital movement, the group generated £55.5m from other operating activities in the 2018 quarter as compared £43.1m in 2017 reflective of the EBITDA of £62.2m and £50.4m in the respective quarters. In the half year the group utilised £(35.4)m from working capital and generated £97.4m from other operating activities as compared to generating £11.3m from working capital and £83.3m from other operating activities in 2017. The increased working capital requirement over the six months of 2018 primarily arose from an increased receivable position, as explained above, and significantly higher inventory levels as compared to 31 December 2017 due to new model launches and special editions, offset by higher payables for the same reasons as explained above. Similarly, EBITDA improved to £105.9 in 2018 as compared to £93.0m in 2017 contributing to the cash generated from other operating activities.

Cash flow from investing activities

Net cash used in investing activities increased to £62.9m in the three months to 30 June 2018, compared to £54.6m in the three months to 30 June 2017. The half year also saw a increase to £150.1m in 2018 from £105.4m in 2017. This is reflective of the ongoing investment in new models and new facilities, including the new manufacturing plant in St Athan. This is shown by the increases in expenditure on both intangible and tangible assets, which increased to £43.9m and £20.4m from £39.4m and £16.3m respectively in the quarter, and which increased to £91.5m and £60.9m from £74.5m and £32.8m respectively in the half year.

Cash flow from financing activities

Net cash utilised from financing activities was £(14.1)m in the three months to 30 June 2018, as compared to cash generated of £43.6m in the three months to 30 June 2017. The half year to June 2018 saw net cash utilised of ££(7.2)m as compared to cash generated of £33.1m in 2017. The main reason for the reduction of £(57.7)m in cash generated in the quarter was the refinancing in April 2017 which generated a net £53.8m in the 2017 quarter. Interest paid increased from £(15.9)m in 2017 to £(17.9)m in 2018 due to the retiming of payments, whilst in the quarter in 2018 the group paid a £(3.0)m dividend to the non-controlling interests and increased its existing borrowings by £6.8m, as compared to £5.7m in 2017 with an increase in its back-to-back borrowing arrangement in China and inventory funding. The reduction of net cash generation in the half year was £(40.3)m within the 2017 half year the net cash generated from the new issue and settlement of existing debt being the same as in the quarter at £53.8m, but interest paid reduced to £(20.3)m in 2018 from £(31.1)m in 2017 due to both refinancing at lower rates and the retiming of payments whilst the £(3.0)m dividend payment referred to above was made in 2018 and existing borrowings were increased by £16.2m in 2018 as compared to £10.3m in 2017.

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

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

29 August 2018

Condensed consolidated statement of comprehensive income
for the period ended 30 June 2018

	Notes	6 months ended 30 June 2018	3 months ended 30 June 2018	6 months ended 30 June 2017 (as restated)	3 months ended 30 June 2017 (as restated)
		£'000	**£'000**	£'000	£'000
Revenue	2	**444,857**	**259,440**	410,364	222,043
Cost of sales		**(244,460)**	**(141,319)**	(251,224)	(136,433)
Gross profit		**200,397**	**118,121**	159,140	85,610
Selling and distribution expenses		**(45,149)**	**(29,135)**	(30,005)	(16,894)
Administrative and other expenses		**(90,856)**	**(46,613)**	(74,164)	(37,779)
Operating profit		**64,392**	**42,373**	54,971	30,937
Finance income	3	**2,331**	**1,348**	23,160	19,057
Finance expense	4	**(45,905)**	**(25,666)**	(57,879)	(35,252)
Net financing expense		**(43,574)**	**(24,318)**	(34,719)	(16,195)
Analysed as:					
Loan interest on the redemption of Senior Secured Loan notes and Senior Subordinated PIK notes		**-**	**-**	(10,535)	(10,535)
Write-off of capitalised arrangement fees on Senior Secured Loan notes and Senior Subordinated PIK notes		**-**	**-**	(2,377)	(2,377)
Underlying net financing expense*		**(43,574)**	**(24,318)**	**(21,807)**	**(3,283)**
Net financing expense		**(43,574)**	**(24,318)**	**(34,719)**	**(16,195)**
Profit before tax		**20,818**	**18,055**	20,252	14,742
Income tax charge	5	**(9,314)**	**(8,514)**	(4,205)	(3,043)
Profit for the period		**11,504**	**9,541**	16,047	11,699
Other comprehensive income / (expense)					
Items that will never be reclassified to profit or loss					
Measurement of defined benefit liability		**20,331**	**16,183**	(6,067)	(10,231)
Related income tax		**(3,456)**	**(2,751)**	1,031	1,739
		16,875	**13,432**	(5,036)	(8,492)
Items that are or maybe reclassified to profit or loss					
Loss recognised in hedge reserve		**(10,142)**	**(19,760)**	-	-
Related income tax		**1,498**	**3,133**	-	-
Foreign exchange translation differences		**331**	**591**	(791)	(21)
		(8,313)	**(16,036)**	(791)	(21)
Other comprehensive income / (expense) for the period, net of income tax		**8,562**	**(2,604)**	(5,827)	(8,513)
Total comprehensive income for the period		**20,066**	**6,937**	10,220	3,186
Profit attributable to:					
Owners of the group		**8,690**	**8,192**	15,544	11,455
Non-controlling interests		**2,814**	**1,349**	503	244
		11,504	**9,541**	16,047	11,699
Total comprehensive income attributable to:					
Owners of the group		**17,252**	**5,588**	9,717	2,942
Non-controlling interests		**2,814**	**1,349**	503	244
		20,066	**6,937**	10,220	3,186

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

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

Condensed consolidated statement of changes in equity

Group	Share capital	Share premium, share warrants and hedge reserve	Capital reserve and Non-controlling interests	Translation reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2017 (restated)	**3**	**372,166**	**99,322**	**1,566**	**(408,477)**	**79,694**
Total comprehensive income / (expense) for the period						
Profit (restated)	**-**	**-**	**244**	**-**	**11,455**	**11,699**
Other comprehensive income						
Foreign currency translation differences	-	-	-	(21)	-	(21)
Remeasurement of defined benefit liability (note 10)	-	-	-	-	(10,231)	(10,231)
Income tax on other comprehensive income	-	-	-	-	1,739	1,739
			-			-
Total other comprehensive income / (expense)	**-**	**-**	**-**	**(21)**	**(8,492)**	**(8,513)**
Total comprehensive income / (expense) for the period	**-**	**-**	**244**	**(21)**	**2,963**	**3,186**
At 30 June 2017 (restated)	**3**	**372,166**	**99,566**	**1,545**	**(405,514)**	**82,880**

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

Group	Share capital	Share premium , share warrants and hedge reserve	Capital reserve and Non-controlling interests	Translation reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2017 (restated)	**3**	**372,166**	**99,063**	**2,336**	**(416,022)**	**72,660**
Total comprehensive income / (expense) for the period						
Profit (restated)	**-**	**-**	**503**	**-**	**15,544**	**16,047**
Other comprehensive income						
Foreign currency translation differences	-	-	-	(791)	-	(791)
Remeasurement of defined benefit asset (note 10)	-	-	-	-	(6,067)	(6,067)
Income tax on other comprehensive income	-	-	-	-	1,031	1,031
Total other comprehensive income / (expense)	**-**	**-**	**-**	**(791)**	**(5,036)**	**(5,827)**
Total comprehensive income / (expense) for the period	**-**	**-**	**503**	**(791)**	**10,508**	**10,220**
At 30 June 2017 (restated)	**3**	**372,166**	**99,566**	**1,545**	**(405,514)**	**82,880**

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

Condensed consolidated statement of changes in equity (continued)

Group	Share capital	Share premium, Share warrants and hedge reserve	Capital reserve and Non-controlling interests	Translation reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2018	**3**	**380,149**	**103,159**	**1,399**	**(335,514)**	**149,196**
Total comprehensive income for the period						
Profit	**-**	**-**	**1,349**	**-**	**8,192**	**9,541**
Other comprehensive income / (expense) for the period						
Foreign currency translation differences	-	-	-	591	-	591
Loss recognised in cash flow hedge reserve	-	(19,760)	-	-	-	(19,760)
Remeasurement of defined benefit liability (note 10)	-	-	-	-	16,183	16,183
Dividend paid to non-controlling interest		-	(3,000)	-	-	(3,000)
Income tax on other comprehensive income	-	3,133	-	-	(2,751)	382
Total other comprehensive income / (expense)	**-**	**(16,627)**	**(3,000)**	**591**	**13,432**	**(5,604)**
Total comprehensive income / (expense) for the period	**-**	**(16,627)**	**(1,651)**	**591**	**21,624**	**3,937**
At 30 June 2018	**3**	**363,522**	**101,508**	**1,990**	**(313,890)**	**153,133**

Included in Capital Reserve and Non-controlling interests is £1,100,000 of additional capital reserve and £7,444,000 of Non-controlling interest relating to the 50% interest in the share capital of AMWS Limited, the parent company of Aston Martin Works Limited.

Group	Share capital	Share premium, Share warrants and hedge reserve	Capital reserve and Non-controlling interests	Translation reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2018	**3**	**372,166**	**101,694**	**1,659**	**(339,455)**	**136,067**
Total comprehensive income for the period						
Profit	**-**	**-**	**2,814**	**-**	**8,690**	**11,504**
Other comprehensive income / (expense) for the period						
Foreign currency translation differences	-	-	-	331	-	331
Loss recognised in cash flow hedge reserve	-	(10,142)				(10,142)
Remeasurement of defined benefit liability (note 10)	-	-	-	-	20,331	20,331
Dividend paid to non-controlling interests	-	-	(3,000)	-	-	(3,000)
Income tax on other comprehensive income	-	1,498	-	-	(3,456)	(1,958)
Total other comprehensive income / (expense)	**-**	**(8,644)**	**(3,000)**	**331**	**16,875**	**5,562**
Total comprehensive income / (expense) for the period	**-**	**(8,644)**	**(186)**	**331**	**25,565**	**17,066**
At 30 June 2018	**3**	**363,522**	**101,508**	**1,990**	**(313,890)**	**153,133**

Included in Capital Reserve and Non-controlling interests is £1,100,000 of additional capital reserve and £7,444,000 of Non-controlling interest relating to the 50% interest in the share capital of AMWS Limited, the parent company of Aston Martin Works Limited.

Condensed consolidated statement of financial position
at 30 June 2018

		As at 30.06.18 £'000	As at 30.06.17 £'000 (as restated)	As at 31.12.17 £'000 (as restated)
Non-current assets				
Intangible assets		**993,590**	755,965	930,705
Property, plant and equipment		**291,931**	216,498	243,885
Other receivables		**1,762**	2,452	2,077
Other financial assets		**-**	542	-
Deferred tax asset		**29,933**	32,124	37,091
		1,317,216	1,007,581	1,213,758
Current assets				
Inventories		**169,916**	135,040	127,785
Trade and other receivables		**177,730**	95,917	115,666
Other financial assets		**18,334**	151	6,966
Cash and cash equivalents	7	**71,473**	123,143	167,851
		437,453	354,251	418,268
Total assets		**1,754,669**	1,361,832	1,632,026
Current liabilities				
Borrowings	7	**29,645**	15,215	13,481
Trade and other payables		**571,125**	363,327	483,093
Income tax payable		**2,594**	125	2,677
Other financial liabilities		**15,542**	12,194	18,226
Provisions	9	**9,619**	6,484	12,016
		628,525	397,345	529,493
Non-current liabilities				
Borrowings	7	**857,223**	761,319	827,453
Trade and other payables		**11,790**	-	17,623
Other financial liabilities		**2,275**	474	-
Employee benefits	10	**25,025**	77,951	46,847
Provisions	9	**16,487**	11,190	13,931
Deferred tax liabilities		**60,211**	45,787	60,612
		973,011	896,721	966,466
Total liabilities		**1,601,536**	1,294,066	1,495,959
Net assets		**153,133**	67,766	136,067
Equity				
Share capital		**3**	3	3
Share premium		**353,704**	353,704	353,704
Share warrants		**18,462**	18,462	18,462
Capital reserves		**94,064**	94,064	94,064
Translation reserve		**1,990**	1,545	1,659
Other reserves		**(8,644)**	-	-
Retained earnings		**(313,890)**	(405,514)	(339,455)
Equity attributable to owners of the group		**145,689**	62,264	128,437
Non-controlling interests		**7,444**	5,502	7,630
Total equity		**153,133**	67,766	136,067

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

Condensed consolidated statement of cash flows
for the period ended 30 June 2018

	Notes	**6 months ended 30 June 2018 £'000**	**3 months ended 30 June 2018 £'000**	6 months ended 30 June 2017 £'000 (as restated)	3 months ended 30 June 2017 £'000 (as restated)
Operating activities					
Profit for the period		**11,504**	**9,541**	16,047	11,699
Adjustments to reconcile profit for the period					
to net cash inflow from operating activities					
Tax on continuing operations	5	**9,314**	**8,514**	4,205	3,043
Net finance costs		**40,815**	**22,363**	20,222	5,814
Other non cash movements		**331**	**679**	(791)	(21)
Depreciation of property, plant and equipment		**12,852**	**5,946**	12,606	6,192
Amortisation of intangible assets		**28,644**	**13,834**	25,434	13,249
Difference between pension contributions paid and amounts recognised in income statement		**(1,491)**	**(1,334)**	2,115	1,018
Increase in inventories		**(42,131)**	**(895)**	(17,795)	(687)
(Increase) / decrease in trade and other receivables		**(73,551)**	**(55,374)**	14,613	(18,456)
Increase in trade and other payables		**80,313**	**52,896**	14,433	14,921
Movement in provisions		**37**	**365**	4,073	2,782
Cash generated from operations		**66,637**	**56,535**	95,162	39,554
Income taxes paid		**(4,681)**	**(4,466)**	(568)	(637)
Net cash inflow from operating activities		**61,956**	**52,069**	94,594	38,917
Cash flows from investing activities					
Interest received	3	**2,331**	**1,348**	1,786	1,091
Payments to acquire property, plant and equipment		**(60,898)**	**(20,398)**	(32,783)	(16,315)
Payments to acquire intangible assets		**(91,529)**	**(43,874)**	(74,452)	(39,351)
Net cash used in investing activities		**(150,096)**	**(62,924)**	(105,449)	(54,575)
Cash flows from financing activities					
Interest paid		**(20,347)**	**(17,872)**	(31,055)	(15,926)
Dividend paid to non-controlling interests		**(3,000)**	**(3,000)**	-	-
New borrowings		**-**	**-**	549,872	549,872
Movement in existing borrowings		**16,200**	**6,772**	(472,415)	(477,082)
Transaction fees on new borrowings		**(42)**	**(42)**	(13,311)	(13,311)
Net cash (outflow) / inflow from financing activities		**(7,189)**	**(14,142)**	33,091	43,553
Net increase in cash and cash equivalents		**(95,329)**	**(24,997)**	22,236	27,895
Cash and cash equivalents at the beginning of the period		**167,851**	**95,716**	101,718	95,987
Effect of exchange rates on cash and cash equivalents		**(1,049)**	**754**	(811)	(739)
Cash and cash equivalents at the end of the period	7	**71,473**	**71,473**	123,143	123,143

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

Notes to the financial statements for the period ended
30 June 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 30 June 2018 comprise the company and its subsidiaries (together referred to as the 'group').

At 30 June 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 30 June 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 2022. These forecasts showed that the group has sufficient financial resources to meet its obligations as they fall due and meet all covenant tests.

The forecasts make assumptions in respect of future trading conditions and in particular, the launch of future models. The nature of the group's business is such that there can be variation in the timing of cash flows around the development and launch of new models and the availability of funds provided through the vehicle wholesale finance facility as the availability of credit insurance and sales volumes vary, in total and seasonally. The forecasts take into account the aforementioned factors to an extent which the directors consider to be reasonably prudent, based on the information that is available to them at the time of approval of these financial statements.

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

Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as endorsed by the European Union. They do not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the group as at and for the year ended 31 December 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 except for the adoption of IFRS 15 *Revenue from Contracts with Customers* on 1 January 2018 (the impact of which is shown below) and the adoption of IFRS9 *Financial Instruments* on 1 January 201*8* the effect of which is also shown below.

Estimates and judgements

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

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

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

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

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

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

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

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

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:

	6 months ended 30.06.18 £'000	6 months ended 30.06.17 £'000	Year ended 31.12.17 £'000
Finance expense before the accounting policy change	**(46,952)**	(56,999)	(97,649)
Finance expense following the accounting policy change	**(49,297)**	(57,879)	(99,879)
Impact of the accounting policy change on the statement of comprehensive income	**(2,345)**	(880)	(2,230)
Current trade and other payables before the accounting policy change	**(530,208)**	(347,333)	(480,863)
Current trade and other payables following the accounting policy change	**(534,783)**	(348,213)	(483,093)
Impact of the accounting policy change on shareholders' funds	**(4,575)**	(880)	(2,230)

IFRS9 *Financial Instruments* became effective from 1 January 2018. The group has adopted hedge accounting from this date. The effect 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 / (expense) and capital and reserves as opposed to within net financing expense in the income statement. The impact before tax in the half year is to report a loss of £(10,142,000) within other comprehensive income / (expense) as opposed to charging these amounts to net interest expense prior to adopting IFRS 9. The corresponding amount is shown within other reserves in the Statement of Financial Position net of taxation.

	Impact in the 6 months ended 30.06.18 £'000	Absolute values before the accounting policy change £'000	Absolute values following the accounting policy change £'000
Reduction in Net financing expense	**10,142**	-	-
Loss recognised in hedge reserve	**(10,142)**	-	-
Impact of the accounting policy change on the statement of comprehensive income	**-**	-	-
Other financial assets	**(20)**	12,769	12,749
Non-current borrowings	**7,886**	(865,109)	(857,223)
Other financial liabilities	**2,276**	(4,979)	(2,703)
Deferred tax liabilities	**(1,498)**	(58,713)	(60,211)
Other reserves	**(8,644)**	-	(8,644)
Impact of the accounting policy change on shareholders' funds	**-**	(916,032)	(916,032)

Notes to the financial statements for the period ended 30 June 2018 (continued)

Prior Year Adjustment

An adjustment has been made to include full provision for the return of proceeds due to shareholders in respect of an adjustment to the equity proceeds received by the Aston Martin Holdings (UK) Limited in 2013. At 30 June 2017 the adjustment has been to reduce the balance on the share premium account and increase trade and other payables by £15,114,000 and at 31 December 2017 to reduce the balance on share premium account by £9,528,000, increase trade and other payables by £15,114,000 and increase trade and other receivables by £5,586,000. Previously the transaction was accounted for on an actual basis.The adjustment has no effect on either the income statement or cash flow statement.

2 Revenue

	6 months ended 30.06.18 £'000	**3 months ended 30.06.18 £'000**	6 months ended 30.06.17 £'000	3 months ended 30.06.17 £'000
Sale of vehicles	**384,893**	**215,858**	377,854	204,825
Sale of parts	**30,239**	**16,620**	27,722	14,509
Servicing of vehicles	**6,899**	**4,136**	4,788	2,709
Partnerships including Motor Sport	**22,826**	**22,826**	-	-
Total revenue	**444,857**	**259,440**	410,364	222,043

3 Finance income

	6 months ended 30.06.18 £'000	**3 months ended 30.06.18 £'000**	6 months ended 30.06.17 £'000	3 months ended 30.06.17 £'000
Bank deposit and other interest income	**2,331**	**1,348**	1,786	1,091
Net gain on financial instruments recognised at fair value through profit or loss	**-**	**-**	8,377	7,113
Net foreign exchange gain	**-**	**-**	12,997	10,853
Total finance income	**2,331**	**1,348**	23,160	19,057

4 Finance expense

	6 months ended 30.06.18 £'000	**3 months ended 30.06.18 £'000**	6 months ended 30.06.17 £'000 (as restated)	3 months ended 30.06.17 £'000 (as restated)
Bank loans and overdrafts	**23,886**	**12,276**	25,887	12,357
Net interest expense on the net defined benefit liability	**545**	**262**	903	444
Interest on preference shares classified as financial liabilities	**20,731**	**10,883**	18,177	9,539
Net loss on financial instruments recognised at fair value through profit or loss	**743**	**2,245**	-	-
Net foreign exchange loss	**-**	**-**	-	-
Finance expense before non-recurring finance expense	**45,905**	**25,666**	44,967	22,340
Non-recurring finance expense:				
Loan interest on the redemption of Senior Secured Loan notes and Senior Subordinated PIK notes	**-**	**-**	10,535	10,535
Write-off of capitalised arrangement fees on Senior Secured Loan notes and Senior Subordinated PIK notes	**-**	**-**	2,377	2,377
Total finance expense	**45,905**	**25,666**	57,879	35,252

5 Income tax charge

The effective tax rate for the period ended 30 June 2018 is 44.7 % (period ended 30 June 2017 (restated) : 20.8%). This compares to a UK statutory rate of tax 19% applicable to the group for the period to 30 June 2018 (19.25% for the period ended 30 June 2017).

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

The deferred tax liability at 30 June 2018 has been calculated based on the rate of 17% substantively enacted at the balance sheet date.

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

6 Dividends

No dividends have been declared or paid by Aston Martin Holdings (UK) Limited in the six month period to 30 June 2018 or the six month period to 30 June 2017, but a dividend of £6m was declared and paid by Aston Martin Works Limited in the six month period to 30 June 2018 (2017 : £nil), a company in which the group has a 50% interest, resulting in a payment of £3m to the non-controlling interests.

Notes to the financial statements for the period ended 30 June 2018 (continued)

7 Net borrowings

	As at 30.06.18 £'000	As at 30.06.17 £'000	As at 31.12.17 £'000
Cash and cash equivalents	**71,473**	123,143	167,851
Bank loans and overdrafts (a)	**(29,645)**	(15,215)	(13,481)
Redeemable cumulative preference shares (b)	**(276,573)**	(236,146)	(255,842)
6.5% Senior Secured Notes (c)	**(303,743)**	(307,929)	(295,858)
5.75% Senior Secured Notes (d)	**(275,536)**	(217,244)	(274,475)
Unsecured loan (e)	**(1,371)**	-	(1,278)
	(815,395)	(653,391)	(673,083)

(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 30 June 2018 the utilisation of these facilities was £10,121,000 (30 June 2017 : £1,815,000). The £80,000,000 revolving credit facility was undrawn at both 30 June 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. The group has entered into a back-to-back loan arrangements with HSBC Bank plc, whereby Chinese Yuan to the value of £19,984,000 were deposited in a restricted account with HSBC in China in exchange for a Sterling overdraft facility with HSBC in the United Kingdom. The £19,984,000 of restricted cash is shown in the total of cash and cash equivalents above. At 30 June 2018 the group has drawn down, including accrued interest, £19,524,000 (30 June 2017 : £13,400,000) of the combined overdraft facility which is included in bank loans and overdrafts. The back-to-back loans are for one year periods.

(b) In April 2015 the company accepted binding subscriptions for £200,000,000 of preference shares with an interest rate of 15% payable on a PIK basis. The first tranche of £100,000,000 was received on 27 April 2015 and the second tranche of £100,000,000 was received in April 2016. These subscriptions also include warrants for a pro rata allocation of P shares (non-voting ordinary shares) corresponding to 4% of the fully diluted share capital of the company. At 30 June 2018 the liability relating to the preference shares, including accrued interest, was £276,573,000 (30 June 2017 : £236,146,000).

(c) 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 (d) below, were used to settle the existing Senior Secured Loan Notes and Senior Subordinated PIK Notes. The new financing has a Revolving Credit Facility of £80,000,000 which was undrawn at 30 June 2018. At the 30 June 2018 closing exchange rate the liability relating to the 6.5% Senior Secured Notes was £303,743,000 (30 June 2017 £307,929,000).

(d) 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 (c) above, were used to settle the existing Senior Secured Loan Notes and Senior Subordinated PIK Notes. 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 30 June 2018 the liability relating to the 6.5% Senior Secured Notes was £275,536,000 (30 June 2017 : £217,244,000).

(e) The group has borrowed 200 million Japanese Yen equivalent to £1,371,000, (30 June 2017 : £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 6 months ended 30.06.18	**Average rate 3 months ended 30.06.18**	Average rate 6 months ended 30.06.17	Average rate 3 months ended 30.06.17
US dollar	**1.3774**	**1.4028**	**1.2431**	**1.2505**
Chinese renminbi	**8.7981**	**8.8153**	**8.6026**	**8.6179**
Euro	**1.1333**	**1.1406**	**1.1703**	**1.1691**

9 Provisions

	As at 30.06.18 £'000	As at 30.06.17 £'000	As at 31.12.17 £'000
Warranty and service plan	**26,106**	17,674	25,947
Non-current	**16,487**	11,190	13,931
Current	**9,619**	6,484	12,016
	26,106	17,674	25,947

10 Pension scheme

The net liability for defined benefit obligations of £(42,542,000) at 31 March 2018 has decreased to a net liability of £(25,025,000) at 30 June 2018. The movement of £17,517,000 comprises a net actuarial gain of £16,183,000 plus contributions of £3,635,000 less a charge to the income statement of £(2,301,000) . The net actuarial gain has arisen mainly due a change in the discount rate assumptions used in the valuation of the scheme's assets and liabilities compared to those used at 31 March 2018. The discount rate increased to 2.7% at 30 June 2018 compared to 2.6% at 31 March 2018.

11 Related party transactions

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