28 February 2019

Aston Martin Lagonda Global Holdings plc

Preliminary results for the 12 months to 31 December 2018

Strong performance delivering the Second Century Plan targets for 2018; Aston Martin Lagonda on track with future plans

£m	31-Dec-18	31-Dec-17	*Change*
Total wholesale volumes (#)[1]	**6,441**	**5,098**	***26%***
Revenue[2]	1,096.5	876.0	*25%*
Adj. EBITDA[3]	**247.3**	**206.5**	***20%***
Adj. operating profit (EBIT)[3]	**146.9**	**124.5**	***18%***
Normalised adjusted diluted EPS (pence)[3]	27.5	32.9	*n.m.*
Total Adjusting Items[4]	(136.0)	11.4	-
Operating profit	**72.8**	**148.8**	***(51%)***
(Loss) / Profit before tax	(68.2)	84.5	*n.m.*
Diluted EPS (pence)	(31.0)	36.5	*n.m.*

[1] Number of vehicles including specials; [2] Excludes £20m reclassification in 2018, see Appendix page 11; [3] For definition of alternative performance measures please see Appendix page 11; [4] For more detail see "Adjusting items" on page 7

Record revenue of £1.1bn up 25%, adjusted EBITDA of £247m up 20% and total volumes of 6,441 up 26%

- IPO on the London Stock Exchange in October 2018 marked a key milestone in the Company's history; £136m of associated costs, of which £29m were cash, led to a reported loss before tax of £(68)m (2017: profit £85m) and an adjusted profit before tax of £68m before one-off IPO costs (2017: £73m)
- Total volumes up 26% which is ahead of guidance; core car volumes up 30%; special editions continue to be in high demand
- Strong volume growth across all regions; APAC up 44% (with China up 31%), the Americas up 38%, UK up 17% and EMEA (ex. UK) up 13%
- Net debt at £560m (2017: £673m) with adjusted net leverage of 2.3x adjusted EBITDA, stable at 2.1x adjusting for IPO and other one-off cash costs

Phase 2 "Core Strengthening" substantially complete; Phase 3 "Portfolio Expansion" progressing well

- DBX, our first SUV, development on time and St Athan facility materially complete; First production trial (1PT) starting in Q2 2019
- Cars wholesaled in China under the new "China 6" emissions regulations during December 2018
- Five models successfully delivered in the year: new Vantage, DBS Superleggera and special editions of the Vanquish Zagato Shooting Brake, Vanquish Zagato Speedster and DB4 GT Continuation

"2018 was an outstanding year for Aston Martin Lagonda, delivering strong growth, with improving revenues, unit sales and adjusted profits. As the UK's only listed luxury automotive group, we have demonstrated our legitimacy in the global luxury market. Our well-defined expansion plans, that combine outstanding high-performance cars with iconic brand-status, are on track as we manage through the uncertainties and disruption impacting the wider auto industry.

Given our progress on the Second Century plan – including completion of our new manufacturing plant at St Athan and our preparations for the DBX, we are confident that Aston Martin Lagonda will deliver another year of growth. Whilst we are mindful of the uncertain and more challenging external environment, particularly in the UK and Europe, we remain disciplined in our execution and maintain our guidance for financial year 2019, whilst also reconfirming our medium-term objectives."

Dr Andy Palmer, Aston Martin Lagonda President and Group CEO

All metrics and commentary in the Group Financial Highlights and Business and Financial Review exclude adjusting items unless stated otherwise.

Certain financial data within this announcement have been rounded.

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- There will be a presentation today at One Great George Street, Westminster London SW1P 3AA for investors and analysts at 09:30am
- The presentation can be viewed live on the Aston Martin Lagonda website https://www.astonmartinlagonda.com/investors and can also be accessed live via a listen only dial-in facility on +44-33-3300-0804; PIN: 53918656#
- The supporting slides and a replay facility will be available on the website later in the day
- Aston Martin Lagonda will update on first quarter trading on 15 May 2019

No representations or warranties, express or implied, are made as to, and no reliance should be placed on, the accuracy, fairness or completeness of the information presented or contained in this release. This release contains certain forward-looking statements, which are based on current assumptions and estimates by the management of Aston Martin Lagonda Global Holdings plc ("Aston Martin Lagonda"). Past performance cannot be relied upon as a guide to future performance and should not be taken as a representation that trends or activities underlying past performance will continue in the future. Such statements are subject to numerous risks and uncertainties that could cause actual results to differ materially from any expected future results in forward-looking statements. These risks may include, for example, changes in the global economic situation, and changes affecting individual markets and exchange rates.

Aston Martin Lagonda provides no guarantee that future development and future results achieved will correspond to the forward-looking statements included here and accepts no liability if they should fail to do so. Aston Martin Lagonda undertakes no obligation to update these forward-looking statements and will not publicly release any revisions that may be made to these forward-looking statements, which may result from events or circumstances arising after the date of this release.

This release is for informational purposes only and does not constitute or form part of any invitation or inducement to engage in investment activity, nor does it constitute an offer or invitation to buy any securities, in any jurisdiction including the United States, or a recommendation in respect of buying, holding or selling any securities.

GROUP FINANCIAL HIGHLIGHTS

- Revenue up 25% to £1.1bn, as total wholesale volumes reached 6,441 units, up 26% year-on-year (2017: 5,098 units)
  - Growth across all regions, with especially strong performances in APAC including China (+44%) and the Americas (+38%)
  - Average selling price per vehicle £141k (ex. specials), and £157k (inc. specials)
- Adjusted operating profit (EBIT) increased by 18% to £147m, representing an adjusted EBIT margin of 13.4%. Correspondingly, adjusted EBITDA increased by 20% to £247m with a margin of 22.6%
  - Consultancy income of £20m reclassified from revenue to "other income". Prior to this reclassification, adjusted EBIT margin was 13.2% and adjusted EBITDA margin 22.1%
- Adjusted profit before tax was £68m. Adjusting items of £136m relating to the IPO resulted in a reported loss before tax of £(68)m
- Net cash generated from operating activities (pre-Capex) was £223m (2017: £344m), impacted by higher receivables, c.£90m of which were associated with supply chain delays in Q4 expected to substantially unwind in H1 2019. Capital expenditure was £311m as we continue to invest for the future (2017: £294m)
- Return on Invested Capital (ROIC), measuring the efficient use of capital, was 12.8%
- Net Debt at 31 December 2018 was £560m (2017: £673m) with adjusted net leverage of 2.3x adjusted EBITDA, stable at 2.1x adjusting for IPO and other one-off cash costs (2017: net debt £417m adjusting for preference shares, 2.0x)
- Adjusted diluted EPS of 27.5p, normalised for the number of shares in issue since the IPO

Summary income statement

£m	**31-Dec-18**	**31-Dec-17**	***change***
Revenue[1]	**1,096.5**	**876.0**	**25%**
Cost of sales	(660.7)	(496.2)	
Gross profit[1]	**435.8**	**379.8**	**15%**
Gross margin %	*39.7%*	*43.4%*	
Operating expenses[2]	(308.9)	(255.3)	
of which depreciation & amortisation	*(100.4)*	*(82.0)*	
Other income	20.0	-	
Adjusted operating profit	**146.9**	**124.5**	**18%**
Adjusted operating profit margin	*13.4%*	*14.2%*	
Adjusting operating items	(74.1)	24.3	
Operating profit	**72.8**	**148.8**	**(51%)**
Net financing expense	(141.0)	(64.3)	
of which adjusting financing items	*(61.9)*	*(12.9)*	
(Loss) / profit before tax	**(68.2)**	**84.5**	
Taxation	11.1	(7.7)	
Reported net income	**(57.1)**	**76.8**	
Adj. EBITDA	**247.3**	**206.5**	**20%**
Adj. EBITDA margin	*22.6%*	*23.6%*	
Adj. profit before tax	**67.8**	**73.1**	**(7%)**
Reported EPS (pence)[3]	*(31.0)*	*36.5*	
Normalised adjusted EPS (pence)[3]	***27.5***	***32.9***	

[1] Excludes £20m reclassification; [2] Excludes adjusting items; [3] EPS is presented on a diluted basis. For definition of alternative performance measures please see Appendix and note 12 of the Financial Statements

BUSINESS REVIEW

2018 was a historic year for Aston Martin Lagonda, including our listing on the premium segment of the London Stock Exchange in October. In doing so, we became the only automotive business, and only the second luxury business, to be listed on the London main market.

Successful delivery of the Second Century Plan

Since launching the Second Century Plan (the "Plan") in 2015, Aston Martin Lagonda has successfully transformed into a global luxury business focused on creating the most beautiful and accomplished automotive art in the world. Through the course of the year, we continued to focus on executing against the Plan, and 2018 saw Phase 2, "Core Strengthening", substantially completed with the launch of Vantage and DBS Superleggera. In launching these cars our core sports car range has now been refreshed, with the convertible versions of DBS Superleggera and Vantage to follow, in 2019 and 2020 respectively. Phase 3, "Portfolio Expansion", is progressing well and in line with the Plan. Development of DBX, our first SUV, remains on track and the development of the Aston Martin Valkyrie continues apace. The latest addition to the mid-engined super car range, Project 003, continues to showcase our ambitions in that segment. The re-launch of the Lagonda brand, planned to be the world's first fully electric luxury brand, will complete this third phase of the Second Century Plan.

DBX and St Athan on track

We have materially completed our new manufacturing facility at St Athan in Wales, where the DBX will be produced. The first production trial of the DBX will commence in Q2 2019, with full production starting in H1 2020. We also confirmed in 2018 that St Athan will be our centre for battery electric vehicle production and will therefore be the manufacturing home of Lagonda and the Rapide E, our first electric vehicle, which is on track to start production in 2019.

Exclusive specials programmes once again in high demand

Complementing our portfolio of core cars, our exclusive special-editions continue to be in high demand. Deliveries of the Vanquish Zagato Speedster and Vanquish Zagato Shooting Brake commenced during 2018 and our first continuation model, DB4 GT completed production in the fourth quarter. During 2018 we announced our intention to build on this success, and to mark the centenary of the iconic Zagato design house, with 19 pairs of an ultra-exclusive DB4 GT Zagato Continuation alongside a contemporary DBS Zagato. The first car is planned for delivery during H2 2019. Finally, during 2018 we announced a highly limited run of 25 *Goldfinger* DB5 Continuation cars, one car for each Bond film produced, with production planned for 2020.

Expanding and upgrading global dealer network

We have continued to strengthen our dealer network to deliver world-class luxury customer experiences and consistent brand presentation. This included opening three new dealers in APAC, increasing our presence in a growing region, and changes in other locations including Madrid and Brussels. At the end of 2018 we had 162 Aston Martin dealerships across 53 countries globally, alongside flagship "brand centres" in key locations.

Plans in place for UK's withdrawal from the European Union

We have recruited a Chief Purchasing and Supply Chain Officer to strengthen the senior team and in anticipation of the United Kingdom's departure from the European Union. In addition, plans are in place to mitigate the impact on the business from potential supply chain disruption should the UK withdraw from the European Union without an agreement or in an unstructured manner. Plans for up to £30m of advanced working capital and/or operating expenses have been approved by the Board. If enacted, these one-off items would be reported separately through the year and will be excluded for performance measurement purposes. To date, the company has spent a minimal amount (on racking and packaging) and has committed, but not spent, c.£2m on revised supply chain routes.

FINANCIAL REVIEW

Revenue analysis

Wholesale volumes by region

	31-Dec-18	31-Dec-17	*Change*
UK	1,798	1,538	*17%*
Americas	1,761	1,277	*38%*
EMEA ex. UK	1,489	1,316	*13%*
APAC	1,393	967	*44%*
Total	**6,441**	**5,098**	***26%***

Note: Includes specials

Wholesales in 2018 increased for the third year running to 6,441 units, a 26% increase year-on-year with core volumes (ex. specials) up 30%. Regionally, volumes became more balanced as we focused on key growth markets, expanding and upgrading our dealer network capabilities; and investing in appropriate brand and marketing activities. APAC was the fastest growing region, up 44%, now 22% of group volume (including China up 31%, with a particularly strong performance from V8 variants). This was closely followed by the Americas (up 38%), which was the best performing region during the second half of the year with customers responding strongly to new product launches. Wholesales in the UK and EMEA also grew at a double-digit rate.

With the ramp up in new models, October and November saw some supply chain disruption, which was resolved during December. This resulted in higher wholesale volumes in the final month of the year compared to the prior year, as we caught up with deliveries to dealers.

Revenue by Category

£m	31-Dec-18	31-Dec-17	*Change*
Sale of vehicles	1,010.7	810.1	*25%*
Sale of parts	61.1	56.0	*9%*
Servicing of vehicles	14.6	9.9	*47%*
Brands and motorsport[1]	10.1	-	*n.m.*
Total	**1,096.5**	**876.0**	***25%***

[1]*Excludes £20m of consultancy revenue from a significant contract relating to the sale of certain legacy intellectual property in the first half of the year, previously reported in revenue now recognised as "other income"*

Revenue growth for the period was 25% driven largely by the increase in wholesale volumes. Total Average Selling Price (ASP) fell slightly to £157k (2017: £159k) driven by the planned decrease in the ASP of core vehicles to £141k (2017: £150k) as the model mix shifted as expected towards the new Vantage and DB11 V8 variants, and away from the higher priced DB11 V12 derivatives. This was partially offset by the introduction of DBS Superleggera in Q4, the highest priced of the core model line-up, alongside the delivery of higher priced special vehicles.

Revenue from the Sale of parts increased by 9% to £61m and revenue from Servicing by 47% to £15m as both continue to benefit from the growth in vehicle sales in recent years.

Revenues from Brands and motorsport of £10m were driven by sponsorship and race car sales resulting from Aston Martin's entry into the World Endurance Championship and revenue from AM Brands (AMB), which was acquired from a third party in December 2017. AMB currently manages 18 accounts, including recent relationships with TAG-Heuer, Beats, Waldorf Astoria and Sky. Revenues from Brands and motorsport in 2017 were immaterial and reported under Sale of vehicles.

Operating profit analysis

Adjusted operating profit increased by 18% to £147m (2017: £125m), with a margin of 13.4%, in-line with guidance. This included consultancy income of £20m from a significant contract relating to the sale of certain legacy intellectual property in the first half of the year, previously reported in revenue now recognised as "other income", **which is not expected to repeat in 2019. Prior to this reclassification, adjusted operating margin would have been 13.2%. After adjusting operating items relating to the IPO of £74m, operating profit was £73m, down from £149m in 2017.**

Gross profit increased by 15% to £436m (2017: £380m). The gross margin decreased as expected from 43.4% to 39.7% (prior to consultancy income reclassification 40.8%), due to the planned mix shift into new Vantage, partially offset by an outperformance in the higher margin regions and the introduction of the DBS Superleggera. Gross margin also benefited from the sale of fewer, but higher margin special vehicles.

Total operating expenses before depreciation, amortisation and adjusting items increased to £209m (2017: £173m), with the year-on-year increase driven by investment in marketing and associated selling costs supporting new model launches, the rebalancing of our geographic mix and the additional running costs of the St Athan facility. It also includes costs relating to AMB acquired in December 2017, non-capitalised engineering expenditure of £12m (2017: £11m) and higher than expected logistics costs due to the supply chain disruption in Q4.

Depreciation and amortisation increased to £100m (2017: £82m), reflecting the impact of new model launches throughout 2018. The "carry-over-carry-across" (COCA) principle, a cornerstone of the Second Century Plan, where every significant component utilises a part from a previous model or creates a part for a future model, underpinned new Vantage and DBS Superleggera, contributing to an £11m decrease in capitalised R&D at £202m.

Adjusted EBITDA increased by 20% to £247m (2017: £207m) with a margin of 22.6% (prior to consultancy income reclassification 22.1%).

Adjusting items

£m	Income Statement	Cash
Pre-IPO long-term employee incentives	61.2	23.1
IPO professional fees	12.9	6.0
Adjusting operating items	**74.1**	**29.1**
Shareholder pension adjustment	-	9.5
Premium on the redemption of preference shares	46.8	-
Preference share fee write-off	15.1	-
Adjusting financing items	**61.9**	**9.5**
Total adjusting items[1]	**136.0**	**38.6**

[1]*Total operating and financing adjusting items, excludes any tax, for more detail please see note 5 of the Financial Statements*

Adjusting items of £136m (2017: £24m credit) during the year represented the costs associated with the IPO in October. The £74m of adjusting operating items comprise £61m in respect of pre-IPO long-term incentive and remuneration expenses, and £13m in respect of professional fees. The £62m of adjusting financing items related to the conversion of preference shares. Of this, £47m was the true-up of accrued interest due over the remaining term which became immediately due on conversion. The balance of £15m was related to the write-off of fees incurred at the time of executing the preference shares, which were to have been amortised over the original term of the instrument.

Including the shareholder pension adjustment, £39m of adjusting items flowed through to cash. Of this sum, £23m related to company-wide long-term incentives and IPO bonuses, including associated National Insurance contributions (£16m) & other taxes. There was no cash component to the preference share conversion, with the remaining £10m of cash costs relating to a pension settlement for selling shareholders, which had no Income Statement impact.

Net financing expense

£m	31-Dec-18	31-Dec-17
Bank deposit and other interest income	4.2	3.1
Net gain on financial instruments recognised at fair value and foreign exchange gain	-	32.5
Bank loans and overdrafts	(44.6)	(45.1)
Interest on preference shares, deposits held and defined benefit liability	(38.7)	(41.9)
Net finance expense before adjusting items	**(79.1)**	**(51.4)**
Adjusting financing items[1]	(61.9)	(12.9)
Net finance expense	**(141.0)**	**(64.3)**

[1]*More information on "Adjusting items" see above*

The total net finance expense over the period was £141m (2017: £64m). The £77m increase was primarily due to £62m of adjusting financing items shown above. The adjusted net financing expense of £79m (2017: £51m) rose by £28m primarily as a result of a £33m fair value and foreign exchange gain that was recognised in 2017. Following the adoption of IFRS 9 from 1 January 2018, such gains or losses are now reported in changes in equity, rather than the Income Statement.

Profit before tax

Adjusted profit before tax was £68m (2017: £73m). Adjusting for IFRS 9 in 2017, the comparable adjusted profit before tax would have been £41m. Profit before tax in the period after adjusting items was £(68)m (2017: £85m).

Taxation

The effective tax credit rate for the year was 16.3% (2017: 9.1% charge). The tax credit on the adjusted profit before tax was £1m reflecting the benefit of the impact of previously unrecognised tax losses (£19m), a prior year credit (£5m) offset by disallowable interest on the preference shares which were converted to ordinary shares in the year. In 2017 the tax charge also benefitted from the impact of previously unrecognised tax losses of £13m.

Earnings per share

The normalised calculation of Earnings Per Share (EPS) is based on the 228m of ordinary shares in issue at 31 December 2018 (this represents an indication of the weighted average number of ordinary shares for evaluating future performance). With adjusted earnings of £63m, recognising tax on adjusting items as appropriate, normalised adjusted EPS was 27.5p**.**

The weighted average number of shares in issue during the year as a result of the share split at IPO was 202m, giving an adjusted diluted EPS of 31.1p and reported diluted EPS was (31.0)p

Cash Flow / Net Debt

£m	**31-Dec-18**	**31-Dec-17**
Cash generated from operating activities	222.6	344.0
Cash used in investing activities	(306.3)	(346.6)
Cash inflow from financing activities	57.8	69.9
Effect of exchange rates on cash and cash equivalents	2.7	(1.2)
Net cash (outflow) / inflow	(23.2)	66.1
Cash balance	**144.6**	**167.8**
Borrowings	704.1	840.9
Net debt	**559.5**	**673.1**
Preference share adjustment[1]	-	(255.9)
Net debt adjusted for preference shares	**559.5**	**417.2**
Adj. Leverage	2.3x	2.0x
IPO and other one-off cash adjustments[2]	38.6	-
Adj. Leverage (after IPO cash adjustments)	*2.1x*	*2.0x*
ROIC	*12.8%*	*12.4%*

[1]Preference shares, which were converted into ordinary shares at IPO, are included in borrowings in 2017, for more information please see note 10 of the Financial Statements; [2]Cash costs associated with the IPO and shareholder pension adjustment as at 31 December 2018

Cash generated from operating activities was £223m (2017: £344m) adversely impacted by a significant increase in working capital, including receivables of c.£90m associated with supply chain delays during Q4 and the consequential shifting of wholesale deliveries to the end of the period. This is expected to substantially unwind during the course of H1 2019. Capex increased to £311m (2017: £294m) as we continued to invest in future products and the St Athan facility. A change in the timing of anticipated spend meant this was lower than originally guided.

Net debt at 31 December 2018 was £560m (2017: £673m; £417m adjusting for preference shares). The increase in borrowings (ex. preference shares) reflected the net cash outflow of £23m and the re-valuation of the U.S. tranche of Senior Secured Notes, a new fixed rate loan to finance the construction of the paint shop at the St Athan manufacturing facility (£15m), and increased back-to-back facilities in China (£12m) alongside a partial drawdown of the RCF (£70m), supporting working capital requirements including the receivables increase noted above.

Adjusted net leverage was 2.3x, stable at 2.1x after adjusting for IPO and other one-off cash costs.

Return on Invested Capital (ROIC), measuring the efficient use of capital, was 12.8%. ROIC[1] is defined as net operating profit after tax divided by the sum of gross debt and equity.

No dividends have been paid or proposed as we invest in future growth and focus on the delivery of the Plan.

Outlook

Since our Third quarter trading update in November 2018, geopolitical and economic uncertainties have increased. In response, we have put contingency plans in place to protect production and customer deliveries should the UK leave the European Union without an agreement or in an unstructured manner. Plans for up to £30m of advanced working capital and/or operating expenses have been approved by the Board. If enacted, these one-off items would be reported separately through the year and will be excluded for performance measurement purposes. To date the company has spent a minimal amount (on racking and packaging) and has committed, but not spent, c.£2m on revised supply chain routes. Whilst we are mindful of these external factors and the uncertain and more challenging external environment, particularly in the UK and Europe, we remain disciplined in our execution and maintain our guidance for financial year 2019, whilst also reconfirming our medium-term objectives.

2019 guidance:

- Wholesales: 7,100 – 7,300 *(reconfirmed)*
- Adjusted EBITDA margin: ~24%
  - Adjusted EBITDA is expected to be lower year-on-year in the first half of 2019 principally due to the non-repeat of the £20m of other income relating to the sale of certain intellectual property in the first half of 2018.
- Adjusted operating profit (EBIT) margin: ~13%
- Interest cost: ~£55m and D&A: ~£140m
  - IFRS 16, the new lease accounting standard, is effective from 1 January 2019. It is estimated that a right-of-use depreciation charge of c.£11m and a lease liability interest charge of c.£5m will be recognised in the 2019 Consolidated Income Statement in place of a 2019 estimated IAS 17 operating lease charge of c.£12m (see note 1 to Consolidated Financial Statements)
- Effective tax rate: ~20%-22%
- Capex and R&D expenditure: ~£320m-£340m

Medium-term guidance (reconfirmed):

- Wholesales: ~14,000
- Adjusted EBITDA margin: >30%
- Adjusted operating profit (EBIT) margin: >20%

[1]for full calculation please see Appendix.

APPENDICES

Dealerships

	31-Dec-18	31-Dec-17
UK	21	21
Americas	44	45
EMEA ex.UK	55	56
APAC	42	39
Total	**162**	**161**
Number of Countries	**53**	**52**

During 2018 we continued to strengthen our dealer network, opening three new dealers in APAC increasing our presence in a key growth region, with openings in other key locations including Madrid and Brussels.

Defined Benefit Pension Scheme

The net liability for defined benefit pension scheme obligations has decreased from £47m at 31 December 2017 to £39m at 31 December 2018. This decrease in obligations of 17% is largely due to improvements in financial assumptions partially offset by the change in the net minimum funding obligation in excess of assets after consideration of IFRIC 14.

ROIC calculation

£m	31-Dec-18	31-Dec-17
Adj. Operating Profit (EBIT)	146.9	124.5
Adj. Profit before Tax	67.8	73.1
Tax Rate	(0.9%)	4.9%
Tax (credit) / charge	(0.6)	3.6
Adj. NOPAT	**147.5**	**120.9**
Senior Secured Notes	590.9	570.2
Unsecured loans	1.4	1.3
Long-term borrowings	12.4	255.9
Short term borrowings	99.4	13.5
Gross Debt	704.1	840.9
Equity	449.4	136.1
Gross Debt + Equity	**1,153.5**	**977.0**
ROIC	**12.8%**	**12.4%**

Q4 Highlights

£m	FY 2018	FY 2017	*Change*	Q4-18	Q4-17	*Change*
Total wholesale volumes (#)[1]	6,441	5,098	*26%*	2,366	1,768	*34%*
Revenue[2]	1,096.5	876.0	*25%*	389.2	309.2	*26%*
Adj. EBITDA[3]	247.3	206.5	*20%*	87.0	85.4	*2%*
Adj. operating profit[3]	146.9	124.5	*18%*	55.4	61.0	*(9%)*
Operating profit	72.8	148.8	*(51%)*	(16.9)	85.3	*n.m.*
(Loss) / profit before tax	(68.2)	84.5	*n.m.*	(92.0)	62.6	*n.m.*

Note: For further detail see operating profit analysis on page 6; [1] Number of vehicles including specials; [2] excludes £20m reclassification; [3] For definition of alternative performance measures please see Appendix and note 12 of the Financial Statements

Reclassification of Consultancy Income

	As Other Income	In Revenue (as reported)	As Other Income (as reported)	In Revenue (for information)
£m	**H1 2018**	**H1 2018**	**FY 2018**	**FY 2018**
Revenue	2,299	2,299	6,441	6,441
Gross Profit	424.9	444.9	1,096.5	1,116.5
Gross margin	180.4	200.4	435.8	455.8
Adj. EBITDA[1]	*42.5%*	*45.0%*	*39.7%*	*40.8%*
Adj. EBITDA margin	105.8	105.8	247.3	247.3
Adj. operating profit[1]	*24.9%*	*23.8%*	*22.6%*	*22.1%*
Adj. operating margin	64.3	64.3	146.9	146.9

[1] For definition of alternative performance measures please see Appendix and note 12 of the Financial Statements

New IFRS standards and interpretations adopted during 2018

In 2018 the following standards and amendments were endorsed by the EU, became effective and hence have been adopted by the Group:

- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments
- IFRS 2 Share Based Payments (amendments to)

For more information please see note 1 of the of the Financial Statements.

The following standards and interpretations which are not yet effective or endorsed by the EU and have not been early adopted by the Group will be adopted in future accounting periods:

- IFRS 16 'Leases' (effective 1 January 2019). For detail please see note 1 of the Financial Statements and guidance on page 9

Alternative performance measures

In the reporting of financial information, the Directors have adopted various Alternative Performance Measures ("APMs"). APMs should be considered in addition to IFRS measurements. The Directors believe that these APMs assist in providing useful information on the underlying performance of the Group, enhance the comparability of information between reporting periods, and are used internally by the Directors to measure the Group's performance.

- Adjusted operating profit (EBIT) is results from operating activities before adjusting operating items;
- Adjusted EBITDA further removes depreciation, loss/ (profit) on disposal of fixed assets and amortisation from adjusted EBIT;
- Adjusted EBT is the (loss) / profit before income tax and adjusting items;
- Adjusted EPS is (loss) / profit after income tax before adjusting items, divided by the weighted average number of ordinary shares in issue during the reporting period;
- Normalised adjusted EPS is (loss) / profit after income tax before adjusting items, divided by the number of ordinary shares in issue at the end of the reporting period;
- Net Debt is current and non-current borrowings less cash and cash equivalents, both in-hand and at bank;
- Adjusted leverage is the ratio of Net Debt, adjusted for adjusting IPO and other one-off cash items, to Adjusted EBITDA;
- Return on invested capital represents adjusted operating profit after tax divided by the sum of gross debt and equity.

This is the first Financial Review since the Group listed in October 2018. For the majority of the year on which we are reporting a different pre-IPO capital structure was in place and the period also includes significant adjusting items. Accordingly, we have referred to adjusted results where appropriate within this report in order to present a more meaningful analysis.

Further details and definitions of adjusting items are contained in note 12 of the Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

		2018			2017 *restated***		
	Notes	**Adjusted £m**	**Adjusting items* £m**	**Total £m**	Adjusted £m	Adjusting items* £m	Total £m
Revenue	2	**1,096.5**	**-**	**1,096.5**	876.0	-	876.0
Cost of sales		**(660.7)**	**-**	**(660.7)**	(496.2)	-	(496.2)
Gross profit		**435.8**	**-**	**435.8**	379.8	-	379.8
Selling and distribution expenses		**(89.8)**	**-**	**(89.8)**	(60.0)	-	(60.0)
Administrative and other expenses	5	**(219.1)**	**(74.1)**	**(293.2)**	(195.3)	24.3	(171.0)
Other income	4	**20.0**	**-**	**20.0**	**-**	**-**	**-**
Operating profit	3,5	**146.9**	**(74.1)**	**72.8**	124.5	24.3	148.8
Finance income	6	**4.2**	**-**	**4.2**	35.6	-	35.6
Finance expense	7	**(83.3)**	**(61.9)**	**(145.2)**	(87.0)	(12.9)	(99.9)
(Loss)/profit before tax		**67.8**	**(136.0)**	**(68.2)**	73.1	11.4	84.5
Income tax credit/(charge)	8	**0.6**	**10.5**	**11.1**	(3.6)	(4.1)	(7.7)
(Loss)/profit for the year		**68.4**	**(125.5)**	**(57.1)**	69.5	7.3	76.8
Earnings per ordinary share							
Basic	9			**(31.0p)**			38.3p
Diluted	9			**(31.0p)**			36.5p
(Loss)/profit attributable to:							
Owners of the group				**(62.7)**			74.2
Non-controlling interests				**5.6**			2.6
				(57.1)			76.8
Other comprehensive income							
Items that will never be reclassified to the Income Statement							
Remeasurement of defined benefit liability				**5.4**			2.9
Related income tax	8			**(0.9)**			(0.5)
Items that are or may be reclassified to the Income Statement							
Foreign exchange translation differences				**0.7**			(0.7)
Fair value adjustment on cash flow hedges and secured loan, net of tax				**(23.5)**			**-**
Other comprehensive income for the period, net of income tax				**(18.3)**			1.7
Total comprehensive income for the period				**(75.4)**			78.5
Total comprehensive income for the period attributable to:							
Owners of the group				**(81.0)**			75.9
Non-controlling interests				**5.6**			2.6
				(75.4)			78.5

All operations of the Group are continuing.

* Adjusting items are defined in Note 1, with further detail shown in notes 5 and 7.

** The 2017 comparative period has been restated to reflect the adoption of IFRS 15 – see note 1.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group	Share Capital £m	Share Premium £m	Share Warrants £m	Capital Reserve £m	Non-controlling Interest £m	Translation Reserve £m	Hedge Reserve £m	Retained Earnings £m	Total Equity £m
At 1 January 2018 (restated –note 1)	**–**	**353.7**	**18.5**	**94.1**	**7.6**	**1.6**	**–**	**(339.4)**	**136.1**
Total comprehensive income for the period									
(Loss)/profit for the year	**–**	**–**	**–**	**–**	**5.6**	**–**	**–**	**(62.7)**	**(57.1)**
Other comprehensive income									
Foreign currency translation differences	–	–	–	–	–	0.7	–	–	0.7
Fair value adjustment on cash flow hedges and secured loan	–	–	–	–	–	–	(27.0)	–	(27.0)
Income tax on fair value adjustment on cash flow hedges and secured loan	–	–	–	–	–	–	3.5	–	3.5
Remeasurement of defined benefit liability	–	–	–	–	–	–	–	5.4	5.4
Dividend paid to non-controlling interest	–	–	–	–	(3.0)	–	–	–	(3.0)
Income tax on other comprehensive income (note 8)	–	–	–	–	–	–	–	(0.9)	(0.9)
Total other comprehensive income	**–**	**–**	**–**	**–**	**(3.0)**	**0.7**	**(23.5)**	**4.5**	**(21.3)**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**2.6**	**0.7**	**(23.5)**	**(58.2)**	**(78.4)**
Transactions with owners, recorded directly in equity									
Shares issued during the year	2.1	–	–	–	–	–	–	–	2.1
Share premium on shares issued	–	352.2	–	–	–	–	–	–	352.2
Capital reduction	–	(353.6)	–	(87.5)	–	–	–	441.1	–
Exercise of share warrants	–	–	(18.5)	–	–	–	–	18.5	–
Charge for the year under equity settled share-based payments	–	–	–	–	–	–	–	24.1	24.1
Tax on items credited to equity	–	–	–	–	–	–	–	13.3	13.3
Total transactions with owners	**2.1**	**(1.4)**	**(18.5)**	**(87.5)**	**–**	**–**	**–**	**497.0**	**391.7**
At 31 December 2018	**2.1**	**352.3**	**–**	**6.6**	**10.2**	**2.3**	**(23.5)**	**99.4**	**449.4**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Group	Share Capital £m	Share Premium £m	Share Warrants £m	Capital Reserve £m	Non-controlling Interest £m	Translation Reserve £m	Hedge Reserve	Retained Earnings £m	Total Equity £m
At 1 January 2017	**–**	**368.8**	**18.5**	**94.1**	**5.0**	**2.3**	**–**	**(416.0)**	**72.7**
Prior period adjustment (note 1)	–	(15.1)	–	–	–	–	–	–	(15.1)
At 1 January 2017 (restated)	**–**	**353.7**	**18.5**	**94.1**	**5.0**	**2.3**	**–**	**(416.0)**	**57.6**
Total comprehensive income for the period									
Profit for the year (restated)	–	–	–	–	2.6	–	–	74.2	76.8
Other comprehensive income									
Foreign currency translation differences	–	–	–	–	–	(0.7)	–	–	(0.7)
Remeasurement of defined benefit liability	–	–	–	–	–	–	–	2.9	2.9
Income tax on other comprehensive income (note 8)	–	–	–	–	–	–	–	(0.5)	(0.5)
Total other comprehensive income	–	–	–	–	–	(0.7)	–	2.4	1.7
Total comprehensive income for the period	–	–	–	–	2.6	(0.7)	–	76.6	78.5
Transactions with owners, recorded directly in equity (Prior period adjustment - note 1)	–	–	–	–	–	–	–	–	–
At 31 December 2017	–	353.7	18.5	94.1	7.6	1.6	–	(339.4)	136.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018

	Notes	**2018**	2017 *restated*
		£m	£m
Non-current assets			
Intangible assets		**1,071.7**	930.7
Property, plant and equipment		**313.0**	243.9
Other receivables		**1.8**	2.1
Deferred tax asset	8	**123.1**	37.1
		1,509.6	1,213.8
Current assets			
Inventories		**165.3**	127.8
Trade and other receivables		**241.6**	115.7
Other financial assets		**0.1**	7.0
Cash and cash equivalents		**144.6**	167.8
		551.6	418.3
Total assets		**2,061.2**	1,632.1
Current liabilities			
Borrowings		**99.4**	13.5
Trade and other payables		**696.1**	483.1
Income tax payable		**4.9**	2.7
Other financial liabilities		**4.2**	18.2
Provisions		**10.8**	12.0
		815.4	529.5
Non-current liabilities			
Borrowings		**604.7**	827.4
Trade and other payables		**12.2**	17.7
Other financial liabilities		**4.4**	-
Employee benefits		**38.7**	46.9
Provisions		**25.4**	13.9
Deferred tax liabilities	8	**111.0**	60.6
		796.4	966.5
Total liabilities		**1,611.8**	1,496.0
Net assets		**449.4**	136.1
Capital and reserves			
Share capital		**2.1**	-
Share premium		**352.3**	353.7
Share warrants		**-**	18.5
Capital reserve		**6.6**	94.1
Translation reserve		**2.3**	1.6
Hedge reserve		**(23.5)**	-
Retained earnings		**99.4**	(339.4)
Equity attributable to owners of the group		**439.2**	128.5
Non-controlling interests		**10.2**	7.6
Total shareholders' equity		**449.4**	136.1

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	**2018 £m**	2017 restated £m
Operating activities			
(Loss)/profit for the year		**(57.1)**	76.8
Adjustments to reconcile (loss)/profit for the year to net cash inflow from operating activities			
Tax on continuing operations	8	**(11.1)**	7.7
Net finance costs		**141.0**	64.3
Other non-cash movements		**13.3**	(25.1)
Loss/(profit) on sale of property, plant and equipment	3	**0.4**	(0.1)
Depreciation and impairment of property, plant and equipment	3	**32.4**	27.4
Amortisation and impairment of intangible assets	3	**67.6**	54.7
Difference between pension contributions paid and amounts recognised in Income Statement		**(3.8)**	(21.8)
Increase in inventories		**(37.5)**	(10.6)
Increase in trade and other receivables		**(122.4)**	(7.8)
Increase in trade and other payables		**197.7**	166.7
Movement in provisions		**10.0**	12.5
Cash generated from operations		**230.5**	344.7
Income taxes paid	8	**(7.9)**	(0.7)
Net cash inflow from operating activities		**222.6**	344.0
Cash flows from investing activities			
Interest received	6	**4.2**	3.1
Proceeds on the disposal of property, plant and equipment		**–**	0.2
Loan to shareholders		**–**	(5.6)
Payment to acquire subsidiary undertaking		**–**	(50.1)
Payments to acquire property, plant and equipment		**(101.9)**	(75.0)
Payments to acquire intangible assets		**(208.6)**	(219.2)
Net cash used in investing activities		**(306.3)**	(346.6)
Cash flows from financing activities			
Interest paid		**(42.2)**	(49.8)
Proceeds from equity share issue		**4.6**	–
Dividend paid to non-controlling interest		**(3.0)**	–
Movement in existing borrowings		**0.3**	(474.3)
New borrowings		**98.1**	606.1
Transaction fees on new borrowings		**–**	(12.1)
Net cash inflow from financing activities		**57.8**	69.9
Net (decrease)/increase in cash and cash equivalents		**(25.9)**	67.3
Cash and cash equivalents at the beginning of the year		**167.8**	101.7
Effect of exchange rates on cash and cash equivalents		**2.7**	(1.2)
Cash and cash equivalents at the end of the year		**144.6**	167.8

Notes to the Consolidated Financial Statements

1. Basis of Accounting

Aston Martin Lagonda Global Holdings plc (the "Company") is a Company incorporated in England and Wales and domiciled in the UK. The Group Financial Statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The Group Financial Statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The Financial Statements are prepared on a going concern basis and under the historical cost convention.

The financial information set out does not constitute the Company's statutory accounts for the years ended 31 December 2018 or 2017 but is derived from those accounts. Statutory accounts for 2017 have been delivered to the registrar of companies, and those for 2018 will be delivered in due course. The auditors have reported on those accounts. Their report was unqualified, did not include references to any matters by way of emphasis without qualifying their report and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

On 3 September 2018 the Company obtained control of the entire share capital of Aston Martin Holdings (UK) Limited by way of a share for share exchange with one share in the Company being exchanged for one share in Aston Martin Holdings (UK) Limited. Consequently, the Group incorporated the assets and liabilities of Aston Martin Holdings (UK) Limited at their pre-combination carrying amounts without fair value uplift from the first date presented in these financial statements. The opening equity balance as of 1 January 2017 reflects the equity of Aston Martin Holdings (UK) Limited. The share capital of £2.1m as of 31 December 2018 reflects the share capital of the Company.

Although the share for share exchange resulted in a change in legal ownership, in substance the Consolidated Financial Statements reflect the continuation of the pre-existing group headed by Aston Martin Holdings (UK) Limited. The transaction has been accounted for as a reverse acquisition in line with IFRS 3.

The comparatives presented in these Financial Statements are the consolidated results of Aston Martin Holdings (UK) Limited. The prior year Consolidated Statement of Financial Position reflects the share capital structure of Aston Martin Holdings (UK) Limited. The current year Consolidated Statement of Financial Position presents the legal change in the ownership of the Group. The Consolidated Statement of changes in equity explains the impact of these transactions in more detail.

Prior year restatement

In 2013 Prestige Motor Holdings S.A., which is controlled by Investindustrial V L.P., acquired an equity interest in the group for a consideration of £150.0m. The agreement provided for a potential partial refund of this consideration or the issue of additional ordinary shares, dependent upon the average deficit of the defined benefit pension scheme over the four year period to June 2017. In the event a refund of £15.1m was made to Prestige Motor Holdings S.A with £5.6m paid in 2017 and £9.5m paid in 2018. The Group's share premium account at 1 January 2017 and therefore 1 January 2018 has been restated by £15.1m to reflect the total adjustment.

The £5.6m is shown as a receivable from shareholder at 31 December 2017 as this liability could not be settled until completion of the capital reduction undertaken during 2018 as distributable reserves were required to allow such settlement.

The impact on the Group Consolidated Financial Statements is:

As at 31 December 2017	£m
Other financial assets before correction	1.4
Other financial assets as restated in the Consolidated Statement of Financial Position and note 18	7.0
	5.6
Other financial liabilities before correction	(3.1)
Other financial liabilities as restated in the Consolidated Statement of Financial Position and note 22	(18.2)
	(15.1)
Impact on Net assets	**(9.5)**
Share premium before correction	368.8
Share premium as restated in the Consolidated Statement of Financial Position	353.7
	(15.1)
Transactions with owners, recognised directly in equity before correction	(5.6)
Transactions with owners, recognised directly in equity as restated in the Consolidated Statement of Financial Position	–
	5.6
Impact on equity attributable to owners of the Group	**(9.5)**

There is no impact on the 2017 Income Statement, earnings per share or retained earnings as a result of this prior year adjustment.

New IFRS standards and interpretations adopted during 2018

In 2018 the following standards and amendments were endorsed by the EU, became effective and hence have been adopted by the Group:

- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments
- IFRS 2 Share Based Payments (amendments to)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

The Group has carried out a detailed impact assessment of the provisions of IFRS 15 covering:

- incentives
- deposits
- servicing
- warranty
- bill and hold
- restoration work
- barter arrangements
- residual value guarantees
- separate performance obligations

The impact on the results of the Group for 2017 and 2018 is the recognition of an interest expense on customer deposits held for a period in excess of one year. IFRS 15 did not have a material impact on the Group's accounting policies with respect to the timing of revenue recognition.

The Group has imputed an interest expense on deposits held for greater than 12 months to reflect the time-value of the funds at the Group's cost of borrowing. This deposit is held as a liability in the Statement of Financial Position with the imputed interest charged to the Income Statement within finance expenses. When the vehicles are sold, the liability will be released and the revenue relating to these vehicle sales will be credited to the Income Statement. The Group has fully retrospectively adopted the standard for 2017.

The following tables summarise the impact of adopting IFRS 15 on the Group's Consolidated Statement of Financial Position as at 31 December 2017, its Consolidated Income Statement and Consolidated Statement of Cash Flows for the year then ended for each of the line items affected.

Consolidated Statement of Financial Position

As at 31 December 2017 £m	Pre- adoption of IFRS 15	IFRS 15 Adjustment	As restated
Trade and other payables	480.9	2.2	483.1

Consolidated Income Statement

For the year ended 31 December 2017 £m	Pre- adoption of IFRS 15	IFRS 15 Adjustment	As restated
Finance expense (note 7)	(97.7)	(2.2)	(99.9)
Profit before tax	86.7	(2.2)	84.5
Basic earnings per share	39.4p	(1.1p)	38.3p
Diluted earnings per share	37.6p	(1.1p)	36.5p

Consolidated Statement of Cash Flows

For the year ended 31 December 2017 £m	Pre- adoption of IFRS 15	IFRS 15 Adjustment	As restated
Profit for the year	79.0	(2.2)	76.8
Other non-cash movements	(27.3)	2.2	(25.1)

The impact of adopting IFRS 15 on the Group's Consolidated Statement of Financial Position as at 31 December 2018, its Consolidated Income Statement and Consolidated Statement of Cash Flows for the year then ended for each of the line items affected is detailed below.

Consolidated Statement of Financial Position

As at 31 December 2018 £m	Pre-adoption of IFRS 15	IFRS 15 Adjustment	As reported
Trade and other payables	690.5	5.6	696.1

Consolidated Income Statement

For the year ended 31 December 2018 £m	Pre- adoption of IFRS 15	IFRS 15 Adjustment	As reported
Finance expense (note 7)	(139.6)	(5.6)	(145.2)
Loss before tax	(62.6)	(5.6)	(68.2)
Basic earnings per share	(28.2p)	(2.8p)	(31.0p)
Diluted earnings per share	(28.2p)	(2.8p)	(31.0p)

Consolidated Statement of Cash Flows

For the year ended 31 December 2018 £m	Pre- adoption of IFRS 15	IFRS 15 Adjustment	As reported
Loss for the year	(51.5)	(5.6)	(57.1)
Other non-cash movements	7.7	5.6	13.3

No significant deposits were held for periods in excess of one year prior to 2017 and therefore there is no restatement to retained earnings at 1 January 2017.

There is no impact on the non-controlling interest for the periods ending 31 December 2018 and 31 December 2017.

IFRS 9 Financial Instruments
IFRS 9 Financial Instruments became effective on 1 January 2018 and the Group has adopted the standard from this date. The Group meets requirements for adopting hedge accounting in certain scenarios.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- The Group had no hedging relationships designated under IAS 39 at 31 December 2017.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
- The determination of the business model within which a financial asset is held.
- The need for designation and revocation of previous designations of certain financial assets and financial liabilities as measured at fair value through Profit or Loss.
- Changes to hedge accounting policies have been applied prospectively.
- There is no impact on the 2017 comparative Earnings per Share as a result of adopting IFRS9.

From 1 January 2018, changes in the fair value of financial assets and liabilities are now included in the Other Comprehensive Income and the hedging reserve whereas previously they were included in finance interest or expense within the Income Statement.

Changes in the fair value of foreign currency contracts and the US Dollar denominated loan, to the extent determined to be an effective hedge, will be shown within Other Comprehensive Income and reserves as a hedging reserve, with the respective financial liability shown in the Consolidated Statement of Financial Position. The Group has adopted the simplified approach to credit losses relating to trade receivables. Having used a lifetime expected loss allowance for all amounts not covered by the Group's trade receivable insurance policy there has been no material change to the Group Consolidated Financial Statements.

IFRS 2 Share Based Payments (amendments to)
The adoption of IFRS 2 ‘Share Based Payments (amendments to)’ has not had a material impact on the Group.

The following standards and interpretations which are not yet effective or endorsed by the EU and have not been early adopted by the Group will be adopted in future accounting periods:

- IFRS 16 'Leases' (effective 1 January 2019).

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. Under IFRS 16 a lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The Group will apply the exemptions for short-term leases and leases of low value items and has chosen to adopt the modified retrospective approach.

The Group has assessed the impact of IFRS 16 and expects to recognise a right-of-use asset of c.£86m in the Statement of Financial Position at 1 January 2019 with a reduction in accruals due to lease incentives received from the lessor, and a lease liability of c.£118m. It is estimated that a corresponding right-of-use depreciation charge of c.£11m and a lease liability interest charge of c.£5m will be recognised in the 2019 Consolidated Income Statement in place of a 2019 estimated IAS 17 operating lease charge of c.£12m (2018: £10m).

Significant lease incentive payments received will be deducted from the value of the right-of-use asset with a corresponding entry to deferred income.

Lease payments for short-term leases, low-value assets and variable lease payments have not been included in the measurement of the lease liability and will be classified in the Statement of Consolidated Cash Flows as cash flows from operating activities. The principal portion of the lease payments will be recognised within cash flows from financing activities and the interest portion within cash flows from operating activities.

Management have implemented new processes and procedures throughout the Group to ensure compliance with the new accounting standard.

Adjusting items
An adjusting item is disclosed separately in the Consolidated Statement of Comprehensive Income where the quantum, nature or volatility of such items would otherwise distort the underlying trading performance of the Group. The tax effect is also included.

Details in respect of the adjusting items recognised in the current and prior year are set out in note 5 and 7.

2. Segmental information

Operating segments are defined as components of the Group about which separate financial information is available and is evaluated regularly by the chief operating decision-maker in assessing performance. The Group operates in the automotive segment. The automotive segment includes all activities relating to design, development, manufacture and marketing of vehicles, as well as the servicing and sale of related parts from which the Group derives its revenues. The Group has only one operating segment, so no separate segment reporting is given.

Revenue	**2018 £m**	2017 £m
Analysis by category		
Sale of vehicles	**1,010.7**	810.1
Sale of parts	**61.1**	56.0
Servicing of vehicles	**14.6**	9.9
Brands and motorsport	**10.1**	–
	1,096.5	876.0

Revenue	**2018 £m**	2017 £m
Analysis by geographic location		
United Kingdom	**255.4**	227.9
The Americas	**305.7**	242.1
Rest of Europe, Middle East & Africa	**247.1**	201.2
Asia Pacific	**288.3**	204.8
	1,096.5	876.0

3. Operating Profit

The Group operating profit is stated after charging/(crediting):

		2018 £m	2017 £m
Depreciation and impairment of property, plant and equipment		**32.4**	27.4
Amortisation and impairment of intangible assets		**67.6**	54.7
Loss/(profit) on sale of property, plant and equipment		**0.4**	(0.1)
Provision for the impairment of trade receivables		**0.1**	–
Net foreign currency differences		**1.7**	3.8
Cost of inventories recognised as an expense		**552.9**	435.9
Write-down of inventories to net realisable value		**1.1**	1.9
Operating lease payments (gross of sublease receipts)			
	• Land and buildings	**7.5**	5.3
	• Plant and machinery	**2.2**	1.6
Operating sublease receipts	• Land and buildings	**(0.3)**	(0.3)
Research and development expenditure recognised as an expense		**11.5**	11.1
Research and development expenditure is further analysed as follows:			
Total research and development expenditure		**213.8**	224.4
Capitalised research and development expenditure		**(202.3)**	(213.3)
Research and development expenditure recognised as an expense		**11.5**	11.1

4. Other income

	2018 £m	2017 £m
Sale of intellectual property	**20.0**	–

During the year ended 31 December 2018 other income of £20.0m was recognised from the sale of certain legacy intellectual property.

5. Adjusting items

	2018 £m	2017 restated £m
Adjusting operating expenses:		
Initial public offering costs:		
Staff incentives	**(61.2)**	–
Professional fees	**(12.9)**	–
	(74.1)	–
Past service pension benefit	**–**	24.3
Adjusted items before tax	**(74.1)**	24.3
Tax on adjusting items	**10.5**	(4.1)
Adjusted items after tax	**(63.6)**	20.2

On 8 October 2018 the Company listed on the London Stock Exchange for which costs of £74.1m were incurred.

In 2017 the benefits provided by the defined benefit pension scheme were agreed to change from being based on final salary to benefits based on career average revalued earnings (CARE) which resulted in a past service pension benefit.

6. Finance income

	2018 £m	2017 £m
Bank deposit and other interest income	**4.2**	3.1
Net gain on financial instruments recognised at fair value through the Income Statement	**–**	7.6
Net foreign exchange gain	**–**	24.9
Total finance income	**4.2**	35.6

7. Finance expense

	2018 £m	2017 restated £m
Bank loans and overdrafts	**44.6**	45.1
Net interest expense on the net defined benefit liability	**1.1**	1.8
Interest on preference shares classified as financial liabilities	**32.0**	37.9
Discounting of long-term deposits held	**5.6**	2.2
Finance expense before adjusting items	**83.3**	87.0
Adjusted finance expense items:		
Premium paid on the redemption of preference shares	**46.8**	–
Preference share fee write-off	**15.1**	–
Loan interest on the redemption of Senior Secured Loan notes and Senior Subordinated PIK notes	**–**	10.5
Write-off of capitalised arrangement fees on Senior Secured Loan notes and Senior Subordinated PIK notes	**–**	2.4
Total finance expense	**145.2**	99.9

8. Tax expense on continuing operations

Current tax (credit)/charge	2018 £m	2017 £m
UK corporation tax on profits	**1.3**	3.1
Overseas tax	**6.4**	1.4
Prior period movement	**0.9**	–
Total current income tax charge	**8.6**	4.5
Deferred tax (credit)/charge		
Origination and reversal of temporary differences	**(13.5)**	4.2
Prior period movement	**(6.2)**	(1.0)
Total deferred tax (credit)/charge	**(19.7)**	3.2
Total tax (credit)/charge in the Income Statement	**(11.1)**	7.7

Tax relating to items charged in other comprehensive income

Deferred tax

Actuarial gains on defined benefit pension plan	**0.9**	0.5

Fair value adjustment on cash flow hedges	**(3.5)**	–
	(2.6)	0.5
Tax relating to items charged in equity		
Deferred tax		
Share based payments	**(13.3)**	–

(b) Reconciliation of the total tax (credit)/charge

The tax (credit)/charge in the Consolidated Statement of Comprehensive Income for the year is lower than the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). The differences are reconciled below:

		2018 £m		2017 restated £m
(Loss)/profit from operations before taxation		**(68.2)**		84.5
(Loss)/profit on operations before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	**19.00%**	**(13.0)**	19.25%	16.3
Difference to current tax (credit)/charge due to effects of:				
Recognition of previously unrecognised tax losses		**(18.9)**		(13.0)
Expenses not deductible for tax purposes		**21.3**		8.6
Adjustments in respect of prior periods		**(5.3)**		(1.0)
Effect of change in tax laws		**(0.1)**		(2.3)
Difference in overseas tax rates		**1.5**		(0.9)
Other		**3.4**		–
Total tax (credit)/charge		**(11.1)**		7.7

The adjustments in respect of prior periods for 2018 primarily related to additional tax allowances claimed in the tax return for 2017 which were not assumed at the time of preparing the 31 December 2017 financial statements. The previously unrecognised tax losses relate to losses that became available for utilisation following the group reorganisation prior to the Initial Public Offering.

(c) Tax paid

Total net tax paid during the year of £7.9m (2017: £0.7m) comprises £7.7m (2017: £0.7m) paid in respect of operating activities and £0.2m (2017: £nil) paid in respect of investing activities. A reconciliation of tax paid to the current tax credit in the income statement follows:

	2018 £m	2017 £m
Current tax credit in the income statement	**(8.6)**	(4.5)
Total current tax charge	**(8.6)**	(4.5)
Timing differences of cash tax paid and foreign exchange differences	**0.7**	5.2
Tax paid per cash flow	**7.9**	0.7
Cash tax rate on total profits	**n/a**	0.9%

(d) Factors affecting future tax charges

A reduction in the UK corporation tax rate 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 2018 have been calculated based on this rate.

(e) Deferred tax

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2018 £m	Assets 2017 £m	**Liabilities 2018 £m**	Liabilities 2017 £m
Property, plant and equipment	**(49.3)**	–	**–**	8.8
Intangible assets	**–**	–	**111.0**	51.8
Employee benefits	**(6.6)**	(8.0)	**–**	–
Provisions	**(0.6)**	(1.4)	**–**	–
Interest deductible in future periods	**(7.6)**	–	**–**	–
Losses	**(59.0)**	(27.7)	**–**	–
Tax (assets)/liabilities	**(123.1)**	(37.1)	**111.0**	60.6

Set off of tax liabilities/(assets)		**111.0**	37.1	**(111.0)**	(37.1)

Movement in deferred tax in 2018	**1 January 2018 £m**	**Recognised in income and OCI £m**	**Recognised in equity £m**	**Acquisition of subsidiary £m**	**31 December 2018 £m**
Property, plant and equipment	**8.8**	**(58.1)**	**–**	**–**	**(49.3)**
Intangible assets	**51.8**	**59.2**	**–**	**–**	**111.0**
Employee benefits	**(8.0)**	**1.4**	**–**	**–**	**(6.6)**
Provisions	**(1.4)**	**0.8**	**–**	**–**	**(0.6)**
Interest deductible in future periods	**–**	**(7.6)**	**–**	**–**	**(7.6)**
Losses	**(27.7)**	**(18.0)**	**(13.3)**	**–**	**(59.0)**
	23.5	**(22.3)**	**(13.3)**	**–**	**(12.1)**

Movement in deferred tax in 2017	1 January 2017 £m	Recognised in income and OCI £m	Recognised in equity £m	Acquisition of subsidiary £m	31 December 2017 £m
Property, plant and equipment	(0.3)	9.1	–	–	8.8
Intangible assets	42.6	(0.2)	–	9.4	51.8
Employee benefits	(11.9)	3.9	–	–	(8.0)
Provisions	(1.7)	0.3	–	–	(1.4)
Losses	(18.2)	(9.5)	–	–	(27.7)
	10.5	3.6	–	9.4	23.5

Deferred tax assets have not been recognised in respect of the following items:

	2018 £m	2017 £m
Tax losses	**–**	18.9

Deferred tax assets have not been recognised where it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

A deferred tax asset has been recognised in respect of losses in trading companies where future trading profits are probable.

9. Earnings per ordinary share

Basic earnings per ordinary share is calculated by dividing the (loss)/profit for the year available for equity holders by the weighted average number of ordinary shares in issue in the year.

Diluted earnings per ordinary share is calculated by adjusting basic earnings per ordinary share to reflect the notional exercise of the weighted average number of dilutive ordinary share awards outstanding during the year.

Information concerning non-GAAP measures can be found in note 12.

Continuing and total operations	**2018**	2017 restated
Basic earnings per ordinary share		
(Loss)/profit available for equity holders (£m)	**(62.7)**	74.2
Basic weighted average number of ordinary shares (million)	**202.1**	193.8
Basic earnings per ordinary share (pence)	**(31.0p)**	38.3p
Diluted earnings per ordinary share		
(Loss)/profit available for equity holders (£m)	**(62.7)**	74.2
Diluted weighted average number of ordinary shares (million)	**202.1**	203.2
Diluted earnings per ordinary share (pence)	**(31.0p)**	36.5p

	2018 Number	2017 Number
Diluted weighted average number of ordinary shares is calculated as:		
Basic weighted average number of ordinary shares[1] (million)	**202.1**	193.8
Adjustments for calculation of diluted earnings per share[2]:		
Options[3]	**–**	1.3

Warrants	**–**	8.1
Weighted average number of ordinary shares and potential ordinary shares (million)	**202.1**	203.2

1. Additional ordinary shares issued as a result of the share split conducted in 2018 have been incorporated in the earnings per share calculation in full without any time apportionment.
2. The adjustments made in calculating the weighted average number of ordinary and potential ordinary shares have been increased to reflect the share split in full without any time apportionment in the comparative period.
3. The number of options disclosed in the year ended 31 December 2017 does not include the ordinary shares awarded under the executive legacy Long Term Incentive Plan in 2018. The vesting condition at the year ended 31 December 2017 was not probable in accordance with IFRS 2.

Adjusted earnings per share is disclosed in note 12 to show performance undistorted by adjusting items and give a more meaningful comparison of the Group's performance.

10. Net Debt

	2018 £m	2017 £m
Cash and cash equivalents	**144.6**	167.8
Loans and other borrowings – current	**(99.4)**	(13.5)
Loans and other borrowings – non-current	**(604.7)**	(571.5)
Preference shares	**–**	(255.9)
Net debt	**(559.5)**	(673.1)
Movement in net debt		
Net (decrease)/increase in cash and cash equivalents	**(25.9)**	67.3
Add back cash flows in respect of other components of net debt:		
New borrowings	**(98.1)**	(606.1)
Movement in existing borrowings	**(0.3)**	474.3
Transaction fees	**–**	12.1
Increase in net debt arising from cash flows	**(124.3)**	(52.4)
Non-cash movements:		
Conversion of preference shares to ordinary shares	**302.9**	–
Foreign exchange (loss)/gain on secured loan	**(18.4)**	24.9
Interest added to debt	**(49.3)**	(44.9)
Exchange and other adjustment	**2.7**	(1.2)
Decrease/(increase) in net debt	**113.6**	(73.6)
Net debt at beginning of the year	**(673.1)**	(599.5)
Net debt at the end of the year	**(559.5)**	(673.1)

11. Capital Commitments

Capital expenditure contracts to the value of £94.2m (2017: £58.5m) have been committed but not provided for as at 31 December 2018.

12. Non-GAAP measures

In the reporting of financial information, the Directors have adopted various Alternative Performance Measures ("APMs"), previously called 'Non GAAP measures'. APMs should be considered in addition to IFRS measurements. The Directors believe that these APMs assist in providing useful information on the underlying performance of the Group, enhance the comparability of information between reporting periods, and are used internally by the Directors to measure the Group's performance.

The key APMs that the Group focuses on are as follows:

i) Adjusted EBT is the profit/(loss) before income tax and adjusting items as shown in the Consolidated Income Statement.
ii) Adjusted EBIT is profit/(loss) from operating activities before adjusting items.
iii) Adjusted EBITDA further removes depreciation, loss/(profit) on sale of fixed assets and amortisation from adjusted EBIT.
iv) Adjusted Earnings Per Share is (loss)/profit after income tax before adjusting items as shown in the Consolidated Income Statement, divided by the weighted average number of ordinary shares in issue during the reporting period.
v) Normalised Adjusted Earnings Per Share is (loss)/profit after income tax before adjusting items as shown in the Consolidated Income Statement, divided by the closing number of ordinary shares in issue at the end of the reporting period.
vi) Net Debt is current and non-current borrowings less cash and cash equivalents as shown in the Consolidated Statement of Financial Position.

vii) Adjusted leverage is represented by the ratio of Net Debt to Adjusted EBITDA as defined above.

viii) Return on Invested Capital represents adjusted operating profit after tax divided by the sum of gross debt and equity.

Income statement

	2018 £m	2017 £m
(Loss)/profit before tax	**(68.2)**	84.5
Adjusting operating expenses/(income) (note 5)	**74.1**	(24.3)
Adjusting finance expenses (note 7)	**61.9**	12.9
Adjusted profit before tax (EBT)	**67.8**	73.1
Adjusted finance income	**(4.2)**	(35.6)
Adjusted finance expense	**83.3**	87.0
Adjusted operating Profit (EBIT)	**146.9**	124.5
Reported depreciation	**32.4**	27.4
Reported amortisation	**67.6**	54.7
Loss/(profit) on disposal of fixed assets	**0.4**	(0.1)
Adjusted EBITDA	**247.3**	206.5

Earnings per share

	2018 £m	2017 £m
Adjusted earnings per ordinary share		
(Loss)/profit available for equity holders (£m)	**(62.7)**	74.2
Adjusting items (note 5 and 7)		
Adjusting items before tax (£m)	**136.0**	(11.4)
Tax on adjusting items (£m)	**(10.5)**	4.1
Adjusted earnings (£m)	**62.8**	66.9
Basic weighted average number of ordinary shares[1] (million)	**202.1**	193.8
Adjusted earnings per ordinary share (pence)	**31.1p**	34.5p
Adjusted diluted earnings per ordinary share		
Adjusted earnings (£m)	**62.8**	66.9
Diluted weighted average number of ordinary shares[1] (million)	**202.1**	203.2
Adjusted diluted earnings per ordinary share (pence)	**31.1p**	32.9p

	2018 £m	2017 £m
Normalised adjusted earnings per ordinary share		
Adjusted earnings (£m)	**62.8**	66.9
Basic number of ordinary shares as at 31 December[2] (million)	**228.0**	193.8
Normalised adjusted earnings per ordinary share (pence)	**27.5p**	34.5p
Normalised adjusted diluted earnings per ordinary share		
Adjusted earnings (£m)	**62.8**	66.9
Diluted number of ordinary shares as at 31 December[2] (million)	**228.0**	203.2
Normalised adjusted diluted earnings per ordinary share (pence)	**27.5p**	32.9p

1. Additional ordinary shares issued as a result of the share split conducted in 2018 have been incorporated in the earnings per share calculation in full without any time apportionment.
2. The basic and diluted number of ordinary shares as at 31 December have been used as the basis for the current year normalised EPS calculation. This represents an indication of the future weighted average number of ordinary shares for evaluating performance of the Group. The comparative number of ordinary shares reflects the share split conducted in 2018 in full without time apportionment. The prior year comparative number of basic and diluted ordinary shares represents the weighted average quantity of shares in issue during the year ended 31 December 2017 (see note 9).

Net debt

	2018 £m	2017 £m
Opening cash and cash equivalents	**167.8**	101.7
Cash inflow from operating activities	**222.6**	344.0
Cash outflow from investing activities	**(306.3)**	(346.6)

Cash inflow from financing activities	**57.8**	69.9
Effect of exchange rates on cash and cash equivalents	**2.7**	(1.2)
Cash and cash equivalents at 31 December	**144.6**	167.8
Borrowings	**(704.1)**	(840.9)
Net Debt	**(559.5)**	(673.1)
Preference shares (re-designated as part of the IPO process)	–	255.9
IPO and other one-off cash adjustments	**38.6**	–
Adjusted Net Debt	**(520.9)**	(417.2)
Adjusted EBITDA for the period ended 31 December	**247.3**	206.5
Adjusted leverage	**2.3x**	3.3x
Adjusted leverage (excluding IPO and other one-off cash adjustments)	**2.1x**	2.0x

Return on Invested Capital

	2018 £m	2017 £m
Adjusted operating profit (EBIT)	**146.9**	124.5
Tax credit/(charge)	**0.6**	(3.6)
Adjusted operating profit after tax	**147.5**	120.9
Senior Secured Notes	**590.9**	570.2
Unsecured loans	**1.4**	1.3
Current loans and borrowings	**99.4**	13.5
Non-current loans and borrowings	**12.4**	–
Preference Shares	**–**	255.9
Gross Debt	**704.1**	840.9
Total Shareholders' equity	**449.4**	136.1
	1,153.5	977.0
Return on Invested Capital	**12.8%**	12.4%