Aston Martin Holdings (UK) Limited

Interim financial report

for the period ended 30 September 2017

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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 four year history of technical automotive performance and a high standard of styling and design. Our portfolio of sports cars is one of the most diversified offerings in the high luxury sport ("HLS") segment. We currently have five models in our product range: V8 Vantage (including the V8 Vantage S), V12 Vantage S, DB11, Vanquish S and Rapide S. Some of these models are available in different model types, including engine sizes, as well as in coupe and convertible models. For the twelve months ended 30 September 2017, we sold 4,998 cars.

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

Our total sales in the third quarter of 2017 were 891 vehicles (556 in the third quarter of 2016).

Average prices

	For the three months ended 30 September 2017	For the year ended 31 December 2016	For the three months ended 30 September 2016
Average car sale price in £ thousands	150 (1)	137 (1)	138 (1)

(1) Excludes special editions

Sales volumes

	For the three months ended 30 September 2017	For the year ended 31 December 2016	For the three months ended 30 September 2016
V8	55	805	166
V12	836	2,882	390
Total	891	3,687	556

Recent developments and factors affecting comparability

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

In 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.

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

This new centre will create 110 new jobs, and will also house Aston Martin's second dedicated design centre and engineering personnel who will be working on future sports cars.

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Financial review - income statement

Revenue

Revenue was £156.4m for the three months ended 30 September 2017, as compared to £96.6m for the three months ended 30 September 2016, an increase of £59.8m or 61.9%, giving revenue of £566.8m for the nine months as compared to £308.5m in 2016, an increase of £258.3m or 83.7%. This increase in revenue in the quarter arose from vehicle volumes increasing by 335 units or 60.3% to 891 units in the 2017 quarter as compared to 556 in the third quarter of 2016, resulting in vehicle sales being 1,311 units higher in the year to date at 3,330 units as compared to 2,019 in 2016, an increase of 64.9%. There was also an improvement in model mix with V12 sales comprising 93.8% of volumes in the quarter and 89.7% in the nine months as compared to 70.1% and 66.9% in the 2016 quarter and nine months respectively. In addition to the favourable model mix, favourable exchange rates also contributed to the revenue increase with in particular, the US Dollar 2.8% stronger in the quarter and 10.9% stronger in the year to date, leading to the average wholesale price per vehicle, excluding special editions, increasing in the quarter to £150,000 in 2017 as compared to £138,000 in 2016, whilst in the year to date it increased to £150,000 from £125,000 in 2016.

Cost of sales

Cost of sales were £92.3m for the three months ended 30 September 2017, as compared to £59.5m for the three months ended 30 September 2016, an increase of £32.8m or 55.1%. In the nine months the equivalent increase was £143.3m or 71.6%, as cost of sales increased to £343.5m in 2017 as compared to £200.2m in 2016.

Material costs for the three months ended 30 September 2017 increased to £63.4m or 40.5% of revenue as compared to £38.7m or 40.1% of revenue for the same period in 2016. Similarly, material costs for the nine months in 2017 increased by £96.1m to £237.5m or 41.9% of revenue as compared to £141.4m or 45.8% of revenue in 2016. There was a marginal percentage increase in quarter due to the stronger Euro increasing costs slightly more than the favourable model mix, but in the year to date the mix improvement resulted in a significant relative reduction in material costs.

Direct labour for the three months ended 30 September 2017 was £7.0m or 4.5% of revenue compared to £6.2m or 6.4% of revenue in the three months to 30 September 2016. The corresponding figures for the nine months were £14.7m or 4.8% of revenue in 2016 and £20.7m or 3.7% of revenue in 2017. These improvements in the percentage of revenue in both the quarter and year to date, arose due to the efficiency arising from the increased volumes through the manufacturing process as well as the higher wholesale price for the new DB11 model.

Other cost of sales for the three months ended 30 September 2017 were £21.9m or 14.0% of revenue, compared to £14.6m or 15.1% of revenue for the three months ended 30 September 2016. In the nine months in 2017 there was an increase of £41.2m to £85.3m or 15.0% of revenue from £44.1m or 14.3% of revenue in 2016. The absolute increases in the quarter and year to date are as a result of the higher volumes, but in the quarter the percentage has decreased primarily from labour and overhead costs being absorbed into the cost of inventory in the light of the higher inventory levels, whilst in the year to date the percentage has increased due to higher Chinese duty costs resulting from increased sales in this market, the strengthening of the Euro and USD increasing the Sterling value of costs and additional warranty costs following recall campaigns.

Gross profit

The gross profit was £64.1m or 41.0% of revenue for the three months ended 30 September 2017, as compared to £37.1m or 38.4% for the three months ended 30 September 2016. In the nine months gross profit was £223.2m or 39.4% of revenue in 2017 as compared to £108.3m or 35.1% of revenue in 2016. In both the quarter and the year to date the higher gross profit in absolute and percentage terms arose from higher volumes, improved mix, and favourable exchange movements..

Selling and distribution expenses

Selling and distribution expenses were £17.8m for the three months to 30 September 2017, as compared to £10.1m for the three months to 30 September 2016, an increase of £7.7m, and £47.8m for the nine months as compared to £30.1m in 2016, an increase of £17.7m. The increases in both the quarter and year to date have mainly arisen from the DB11 launch events for the Volante and V8 derivatives, the relationship with Red Bull Racing and the appointment of Tom Brady, Serena Williams, Max Verstappen and Daniel Ricciardo as brand ambassadors in addition to improvements to the customer relationship database and website and set up costs for the Chinese warehouse and Tokyo brand centre.

Administrative and other expenses

Administrative and other expenses were £37.7m for the three months to 30 September 2017, as compared to £35.8m for the three months to 30 September 2016, an increase of £1.9m, whilst the nine months saw an increase of £7.1m from £104.8m to £111.9m. Depreciation and amortisation reduced by £1.7m in the quarter and £0.9m in the nine months as a result of the impairment charge in 2016. Consequently, the core costs before depreciation and amortisation increased by £3.6m in the quarter and by £8.0m in the year. These increases primarily arose from a higher manufacturing costs arising from the launch of DB11, preparation of the St Athan site, increased headcount due to the current and future growth of the business, and engineering costs charged to revenue relating to early stage costs for future new models that do not meet the capitalisation criteria.

Operating profit / (loss)

The operating profit was £8.6m in the three months ended 30 September 2017 as compared to an operating loss of £(8.7)m in the three months to 30 September 2016, an improvement of £17.3m. The nine months saw an operating profit of £63.5m in 2017 as compared to an operating loss of £(26.5)m in 2016, an improvement of £90.0m. In the quarter and year to date, gross profit increased £27.0 and £114.9m respectively, due to higher volumes, improved model mix and exchange benefits. This improved gross profit was partially offset by increases in fixed costs of £(9.7)m and £(24.9)m in the quarter and year to date respectively, arising from higher fixed marketing, selling and manufacturing costs from the launch of new models, preparation of the St Athan site, higher headcount levels and increased engineering costs as described above.

Finance (expense) / income

The net finance expense was £(7.8)m in the three months to 30 September 2017, as compared to £(33.3)m in the corresponding quarter of 2016, a decrease of £25.5m. In the nine months the net finance expense was £(41.6)m as compared to £(97.8)m in 2016, a decrease of £56.2m, although the 2017 figure included £(12.9)m of non-recurring costs in respect of the bond refinancing in April 2017. Excluding these costs, underlying net finance expense decreased by £69.1m to £(28.7)m. The decrease in the net expense in the quarter was due to the net gain on fair value adjustments on foreign exchange hedges of £2.2m in 2017 as compared to a net loss of £(8.2)m in 2016, arising from favourable movements of the US Dollar and Japanese Yen exchange rates, a gain of £9.6m in 2017 as compared to a loss of £(4.6)m on US Dollar denominated debt due to the weakening of the US Dollar, a reduction in other interest costs to £(9.7)m in 2017 from £(11.8)m in 2016 due to the debt refinancing at a lower rate, partially offset by an increase in preference share interest to £(9.8)m in 2017 from £(8.6)m in 2016 due to the compound nature of the financial instrument. The reduced expense in the nine months of 2017 as compared to 2016 arose for the same reasons, with a gain in 2017 on the fair value adjustments on foreign exchange hedges of £10.5m as compared to a loss of £(23.1)m in 2016, a gain of £22.6m in 2017 as compared to a loss of £(19.0)m in 2016 on the translation of the US Dollar denominated debt, a reduction in other interest costs to £(33.8)m in 2017 as compared to £(35.2)m in 2016, partially offset by an increase in preference share interest costs to £(28.0)m in 2017 from £(20.5)m in 2016. Please refer to notes 3 and 4 for more information on finance income and expense.

Income tax (charge) / credit

The income tax charge was £(0.2)m in the three months to 30 September 2017 as compared to a credit of £4.0m in the three months to 30 September 2016 representing rates of 27.4% and 9.6% respectively of the result before tax. In the nine months the tax charge was £(4.4)m in 2017 as compared to a credit £12.6m in 2016 being 20.2% and 10.1% of the result before tax respectively. The (charge)/credit in all periods is based on an estimate of the full year effective rate. The credit in 2016 was below the applicable UK corporation tax rate for 2016 of 20.00% as a result of credit not being taken for losses, the utilisation of which is not certain. The charge for 2017 is more closely aligned to the applicable rate of 19.25%. 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 September 2017 saw a net cash outflow of £(51.1)m, compared to an outflow of £(23.0)m in the three months to 30 September 2016. The equivalent nine month periods saw an outflow of £(29.7)m in 2017 as compared to £(10.1)m in 2016. The cash balance at 30 September 2017 was £72.0m, as compared to £55.5m as at 30 September 2016.

Cash flow from operating activities

Cash generated from operating activities was £55.7m in the three months to 30 September 2017 as compared to £36.1m in the equivalent three month period to 30 September 2016. In the nine months to 30 September 2017 we generated £150.3m of cash as compared to £89.8m in 2016. The year on year improvement of £19.6m in the quarter is primarily due to an improvement in EBITDA of £15.5m to £28.1m in 2017 from £12.6m in 2016 plus a £4.1m benefit from working capital with an inflow of £31.3m in 2017 as compared to an inflow of £27.2m in 2016. In the year to date, the improvement of £60.6m was largely due an improvement in EBITDA of £89.0m to £121.2m in 2017 from £32.0m in 2016 whilst the working capital inflow reduced by £27.5m to £42.6m in 2017 from £70.1m in 2016. The improvements in working capital in both the quarter and year to date largely arose from increased payables arising from deposits received for special edition models, in particular Valkyrie and liabilities arising in respect of the impending launches of new models, which were partly offset by higher inventories connected with the launch models..

Cash flow from investing activities

Net cash used in investing activities increased to £(104.9)m in the three months to 30 September 2017, as compared to £(35.8)m in the three months to 30 September 2016, and increased to £(210.3)m from £(151.3)m in the nine month period. In the quarter and the year to date there were significant increases in spend on both intangible and tangible assets as the group continued to invest in new models as part of the Second Century Plan strategy.

Cash flow from financing activities

Net cash used in financing activities was £(1.2)m in the three months to 30 September 2017, as compared to £(21.3)m in the three months to 30 September 2016. The nine months to 30 September 2017 saw net cash generated of £31.9m as compared to £59.2m in 2016. The major reason for the lower cash usage of £(20.1)m in the quarter was a reduction in interest paid of £13.6m due to a retiming of interest payments following the bond refinancing and a net cash inflow of £12.0m from an increase in short term inventory funding of £5.8m in 2017 as opposed to a repayment of £(6.2)m in 2016. The group also repaid £(5.6)m to Prestige Motor Holdings S.A. in respect of an adjustment to the £150.0m consideration paid for equity in 2013. In the nine months in 2017 the group raised a net amount of £69.9m from the refinancing of the Senior Secured Notes in April 2017 net of the repayment of existing borrowings and transaction costs as compared to £90.7m in 2016 comprising £100.0m from the issue of preference shares and paying back £(9.3)m of borrowings on inventory funding. In addition the interest paid increased slightly from £(32.5)m from £(31.5)m and the repayment of £(5.6)m referred to above was made to Prestige Motor Holdings S.A. 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 September 2017.

Mark Wilson
EVP & Chief Financial Officer

22 November 2017

Condensed consolidated statement of comprehensive income for the period ended 30 September 2017

	Notes	**9 months ended 30 September 2017**	**3 months ended 30 September 2017**	9 months ended 30 September 2016	3 months ended 30 September 2016
		£'000	**£'000**	£'000	£'000
Revenue	2	**566,778**	**156,414**	308,454	96,622
Cost of sales		**(343,533)**	**(92,309)**	(200,162)	(59,490)
Gross profit		**223,245**	**64,105**	108,292	37,132
Selling and distribution expenses		**(47,813)**	**(17,808)**	(30,084)	(10,083)
Administrative and other expenses		**(111,908)**	**(37,744)**	(104,752)	(35,756)
Operating profit / (loss)		**63,524**	**8,553**	(26,544)	(8,707)
Finance income	3	**35,594**	**12,434**	2,421	743
Finance expense	4	**(77,209)**	**(20,210)**	(100,250)	(34,078)
Net financing expense		**(41,615)**	**(7,776)**	(97,829)	(33,335)
Analysed as:					
Loan interest on the redemption of Senior Secured Loan notes and Senior Subordinated PIK notes		**(10,535)**	-	-	-
Write-off of capitalised arrangement fees on Senior Secured Loan notes and Senior Subordinated PIK notes		**(2,377)**	-	-	-
Underlying net financing expense*		**(28,703)**	**(7,776)**	(97,829)	(33,335)
Net financing expense		**(41,615)**	**(7,776)**	(97,829)	(33,335)
Profit / (loss) before tax		**21,909**	**777**	(124,373)	(42,042)
Income tax (charge) / credit		**(4,418)**	**(213)**	12,578	4,027
Profit / (loss) for the period		**17,491**	**564**	(111,795)	(38,015)
Other comprehensive income / (expense)					
Items that will never be reclassified to profit or loss					
Remeasurement of defined benefit liability		**4,011**	**10,078**	(89,997)	(69,791)
Related income tax		**(682)**	**(1,713)**	16,199	12,562
		3,329	**8,365**	(73,798)	(57,229)
Items that are or maybe reclassified to profit or loss					
Foreign exchange translation differences		**(824)**	**(33)**	1,360	973
Other comprehensive income / (expense) for the period, net of income tax		**2,505**	**8,332**	(72,438)	(56,256)
Total comprehensive income / (expense) for the period		**19,996**	**8,896**	(184,233)	(94,271)
Profit / (loss) attributable to:					
Owners of the group		**16,796**	**372**	(112,145)	(38,132)
Non-controlling interests		**695**	**192**	350	117
		17,491	**564**	(111,795)	(38,015)
Total comprehensive income / (expense) income attributable to:					
Owners of the group		**19,301**	**8,704**	(184,583)	(94,388)
Non-controlling interests		**695**	**192**	350	117
		19,996	**8,896**	(184,233)	(94,271)

* 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 £'000	Share premium and share warrants £'000	Capital reserve and Non-controlling interests £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
At 1 July 2017	**3**	**387,280**	**99,566**	**1,545**	**(404,634)**	**83,760**
Total comprehensive income for the period						
Profit	-	-	**192**	-	**372**	**564**
Other comprehensive income						
Foreign currency translation differences	-	-	-	(33)	-	(33)
Remeasurement of defined benefit liability (note 10)	-	-	-	-	10,078	10,078
Income tax on other comprehensive income					(1,713)	(1,713)
Total other comprehensive income / (expense)	-	-	-	**(33)**	**8,365**	**8,332**
Total comprehensive income / (expense) for the period	-	-	**192**	**(33)**	**8,737**	**8,896**
Transactions with owners, recorded directly in equity						
Equity repayment	-	(5,585)	-	-	-	(5,585)
Total transactions with owners	-	**(5,585)**	-	-	-	**(5,585)**
At 30 September 2017	**3**	**381,695**	**99,758**	**1,512**	**(395,897)**	**87,071**

Included in Capital Reserve and Non-controlling interests is £1,100,000 of additional capital reserve and £5,694,000 of Non-controlling interest relating to the 50% interest in the share capital of AMWS Limited, the parent company of Aston Martin Works Limited.

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

Group	Share capital £'000	Share premium and share warrants £'000	Capital reserve and Non-controlling interests £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2017	**3**	**387,280**	**99,063**	**2,336**	**(416,022)**	**72,660**
Total comprehensive income for the period						
Profit	-		**695**		**16,796**	**17,491**
Other comprehensive income						
Foreign currency translation differences	-	-	-	(824)	-	(824)
Remeasurement of defined benefit liability (note 10)	-	-	-	-	4,011	4,011
Income tax on other comprehensive income		-			(682)	(682)
Total other comprehensive income / (expense)	-	-	-	**(824)**	**3,329**	**2,505**
Total comprehensive income / (expense) for the period	-	-	**695**	**(824)**	**20,125**	**19,996**
Transactions with owners, recorded directly in equity						
Equity repayment	-	(5,585)	-	-	-	(5,585)
Total transactions with owners	-	**(5,585)**	-	-	-	**(5,585)**
At 30 September 2017	**3**	**381,695**	**99,758**	**1,512**	**(395,897)**	**87,071**

Included in Capital Reserve and Non-controlling interests is £1,100,000 of additional capital reserve and £5,694,000 of Non-controlling interest relating to the 50% interest in the share capital of AMWS Limited, the parent company of Aston Martin Works Limited.

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

Condensed consolidated statement of changes in equity (continued)

Group	Share capital	Share premium	Capital reserve and Non-controlling interests	Translation reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 July 2016	**3**	**387,280**	**98,977**	**1,230**	**(303,953)**	**183,537**
Total comprehensive income for the period						
Profit / (loss)	**-**	**-**	**117**	**-**	**(38,132)**	**(38,015)**
Other comprehensive income						
Foreign currency translation differences	-	-	-	973	-	973
Remeasurement of defined benefit liability (note 10)	-	-	-	-	(69,791)	(69,791)
Income tax on other comprehensive income	-	-	-	-	12,562	12,562
Total other comprehensive income / (expense)	**-**	**-**	**-**	**973**	**(57,229)**	**(56,256)**
Total comprehensive income / (expense) for the period	**-**	**-**	**117**	**973**	**(95,361)**	**(94,271)**
At 30 September 2016	**3**	**387,280**	**99,094**	**2,203**	**(399,314)**	**89,266**

Included in Capital Reserve and Non-controlling interests is £1,100,000 of additional capital reserve and £5,020,000 of Non-controlling interest relating to the acquisition of an additional 10% of the share capital of AMWS Limited, the parent company of Aston Martin Works Limited.

Group	Share capital	Share premium and share warrants	Capital reserve and Non-controlling interests	Translation reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2016	**3**	**377,861**	**98,734**	**843**	**(213,361)**	**264,080**
Total comprehensive income for the period						
Profit / (loss)			**350**		**(112,145)**	**(111,795)**
Other comprehensive income						
Foreign currency translation differences				1,360		1,360
Remeasurement of defined benefit liability (note 10)					(89,997)	(89,997)
Income tax on other comprehensive income					16,199	16,199
Total other comprehensive income / (expense)				**1,360**	**(73,798)**	**(72,438)**
Total comprehensive income / (expense) for the period			**350**	**1,360**	**(185,943)**	**(184,233)**
Transactions with owners, recorded directly in equity						
Capital increase	-	9,419	-	-	-	9,419
Total transactions with owners	**-**	**9,419**	**-**	**-**	**-**	**9,419**
At 30 September 2016	**3**	**387,280**	**99,084**	**2,203**	**(399,304)**	**89,266**

The capital increase during the 9 months ended 30 September 2016 represents the fair value of the share warrants granted in connection with the issue of preference shares.

Included in Capital Reserve and Non-controlling interests is £1,100,000 of additional capital reserve and £5,020,000 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 September 2017

	Note	As at 30.09.17 £'000	As at 30.09.16 £'000	As at 31.12.16 £'000
Non-current assets				
Intangible assets		**832,006**	733,360	706,947
Property, plant and equipment		**226,362**	204,652	196,321
Other receivables		**2,106**	2,169	2,309
Other financial assets		**-**	151	88
Deferred tax asset		**32,124**	48,303	32,124
		1,092,598	988,635	937,789
Current assets				
Inventories		**167,434**	118,970	117,245
Trade and other receivables		**92,374**	63,593	112,757
Other financial assets		**1,601**	276	272
Cash and cash equivalents	7	**72,000**	55,453	101,718
		333,409	238,292	331,992
Total assets		**1,426,007**	1,226,927	1,269,781
Current liabilities				
Borrowings	7	**20,819**	9,093	5,153
Trade and other payables		**394,649**	266,787	340,893
Income tax payable		**5**	27	680
Other financial liabilities		**6,468**	15,202	18,646
Provisions	9	**6,724**	4,036	7,631
		428,665	295,145	373,003
Non-current liabilities				
Borrowings	7	**761,825**	674,265	696,065
Trade and other payables		**20,114**	-	-
Other financial liabilities		**-**	11,231	9,611
Employee benefits	10	**68,952**	94,068	69,769
Provisions	9	**11,667**	5,674	6,070
Deferred tax liabilities		**47,713**	57,278	42,603
		910,271	842,516	824,118
Total liabilities		**1,338,936**	1,137,661	1,197,121
Net assets		**87,071**	89,266	72,660
Equity				
Share capital		**3**	3	3
Share premium		**363,233**	368,818	368,818
Share warrants		**18,462**	18,462	18,462
Capital reserves		**94,064**	94,064	94,064
Translation reserve		**1,512**	2,203	2,336
Retained earnings		**(395,897)**	(399,304)	(416,022)
Equity attributable to owners of the group		**81,377**	84,246	67,661
Non-controlling interests		**5,694**	5,020	4,999
Total equity		**87,071**	89,266	72,660

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 September 2017

	Notes	9 months ended 30 September 2017 £'000	3 months ended 30 September 2017 £'000	9 months ended 30 September 2016 £'000	3 months ended 30 September 2016 £'000
Operating activities					
Profit / (loss) for the period		**17,491**	**564**	(111,795)	(38,015)
Adjustments to reconcile profit / (loss) for the period to net cash inflow from operating activities					
Tax on continuing operations	5	**4,418**	**213**	(12,578)	(4,027)
Net finance costs		**21,727**	**2,385**	91,021	31,210
Other non cash movements		**(824)**	**(33)**	1,360	973
Depreciation and impairment of property, plant and equipment		**19,271**	**6,665**	20,168	7,409
Amortisation and impairment of intangible assets		**38,365**	**12,931**	38,345	13,889
Difference between pension contributions paid and amounts recognised in income statement		**3,194**	**1,079**	(876)	(260)
Increase in inventories		**(50,189)**	**(32,394)**	(38,607)	(23,718)
Decrease in trade and other receivables		**17,135**	**2,522**	9,422	2,668
Increase in trade and other payables		**75,608**	**61,175**	99,314	48,209
Movement in provisions		**4,851**	**778**	(5,156)	(2,316)
Cash generated from operations		**151,047**	**55,885**	90,618	36,022
Income taxes paid		**(706)**	**(138)**	(857)	117
Net cash inflow from operating activities		**150,341**	**55,747**	89,761	36,139
Cash flows from investing activities					
Interest received	3	**2,433**	**647**	1,620	545
Payments to acquire property, plant and equipment		**(49,312)**	**(16,529)**	(58,506)	(8,639)
Payments to acquire intangible assets		**(163,424)**	**(88,972)**	(94,408)	(27,882)
Net cash used in investing activities		**(210,303)**	**(104,854)**	(151,294)	(35,976)
Cash flows from financing activities					
Interest paid		**(32,454)**	**(1,399)**	(31,513)	(15,038)
Equity repayment		**(5,585)**	**(5,585)**	-	-
New borrowings		**549,872**	-	100,000	-
Movement in existing borrowings		**(466,609)**	**5,806**	(9,284)	(6,223)
Transaction fees on new borrowings		**(13,346)**	**(35)**	-	-
Net cash inflow / (outflow) from financing activities		**31,878**	**(1,213)**	59,203	(21,261)
Net decrease in cash and cash equivalents		**(28,084)**	**(50,320)**	(2,330)	(21,098)
Cash and cash equivalents at the beginning of the period		**101,718**	**123,143**	65,562	78,476
Effect of exchange rates on cash and cash equivalents		**(1,634)**	**(823)**	(7,779)	(1,925)
Cash and cash equivalents at the end of the period	7	**72,000**	**72,000**	55,453	55,453

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

Notes to the financial statements for the period ended 30 September 2017

1 Basis of preparation and principal accounting policies

Aston Martin Holdings (UK) Limited (the "company") is a company incorporated and domiciled in the UK. The condensed consolidated interim financial statements of the company as at the end of the period ended 30 September 2017 comprise the company and its subsidiaries (together referred to as the 'group').

At 30 September 2017 the group met its day-to-day working capital requirements and medium term funding requirements through a mixture of Senior Secured Notes, Redeemable cumulative preference shares, a revolving credit facility, facilities to finance inventory, a back-to-back loan and a wholesale vehicle financing facility. On 18 April 2017, the group issued $400,000,000 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 September 2017. The amounts outstanding on all the 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 2016.

Significant accounting policies

The condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the group's published consolidated financial statements for the year ended 31 December 2016.

Estimates and judgements

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

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

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

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

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

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

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

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

Notes to the financial statements for the period ended 30 September 2017 (continued)

2 Revenue

	9 months ended 30.09.17 £'000	3 months ended 30.09.17 £'000	9 months ended 30.09.16 £'000	3 months ended 30.09.16 £'000
Sale of vehicles	517,974	140,120	262,549	79,881
Sale of parts	41,493	13,771	37,058	13,608
Servicing of vehicles	7,311	2,523	8,847	3,133
Total revenue	566,778	156,414	308,454	96,622

3 Finance income

	9 months ended 30.09.17 £'000	3 months ended 30.09.17 £'000	9 months ended 30.09.16 £'000	3 months ended 30.09.16 £'000
Bank deposit and other interest income	2,433	647	1,620	545
Net interest income on the net defined benefit liability	-	-	-	11
Net gain on financial instruments recognised at fair value through profit or loss	10,526	2,149	801	187
Net foreign exchange gain	22,635	9,638	-	-
Total finance income	35,594	12,434	2,421	743

4 Finance expense

	9 months ended 30.09.17 £'000	3 months ended 30.09.17 £'000	9 months ended 30.09.16 £'000	3 months ended 30.09.16 £'000
Bank loans and overdrafts	34,936	9,929	36,818	12,379
Net interest expense on the net defined benefit liability	1,336	433	37	-
Interest on preference shares classified as financial liabilities	28,025	9,848	20,485	8,638
Net loss on financial instruments recognised at fair value through profit or loss	-	-	23,910	8,426
Net foreign exchange loss	-	-	19,000	4,635
Finance expense before non-recurring finance expense	64,297	20,210	100,250	34,078
Non-recurring finance expense:				
Loan interest on the redemption of Senior Secured Loan notes and Senior Subordinated PIK notes	10,535	-	-	-
Write-off of capitalised arrangement fees on Senior Secured Loan notes and Senior Subordinated PIK notes	2,377	-	-	-
Total finance expense	77,209	20,210	100,250	34,078

5 Income tax credit

The effective tax rate for the nine months ended 30 September 2017 has been estimated at 20.2% (nine months ended 30 September 2016 : 10.1%). This compares to a UK statutory rate of tax 19.33% applicable to the group for the period to 30 September 2017.

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015.
An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the Group's future current tax charge accordingly.

The deferred tax liability at 30 September 2017 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 in the nine month period to 30 September 2017 or the nine month period to 30 September 2016.

Notes to the financial statements for the period ended 30 September 2017 (continued)

7 Net borrowings

	As at 30.09.17 £'000	As at 30.09.16 £'000	As at 31.12.16 £'000
Cash and cash equivalents	**72,000**	55,453	101,718
Bank loans and overdrafts (a)	**(20,819)**	(9,093)	(5,153)
Senior Secured Loan Notes (b)	**-**	(301,270)	(301,679)
Senior Subordinated PIK notes (c)	**-**	(163,664)	(176,417)
Preference shares (d)	**(245,994)**	(209,331)	(217,969)
6.5% Senior Secured Notes (e)	**(298,129)**	-	-
5.75% Senior Secured Notes (f)	**(217,702)**	-	-
	(710,644)	(627,905)	(599,500)

(a) The group has facilities to fund the in-transit inventory between the UK company, Aston Martin Lagonda Limited, and its US and Chinese subsidiaries. The group also has a facility to fund certain inventory at Aston Martin Works Limited. At 30 September 2017 the utilisation of these facilities was £7,381,000 (30 September 2016 : £9,093,000). At 30 September 2017, 31 December 2016 and 30 September 2016 the revolving credit facility was undrawn. The group has a wholesale vehicle financing facility of £150,000,000 with Standard Chartered Bank plc. Following a renegotiation of the terms of the facility and the transfer of substantially all of the risk to Standard Chartered Bank plc the facility is off-balance sheet. In May 2017 the group entered into a back-to-back loan arrangement with HSBC Bank plc, whereby Chinese Yuan to the value of £13,638,000 were deposited in a restricted account with HSBC in China in exchange for a Sterling overdraft facility with HSBC in the United Kingdom. The £13,638,000 of restricted cash has been revalued at 30 September 2017 to £13,465,000 and is shown in the total of cash and cash equivalents above. At 30 September 2017 the group has drawn down, including accrued interest, £(13,438,000) of the overdraft facility which is included in bank loans and overdrafts. The back-to-back loan arrangement is for a one year period.

(b) In June 2011 the group issued £304,000,000 of 9.25% Senior Secured Loan Notes due for repayment in July 2018. These notes were repaid in April 2017.

(c) In March 2014, the group issued 10.25% Senior Subordinated PIK Notes with a value of 165m US Dollars. The 10.25% Senior Subordinated PIK Notes were repaid in April 2017.

(d) In April 2015 the company accepted binding subscriptions for £200,000,000 of preference shares with an interest rate of 15% payable on a PIK basis. The first tranche of £100,000,000 was received on 27 April 2015 and the second tranche of £100,000,000 was received in April 2016. These subscriptions also include warrants for a pro rata allocation of P shares (non voting ordinary shares) corresponding to 4% of the fully diluted share capital of the company. At 30 September 2017 the liability relating to the preference shares, including accrued interest, was £245,994,000 (30 September 2016 : £209,331,000)

(e) On 18 April 2017, the group issued $400,000,000 6.5% Senior Secured Notes which mature in April 2022. The proceeds of this issue, together with the issue in (f) below, were used to settle the existing Senior Secured Loan Notes and Senior Subordinated PIK Notes (see (b) and (c) above), both of which were due to mature in July 2018. The new financing has a Revolving Credit Facility of £80,000,000 which was undrawn at 30 September 2017. At the 30 September 2017 closing exchange rate the liability relating to the 6.5% Senior Secured Loan Notes was £298,129,000

(f) On 18 April 2017, the group issued £230,000,000 5.75% Senior Secured Notes which mature in April 2022. The proceeds of this issue, together with the issue in (e) above, were used to settle the existing Senior Secured Notes and Senior Subordinated PIK Notes (see (b) and (c) above), both of which were due to mature in July 2018. The new financing has a Revolving Credit Facility of £80,000,000 which was undrawn at 30 September 2017. At 30 September 2017 the liability relating to the 5.75% Senior Secured Notes was £217,702,000.
The Senior Secured Notes are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

At 30 September 2017, 31 December 2016 and 30 September 2016 the revolving credit facility was undrawn.

8 Foreign exchange rates

	Average rate 9 months ended 30.09.17	Average rate 3 months ended 30.09.17	Average rate 9 months ended 30.09.16	Average rate 3 months ended 30.09.16
US dollar	**1.2617**	**1.2990**	1.4160	1.3368
Chinese renminbi	**8.6705**	**8.8063**	9.2817	8.8811
Euro	**1.1598**	**1.1389**	1.2738	1.2033

9 Provisions

	As at 30.09.17 £'000	As at 30.09.16 £'000	As at 31.12.16 £'000
Warranty and service plans	**18,391**	9,710	13,701
Non-current	**11,667**	5,674	6,070
Current	**6,724**	4,036	7,631
	18,391	9,710	13,701

10 Pension scheme

The net liability for defined benefit obligations of £(77,951,000) at 30 June 2017 has decreased to £(68,952,000) at 30 September 2017. The movement of £8,999,000 comprises contributions of £2,443,000 plus a net actuarial gain of £10,078,000 less a charge to the income statement of £(3,522,000). The net actuarial gain has arisen in part due to a change in the discount rate assumptions used in the valuation of the scheme's assets and liabilities compared to those used at 30 June 2017. The discount rate increased to 2.75% at 30 September 2017 compared to 2.65% at 30 June 2017.

11 Related party transactions

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