

**THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to what action you should take, you are recommended to seek immediately your own financial advice from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser, who is authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

This document comprises (i) a circular prepared in accordance with the Listing Rules of the FCA made under section 73A of the FSMA and (ii) a prospectus relating to Aston Martin Lagonda Global Holdings plc prepared in accordance with the Prospectus Regulation Rules of the FCA made under section 73A of the FSMA. This document has been approved by the FCA (as competent authority under Regulation (EU) 2017/1129) in accordance with section 85 of the FSMA. The FCA only approves this document as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129, and such approval should not be considered as an endorsement of the issuer that is, or the quality of the securities that are, the subject of this document. Investors should make their own assessment as to the suitability of investing in the Shares.

This document has been filed with the FCA in accordance with the Prospectus Regulation Rules and will be made available to the public in accordance with Prospectus Regulation Rule 3.2 by the same being made available, free of charge, at [www.astonmartinlagonda.com/investors](http://www.astonmartinlagonda.com/investors) and at the Company's registered office at Banbury Road, Gaydon, Warwick CV35 0DB, United Kingdom.

If you sell or have sold or have otherwise transferred all of your Shares (other than ex-rights) held in certificated form before 8.00 a.m. (London time) on 18 March 2020 (the **Ex-Rights Date**) please send this document, together with any Provisional Allotment Letter, if and when received, at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including but not limited to the United States or Australia, Canada, Japan, the People's Republic of China and the Republic of South Africa (the **Excluded Territories**). If you sell or have sold or have otherwise transferred all or some of your Existing Shares (other than ex-rights) held in uncertificated form before the Ex-Rights Date, a claim transaction will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee. If you sell or have sold or otherwise transferred only part of your holding of Existing Shares (other than ex-rights) held in certificated form before the Ex-Rights Date, you should refer to the instruction regarding split applications in Part III - Terms and Conditions of the Rights Issue of this document and in the Provisional Allotment Letter.

The directors of the Company (the **Directors**), whose names appear on page 47 of this document, Lawrence Stroll (the **Proposed Director**) and the Company accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Company, the information contained in this document is in accordance with the facts and this document contains no omission likely to affect its impact.

The distribution of this document, the Provisional Allotment Letter and the transfer of Nil Paid Rights, Fully Paid Rights and New Shares into jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws or regulations of such jurisdictions. In particular, subject to certain exceptions, this document, the enclosures and the Provisional Allotment Letter and any other such documents should not be distributed, forwarded to or transmitted in or into the United States, any of the Excluded Territories or any other jurisdictions where the extension and availability of the Rights Issue would breach any applicable law.



**ASTON MARTIN**

**Aston Martin Lagonda Global Holdings plc**

*(incorporated in England and Wales under the Companies Act 2006 with registered number 11488166)*

**Proposed Placing of 45,600,577 Placing Shares at  
400 pence per Placing Share to the Yew Tree Consortium**

**Proposed 14 for 25 Rights Issue of 153,217,942 New Shares at  
207 pence per New Share**

**Notice of General Meeting**

*Sole Financial Adviser, Sponsor, Joint Global Co-ordinator and Joint Bookrunner*

**Morgan Stanley**

*Joint Global Co-ordinators and Joint Bookrunners*

**Deutsche Bank**

**J.P. Morgan Cazenove**

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A Notice of General Meeting of the Company, to be held at 10.00 a.m. on 16 March 2020 at Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HT, United Kingdom, is set out at the end of this document. Whether or not you intend to be present at the General Meeting, if you hold your shares directly you are asked to complete and return the enclosed Form of Proxy in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by the Registrar, Equiniti Limited (**Equiniti**) at Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, United Kingdom, by not later than 10.00 a.m. on 12 March 2020 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting) and in the case of AML Nominee Service Shareholders the enclosed Voting Instruction Form so as to be received by the Registrar, Equiniti at Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, United Kingdom, by not later than 10.00 a.m. on 11 March 2020.

As an alternative to completing and returning the printed Form of Proxy, Shareholders can also submit their proxy electronically by accessing the Registrar's website at [www.sharevote.co.uk](http://www.sharevote.co.uk). To be valid, the electronic submission must be registered by not later than 10.00 a.m. on 12 March 2020 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). CREST members may also choose to utilise the CREST electronic proxy appointment service in accordance with the procedures set out in the Notice of General Meeting at the end of this document, as soon as possible and in any event no later than 10.00 a.m. on 12 March 2020 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting).

Completion and return of a Form of Proxy (or the electronic appointment of a proxy) will not preclude you from attending and voting in person at the General Meeting, should you so wish.

The Shares are listed on the premium listing segment of the Official List maintained by the FCA and traded on the main market for listed securities of London Stock Exchange plc (the **London Stock Exchange**). Application will be made to the FCA and to the London Stock Exchange for the New Shares and the Placing Shares to be admitted to the premium listing segment of the Official List of the FCA and to trading on the main market for listed securities of the London Stock Exchange. It is expected that Admission of the New Shares (nil paid) will become effective and that dealings on the London Stock Exchange in the New Shares (nil paid) will commence at 8.00 a.m. on 18 March 2020 and that Admission of the Placing Shares will become effective and that dealings on the London Stock Exchange in the Placing Shares will commence at 8.00 a.m. on 17 March 2020.

Your attention is drawn to the letter of recommendation from the Chair which is set out in Part I - Letter from the Chair of Aston Martin Lagonda Global Holdings plc. Your attention is also drawn to the section headed "Risk Factors" at the beginning of this document which sets out certain risks and other factors that should be considered by Shareholders when deciding on what action to take in relation to the Rights Issue and the Placing (together, the **Capital Raise**), and by others when deciding whether or not to purchase Nil Paid Rights, Fully Paid Rights or New Shares.

Each of Morgan Stanley & Co. International plc (**Morgan Stanley**) and J.P. Morgan Securities plc (which conducts its UK investment banking activities under the marketing name J.P. Morgan Cazenove) (**J.P. Morgan Cazenove**) is authorised in the United Kingdom by the Prudential Regulation Authority (**PRA**) and regulated in the United Kingdom by the FCA and the PRA. Deutsche Bank AG, London Branch (**Deutsche Bank**, together with Morgan Stanley and J.P. Morgan Cazenove, the **Underwriters**), which is authorised under German Banking Law (competent authority: European Central Bank) and, in the United Kingdom, by the PRA, is subject to supervision by the European Central Bank and by BaFin, Germany's Federal Financial Supervisory Authority, and is subject to limited regulation in the United Kingdom by the PRA and the FCA. The Underwriters are acting exclusively for the Company and are acting for no one else in connection with the Capital Raise and will not regard any other person as a client in relation to the Capital Raise and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients, nor for providing advice in connection with the Capital Raise or any other matter, transaction or arrangement referred to in this document.

The Underwriters have given and not withdrawn their consent to the issue of this document with the inclusion of the references to their respective names in the form and context in which they are included.

Apart from the responsibilities and liabilities, if any, which may be imposed on the Underwriters by the FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of the Underwriters, nor any of their respective affiliates, directors, officers, employees or advisers, accepts any responsibility whatsoever for, or makes any representation or warranty, express or implied, as to the contents of this document, including its accuracy, completeness or verification, or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Nil Paid Rights, the Fully Paid Rights, the New Shares, the Placing Shares, the Rights Issue or the Placing. The Underwriters and their respective affiliates, directors, officers, employees and advisers accordingly disclaim to the fullest extent permitted by law any and all liability whatsoever, whether arising in tort, contract or otherwise, which they might otherwise have in respect of this document or any such statement.

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult their own legal, financial or tax adviser in connection with the purchase of the New Shares. In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Capital Raise, including the merits and risks involved.

The investors also acknowledge that: (i) they have not relied on the Underwriters or any person affiliated with the Underwriters in connection with any investigation of the accuracy of any information contained in this document or their investment decision; and (ii) they have relied only on the information contained in this document and that no person has been authorised to give any information or to make any representation concerning the Company or its subsidiaries or the Nil Paid Rights, the Fully Paid Rights, the New Shares or the Placing Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or the Underwriters.

Subject to, among other things, the passing of the Resolutions, it is expected that Provisional Allotment Letters will be dispatched to Qualifying Non-CREST Shareholders and Forms of Instruction will be dispatched to AML Nominee Service Shareholders (other than, subject to certain exceptions, those with registered addresses in the United States or the Excluded Territories) on 17 March 2020, and that Qualifying CREST Shareholders (other than, subject to certain exceptions, those with registered addresses in the United States or the Excluded Territories) will receive a credit to their appropriate stock accounts in CREST in respect of the Nil Paid Rights to which they are entitled on 18 March 2020. The Nil Paid Rights so credited are expected to be enabled for settlement by Euroclear as soon as practicable after Admission of the New Shares (nil paid).

In connection with the Rights Issue, the Underwriters and any of their respective affiliates may, in accordance with applicable legal and regulatory provisions, take up a portion of the Nil Paid Rights, the Fully Paid Rights and the New Shares in the Rights Issue as a principal position and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own account in securities of the Company and related or other securities and instruments (including Nil Paid Rights, Fully Paid Rights and New Shares) and may offer or sell such securities otherwise than in connection with the Rights Issue, provided that the Underwriters and their respective affiliates may not engage in short selling for the purpose of hedging their commitments under the Underwriting Agreement (subject to certain exceptions contained in the Underwriting Agreement). Accordingly, references in this Prospectus to Nil Paid Rights, Fully Paid Rights and New Shares being offered or placed should be read as including any offering or placement of Nil Paid Rights, Fully Paid Rights and New Shares to any of the Underwriters or any of their respective affiliates acting in such capacity. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements (including margin loans) with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of Nil Paid Rights, Fully Paid Rights and New Shares. Except as required by applicable law or regulation, the Underwriters do not propose to make any public disclosure in relation to

such transactions. The latest time and date for acceptance and payment in full for the New Shares by holders of the Nil Paid Rights is expected to be 11.00 a.m. on 1 April 2020. The procedures for delivery of the Nil Paid Rights, acceptance and payment are set out in Part III - Terms and Conditions of the Rights Issue and (other than, subject to certain exceptions, those with registered addresses in the United States or the Excluded Territories), for Qualifying Non-CREST Shareholders also in the Provisional Allotment Letter and, for Qualifying AML Nominee Service Shareholders also in the Form of Instruction. Qualifying CREST Shareholders should refer to paragraph 2.5 of Part III - Terms and Conditions of the Rights Issue.

The Underwriters may arrange for the offer of New Shares in the United States not taken up in the Rights Issue only to persons reasonably believed to be “qualified institutional buyers” (*QIBs*) within the meaning of Rule 144A under the United States Securities Act of 1933, as amended (the *Securities Act*) (*Rule 144A*) in reliance on an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The New Shares, the Nil Paid Rights and the Fully Paid Rights offered outside the United States are being offered in reliance on Regulation S under the Securities Act (*Regulation S*). **Prospective investors are hereby notified that sellers of the Nil Paid Rights, the Fully Paid Rights or the New Shares may be relying on the exemption from registration provisions under Section 5 of the Securities Act, provided by Rule 144A thereunder.**

In addition, until 40 days after the commencement of the Rights Issue, an offer, sale or transfer of the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters, the New Shares or the Placing Shares within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the Securities Act.

All Shareholders and any person (including, without limitation, a nominee or trustee) who has a contractual or legal obligation to forward this document or any Provisional Allotment Letter, if and when received, or other document to a jurisdiction outside the United Kingdom should read the information set out in paragraph 2.5 of Part III - Terms and Conditions of the Rights Issue.

#### **Notice to Overseas Shareholders**

This document does not constitute an offer of Nil Paid Rights, Fully Paid Rights, New Shares or Placing Shares to any person with a registered address, or who is located, in the United States or the Excluded Territories or in any other jurisdiction in which such an offer or solicitation is unlawful. The Nil Paid Rights, the Fully Paid Rights, the New Shares, the Placing Shares and the Provisional Allotment Letters have not been and will not be registered or qualified for distribution to the public under the relevant laws of any state, province or territory of the United States or any Excluded Territory and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States or any Excluded Territory or in any other jurisdictions where the extension and availability of the Rights Issue would breach any applicable law, except pursuant to an applicable exemption. See “Notice to Investors in the United States of America” in the section titled “*Important Information*”.

The Nil Paid Rights, the Fully Paid Rights and the New Shares have not been and will not be registered under the Securities Act or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from or in a transaction not subject to the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer of the Nil Paid Rights, the Fully Paid Rights, the New Shares or the Placing Shares in the United States.

**The Nil Paid Rights, the Fully Paid Rights, the New Shares, the Placing Shares and the Provisional Allotment Letters have not been approved or disapproved by the United States Securities and Exchange Commission, any state’s securities commission in the United States or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Nil Paid Rights, the Fully Paid Rights, the New Shares or the Placing Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence.**



The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters, the New Shares and the Placing Shares have not been and will not be registered or qualified for distribution to the public under the securities laws of any Excluded Territory and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within any Excluded Territory or in any other jurisdictions where the extension and availability of the Rights Issue would breach any applicable law, except pursuant to an applicable exemption from, and in compliance with, any applicable securities laws. There will be no public offer in any of the Excluded Territories or in any other jurisdictions where the extension and availability of the Rights Issue would breach any applicable law.

The Nil Paid Rights, Fully Paid Rights and New Shares may not be offered or sold in Hong Kong, by means of any document, other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) of Hong Kong (the **SFO**) and any rules made under the SFO; or (ii) in other circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding up and Miscellaneous Provisions) Ordinance (Cap.32, Laws of Hong Kong) of Hong Kong (the **C(WUMP)O**) or an invitation to induce an offer by the public to subscribe for or purchase any shares and which do not result in this document or the Provisional Allotment Letter being a “prospectus” as defined in the C(WUMP)O. No advertisement, invitation or document relating to the Nil Paid Rights, Fully Paid Rights, New Shares, the Provisional Allotment Letters or this document may be issued or may be in the possession of any person for the purpose of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the C(WUMP)O and the SFO) other than with respect to the Nil Paid Rights, Fully Paid Rights and New Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO or in other circumstances which do not constitute an offer or invitation to the public within the meaning of the C(WUMP)O. The contents of this document and the Provisional Allotment Letter have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document or the Provisional Allotment Letter, you should obtain independent professional advice.

This document is being communicated in or from Switzerland to a small number of selected Shareholders only. Each copy of this document and/or the Provisional Allotment Letters is addressed to a specifically named recipient and may not be copied, reproduced, distributed or passed on to others without the Company’s prior written consent. The Nil Paid Rights, the Fully Paid Rights and the New Shares may not be publicly offered, sold or advertised, directly or indirectly, in or from Switzerland and will not be listed on the SIX Swiss Exchange (**SIX**) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Nil Paid Rights, the Fully Paid Rights and the New Shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland. Neither this document nor any other offering or marketing material relating to the Capital Raise, the Company, the Nil Paid Rights, the Fully Paid Rights and the New Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of Nil Paid Rights, the Fully Paid Rights and the New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA.

#### **Notice to all investors**

Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information contained in this document for any purpose other than considering an investment in the Nil Paid Rights, the Fully Paid Rights or the New Shares is prohibited. By accepting delivery of this document, each offeree of the Nil Paid Rights, the Fully Paid Rights and/or the New Shares agrees to the foregoing.

The distribution of this document and/or the Provisional Allotment Letters and/or the transfer of the Nil Paid Rights, the Fully Paid Rights and/or the New Shares into jurisdictions other than the United Kingdom may be restricted by law. Persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, such documents should not be distributed, forwarded to or transmitted in or into the United States, any of the Excluded Territories or in any other jurisdictions where the extension and availability of the Rights Issue would breach any applicable law. The Nil Paid Rights, the Fully Paid Rights, the New Shares and the Provisional Allotment Letters are not transferable, except in accordance with, and the distribution of this document is subject to, the restrictions set out in paragraph 2.5 of Part III - Terms and Conditions of the Rights Issue. No action has been taken by the Company or by the Underwriters that would permit an offer of the New Shares or rights thereto or possession or distribution of this document or any other offering or publicity material or the Provisional Allotment Letters, the Nil Paid Rights, or the Fully Paid Rights in any jurisdiction where action for that purpose is required, other than in the United Kingdom.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by the Company or by the Underwriters. Neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date of this document or that the information in this document is correct as at any time subsequent to its date.

Unless explicitly incorporated by reference herein, the contents of the websites of the Group do not form part of this document. Capitalised terms have the meanings ascribed to them, and certain technical terms are explained, in Part X – Definitions and Glossary.

#### **WHERE TO FIND HELP**

Part II - Some Questions and Answers about the Rights Issue and the Placing of this document answers some of the questions most often asked by shareholders about rights issues. If you have further questions, please call the Shareholder Helpline at Equiniti on 0333 207 6530 (+44 121 415 0915 if calling from outside the United Kingdom). Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 8:30 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Equiniti cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. Please note that, for legal reasons, the Shareholder Helpline is only able to provide information contained in this document and information relating to the Company's register of members and is unable to give advice on the merits of the Capital Raise.

This document is dated 27 February 2020.

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## SUMMARY

### A. INTRODUCTION AND WARNINGS

#### A.1.1 *Name and international securities identifier number (ISIN) of the securities*

Ordinary shares: ISIN code GB00BFXZC448

Nil Paid Rights: ISIN code GB00BHNC9J35

Fully Paid Rights: ISIN code GB00BHNC9K40

#### A.1.2 *Identity and contact details of the issuer, including its Legal Entity Identifier (LEI)*

The Company's legal name is Aston Martin Lagonda Global Holdings plc (the **Company**). The commercial name is "Aston Martin Lagonda". The Company's registered address is Banbury Road, Gaydon, Warwick CV35 0DB, United Kingdom, and its telephone number is +44 (0) 1926 644 644. The Company's legal entity identifier is 213800167WOVOK5ZC776.

#### A.1.3 *Identity and contact details of the competent authority approving the prospectus*

This document has been approved by the FCA, as competent authority, with its head office at 12 Endeavour Square, London, E20 1JN, and telephone number: +44 20 7066 1000, in accordance with Regulation (EU) 2017/1129.

#### A.1.4 *Date of approval of the prospectus*

This document was approved by the FCA on 27 February 2020.

#### A.1.5 *Warning*

This summary has been prepared in accordance with Article 7 of Regulation (EU) 2017/1129 and should be read as an introduction to this document (this document). Any decision to invest in the Shares should be based on a consideration of this document as a whole by the investor. Any investor could lose all or part of their invested capital and, where any investor's liability is not limited to the amount of the investment, it could lose more than the invested capital. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document or where it does not provide, when read together with the other parts of this document, key information in order to aid investors when considering whether to invest in the Shares.

### B. KEY INFORMATION ON THE ISSUER

#### B.1 *Who is the issuer of the securities?*

##### B.1.1 *Domicile, legal form, jurisdiction of incorporation, country of operation and legal entity identifier*

The Company was incorporated and registered in England and Wales under the Companies Act 2006 as a private company limited by shares and under the name Aston Martin Lagonda Global Holdings Limited on 27 July 2018 with registered number 11488166. On 7 September 2018, the Company was re-registered as a public limited company as Aston Martin Lagonda Global Holdings plc. Its legal entity identifier is 213800167WOVOK5ZC776.

##### B.1.2 *Principal activities*

Aston Martin is a globally recognised luxury brand and a leader in the high-luxury sports car market. For more than a century, the brand has symbolised exclusivity, elegance, power, beauty, sophistication, innovation, performance and an exceptional standard of styling and design. Its cars sit solely within the HLS car market segment and the Group's market leadership position is supported by award-winning design and engineering capabilities, world-class technology and state-of-the-art facilities, creating distinctive model line-ups.

The Group sells cars worldwide, primarily from its main manufacturing facility and corporate headquarters in Gaydon, England, and is currently ramping up pre-production in its second manufacturing facility in St. Athan, Wales. The Group's current core line-up comprises three models of the new generation of products: the grand tourer – DB11; the sports car – Vantage; and the super grand tourer – DBS Superleggera.

All of the Group's models currently sit under the Aston Martin brand, and some models are available with different options, including engine size and body type (such as coupe and convertible models).

In November 2019, Aston Martin Lagonda unveiled its fourth new core model and first SUV, DBX. Pre-production builds of DBX started as planned in the Group's production facility located in St. Athan, Wales and launch is planned for the second quarter of 2020. The DBX order book has built rapidly, with approximately 1,800 orders from when it opened on 20 November 2019 to 7 January 2020, with approximately 1,200 of those orders being a combination of customer orders and specifications in progress and approximately 600 dealer-specified to maintain the successful launch of DBX including customer test cars, marketing cars and showroom cars. The order book has continued to build, with total orders taken as at the date of this document in excess of the planned DBX retail target for 2020.

The Group has also confirmed production of its new hypercars, the Aston Martin Valkyrie and Aston Martin Valkyrie AMR Pro, which establishes a mid-engine platform for Aston Martin and which is expected to continue with the unveiling of Valhalla in 2022 and of the Vanquish in 2023. The Group also regularly develops and produces special limited edition models (which will continue to be a focus), alongside a new range of heritage vehicles.

### B.1.3 Major shareholders

Insofar as is known to the Company, the name of each person who, directly or indirectly, has an interest in 3.0 per cent. or more of the Company's issued share capital, and the amount of such person's interest, as at 21 February 2020 (being the latest practicable date prior to the publication of this document) are as follows:

Name	Shares	
	No.	%
Prestige/SEIG Shareholder Group .....	67,582,104	29.64
Adeem/PW Shareholder Group .....	62,899,356	27.59
Invesco Limited .....	20,696,200	9.15
Mercedes-Benz AG .....	9,529,739	4.18
Torreal Sociedad de Capital Resigo, S.A. ....	7,151,411	3.14

Insofar as is known to the Company, immediately following the Capital Raise, the interests of those persons with an interest in 3.0 per cent. or more of the Company's issued share capital, including as a percentage of the enlarged share capital (assuming 100 per cent. take up by such persons of their entitlements under the Rights Issue (except in the case of the Adeem/PW Shareholder Group and the Yew Tree Consortium) and no options granted under the Share-Based Incentive Plans are exercised between 21 February 2020 (being the latest practicable date prior to the publication of this document) and the completion of the Capital Raise), will be as follows:

Name	Shares	
	No.	%
Prestige/SEIG Shareholder Group <sup>(1)</sup> .....	105,428,082	24.7
Yew Tree Consortium <sup>(2)</sup> .....	92,658,875	21.7
Adeem/PW Shareholder Group <sup>(3)</sup> .....	76,601,021	17.9
Invesco Limited. ....	32,286,072	7.6
Mercedes-Benz AG <sup>(4)</sup> .....	14,866,393	3.5
Torreal Sociedad de Capital Riesgo, S.A. <sup>(5)</sup> .....	11,156,201	2.6

#### Notes:

(1) The Prestige/SEIG Shareholder Group has irrevocably undertaken to take up 100 per cent. of its entitlements under the Rights Issue.

(2) The expected shareholding of the Yew Tree Consortium assumes it takes up 100 per cent. of its entitlements under the Rights Issue (which it has irrevocably undertaken to do), as well as the entitlements in respect of the Nil Paid Rights that it has agreed to purchase from the Adeem/PW Shareholder Group.

(3) The expected shareholding of the Adeem/PW Shareholder Group assumes it takes up 38.9 per cent. of its entitlements under the Rights Issue. The Adeem/PW Shareholder Group has agreed to sell such number of Nil Paid Rights to the Yew Tree Consortium which will result in (i) the Adeem/PW Shareholder Group taking up 38.9 per cent. of its entitlements under the Rights Issue and (ii) the Yew Tree Consortium taking up the remainder of the Adeem/PW Shareholder Group's entitlements.

(4) Mercedes-Benz AG has irrevocably undertaken to take up 100 per cent. of its entitlements under the Rights Issue.

(5) Torreal Sociedad de Capital Riesgo, S.A. has irrevocably undertaken to take up 100 per cent. of its entitlements under the Rights Issue.

#### B.1.4 Key managing directors

Dr. Andrew Palmer is the President and Group Chief Executive Officer of the Company and Mark Wilson is the Chief Financial Officer and Executive Vice President of the Company.

#### B.1.5 Identity of the statutory auditors

Ernst & Young LLP, with its address at 1 Colmore Square, Birmingham B4 6HQ, United Kingdom, is the statutory auditor to the Company. The financial information for the Group as of and for the year ended 31 December 2019 included in this document was audited by Ernst & Young LLP.

The financial information for the Group as of and for the year ended 31 December 2018 contained herein was audited by KPMG LLP.

### B.2 What is the key financial information regarding the issuer?

The tables below set out the Group's summary financial information for the periods indicated.

The financial information set forth below is extracted or derived from, and should be read in conjunction with, the audited consolidated financial statements of the Company as of and for the year ended 31 December 2019 and the audited consolidated financial statements of the Company as of and for the year ended 31 December 2018, each included in this document.

The following table sets forth the Group's main operating results, extracted from the 2019 Financial Statements and the 2018 Financial Statements, and shows these items as a percentage of total revenue.

	2017 <sup>(1)</sup>		2018		2019	
	(£ millions)	(% of total revenue)	(£ millions) (audited)	(% of total revenue)	(£ millions)	(% of total revenue)
<b>Consolidated Statement of Comprehensive Income Data:</b>						
Revenue .....	876.0	100.0	1,096.5	100.0	997.3	100.0
Cost of sales .....	(496.2)	(56.6)	(660.7)	(60.3)	(642.7)	(64.4)
<b>Gross profit</b> .....	<b>379.8</b>	<b>43.4</b>	<b>435.8</b>	<b>39.7</b>	<b>354.6</b>	<b>35.6</b>
Selling and distribution expenses .....	(60.0)	(6.8)	(89.8)	(8.2)	(95.0)	(9.5)
Administrative and other operating expenses .....	(171.0)	(19.5)	(293.2)	(26.7)	(277.3)	(27.8)
Other income/(expense) .....	—	—	20.0	1.8	(19.0)	(1.9)
<b>Operating profit/(loss)</b> .....	<b>148.8</b>	<b>17.0</b>	<b>72.8</b>	<b>6.6</b>	<b>(36.7)</b>	<b>(3.7)</b>
Finance income .....	35.6	4.1	4.2	0.4	16.3	1.6
Finance expense <sup>(2)</sup> .....	(99.9)	(11.4)	(145.2)	(13.2)	(83.9)	(8.4)
<b>Profit/(loss) before tax</b> .....	<b>84.5</b>	<b>9.6</b>	<b>(68.2)</b>	<b>(6.2)</b>	<b>(104.3)</b>	<b>(10.5)</b>
Income tax (charge)/credit .....	(7.7)	(0.9)	11.1	1.0	(0.1)	0.0
<b>Profit/(loss) for the year</b> .....	<b>76.8</b>	<b>8.8</b>	<b>(57.1)</b>	<b>(5.2)</b>	<b>(104.4)</b>	<b>(10.5)</b>

Notes:

(1) Restated to reflect the adoption of IFRS 15.

(2) Finance expense includes interest expense with respect to the Preference Shares. The Preference Shares were converted into ordinary shares as part of the AML IPO. Interest expense with respect to the Preference Shares was £37.9 million and £93.9 million (including £32.0 million of interest expense and £61.9 million of costs in relation to the conversion of the Preference Shares as part of the AML IPO) in 2017 and 2018, respectively. The following table presents the above line items from finance expense through to profit/(loss) for the year, as adjusted to exclude the impact of the Preference Shares:

	2017	2018	2019
		(£ millions)	
	(unaudited)		(audited)
Finance expense, excluding impact of the Preference Shares	(62.0)	(51.3)	(83.9)
Profit/(loss) before tax, excluding impact of the Preference Shares	122.4	25.7	(104.3)
Income tax (charge)/credit, excluding impact of the Preference Shares <sup>(1)</sup>	(7.7)	8.2	(0.1)
Profit/(loss) for the year, excluding impact of the Preference Shares	114.7	33.9	(104.4)

Note:

(1) The estimated reduction in the tax credit attributable to the impact of excluding the Preference Share interest for the year ended 31 December 2018 would be £2.9 million.

The following table sets out the condensed consolidated statement of financial position as at the dates indicated:

	As at 31 December		
	2017 <sup>(1)</sup>	2018	2019
		(£ millions)	
		(audited, unless otherwise indicated)	
Non-current assets	1,213.8	1,418.6 <sup>(2)</sup>	1,663.6
Current assets	418.3	551.6	567.5
<b>Total assets</b>	<b>1,632.1</b>	<b>1,970.2<sup>(2)</sup></b>	<b>2,231.1</b>
Current liabilities	(529.5)	(790.3) <sup>(2)</sup>	(858.2)
Non-current liabilities	(966.5)	(730.5) <sup>(2)</sup>	(1,014.0)
<b>Total liabilities</b>	<b>(1,496.0)</b>	<b>(1,520.8)<sup>(2)</sup></b>	<b>(1,872.2)</b>
<b>Net assets</b>	<b>136.1</b>	<b>449.4</b>	<b>358.9</b>
<b>Equity attributable to owners of the group</b>	<b>128.5</b>	<b>439.2</b>	<b>344.8</b>
Non-controlling interests	7.6	10.2	14.1
<b>Total shareholders equity</b>	<b>136.1</b>	<b>449.4</b>	<b>358.9</b>

Note:

(1) Restated to reflect the adoption of IFRS 15.

(2) Certain reclassifications have been made in the statement of financial position in the 2019 Financial Statements regarding the 2018 comparative values. These restated items are unaudited.

The following table sets out the condensed consolidated statement of cash flows for the periods indicated:

	2017 <sup>(1)</sup>	2018	2019
		(£ millions)	
		(audited)	
Net cash inflow from operating activities	344.0	222.6 <sup>(2)</sup>	19.4
Net cash used in investing activities	(346.4)	(306.3)	(305.2)
Net cash inflow from financing activities	69.9	57.8	243.3
Net increase/(decrease) in cash and cash equivalents	67.3	(25.9)	(42.5)
Cash and cash equivalents at the beginning of the year	101.7	167.8	144.6
Effect of exchange rates on cash and cash equivalents	(1.2)	2.7	5.8
<b>Cash and cash equivalents at the end of the year</b>	<b>167.8</b>	<b>144.6</b>	<b>107.9</b>

Note:

(1) Restated to reflect the adoption of IFRS 15.

(2) A reclassification has been made in the statement of cash flows in the 2019 Financial Statements regarding the 2018 comparative values of £7.2 million cash inflow from Movement in provisions to Decrease in trade and other payables. This had no impact on the cash generated from operations.

There are no qualifications in the audit opinions on the historical financial information included in this document.

### **B.3 What are the key risks that are specific to the issuer?**

The Group is dependent on the proceeds of the Capital Raise for its liquidity, working capital and the reset of the business plan and, absent such proceeds, the Group will have an immediate working capital shortfall and therefore the Company and key trading companies in the Group could enter into administration shortly thereafter, which could be as early as the next six months, and which could result in the loss by Shareholders of all or part of their investment in the Company.

Aston Martin Lagonda currently has a significant amount of outstanding debt with substantial debt service requirements which could have important consequences for its business and operations.

Aston Martin Lagonda's business model assumes the Wholesale Finance Facility is available on an ongoing basis, which involves certain liquidity risks, and the loss of the Group's ability to draw under this or a similar facility or its credit insurance backing could adversely affect its liquidity and therefore have a material adverse effect on its business.

Aston Martin Lagonda's future success depends on its continued ability to introduce its next generation of cars, which will require significant capital expenditures and will depend in large part on consumers' acceptance of the new car offerings, as well as the Group's ability to complete its car launch schedule on the contemplated timeline.

Aston Martin Lagonda's success depends on the continued popularity of its existing products and its ability to provide its customers with new, attractive products tailored to their needs. These new products may not achieve the level of consumer acceptance that the Company anticipates.

Aston Martin Lagonda is dependent on its primary manufacturing facility at Gaydon for the production of its three current core models and it may incur unanticipated costs or delays in ramping up its plant in St. Athan for full production of DBX.

Aston Martin Lagonda's future success depends on its ability to continue to sell its cars to customers at prices which reflect the cost of maintaining the high quality of its cars. Pricing pressure could limit Aston Martin Lagonda's ability to pass on production costs to its customers.

The Group's profitability relies in part upon its ability to produce and deliver its special edition models. If the Group is delayed or becomes unable to deliver these models in the applicable time frames, this could lead to additional costs, reduced profitability, return of customer deposits and damage to the Group's reputation.

The strength of the Aston Martin brand could be diluted or weakened by a failure to continue to produce cars of appropriate performance, aesthetics and quality, failure to keep up with new technologies, quality issues or recalls, dealers promoting other manufacturers' cars in priority to Aston Martin Lagonda's and counterfeit cars and parts affecting performance and quality perceptions.

The Group may not be able to realise cost savings, reduce capital expenditure or balance supply and demand effectively in line with its strategy. Aston Martin Lagonda's ability to successfully implement its strategy will depend on, at least in part, its ability to reduce costs without diminishing the quality of its cars, as well as to reduce capital expenditures without limiting its ability to introduce new cars in line with changes in trends and advances in technology. An inability to achieve these goals could result in increased costs, damage to the Aston Martin brand, decreased sales and/or liquidity constraints.

## **C. KEY INFORMATION ON THE SECURITIES**

### **C.1 What are the main features of the securities?**

#### **C.1.1 Type, class and ISIN**

Following the passing of the Resolutions at the General Meeting, the Company will issue and allot to Yew Tree Overseas Limited (**Yew Tree**), an entity owned and controlled by Lawrence Stroll, as well as entities owned and controlled by each of Michael de Picciotto, André Desmarais and his family, Silas Chou (via Yew Tree), John Idol and Lord Anthony Bamford and John McCaw (together, the **Yew Tree Consortium**), in aggregate 45,600,577 new ordinary shares of £0.009039687 each in the capital of the Company (the **Placing Shares**) at an issue price of 400 pence per Placing Share. This represents a discount of 0.67 per cent. to the closing price of 402.7 pence per ordinary share of the Company (**Shares**) on 30 January 2020, the last Business Day before the Capital Raise was announced to the market.

Pursuant to the Rights Issue, the Company will issue 153,217,942 new ordinary shares of £0.009039687 each in the capital of the Company (the **New Shares**). The Rights Issue will be made on the basis of 14 New Shares for every 25 existing ordinary share in the Company (the **Existing Shares**).

When admitted to trading, the New Shares and the Placing Shares (all of which are ordinary shares) will be registered with ISIN number GB00BFXZC448 and SEDOL number BFXZC44 and trade under the symbol "AML". The ISIN for the Nil Paid Rights will be GB00BHNC9J35 and the ISIN for the Fully Paid Rights will be GB00BHNC9K40.

#### **C.1.2 *Currency, denomination, par value, number of securities issued and duration***

The currency of the issue is United Kingdom pounds sterling.

Immediately prior to the publication of this document, the share capital of the Company was £2,061,074.76, comprised of 228,002,890 Existing Shares of £0.009039687 each, all of which were fully paid or credited as fully paid.

The issued and fully paid share capital of the Company immediately following completion of the Placing and the Rights Issue (together, the **Capital Raise**), assuming that no Rights are issued as a result of the exercise of any options between 21 February 2020 and the completion of the Rights Issue, is expected to be £3,858,332, comprising 426,821,409 Shares of £0.009039687 each.

#### **C.1.3 *Rights attached to the Shares***

The New Shares and the Placing Shares will, when issued and fully paid, rank equally in all respects with the Existing Shares, including the right to receive all dividends and other distributions made, paid or declared after the date of issue of the New Shares and the Placing Shares, as applicable.

#### **C.1.4 *Rank of securities in the issuer's capital structure in the event of insolvency***

The Shares do not carry any rights to participate in a distribution (including on a winding-up) other than those that exist under the Companies Act 2006. The New Shares, the Placing Shares and the Existing Shares will rank *pari passu* in all respects.

#### **C.1.5 *Restrictions on the free transferability of the securities***

There are no restrictions on the free transferability of the Shares.

#### **C.1.6 *Dividend or payout policy***

The Group is focused on improving its liquidity position, strengthening its balance sheet and successfully executing the reset of the business plan. It is therefore the Directors' intention during the current phase of the Group's development to retain the Group's cash flow to achieve these objectives. The Directors intend to review, on an ongoing basis, the Company's dividend policy and will consider the payment of dividends as the Group's strategy matures, depending upon the Group's free cash flow, financial condition, future prospects and any other factors deemed by the Directors to be relevant at the time.

### **C.2 *Where will the securities be traded?***

Application will be made to the FCA for the New Shares (nil paid and fully paid) and the Placing Shares to be admitted to the premium listing segment of the Official List of the FCA and to the London Stock Exchange for such Shares to be admitted to trading on the London Stock Exchange's main market for listed securities.

### **C.3 *What are the key risks that are specific to the securities?***

#### ***Risks relating to the Shares***

The Major Shareholders and the Yew Tree Consortium will have significant interests in the Company following the Capital Raise, and their interests may differ from those of other Shareholders.

If the Major Shareholders, the Yew Tree Consortium, the Directors and/or certain other Shareholders purchase additional Nil Paid Rights and/or Fully Paid Rights during the Rights Issue offer period, the Company may cease to comply with the free float requirement under Listing Rule 6.14, and therefore, absent a modification from the FCA, the Shares may be suspended or cancelled from the premium listing segment of the Official List in order to maintain the smooth operation of the market or to protect investors.



The market price of the Nil Paid Rights, the Fully Paid Rights and/or the Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding the Nil Paid Rights, the Fully Paid Rights and/or the Shares (or securities similar to them), including, in particular, in response to various facts and events, including any regulatory changes affecting the Group's operations, variations in the Group's operating results and/or business developments of the Group and/or its competitors.

Shareholders who do not acquire New Shares in the Rights Issue will experience dilution in their ownership of the Company, and all Shareholders will experience dilution as a result of the Placing.

## **D. KEY INFORMATION ON THE ADMISSION TO TRADING ON A REGULATED MARKET**

### **D.1 *Under which conditions and timetable can I invest in this security?***

It is expected that Admission of the New Shares (nil paid) will become effective on 18 March 2020 and that dealings in New Shares will commence, nil paid, as soon as practicable after 8.00 a.m. on that date.

It is expected that Admission of the Placing Shares will become effective on 17 March 2020 and that dealings in Placing Shares will commence as soon as practicable after 8.00 a.m. on that date.

The Company proposes to issue 153,217,942 New Shares in connection with the Rights Issue. Pursuant to the Rights Issue, New Shares will be offered by way of rights to Qualifying Shareholders on the terms and conditions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letter. The offer is to be made at 207 pence per New Share, payable in full on acceptance by no later than 11.00 a.m. on 1 April 2020. The Issue Price represents a discount of 47 per cent. to the closing price of 391 pence per Share on 26 February 2020 (the last Business Day before the publication of this document), and a discount of 36 per cent. to the theoretical ex-rights price of 325 pence per Share by reference to the closing price on the same basis.

The Rights Issue will be made on the basis of 14 New Shares at 207 pence per New Share for every 25 Existing Shares held on the Record Date (and so in proportion for any other number of Existing Shares then held) and otherwise on the terms and conditions as set out in this document and, in the case of Qualifying Non-CREST Shareholders also in the Provisional Allotment Letters and, for Qualifying AML Nominee Service Shareholders also in the Forms of Instruction.

Following the passing of the Resolutions at the General Meeting, the Yew Tree Consortium will subscribe for, and the Company will issue and allot to the Yew Tree Consortium, 45,600,577 Placing Shares at an issue price of 400 pence per Placing Share. This represents a discount of 0.67 per cent. to the closing price of 402.7 pence per Share on 30 January 2020, the last Business Day before the Capital Raise was announced to the market. The Placing is conditional on the Resolutions being duly passed at the General Meeting, Admission of the Placing Shares occurring at or before 8.00 a.m. on 17 March 2020, none of the warranties or undertakings in the Placing Agreement being breached and none of the warranties becoming untrue, inaccurate or misleading.

Shareholders will experience a dilution of their shareholding in the Company of 16.67 per cent. as a result of the Placing.

### **D.2 *Why is this document being produced?***

The Company proposes to issue 153,217,942 New Shares in connection with the Rights Issue and 45,600,577 Placing Shares in connection with the Placing.

Through the issue of the New Shares and the Placing Shares, the Company expects to raise gross proceeds of £500 million. The aggregate expenses of, or incidental to, the Capital Raise to be borne by the Company are estimated to be approximately £15 million, which the Company intends to pay out of the proceeds of the Capital Raise.

The Company intends to use the net proceeds from the Capital Raise to improve liquidity, finance the ramp-up in production of DBX and deliver the turnaround of the Company's performance. The Group will use a portion of the net proceeds of the Placing to refund the £55.5 million of short-term working capital support provided by Yew Tree to the Group in early February 2020 and between £70 million and £100 million to fund the working capital needs of the business in the first half of 2020 to facilitate the delivery of DBX, Valkyrie and other special editions in 2020. The remaining approximately £329.5 million to £359.5 million will be used for general corporate purposes in support of the reset of the business plan.

## RISK FACTORS

*The Capital Raise and any investment in the New Shares, the Nil Paid Rights and/or the Fully Paid Rights are subject to a number of risks. Accordingly, Shareholders and prospective investors should carefully consider the factors and risks associated with any investment in the New Shares, the Nil Paid Rights and/or the Fully Paid Rights, the Group's business and the industry in which it operates, together with all other information contained in this document and all of the information incorporated by reference into this document, including, in particular, the risk factors described below, and their personal circumstances prior to making any investment decision. Some of the following factors relate principally to the Group's businesses. Other factors relate principally to the Capital Raise and an investment in the New Shares, the Nil Paid Rights and/or the Fully Paid Rights. The Group's businesses, operating results, financial condition and prospects could be materially and adversely affected by any of the risks described below. In such case, the market price of the Nil Paid Rights, the Fully Paid Rights and/or the New Shares may decline and investors may lose all or part of their investment.*

*Prospective investors should note that the risks relating to the Group, its industry and the New Shares, the Nil Paid Rights and/or the Fully Paid Rights summarised in the section of this document headed "Summary" are the risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the New Shares, the Nil Paid Rights and/or the Fully Paid Rights. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this document headed "Summary" but also, among other things, the risks and uncertainties described below.*

*The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the New Shares, the Nil Paid Rights and/or the Fully Paid Rights and should be used as guidance only. Additional risks and uncertainties relating to the Group that are not currently known to the Group, or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business, prospects, operating results and financial condition and, if any such risk should occur, the price of the New Shares, the Nil Paid Rights and/or the Fully Paid Rights may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the New Shares, the Nil Paid Rights and/or the Fully Paid Rights is suitable for them in the light of the information in this document and their personal circumstances.*

### **Risks relating to the business and industry of the Group**

***The Group is dependent on the proceeds of the Capital Raise for its liquidity, working capital and the reset of the business plan and, absent such proceeds, the Group will have an immediate working capital shortfall and therefore the Company and key trading companies in the Group could enter into administration shortly thereafter, which could be as early as the next six months. Even if near-term liquidity challenges can be alleviated, without the proceeds of the Capital Raise the Group faces further liquidity risks over the medium and long terms.***

Without the proceeds of the Capital Raise, the Company will have an immediate liquidity shortfall and be unable to fund its short-term working capital needs required for the reset of the business plan. In this scenario, the Group would put in place an action plan to mitigate the immediate working capital shortfall, which would first involve extending the period of payments to various suppliers, together with ceasing all near-term discretionary investment in vehicle development.

The mitigating actions would lead to faster sales decay profiles of current models, as well as reduced performance, delays to, or the outright cancellation of, one or more future model programmes, which the Directors believe is not a credible option should the Group wish to continue trading. If the Group were forced to cancel any orders for which customers have prepaid a deposit, the Group would be liable to return the deposits in respect of those cancelled orders. As of 31 December 2019, the Group held £78.5 million of refundable customer deposits

and advances. Despite these changes to the business plan, the Company and key trading companies in the Group could still be required to enter into administration or liquidation shortly thereafter.

In addition, the Group would need to seek alternative financing arrangements. The Group has the option, on or prior to 15 July 2020, to draw an additional \$100 million in aggregate principal amount of either 12.0 per cent. delayed draw senior secured split coupon notes due 2022 and/or 15.0 per cent. delayed draw senior unsecured split coupon notes due 2022 if certain conditions were met (the **Delayed Draw Notes**). However, the Delayed Draw Notes alone would not be sufficient to cover the immediate liquidity shortfall and would lead to the further deterioration of the Group's financial position given the punitive interest cost.

The Company is not currently discussing with potential lenders any further arrangements and believe that the terms of any new arrangements, if available at all, and particularly given the Group's continuing deterioration in credit position (highlighted by the recent Moody's downgrade to Caa1 on 14 January 2020), would likely be significantly more expensive and onerous than those which apply under the Group's existing financing arrangements. The Group would also have to seek other forms of funding, such as a new equity restructuring, which may result in a material dilution of the equity interests of Shareholders in the Company.

Furthermore, even if steps are taken to alleviate the near-term liquidity challenges, increased awareness of the Group's challenged financial situation could lead to an increase in customer and supplier concerns around the Group's continued viability. This could prompt weakened credit terms with suppliers, which could cause a significant cash outflow. As at 31 December 2019, trade creditors for the Group were £138.5 million, so a reduction in settlement times would result in material incremental working capital pressure and consequent funding requirements, with no certainty that they could be met.

Given the immediate working capital shortfall in the event the Capital Raise does not successfully complete, despite the Board and the boards of the relevant Group companies taking immediate restructuring action, the Company and key trading companies in the Group may enter into administration or liquidation in the near term, which could be as early as the next six months. Even if the near-term liquidity challenges can be alleviated, the Group would experience a significant liquidity shortfall within the next 18 months in the event the Capital Raise does not successfully complete if a reasonable downside scenario were to occur, even despite mitigating actions being effected by the boards of the relevant Group companies.

Consequently, the Group is exposed to significant liquidity risks over the near, medium and long terms in the absence of the proceeds of the Capital Raise which, without such proceeds, could result in the loss by Shareholders of all or part of their investment in the Company.

***Aston Martin Lagonda's significant leverage may make it difficult for the Group to operate its business.***

Aston Martin Lagonda currently has a significant amount of outstanding debt with substantial debt service requirements. As of 31 December 2019, the Group's net financial indebtedness was £884.9 million, of which £829.9 million (2018: £590.9 million) relates to the Senior Secured Notes which mature in April 2022. The in-year increase is attributable to the Group issuing the \$190m 6.5% Notes due 2022 in April 2019 and the \$150m 12.0% Notes due 2022 in October 2019, in addition to foreign currency movements on US dollar-denominated borrowings and the amortisation of transaction costs on existing borrowings through the effective interest rate. In addition, the Group's Revolving Credit Facility Agreement, which provides for £80 million in committed financing, will mature on 15 January 2022. The Group expects to have a substantial amount of outstanding debt going forward. The Group's leverage could have important consequences for its business and operations, including, but not limited to:

- requiring it to dedicate a substantial portion of its cash flow from operations to payments on its debt, thus reducing the availability of its cash flow to fund its capital expenditures and for other general corporate purposes;
- increasing its vulnerability to an economic downturn or to general economic or industry conditions;

- placing it at a competitive disadvantage relative to competitors that have lower leverage or greater financial resources than it has;
- limiting its flexibility in planning for or reacting to competition or changes in its business and industry;
- negatively impacting credit terms;
- restricting it from pursuing or exploiting certain business opportunities; and
- limiting, among other things, its ability to borrow additional funds or raise capital in the future and increasing the costs of such additional financings.

These factors, and others arising from the Group's leverage, impose constraints on the future development of the Group and could have a material adverse effect on its profitability and prospects. In addition, the Group's ability to refinance its indebtedness in the future will depend on the Group's future operating performance and ability to generate cash from operations. Its ability to generate cash from operations is subject, in part, to continuing general economic, competitive, legislative and regulatory factors and other factors that are beyond the Group's control.

The Group's ability to refinance its debt will be particularly heightened in the year leading up to 15 April 2022, as £829.9 million of the Group's net financial indebtedness will come due at that time and its Revolving Credit Facility will mature on 15 January 2022. Any refinancing of the Group's debt could be at higher interest rates than its current debt and may require the Group to comply with more onerous covenants, which could further restrict its business operations. If the Group is not able to refinance any of its debt or obtain additional financing on commercially reasonable terms, the Group's business, financial condition and results of operations would be materially adversely affected.

Moreover, the Group is subject to various types of restrictions or impediments on the ability of Group companies in certain countries to remit cash across the Group. These restrictions or impediments are caused by exchange controls, withholding taxes on dividends and distributions and other similar restrictions in the markets in which the Group operates. For example, in China, due to exchange controls, the Group has had to enter into a series of one year back-to-back loan arrangements with HSBC Bank plc, whereby Chinese renminbi are deposited in an escrow account with HSBC Bank plc in China in exchange for a sterling overdraft facility with HSBC Bank plc in the United Kingdom. If the Group were unable to maintain this or other similar arrangements to extract its cash from China, the Group may face an adverse effect on the profitability and prospects of its business in China.

***Aston Martin Lagonda's business model assumes the Wholesale Finance Facility is available on an ongoing basis, which involves certain liquidity risks, and the loss of the Group's ability to draw under this or a similar facility or its credit insurance backing could adversely affect its liquidity and therefore have a material adverse effect on its business.***

The Group is a party to a Wholesale Finance Facility pursuant to which it offers to Standard Chartered Bank certain receivables owing to them by dealers who have acquired Aston Martin Lagonda cars from them on credit terms not exceeding 270 days from the date of dispatch. Where this facility is used (i.e., where Standard Chartered Bank purchases the receivables offered to them), the Group receives from Standard Chartered Bank the purchase price of a car less a discount rate (calculated in accordance with the Wholesale Finance Facility agreement) following issuance of an invoice to the dealer (and subject to satisfaction of certain other requirements). The dealer is instructed to make payment of amounts due under that invoice to an account of Standard Chartered Bank and amounts paid to that account are recovered and retained by Standard Chartered Bank. The Group is required to pay Standard Chartered Bank a flat fee for providing the Wholesale Finance Facility on a quarterly basis for the duration of the facility. The Group re-charges any discount rate approved by Standard Chartered Bank and other fees associated with the facility to its dealers from time to time. The Wholesale Finance Facility is backed by a credit insurance contract between the Group and its insurer, Atradius Credit Insurance NV, in the event that a dealer fails to repay its financing under this scheme. The Group's direct liability in respect of dealer default under the Wholesale Finance Facility (in the event that the credit insurance does not cover the default) where the Group is required to

repurchase the relevant receivable is limited to an aggregate of £200,000 over the period ending 31 August 2020. Although the Wholesale Finance Facility is backed by credit insurance, in exceptional circumstances, after thorough consideration of the credit history of an individual dealer, the Group may sell cars to the dealer outside the credit risk insurance policy or on deferred payment terms. To the extent that the Group suffers loss or damage that is not covered by insurance or which exceeds its insurance coverage, the Group's financial condition may be affected. Further the Group relies on drawings under this facility to minimise the impact of the delay between shipment and receipt of funds. As of 31 December 2019, the Group had drawn £99.6 million under its Wholesale Finance Facility.

The Wholesale Finance Facility is subject to renewal in August 2020, and the Group is currently negotiating the terms of this renewal. If no agreement regarding the terms of renewal are reached, or the facility (or any of the Group's other Inventory Funding Facilities) otherwise became unavailable or available in reduced amounts, the Group may need to sell cars to dealers without such financing arrangements, subjecting it to the credit risk of its counterparties and additional adverse financial effects. Any of the foregoing could materially negatively impact the Group's operations. As of the year ended 31 December 2019, the Group had £47.3 million in receivables overdue by 31 days or more, of which a credit loss provision of £20.2 million is held.

***Aston Martin Lagonda's future success depends on its continued ability to introduce its next generation of cars, which will require significant capital expenditures.***

New model introductions and refurbishments drive customer visits to the Group's dealers' showrooms and sales. The current model line-up comprises three core models from the new range, including one GT (the DB11), one sports car (the Vantage) and one super GT (DBS Superleggera). In order to meet its sales goals, the Group must continue to invest heavily in car and powertrain design, engineering and manufacturing. In 2019, the Group's capital expenditures were £310.2 million and are expected to be approximately £285 million in 2020. The Group's ability to realise acceptable returns on these investments will depend in large part on consumers' acceptance of the new car offerings, as well as the Group's ability to complete its car launch schedule on the contemplated timeline.

The Group intends to develop most of its future models based on its modular architecture, which employs a 'Carry Over-Carry Across' principle for key systems and components and allows for flexible and profitable manufacturing at low volumes and easy adaptation to new models with limited additional investment, or by way of collaboration with other manufacturers, as the Group has done in the past on an opportunistic basis. However, the Group must undertake significant upfront investments in order to launch new models and update existing models, which could include design, engineering and manufacturing costs. In some cases, this could include the acquisition or building of new facilities. In order to make such large capital expenditures, the Group must either have sufficient cash from operations or raise funding from outside sources, which may not be available on commercially reasonable terms or in an amount sufficient to enable the Group to raise such funds, or may not be available at all.

If the Group's new cars or upgraded variants of its existing models are not received favourably by consumers, the Group's car sales, market share and profitability will suffer. If the Group is required to cut capital expenditure due to insufficient car sales, liquidity constraints, decreasing profitability or for any other reason, its ability to continue its programme of developing the next generation of cars and keep pace with product and technological innovations would diminish, which could reduce demand for the Group's cars and negatively impact its business, brand and results of operations.

***Aston Martin Lagonda's future success depends on its ability to develop attractive products that are tailored to the needs and tastes of its customers.***

Aston Martin Lagonda's success depends on the continued popularity of its existing products and its ability to provide its customers with new, attractive products tailored to their needs. These new products may not achieve the level of consumer acceptance that the Company anticipates.



The success of Aston Martin Lagonda is influenced to a significant extent by the image, perception and recognisability of its cars. As Aston Martin Lagonda expands from its traditional focus on sports cars in favour of a wider range of high-luxury automobiles (e.g. the recent unveiling of its new SUV, DBX), the continued success of Aston Martin Lagonda will also depend on the market's acceptance of Aston Martin Lagonda's expansion into these new areas and deviation from its more traditional segments and designs.

Trends affecting consumer demand may depend on factors such as disposable income, brand prestige and environmental consciousness (including a preference against high-emission cars), some of which are difficult to plan for and may be influenced by popular media. Aston Martin Lagonda must continue to identify trends in customer needs and tastes in sufficient time to react to these changes (including by adapting its strategy and business plan as necessary) and thus strengthen its market position and expand into new segments. A misjudgement or delayed recognition of trends and customer needs and tastes in individual markets or other changes in requirements could lead to a decline in demand, sales and profitability of Aston Martin Lagonda's products in the short term and, over the long term, damage its brand. It could also lead to significantly unprofitable investments and associated costs. These risks could be exacerbated by the relatively small scale of Aston Martin Lagonda's operations.

In addition, demand for Aston Martin cars and, in particular, the Group's heritage range and special edition models, relies on Aston Martin Lagonda's strong relationship with the active global community of automotive collectors and enthusiasts. If there is a change in collector appetite or support among automobile enthusiasts for the Aston Martin brand, the Group's ties to (and the support it receives from) this community may be diminished, which could harm the perception of the Aston Martin brand and may result in a reduction in product sales that could affect the Group's profitability.

***Aston Martin Lagonda is dependent on its primary manufacturing facility at Gaydon for the production of its three current core models and it may incur unanticipated costs or delays in ramping up its plant in St. Athan for full production of DBX.***

Currently, the three core model vehicles that the Group sells (DB11, Vantage and DBS Superleggera) and some sub-assemblies for aftermarket parts, such as seats and bodies, are manufactured at the Gaydon facility. The Group's fourth core model (DBX) will be manufactured at the manufacturing facility in St. Athan, Wales. Pre-production of DBX at the St. Athan manufacturing facility commenced in 2019 while the plant is being ramped up and tested for full production. The Gaydon facility could become permanently or temporarily unusable, including due to fire, contamination, power shortage or strikes. Alternatively, changes in law and regulation, including export, tax and employment laws and regulations, or economic conditions, including inflation, could make it uneconomic for Aston Martin Lagonda to continue manufacturing its cars in the United Kingdom. If Aston Martin Lagonda was unable to manufacture cars, or only able to manufacture cars in limited numbers, at the Gaydon facility or it became uneconomic for it to continue to manufacture cars at Gaydon, it would need to seek alternative manufacturing arrangements, which would take time and therefore may reduce Aston Martin Lagonda's ability to produce sufficient cars to meet demand. This would materially reduce Aston Martin Lagonda's revenues and would require significant investment.

There are risks associated with the ramping up and testing of the plant in St. Athan for full production. For instance, if the St. Athan manufacturing facility is not ready for full production on time, the Group may be unable to achieve the expected delivery capacity of its manufacturing facilities to ensure the optimal balance between supply and demand. Therefore the project may require additional development efforts to meet this pre-determined deadline and this may result in significant additional costs or delivery capacity of less than the targeted volumes. An unanticipated increase in costs relating to ramping up and testing the plant for full production or lower than expected delivery volumes may result in reduced liquidity available for investments in car and powertrain design, engineering and manufacturing and other capital expenditure necessary to maintain the Group's schedule of product refreshment and enhancement. In addition, there may be a delay to the targeted time for the plant in St. Athan to become operational and commence the manufacturing of cars.



***Aston Martin Lagonda's future success depends on its ability to continue to sell its cars to customers at prices which reflect the cost of maintaining the high quality of its cars.***

The Group's quality standards and the Aston Martin brand can only be maintained by incurring costs to maintain and ensure quality. Errors or defects in parts and components procured externally or manufactured in-house, or assembly mistakes, could prompt the Group to implement servicing or recall campaigns for cars manufactured and delivered, or even to develop new technical solutions, each of which has happened to the Group in the past. Such measures may require significant time and financial resources, which in turn may lead to higher provisions for warranties and expenses over and above the levels of existing provisions.

There is no guarantee that Aston Martin Lagonda will continue to be able to sell its cars to customers at prices that are appropriate for the high quality of its products. Pricing pressure could limit Aston Martin Lagonda's ability to pass on production costs to its customers. These pricing pressures could also exert additional price pressures on Aston Martin Lagonda's suppliers, which in turn may have a negative effect on product quality and damage Aston Martin Lagonda's reputation or reduce demand for its products.

The Group may from time to time choose to support the profitable sale of new Aston Martin cars through its franchised dealer network. This is known as "marketing support". The mechanism of support varies according to the local market needs and customs in order to achieve optimum value from such contributions. In 2019, the Group started the year with elevated levels of company and dealer stocks and utilised marketing support to incentivise retail sales to start to de-stock the network. Whilst dealer stocks at 31 December 2019 were approximately 190 units lower than they were at 31 December 2018, they remain elevated and the Group is focused on repairing the balance between demand and supply, to allow the Group to regain its price positioning. If retail sales decline, it could take longer than expected to achieve this rebalancing, and wholesale volumes could decline more than expected. A reduction in marketing support could lead to a decreased level of retail sales.

***Demand for Aston Martin Lagonda's products and its pricing power is dependent on consumers' sentiment and purchasing power.***

Demand for cars relies on consumers' purchasing power and consumer confidence regarding future economic developments. Consumer demand is negatively affected by a decrease in potential customers' disposable income, assets or financial flexibility or uncertainty as to their future income, assets or financial flexibility. In particular, consumers may refrain from purchasing a new car and instead purchase a used car, defer a future purchase or purchase a lower-priced brand. In addition, even where potential customers have sufficient purchasing power and confidence, demand for Aston Martin Lagonda's cars may be affected by consumer sentiment. When economic conditions are poor, unemployment levels are high and incomes are under pressure, consumers may not want to be seen owning or driving an expensive car. Similarly, increasing awareness of environmental issues, in particular pollution levels, may reduce demand for the Group's sports cars since they produce more emissions than the average car.

Aston Martin Lagonda's products are priced and positioned in the high luxury sports (*HLS*) car segment, which is at the top-end of the car market and, as a result, Aston Martin Lagonda's customers require considerably higher than average levels of income or assets to be in a position to afford its products. This makes Aston Martin Lagonda's car sales dependent on the number of high net worth individuals (*HNWIs*) in the world, and its growth strategy dependent on the growth in the number of those individuals. The number of *HNWIs* in the world has increased over the last decade, but there can be no assurance that this trend will continue or that it will not reverse. Factors that could halt or reverse this trend include deteriorating global economic or political conditions, changes in tax laws, government intervention in particular industries, such as banking, and on remuneration levels within those industries.

Pricing pressure could result from declines in absolute demand for Aston Martin Lagonda's products, which could arise as a result of economic conditions or due to higher demand for cars produced by other manufacturers or consumer backlash against high prices, as well as increased dealer incentives, including margins on sales, potentially driven by other manufacturers.

In addition, Aston Martin Lagonda's reliance on key markets increases the risk of adverse change in customer demand in those regions. For example, Aston Martin Lagonda has a significant presence in the United States, the United Kingdom and Europe, which together accounted for 81 per cent., 78 per cent. and 78 per cent., respectively, of its unit sales in 2017, 2018 and 2019. As the Group's business is highly dependent on these key markets, a decrease in customer demand in these markets could have a negative impact on the Group's operations. For example, the Group's wholesales in the United Kingdom and EMEA segments have softened by 21 per cent. and 28 per cent., respectively, in 2019 compared to 2018, and continued softening of those key markets may affect the Group's results of operations.

***Aston Martin Lagonda is dependent upon its dealers for the sale and promotion of products and services.***

Aston Martin Lagonda is almost entirely dependent upon third-party dealers for the sale and promotion of its products and services. These dealers may exert pressure on the level of Aston Martin Lagonda's dealer margins and incentives, thus eroding Aston Martin Lagonda's profitability. They may also encounter financial difficulties that could restrict them from selling Aston Martin Lagonda's products or services, and/or require Aston Martin Lagonda to provide support or investment leading to increased costs. In addition, if financial difficulties affect a significant number of dealers in a region, Aston Martin Lagonda's sales in that region as a whole, and its brand visibility, could be adversely affected or require Aston Martin Lagonda to incur significant investment to seek out new dealers in that region. This risk is more acute in regions with only a single Aston Martin dealer.

Aston Martin Lagonda's growth strategy is also dependent on a sufficient number of new Aston Martin Lagonda dealers opening to sell its products or services in new areas and jurisdictions. In particular, Aston Martin Lagonda may face competition from other HLS car manufacturers for potential new dealer openings, based on, among other things, dealer margin, incentives and the performance of other Aston Martin Lagonda dealers in the relevant jurisdiction. If insufficient new Aston Martin Lagonda dealers open in new areas and jurisdictions, Aston Martin Lagonda's growth prospects could be materially adversely affected.

Many of the Group's dealers are owned by dealer groups which could spread the impact of the above factors across more than one dealership.

Further, Aston Martin Lagonda is exposed to the risk that its compliance controls and procedures may not, in every instance, protect it from acts committed by such dealers that could violate the Group's dealership agreements or the laws or regulations of the jurisdictions in which it operates (including foreign corrupt practices, trade sanctions and other laws and regulations).

***Car sales in certain regions depend in part on the availability of affordable financing.***

In certain regions, such as the United States, United Kingdom and Europe, financing for new car sales has been available at relatively low interest rates for several years due to, among other things, expansive government monetary policies. To the extent that interest rates generally rise, market rates for new car financing are expected to rise as well, which may make Aston Martin Lagonda's cars less affordable or cause consumers to purchase less expensive cars, thus affecting the level of sales. Additionally, if interest rates increase substantially or if financial service providers tighten lending standards or restrict their lending to certain classes of credit, clients may choose not to, or may not be able to, obtain financing to purchase Aston Martin Lagonda's cars. Further, certain of the Group's partnerships with financial service providers pursuant to which they provide financing loans and leases to the Group's customers are connected with the Group's ratings. As a result, in the event the Group's ratings decline, the availability of financing loans and leases for the Group's customers may be reduced, and the Group's customers may not be able to procure sufficient financing to purchase Aston Martin Lagonda cars.

***The trend toward cars with lower engine capacity and new drive technologies could negatively affect Aston Martin Lagonda.***

For several years, various markets, such as those in Europe, the United States and China, have seen a general trend toward demand for cars that use less fuel and emit fewer emissions. This has led to manufacturers introducing engines that have a lower capacity, while maintaining performance levels through technological advances, as well as a trend toward hybridisation. Factors contributing to this trend include rising fuel prices, decreasing disposable incomes and increasing government regulation of greenhouse gas emissions and fuel efficiency.

The Group is developing a fuel-efficient, modular V6 engine with hybrid and plug-in capabilities, which will support Aston Martin core cars being available as hybrid and plug-in hybrid variants from the mid-2020s. However, the Group currently offers HLS cars that generally use comparatively more fuel and produce comparatively higher levels of emissions than those in lower car classes. Therefore, the continuation of this trend could adversely affect Aston Martin Lagonda's business. The Group has been developing a fully-electric car, the Rapide E. However, following a recent operational and financial review, that programme is paused pending a review. Further, the Group's plans to develop fully-electric cars under the Lagonda marque have been delayed, and the Lagonda brand will now be relaunched no earlier than 2025. These delays heighten the risk that the Group may not develop lower capacity vehicles as quickly as its competitors and therefore fail to develop market share in this growing segment.

The development of engines that have lower capacity and consume less fuel while maintaining performance levels is technologically challenging and cost intensive and Aston Martin Lagonda may not be able to pass on the cost to customers. There is a risk that competitors will develop products that meet these objectives more rapidly, in larger quantities, with a higher quality or at a lower cost, as incorporating new technologies into vehicle designs costs the same or more for smaller volume manufacturers. As a smaller volume manufacturer, the costs for Aston Martin Lagonda are spread over significantly smaller volumes than they would be for competitors within the HLS car market that produce vehicles in larger quantities, which could lead to increased demand for competitors' lower-priced products and result in erosion of Aston Martin Lagonda's market share once it begins selling cars in this market. In addition, as use of new technology increases within the automotive industry, customers are no longer looking for products based solely on the current standard factors such as price, design, performance, brand image, comfort and available features, but also consider the technology used in the car or by the manufacturer. This could lead to shifts in demand in the automotive industry, which could in turn lead to a lower demand for products manufactured by Aston Martin Lagonda.

***The strength of the Aston Martin brand could be diluted or weakened.***

The strength of the Aston Martin brand could be diluted or weakened by a failure to continue to produce cars of appropriate performance, aesthetics and quality, failure to keep up with new technologies, quality issues or recalls, dealers promoting other manufacturers' cars in priority to Aston Martin Lagonda's and counterfeit cars and parts affecting performance and quality perceptions. In particular, any product recall (whether voluntary or involuntary) in the future may involve significant expense (which could have a material effect on Aston Martin Lagonda's financial results) and diversion of management attention and other resources, as well as result in adverse publicity, which would damage Aston Martin Lagonda's brand. For example, in 2017, Aston Martin Lagonda recorded additional warranty costs following its recall campaigns of approximately 5,500 cars in the United States due to problems with powertrains and battery cables.

An increased availability of financing options for the Group's products and/or an increase in the number of cars produced by the Group could also reduce the exclusivity of the Group's cars, adversely impact the ability of the Group to increase prices on new products and/or weaken the brand. In addition, publicity around the Group's recent trading performance and the Capital Raise could negatively impact the Group's brand. If the strength of the Aston Martin brand is diluted or weakened for any reason, demand for its cars may be significantly and negatively affected and could require Aston Martin Lagonda to devote greater resources to marketing its brand.

Aston Martin Lagonda selectively licenses the Aston Martin brand to various commercial enterprises, has formed strategic commercial partnerships and has also engaged brand ambassadors. There is a risk that the decisions and behaviours of such licensees, commercial partners and brand ambassadors or any negative publicity surrounding them could lead to reputational damage to Aston Martin Lagonda and its brand, which could lead to a decline in demand for Aston Martin Lagonda's products. For example, poor performance by an Aston Martin-sponsored motorsports team could have a negative effect on the Aston Martin brand and public perception of its cars and, in particular, special edition models such as the Aston Martin Valkyrie.

***The Group's profitability relies in part upon its ability to produce and deliver its special edition models. If the Group is delayed or becomes unable to deliver these models in the applicable time frames, this could lead to additional costs, reduced profitability, return of customer deposits and damage to the Group's reputation.***

In addition to the ongoing production of its three current core models, Aston Martin Lagonda offers limited numbers of special edition models, such as the Vantage GT12, Vantage AMR, Aston Martin Vulcan, DB4 GT Continuation, DB5 Continuation, Vanquish Zagato, Valkyrie, Valkyrie AMR Pro and DBZ Centenary pair models. The Group's profitability relies in part upon its ability to produce and deliver these special edition models within targeted time frames. If an event results in a delay or halt in production, such as technological failure or industrial action or if there are production issues with a special edition model in general, this could lead to a delay in release of a special edition model and increase costs of production.

In addition, because of their desirability, special edition models are typically fully allocated prior to any significant capital commitment, with customer deposits due at the time of allocation. In some cases, these are refundable at the customer's discretion, and in all cases the Group would be required to return the deposits in the event that the relevant special edition model were to be cancelled, despite potentially having spent significant amounts on the project. A return of a substantial number of customer deposits could have a significant impact on the Group's financial condition.

The sale of special edition models is an important source of revenue to Aston Martin Lagonda and so failure to produce or deliver these special editions to customers could negatively affect Aston Martin Lagonda's profitability and damage customer relations and the brand.

***Aston Martin Lagonda faces strong competition within the HLS car market, which could lead to a saturation of the market, resulting in a significant drop in unit sales or price deterioration.***

Aston Martin Lagonda competes with a number of other manufacturers with strong brands and reputations, such as Ferrari, McLaren, Rolls-Royce, Lamborghini and Bentley (many of which have greater financial resources than the Group, often as a result of their being owned by or associated with mass car manufacturers). For example, Bentley (Bentayga), Rolls-Royce (Cullinan) and Lamborghini (Urus) have all introduced an SUV model in the high end SUV market in recent years. The HLS car market, and in particular the SUV segment thereof, is relatively small, due to the price at which the cars are sold and the significant investment required to introduce new models to the market. The HLS car market could potentially become saturated and unable to support the growing levels of production and competition.

If there is insufficient demand to support the increasing volumes and levels of competition, or if Aston Martin Lagonda is unable to continue to produce cars that are, or that consumers and industry commentators consider to be, competitive, this could result in a drop in unit sales of Aston Martin Lagonda or pricing pressure.

In addition, the alternative fuel vehicle market is highly competitive and Aston Martin Lagonda's ability to compete successfully in this market in the longer-term will depend on, in part, its ability to keep pace with changes in electric vehicle technology. Further, changes in regulation or environmental policy could impact vehicle pricing, and the Group may not be able to compete effectively with its competitors, which could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group may not be able to realise cost savings, reduce capital expenditure or balance supply and demand effectively in line with its strategy.***

In 2019, the Group experienced difficult trading and significant liquidity constraints. As a result, the Group undertook an operational and financial review to address these issues. This concluded with the Board agreeing a series of actions to reset, stabilise and de-risk the business and position the Group for controlled, long-term, profitable growth. The resetting of the Second Century Plan includes the Capital Raise of £500 million, the rebalancing of supply and demand dynamics, reduced capital expenditure and the re-phasing of some future product launches, together with cost-efficiency initiatives.

Aston Martin Lagonda's ability to successfully implement its strategy will depend on, at least in part, its ability to reduce costs without diminishing the quality of its cars, as well as to reduce capital expenditures without limiting its ability to introduce new cars in line with changes in trends and advances in technology. Market conditions and customer trends change over time and may be particularly affected by macroeconomic factors, which may provide challenges to the Board's ability to implement its business plan or require it to re-consider it or adopt new strategies. An inability to achieve these goals, or to achieve them only in part or later than expected, could result in increased costs, damage to the Aston Martin brand, decreased sales, elevated levels of company or dealer stocks and/or liquidity constraints, any of which could have a material adverse effect on the Group's business, financial condition and results of operations.

Further, the Group considers that a key appeal of the Aston Martin brand is the aura of exclusivity and the sense of luxury that the brand conveys. A central facet to this exclusivity is the limited number of models and cars produced. However, this low-volume strategy may limit the Group's potential sales growth and profitability. In addition, the Group's strategy seeks to manage production volumes to maintain new car supply below market demand. An inability to balance supply and demand effectively may result in excess inventory. For example, in 2019 the Group started the year with elevated levels of company and dealer stocks. Consequently, achieving the retail sell through to start to de-stock the network required more retail and customer financing support than planned, which weighed on average selling price.

Managing the above risks requires the Group to be agile and, if necessary, the Board may determine that it is appropriate to adapt its strategy and business plan in the future. Inability to manage these risks and remain agile could harm the Group's growth prospects and may have a material adverse effect on its business, financial condition and results of operations.

***The Group's growth strategy of expanding its geographical footprint could expose the business to new risks.***

Aston Martin Lagonda's growth strategy of expanding its geographical footprint could expose the business to new risks that it may not have the expertise, capability or the systems to manage. These risks include cultural differences, difficulties in staffing and managing overseas operations, inherent difficulties and delays in contract enforcement and the collection of receivables under the legal systems of foreign countries, the risk of non-tariff barriers, regulatory and legal requirements affecting Aston Martin Lagonda's ability to enter new markets (including requirements for joint ventures with local entities), difficulties in obtaining regulatory approvals, environmental permits and other similar types of governmental consents, difficulties in negotiating effective contracts, obtaining the necessary facility sites or marketing outlets or securing essential local financing, liquidity, trade financing or cash management facilities, export and import restrictions, multiple tax regimes (including regulations relating to transfer pricing and withholding and other taxes on remittances and other payments from subsidiaries) and restrictions on repatriation of funds, other restrictions on foreign trade or investment sanctions, and the burdens of complying with a wide variety of foreign laws and regulations. Any of the foregoing may have a material adverse effect on the Group's business, financial condition and results of operations.

***Aston Martin Lagonda's business is affected by the timing of new product launches, as well as other seasonal factors.***

Sales in the automotive industry are affected by the timing of new product launches throughout the year, and to a lesser extent by traditional selling seasons, which are typically higher in the



second and fourth quarters of each financial year (where consumer activities are less affected by weather and vacation periods). This means that cash flows have been cyclical in the past and this cyclicity is likely to continue. The resulting sales profile influences operating results on a quarter-by-quarter basis. If sales during Aston Martin Lagonda's peak periods, particularly the autumn when new models are typically introduced, are significantly lower than expected, Aston Martin Lagonda may be unable to recover its expenses in time to react to reduced levels of sales. As a result, Aston Martin Lagonda may experience a corresponding fluctuation in cash flow levels. This occurred in the fourth quarter of 2019, where challenging trading performance continued through the peak delivery period of December resulting in lower sales, higher selling costs and lower margins.

***Daimler is one of the Group's significant suppliers and also holds Shares in the Company.***

Aston Martin Lagonda sources certain engines, electrical architecture and entertainment systems exclusively from Daimler, which in 2019 was the Group's largest supplier by spend. Aston Martin Lagonda's reliance on Daimler means that it is exposed to the risk that Daimler becomes unable or unwilling to produce and supply engines, electrical architecture or entertainment systems or that the quality and performance of those products declines, for any reason (including favouring other purchasers due to better pricing or volume, financial difficulties, damage to production, transportation difficulties, labour disruption, supply bottlenecks of raw materials and pre-products, natural disasters, war, terrorism or political unrest). If the quality or performance of the engines, electrical architecture or entertainment systems declines, demand for Aston Martin Lagonda's products may be adversely affected, particularly since engine performance is a key factor in sports car desirability.

Although the primary supply agreements with Daimler are long-term arrangements and can only be terminated by Daimler due to insolvency, material breach and in certain other circumstances described below, if Aston Martin Lagonda is unable to continue obtaining engines, electrical architecture and entertainment systems from Daimler, it would need to seek alternative suppliers, or expand its manufacturing operations to build such products itself, which would take time and require significant capital expenditure. This could restrict or delay Aston Martin Lagonda's ability to produce new cars and materially reduce its profitability. In addition, either of these alternatives could increase the cost of the Group's engines, electrical architecture and entertainment systems compared with the prices that Aston Martin Lagonda currently pays or affect the quality and performance of its cars.

The various agreements governing the supplier relationship between Daimler and Aston Martin Lagonda impose certain restrictions that have the effect of limiting the Group's ability to obtain investment from certain strategic Daimler competitors, or certain other restricted parties, without Daimler's consent. If certain strategic Daimler competitors acquire any interest or certain other restricted parties acquire a specified interest in the Company without Daimler's consent, either Aston Martin Lagonda or Daimler may give notice of at least three years that the principal operational agreements governing the commercial and supply arrangements between Daimler and the Group will terminate. Moreover, the fact that Daimler is a Shareholder of the Company might impact the willingness of other potential suppliers to provide goods to the Group.

***The Group could experience significant disruption to its production capabilities as a result of its dependence on a limited number of key suppliers.***

The V12 engines used in certain of Aston Martin Lagonda's cars are assembled by Ford under an engine supply contract which currently runs to the end of 2021. In December 2018, the Group gave 36 months' notice to Ford that it does not intend to extend the contract. At present, Ford is the Group's only supplier of V12 engines, and the Group's reliance on Ford means that it is exposed to the risk that Ford becomes unable or unwilling to assemble V12 engines, for any reason for the remaining duration of the Group's contract with them. This could restrict or delay the Group's ability to produce cars using V12 engines, increase the cost of the Group's engines and materially reduce its profitability if the Group is unable to develop a cost effective and timely alternative. The Group has entered into a contract with a new supplier, pursuant to which V12 engines will be assembled and supplied for the Group from June 2021. This agreement, similar to the Ford contract, is subject to a three-year notice of termination. The Group is also negotiating with this supplier in relation to the supply of V6 engines.



In addition, Aston Martin Lagonda relies on a limited number of suppliers for certain raw materials and components used in its cars. Due to the low volumes of orders (as well as for quality assurance, cost effectiveness and availability), Aston Martin Lagonda procures certain raw materials and components from sole and limited source suppliers and does not typically maintain significant inventories of such raw materials and components. For example, Aston Martin Lagonda sources the majority of the leather used in its cars from a sole supplier. Additionally, Aston Martin Lagonda uses materials such as carbon fibre, and will use rare minerals in the future as part of its electric vehicle strategy, for which there are limited suppliers. Aston Martin Lagonda's dependence on a limited number of suppliers exposes it to the risk of suppliers becoming more expensive due to supplier pricing power, limited availability and delivery schedules and the risk of the quality of the products produced by that supplier declining. If one or more of Aston Martin Lagonda's suppliers becomes unable or unwilling to fulfil its delivery obligations, or is unable to supply products of the requisite quality for any reason (including favouring other purchasers due to better pricing or volume, financial difficulties, damage to production, transportation difficulties, labour disruption, supply bottlenecks of raw materials and pre-products, natural disasters, war, terrorism or political unrest), there is a risk that Aston Martin Lagonda's ability to produce vehicles or the quality of its vehicles could be negatively affected, which could adversely affect demand for Aston Martin Lagonda's vehicles.

As part of the Group's growth strategy, Aston Martin Lagonda will need to engage additional suppliers and to increase demand from existing suppliers for raw materials and components (as a result of both increasing volumes and expansion into new categories and technologies). This exposes the Group to the risk that it is unable to source the required level of materials and components, which could restrict or delay the Group's ability to produce the planned level of cars and to deliver its growth strategy.

Further, Aston Martin Lagonda is exposed to the risk that its compliance controls and procedures may not, in every instance, protect it from acts committed by such suppliers that could violate the laws or regulations of the jurisdictions in which it operates (including foreign corrupt practices, trade sanctions and other laws and regulations).

***Aston Martin Lagonda's long-term success depends on attracting and retaining management and other personnel, as well as on maintaining good relations with its workforce.***

Aston Martin Lagonda's future success depends substantially on the service and performance of the members of its senior management team for the running of its daily operations as well as for the planning and execution of its strategy. Aston Martin Lagonda is also dependent on its ability to retain and replace its design, engineering and technical personnel so that it is able to continue to produce cars that are competitive in terms of performance, quality and aesthetics. There is strong competition worldwide for experienced senior management and personnel with technical and industry expertise. If Aston Martin Lagonda loses the services of its senior management or other key personnel, it may have difficulty and incur additional costs in replacing them. If Aston Martin Lagonda is unable to find suitable replacements in a timely manner, its ability to realise its strategic objectives could be impaired. In addition, Aston Martin Lagonda's ability to realise its strategic objectives could be impaired if it is unable to recruit sufficient numbers of new personnel of the right calibre to support these objectives.

The labour-intensive nature of Aston Martin Lagonda's business requires an adequate supply of qualified, skilled production workers necessary to maintain the high manufacturing standards required for Aston Martin Lagonda's products. Increased employment competition for skilled individuals from other manufacturers, the inability to hire or retain these skilled employees (including, due to the effects of Brexit) or increased labour costs generally could have a material adverse effect on Aston Martin Lagonda's ability to control expenses and efficiently conduct its operations.

If production or other areas of Aston Martin Lagonda's business are compromised by prolonged industrial action, Aston Martin Lagonda's performance and profitability could be materially adversely affected. Competitors may also obtain competitive advantages if they succeed in

negotiating collective wage agreements on better terms and conditions than Aston Martin Lagonda has. Foreign competitors, in particular, may also obtain competitive advantages due to more flexible labour laws.

***Legal, political and economic uncertainty surrounding the exit of the United Kingdom from the European Union (Brexit) may be a source of instability in international markets, create significant currency fluctuations, and adversely affect current trading and supply arrangements.***

Whilst the United Kingdom officially exited the European Union on 31 January 2020, the pre-31 January 2020 legal status quo is continuing during a so-called “transition period” during which the United Kingdom and the European Union are continuing to negotiate the terms of the separation and any future trade deal. This transition period is currently due to last until the end of December 2020, and the parties may agree to extend it. Ongoing uncertainty on whether and when the United Kingdom and the European Union will come to an agreement on the terms of the separation and/or any subsequent trade deal sustains the possibility that the United Kingdom will leave the European Union without an ongoing agreement and/or transition plan in place.

Due to the size and importance of the UK economy, the uncertainty and unpredictability concerning the United Kingdom’s ongoing legal, political and economic relationship with the European Union may continue to be a source of instability in the international markets, create significant currency fluctuations, and/or otherwise adversely affect trading agreements or similar cross-border cooperation arrangements (whether economic, tax, fiscal, legal, regulatory or otherwise) for the foreseeable future.

The long-term effects of Brexit will depend on any agreements (or lack thereof) between the United Kingdom and the European Union and, in particular, any arrangements for the United Kingdom to retain access to EU markets. The Group is based in the United Kingdom and in 2019 sold 15 per cent. of its cars in EU member states outside the United Kingdom, so any negative effect on the Group’s ability to continue selling cars in EU member states and the terms on which the Group make such sales, including the imposition of import duties as a result of cessation of existing free trade agreements or potential value-added tax (**VAT**) cash flow costs at the new UK trade border, could have a significant adverse effect on the Group’s sales and profitability. Additionally, the rate of exchange of the pound sterling vis-à-vis other currencies has dropped significantly since the Brexit referendum, which results in increasing costs of non-sterling denominated auto-parts (including the engines purchased in euro from Daimler and Ford) and other raw materials, as well as other obligations. Similarly, a majority of the Group’s suppliers are located in EU member states and so fiscal or other restrictions on the free movement of goods (including as a result of customs duties, import tariffs or other restrictions on trade), or termination provisions in the Group’s supply agreement with them, could also have a material adverse effect on the Group’s supply chain and, consequently, on its production schedule and costs and the Group may not be able to sell its cars to customers at prices which reflect such increased costs which could negatively impact the Group’s margins and profitability.

Following the end of the transition period, there are likely to be changes in the legal rights and obligations of commercial parties across all industries. Given the high correlation in luxury markets between demand and the wealth, economic growth and stability in the markets generating that demand, there is a risk that Brexit, other political developments or developments otherwise affecting market confidence could negatively affect consumer behaviour and, consequently, the volume of sales and demand for the Group’s cars.

In addition, a portion of the Group’s engineers and factory workers are from other European countries and there is a risk that Brexit will affect the Group’s ability to retain and recruit skilled workers from this wider European labour market.

Changes in laws and regulations, including export, tax and employment laws and regulations, could adversely impact the Group’s ability to continue manufacturing its cars in the United Kingdom. The Group’s plants in the United Kingdom use “just in time” manufacturing methods, where parts arrive at sites shortly before they are needed on assembly lines, and disruptions to the Group’s supply chain as a result of Brexit or other UK or EU export controls could cause

business interruptions in the Group's UK plants or require higher but less efficient inventory levels. Increased inventory levels have had, and are expected to continue to have, an adverse impact on the Group's cash flow levels and working capital. In connection with Brexit, the Group recruited a Chief of Purchasing and Supply Chain Officer during 2018 and the Group has tested plans to mitigate potential negative impacts of Brexit on the Group's supply chain. However, the Group cannot guarantee that these plans will be sufficient and, to the extent its plans are insufficient, Brexit could have a material effect on the Group's business, cash flows, financial condition and results of operations.

Furthermore, the UK regulatory requirements following the transition period could be subject to significant change and could place additional burdens on manufacturers selling their products in the United Kingdom, which could affect the Group's financial performance, as the UK market is significant to the Group (representing £229.6 million, or 23.0 per cent., of the Group's revenues in 2019).

***New laws, regulations or policies of governmental organisations regarding increased fuel economy requirements, reduced greenhouse gas or pollutant emissions or vehicle safety could give rise to significant costs.***

Aston Martin Lagonda is subject to comprehensive and constantly evolving laws, regulations and policies related to environmental matters (and, in particular, climate change) and health and safety throughout the world. Capital and operating expenses required in order to comply with environmental laws and regulations can be significant, and violations may result in substantial fines and penalties, third-party damages, suspension of production or a cessation of Aston Martin Lagonda's operations. The Company anticipates that the extent of the legal and regulatory requirements in these areas and the related effect on Aston Martin Lagonda's operations and costs of compliance will continue to increase in the future.

In general, there is a clear move toward increasingly stringent vehicle emissions regulations, particularly for conventional drive systems, not only in the developed markets of Europe and North America, but also in emerging markets such as China. Moreover, further tightening and scrutiny could be forthcoming given the ongoing focus on emissions testing and on-road performance, which could lead to significant additional investments to comply with new regulations as well as risks of limited market availability of products. As a small-volume manufacturer, the Group is able to rely on certain exemptions and/or alternative standards in some of its markets. The Group would be subject to more stringent standards and increased costs if it were to lose its status as a small-volume manufacturer in any of its markets (either because the requirements for such status change or otherwise) or the required standards under any applicable regimes were to change.

While Aston Martin Lagonda is managing its product development and production operations on a global basis to reduce costs and lead times, unique national or regional standards can result in additional costs for product development, testing and manufacturing. Governments often require the implementation of new requirements during the middle of a product cycle, which can be substantially more expensive than accommodating these requirements during the design of a new product. The imposition of any additional taxes and levies or changes in government policies designed to limit the use of high-emission vehicles, such as high performance sports cars or automobiles more generally, could also adversely affect the demand for Aston Martin Lagonda's cars and results of its operations.

Violations of existing or future laws and regulations may occur, among other ways, from errors in monitoring emissions from products or production sites into the environment, such as the use of incorrect methodologies or defective or inappropriate measuring equipment, errors in manually capturing results or other mistaken or unauthorised acts of Aston Martin Lagonda's employees, suppliers or agents. As a result of the current and any future emissions requirements, Aston Martin Lagonda may be required to apply for exemptions for small-scale producers, pay penalties, make significant investments, alter its product line-up or be unable to sell its products in certain jurisdictions. In addition, to comply with current and future environmental, health and safety norms (such as air emissions, the maintenance of safe workplace conditions and

regulations that impose responsibility on vehicle manufacturers to fund the recovery, recycling and disposal of vehicle parts, including lead-acid batteries, at the end of their useful life), Aston Martin Lagonda may have to incur substantial capital expenditure and research and development expenditure to upgrade products and manufacturing facilities. All of these factors could increase Aston Martin Lagonda's costs significantly.

***Conditions in the global economy may adversely affect Aston Martin Lagonda.***

The Group operates in the HLS car market and accordingly its performance is linked to market conditions and consumer demand in that market. Sales of HLS cars are affected by general economic conditions and can be materially affected by the economic cycle. Demand for luxury goods, including HLS cars, is inherently volatile and depends to a large extent on the general economic, political and social conditions in a given market. Furthermore, economic slowdowns in the past have significantly affected the automotive and related markets. Periods of deteriorating general economic conditions may result in a significant reduction in HLS car sales, which may negatively affect Aston Martin Lagonda's profitability and put downward pressure on its product and service prices and volumes. These effects may have a more pronounced effect on Aston Martin Lagonda's business, due to the relatively small scale of its operations and its limited product range.

The effect of adverse economic conditions could also be exacerbated by Aston Martin Lagonda's dealer network taking steps to improve their financial condition in the face of decreasing overall demand, including the sale of floor and demonstration models by dealers at prices below the retail price of Aston Martin Lagonda's cars, fewer purchases of demonstration and floor models by dealers and dealers reducing prices of pre-owned Aston Martin cars. All of these actions taken by dealers may reduce demand for the Group's new cars.

Declines in demand associated with economic conditions may require cutbacks in production, reduced working hours and redundancies to reduce Aston Martin Lagonda's cost base. Redundancies may increase costs in the short term and may also lead to capacity constraints when demand recovers. Other measures taken to reduce production levels, such as factory or assembly line closures and reduced working hours, may also lead to capacity constraints when demand recovers. Inability to meet demand during an economic recovery could weaken Aston Martin Lagonda's relative market position as compared with its competitors and reduce potential revenues and profits.

Downturns in general economic conditions may also materially affect Aston Martin Lagonda's suppliers. Adverse economic conditions may cause suppliers to be unable to meet their commitments to the Group, which could limit Aston Martin Lagonda's ability to produce sufficient numbers of cars to meet demand, or its ability to produce any cars at all. Aston Martin Lagonda's suppliers may also seek to reduce their costs in response to adverse economic conditions, which could reduce the quality of their products, which, in turn, could damage Aston Martin Lagonda's reputation. Suppliers may also seek to make changes in the credit terms they extend to the Group, or request the Group to keep sufficient liquidity, each of which could affect Aston Martin Lagonda's liquidity position.

***The coronavirus health emergency could have a material adverse effect on the Group's retail sales and supply chain.***

The recent outbreak of COVID-19 (commonly referred to as coronavirus) has negatively impacted economic conditions in China and potentially regionally and globally. The Group expects this to negatively affect its retail sales, in particular in China. In addition, if the coronavirus outbreak continues and results in a prolonged period of travel, commercial and other similar restrictions, the Group could experience global supply disruptions. If such supply disruptions were to occur, the Group may not be able to develop alternate sourcing quickly. Any disruption of the Group's production schedule caused by an unexpected shortage of systems, components, raw materials or parts even for a relatively short period of time could cause the Group to alter production schedules or suspend production entirely, which could cause a loss of revenues, which could materially adversely affect the Group's business, cash flows, financial condition and results of operations.

***Aston Martin Lagonda faces credit and market risks arising from foreign currency exchange rates, commodity prices, interest rates and related hedging activities.***

Aston Martin Lagonda is exposed to risks in respect of changing market prices, such as foreign currency exchange rates, commodity prices and interest rates. Aston Martin Lagonda operates globally and generates a significant portion of its revenue in currencies other than pound sterling, including in particular the US dollar and the euro. Uncertainty concerning the terms of Brexit could cause greater volatility in the pound sterling against foreign currencies in which the Group conducts business and heighten the Group's translation risk. An unfavourable exchange rate trend could affect operating results as well as the Group's financial condition and cash flow.

A portion of the Group's costs are denominated in a variety of currencies, in particular the euro, which is the currency in which the Group purchases engines from Daimler and Ford. In addition, 56 per cent. of the Group's gross debt was denominated in US dollars as at 31 December 2019. Since the Brexit referendum, the exchange rate of the pound sterling vis-à-vis other currencies has dropped significantly, which has resulted, and may continue to result in, increasing costs of non-sterling denominated auto-parts and other raw materials, as well as finance costs and other obligations. If all other variables were held constant and assuming that none of the US dollar exposures are hedged, if the US dollar to pound sterling exchange rate were to decrease by five per cent., the effect on the Group's loss after tax in 2019 would have been a reduction of £8.6 million.

Aston Martin Lagonda seeks to manage currency risk through hedging where possible; however, there are risks associated with the use of such instruments. While limiting to some degree Aston Martin Lagonda's risk from fluctuations in currency exchange by utilising hedging instruments (including the use of derivative financial instruments), such hedging activities may be ineffective or may not offset more than a portion of the adverse financial effect resulting from variations to such rates. Aston Martin Lagonda is also exposed to counterparty credit (or repayment) risk in respect of counterparties to hedging contracts.

***Exposure to domestic and global political developments could negatively affect the Group.***

Political change has the potential to directly affect Aston Martin Lagonda through the introduction of new laws (including tax and environmental laws) or regulations or indirectly by altering customer sentiment.

Aston Martin Lagonda may also be affected by geopolitical events, including instability within the Eurozone, a second independence referendum in Scotland, uncertainty as to the global effect of the current US administration, strained relations with North Korea and Russia, tensions in the South China Sea, tensions in Iran and the Middle East as well as any widespread increases in protectionism and global tariffs. For example, the announcement of unilateral tariffs on imported products by the United States has triggered retaliatory actions from certain foreign governments and may trigger retaliatory actions by other foreign governments, potentially resulting in a "trade war". A "trade war" of this nature or other governmental action related to tariffs or international trade agreements, the impact of which cannot yet be fully assessed, could negatively affect the economics of the end-markets in which the Group operates (such as the United States and China), including regional or global demand for automobiles and automobile-components, and the Group's customers' ability to purchase its cars.

In addition, in a report submitted to the US president on 17 February 2019, the US Department of Commerce recommended a potential 25 per cent. tariff on automobiles and auto-parts imported into the United States. Following the expiration of the subsequent 90-day decision period, the US president has announced multiple delays to the imposition of such additional tariffs, and it remains uncertain whether the US government will indeed impose a 25 per cent. tariff on automobiles and auto-parts in the near term. Should such tariffs or similar trade barriers be imposed by the US government, this would negatively impact the Group's business in the United States. Moreover, any countermeasures by regional or global trading partners, including the European Union and China, could slow down global economic growth and decrease global demand for automobiles and automobile-components.



Additional developments may also occur that Aston Martin Lagonda cannot currently know about or anticipate, or that may be impossible to plan for or protect against. It is possible that the effects of such geopolitical events will include further financial instability and slower economic growth, significant regulatory changes, currency fluctuations and higher unemployment and inflation in the United Kingdom, continental Europe and the global economy, at least in the short to medium term. It could also create constraints on the ability of Aston Martin Lagonda to operate efficiently in the future political environment.

***Developments in emerging markets may adversely affect Aston Martin Lagonda's business.***

Aston Martin Lagonda operates in a number of emerging markets, both directly and through its dealers, including in Asia Pacific and the Middle East.

Aston Martin Lagonda's strategy contemplates expanding its sales in Asia Pacific and the Middle East regions, recognising the increasing number of HNWIs in these markets. While demand in these markets has increased in recent years, due to sustained economic growth and growth in personal income and wealth, the extent to which economic growth in these emerging markets will be sustained is unknown. Potential slowdowns in the rate of growth in these and in other emerging markets, rising geopolitical tensions and changes in export, import and tariff policies could limit the opportunity for Aston Martin Lagonda to increase unit sales and revenues in those regions in the near term.

For example, the announcement of unilateral tariffs on imported products by the United States has triggered retaliatory actions from certain foreign governments and may trigger retaliatory actions by other foreign governments, potentially resulting in a "trade war" which could negatively affect the economics of the end-markets in which the Group operates (such as the United States and China), including regional or global demand for automobiles and automobile-components, and the Group's customers' ability to purchase its cars. See also "*—Exposure to domestic and global political developments could negatively affect the Group.*"

Aston Martin Lagonda's exposure to emerging markets is likely to increase as it pursues expanded sales in such markets. Economic and political developments in emerging markets, including economic crises or political instability, could affect Aston Martin Lagonda. Further, in certain markets in which Aston Martin Lagonda or its dealers operate, the requirement for government approvals may limit the ability to act quickly in making decisions regarding Aston Martin Lagonda's operations in those markets. Other government actions may also affect the market for luxury goods in these markets, such as legislative or tax changes. For example, legislation is changing rapidly in some of these regions and the introduction of new legislation might be unexpectedly accelerated, meaning that Aston Martin Lagonda is not able to implement the necessary steps to be compliant by the time such changes take effect. Some jurisdictions, such as China, also present an increased risk in this regard, due to the lack of predictability and visibility in respect of new legislation and regulation, meaning that, in an extreme scenario, Aston Martin Lagonda could be prevented from selling cars in a particular region following an unexpected and significant change in the legal or regulatory position.

Maintaining and strengthening Aston Martin Lagonda's position in these emerging markets is a key component of Aston Martin Lagonda's global growth strategy. However, initiatives from several global luxury automotive manufacturers have increased competitive pressures for luxury cars in several emerging markets. As these markets continue to grow, there is a risk that additional competitors, both international and domestic, will seek to enter these markets and that existing market participants will try aggressively to protect or increase their market share. Increased competition may result in pricing pressures, reduced margins and Aston Martin Lagonda's inability to gain or maintain market share.

***AML Limited operates an underfunded UK defined benefit pension scheme to which it is required to make contributions and to which future additional contributions may be required as a result of the regular triennial actuarial valuations.***

The Group provides retirement benefits to certain of its current and former employees through a number of pension arrangements. These include a UK defined benefit pension scheme (the **UK**

**DB Plan**) operated by Aston Martin Lagonda Limited (**AML Limited**). The UK DB Plan closed to new entrants on 31 May 2011 but remains open to future benefit accrual for existing active members. As at 31 December 2019, there were 515 active members in the UK DB Plan. The UK DB Plan ceased final salary accrual from 31 December 2017 and adopted a career average revalued earnings (CARE) benefit structure from 1 January 2018, breaking the link to final salary as at 31 December 2017. Active members' benefits accrued prior to 1 January 2018 instead receive increases in line with CPI (capped at 2.5 or 5 per cent. depending on the date of benefit accrual) for each whole year between 1 January 2018 and the date the member's benefits become payable.

The latest actuarial valuation of the UK DB Plan as at 6 April 2017 showed a deficit of £48.6 million on a scheme-specific funding basis. AML Limited agreed a deficit recovery plan with the trustee of the UK DB Plan under which it is required to make contributions to the plan. Under the recovery plan dated 5 July 2018 agreed as part of the 2017 actuarial valuation, AML Limited agreed (i) to increase the recovery plan contributions from £2.8 million per year to £4.0 million per year until 31 March 2020 and to £7.1 million per year thereafter through to 31 July 2025 and (ii) to share upside performance of the business with the UK DB Plan by making additional payments against the deficit recovery plan equal to 5 per cent. of AML Limited's variable profits which exceed the anticipated variable profit target agreed as part of the plan's 2014 valuation, but capped at £1.75 million per annum in respect of the calendar years 2018 and 2019 and then at £3 million per annum thereafter.

The deficit of the UK DB Plan is dependent on the market value of the assets of that plan and on the value placed on its liabilities. If the market value of the assets declines or the value of the liabilities increases, as at the date of an actuarial funding valuation of the UK DB Plan, AML Limited may be required to increase its contributions to the UK DB Plan. A variety of factors, including factors outside AML Limited's control, may adversely affect the value of the UK DB Plan's assets or liabilities, including interest rates, inflation rates, investment performance and investment strategy, exchange rates, life expectancy assumptions, actuarial data and adjustments, regulatory changes, and the strength of the employer covenant provided to the plan by the Group. If these or other internal and external factors were to become unfavourable, or more unfavourable than they currently are, AML Limited's required contributions to the UK DB Plan and the costs and net liabilities associated with the UK DB Plan could increase substantially. The UK DB Plan's deficit, calculated by the actuary using the same actuarial methods to set assumptions as used for the scheme-specific funding basis in the plan's 2017 valuation updated to reflect market conditions at 31 December 2019 and benefits accrued to that date, has increased since the plan's 2017 valuation to an estimated £60.6 million as at 31 December 2019 due to a decline in long term real rates of return.

The UK DB Plan's next actuarial valuation will take place with an effective date of 6 April 2020. Discussions have already started between the Group and the trustee in relation to the next actuarial valuation and the funding and security of the UK DB Plan more generally. As part of the valuation there will be discussions about whether (and, if so, to what extent) contributions to the Plan should be increased taking into account the circumstances of the Group (including the Placing and Rights Issue).

As is the case for all formerly contracted-out defined benefit pension plans in the United Kingdom, the liabilities of the UK DB Plan, and so the funding level, could also be impacted by a 2018 High Court decision requiring the impact of unequalised guaranteed minimum pension benefits provided to men and women to be equalised. In addition, as with many defined benefit pension plans in the United Kingdom, the trustee has the power under the UK DB Plan's governing documentation to wind-up the UK DB Plan in certain circumstances, which if exercised could accelerate and increase funding obligations to the plan.

The Group is also discussing with the trustee whether any additional employer covenant protection or support can be provided to the UK DB Plan as part of the 2020 actuarial valuation.

***The pensions regulator in the United Kingdom (the Pensions Regulator) has the statutory power in certain circumstances to issue contribution notices or financial support directions that, if issued, could result in significant additional liabilities arising or an acceleration in the payment of liabilities for the Group in relation to the UK DB Plan.***

If certain statutory requirements are met, the Pensions Regulator has the power to issue contribution notices or financial support directions to the Group and/or any connected or associated company. These are commonly referred to as “moral hazard” powers and enable the Pensions Regulator to take action if it considers it is reasonable to do so, including where corporate activity has had a materially detrimental effect on the security of members’ benefits in a pension plan. Broadly a financial support direction requires the target to put in place arrangements for the financial support of the scheme. No element of fault is required but there is a reasonableness test and certain other statutory tests have to be satisfied. A contribution notice requires the target to pay a sum of money into the scheme where there has been an act or omission, one of the main purposes of which is to avoid any “employer debt” becoming due or to compromise or otherwise reduce the amount of that debt or which otherwise has a materially detrimental impact on the likelihood of accrued scheme benefits being received.

The Pensions Regulator also has powers to set assumptions and contribution levels if AML Limited and the trustee cannot agree the deficit or contributions following the triennial funding valuation. In cases where the deficit and funding levels are agreed, the Pensions Regulator can still intervene if it is not satisfied that the statutory funding plans comply with the statutory funding regime.

Any exercise of the Pensions Regulator’s powers could result in significant additional liabilities arising or an acceleration in the payment of liabilities for the Group.

In correspondence between the Pensions Regulator, the Trustee and the Group prior to the announcement of the Placing and Rights Issue, the Pensions Regulator expressed concern around the employer covenant provided to the UK DB Plan by the Group (including the impact of secured debt taken on by the Group). The Pensions Regulator has suggested that the Group and the trustee should consider whether additional employer covenant protection or support can be provided to the UK DB Plan. It is expected that the trustee of the UK DB Plan will take into account the Pension Regulator’s views in its discussions with the Group and that this will be considered as part of the 2020 actuarial valuation taking into account the circumstances of the Group, including the Placing and Rights Issue.

A Pension Schemes Bill has been introduced into Parliament and is expected to change the UK regulatory framework governing defined benefit pension schemes by: (i) extending the UK Pension Regulator’s powers in relation to its “moral hazard powers”; (ii) clarifying the scheme funding framework; and (iii) introducing a new statutory requirement to comply with some aspects of the UK Pension Regulator’s guidance on scheme funding, which could affect the valuation of assets and liabilities of the UK DB Plan at its next triennial valuation. The Pension Schemes Bill is also expected to introduce new criminal offences for “risking accrued scheme benefits” (where a person engages in an act that they knew or ought to have known would have a materially detrimental impact on a defined benefit pension scheme) and for “avoidance of employer debt” (where a person acts in a way that prevents the recovery of any employer debt which is due to a defined benefit pension scheme or otherwise compromises or settles such a debt), in each case, without “reasonable excuse”.

***Changes in tax, tariff or fiscal policies could adversely affect demand for Aston Martin Lagonda’s products.***

The imposition of any additional taxes and levies or changes in government policies designed to limit the use of high performance sports cars or automobiles more generally could adversely affect the demand for Aston Martin Lagonda’s vehicles and its results of operations. Changes in corporate and other taxation policies, as well as changes in export and other incentives given by various governments or import or tariff policies (as a result of Brexit or otherwise), could also adversely affect Aston Martin Lagonda’s results of operations. For example, the US government’s

current administration has adopted a policy of levying tariffs on goods and materials imported into the United States. These tariffs could have an adverse effect on Aston Martin Lagonda's position in the US market. See also "*—Exposure to domestic and global political developments could negatively affect the Group.*"

***Aston Martin Lagonda may lose or fail to maintain licences or permissions that it currently uses to export its products into other markets.***

In order to export its cars into certain jurisdictions, Aston Martin Lagonda maintains various permits and licences from the relevant governmental bodies. To maintain these permits and licences, Aston Martin Lagonda must meet certain standards. Any failure to satisfy such standards or maintain or renew the relevant permits or licences or the revocation of any such permits or licences due to regulatory changes could result in Aston Martin Lagonda's inability to export its products into such markets. Any loss of such a permit or licence would prevent Aston Martin Lagonda from selling its products in such market.

***Aston Martin Lagonda may not succeed in adequately protecting its intellectual property and know-how.***

Aston Martin Lagonda possesses a number of registered intellectual property rights, including patents, registered trademarks and registered designs (**Registered IP**) and other industrial or intellectual property rights (including certain confidential know-how, trade secrets, database rights and copyrights) (together with Registered IP, **IP**), a number of which are of essential importance to Aston Martin Lagonda's business success. The grant of Registered IP and Aston Martin Lagonda's ownership of other IP does not necessarily mean that it is possible to enforce any claims against third parties to the required or desired extent. Furthermore, it cannot be ruled out that Aston Martin Lagonda's IP could be infringed or challenged by third parties, as has happened in the past, or that its confidential know-how or trade secrets could be misappropriated or disclosed to the public without Aston Martin Lagonda's consent. In such cases, Aston Martin Lagonda may not be able to, or may be limited in its ability to, prevent such infringements, misappropriations or disclosures, despite its ownership of IP. This applies particularly to instances of product piracy where Aston Martin Lagonda's components are copied, possibly with poor quality, resulting in an additional reputation risk and warranty risk for Aston Martin Lagonda. In addition, there is no guarantee that all applications for Registered IP filed for or intended to be filed for by Aston Martin Lagonda for its new technologies will be issued or granted in all countries where it believes this to be prudent. Additionally it cannot be ruled out that, independently of Aston Martin Lagonda, third parties might develop the same or similar know-how or trade secrets or obtain access to them.

Inadequate IP protection or loss of IP protection may restrict Aston Martin Lagonda's ability to exploit its brands, designs or technological advances profitably or may lead to a reduction in future income as other manufacturers may be able to manufacture and market products similar to those developed by Aston Martin Lagonda with fewer development expenses of their own, and hence more cost-effectively. This could harm Aston Martin Lagonda's competitive position. Moreover, high costs may be incurred in responding to infringements of IP or disclosure of misappropriations of Aston Martin Lagonda's know-how and trade secrets. The occurrence of any of these events may have a material adverse effect on the Group's business, financial condition and results of operations.

***It cannot be ruled out that Aston Martin Lagonda may be held liable for an infringement of third-party intellectual property or misappropriation of third-party know-how or trade secrets or may be dependent upon the costly use of third-party intellectual property.***

Although the Group endeavours to hold all the rights required for its business operations (its own IP and third-party licences), the risk of infringement or misappropriation of IP and know-how/trade secrets of third parties cannot be completely excluded, since many competitors and suppliers also submit patent applications for their inventions and subsequently secure patent protection or other IP. Moreover, findings of infringements or other violations by courts or even the mere assertion of infringements or violations of IP rights or know-how/trade secrets could

have a negative effect on Aston Martin Lagonda. In such cases, Aston Martin Lagonda may be barred from marketing products in the jurisdiction concerned and might potentially be compelled to acquire licences on unfavourable terms or modify its manufacturing processes. This could lead to further legal disputes or settlement negotiations, which may give rise to significant costs and may disrupt Aston Martin Lagonda's operations. In addition, Aston Martin Lagonda could be required to pay damages or redesign products or processes infringing or misappropriating IP. There is no guarantee that Aston Martin Lagonda will be able to obtain the licences necessary for its business success in the future to the extent necessary and on reasonable terms and conditions. Aston Martin Lagonda also relies on licences of certain IP from third parties and cannot rule out that these licences could be terminated under certain circumstances. There can also be no assurance that the existing licensing agreements will be extended.

All the above factors could, individually or collectively, lead to delivery and production restrictions and/or interruptions and have a material adverse effect on the Group's business, financial condition and results of operations.

***Aston Martin Lagonda relies on confidential know-how and trade secrets to protect its IP that cannot be patented and depends on the confidentiality of this information being maintained.***

Certain of Aston Martin Lagonda's secret and confidential information cannot be or has not been patented and requires confidentiality restrictions to be put in place with those to whom this information is disclosed to protect this proprietary information. Such obligations rely on individuals complying with those obligations and, if there are breaches, valuable information could fall into the public domain and be used by Aston Martin Lagonda's competitors. Equally, the movement of employees between Aston Martin Lagonda and its competitors could result in an increased risk of this information being shared with and used by competitors.

These factors could, individually or collectively, lead to Aston Martin Lagonda's competitors having access to its confidential information and using it to their advantage, which could have a material adverse effect on the Group's business, financial condition and results of operations.

***Aston Martin Lagonda is exposed to operational risks, including risks in connection with the use of information technology and personal data.***

Due to its complex manufacturing, research, procurement, and sales and marketing operations, Aston Martin Lagonda is exposed to a variety of financial and operational risks, including in respect of the use of information technology and personal data. These risks include, but are not limited to, losses that are caused by:

- (i) disruption or malfunction of IT systems, including hardware, platforms, technologies, applications, computer networks and telecommunications systems (including as a result of malicious acts by third parties and employees);
- (ii) disruption, damage or interruption to power supply;
- (iii) mechanical or equipment failures;
- (iv) human error or violation of internal policies or legal requirements by employees; or
- (v) natural disasters.

If any IT system used by Aston Martin Lagonda in the conduct of its business, including those of its third-party service providers, fails to function properly and cannot be remedied, Aston Martin Lagonda's business may experience material disruption that could require significant additional investment to remedy or may not be capable of remedy at all.

Aston Martin Lagonda is generally exposed to risks in the field of information technology because unauthorised access to or misuse of data processed on its IT systems or those of its third-party service providers (including cloud-based providers), cybercrime, human errors associated therewith, end of life applications or technological failures of any kind could disrupt Aston Martin Lagonda's operations, including the manufacturing, design and engineering process. In particular, cybercrime can be technologically sophisticated and it may be difficult or impossible to



detect and defend against. A significant malfunction or disruption in Aston Martin Lagonda's IT systems or those of its third-party service providers (including cloud-based providers), or a security breach that compromises the confidential and sensitive information stored in any of those systems, could disrupt Aston Martin Lagonda's business and materially affect Aston Martin Lagonda's trade secrets, reputation and IP and customer base, which could then, for example, expose it to potential liability or litigation (including in respect of enforcement action by regulators in respect of data protection and related laws and regulations) or additional costs to its operations to address such a disruption. As Aston Martin Lagonda's technology continues to evolve, including the increasing use of internet-connected vehicle components, the Company will likely collect and store even more data in the future and that Aston Martin Lagonda's IT systems and those of its third-party service providers (including cloud-based providers) will face an increased risk of both wilful and unintentional security breaches.

As part of its business, Aston Martin Lagonda collects, retains and processes certain confidential information, including the personal data of customers and employees. As a result, Aston Martin Lagonda's operations are subject to data protection and privacy laws, including the EU General Data Protection Regulation (**GDPR**). The GDPR, which came into force on 25 May 2018, has increased Aston Martin Lagonda's regulatory responsibilities when processing personal customer, employee and other data in the conduct of its business and may lead to significant financial penalties if Aston Martin Lagonda breaches the requirements of the GDPR.

If the measures put in place to protect against operational risks, risks in connection with the use of IT and the security of personal data collected by the Group prove insufficient, the Group's results of operations and financial condition may be materially affected.

***Compliance with certain vehicle safety regulations may have an adverse effect on Aston Martin Lagonda.***

New regulations with respect to vehicle safety (including vehicle-to-vehicle and vehicle-to-infrastructure communications and related technologies) could come into force in the near future. For example, the US National Highway Travel Safety Administration has issued a notice of proposed rulemaking that would require all new light vehicles to be capable of vehicle-to-vehicle communications, such that they will send and receive basic safety messages to and from other vehicles. These regulations may require Aston Martin Lagonda to develop (or purchase) new products and technologies, resulting in additional costs and risks associated with its ability or inability to develop or procure compliant systems.

***Aston Martin Lagonda may become subject to risks arising from legal disputes and may become the subject of government investigations.***

In connection with Aston Martin Lagonda's general business activities, it may become the subject of legal disputes and governmental or regulatory investigations in the United Kingdom as well as in other jurisdictions. Such investigations may, in particular, arise from its relationships with authorities, suppliers, dealers, customers or investors. Aston Martin Lagonda may be required to pay fines, take certain actions or refrain from other actions. The Group operates in several jurisdictions around the world and is subject to local laws and regulations, which could vary significantly from the laws and regulations of the United Kingdom and the United States. For example, in connection with certain arbitration proceedings in China pursued by a terminated dealer, three Chinese bank accounts have been frozen (holding the pound sterling equivalent of £8.7 million in total) pursuant to property protection orders routinely granted by local authorities for the benefit of claimants in arbitral proceedings. While the Group is challenging these orders to free its assets, the Group cannot guarantee that it will succeed in doing so or that this, or other similar actions in other jurisdictions, will not interfere with day-to-day local operations.

To the extent that customers, particularly in the United States, assert claims in relation to defects individually or in a class action lawsuit, Aston Martin Lagonda may be compelled to initiate costly defence measures and pay significant amounts in damages. Complaints, actions relating to patent rights and antitrust disputes brought by suppliers, dealers, investors or other third parties may result in legal costs, the award of damages and/or reputational damage.

Since a number of risks cannot be reliably predicted, losses could exceed insured amounts or amounts recognised as provisions. In addition, any claims, whether or not successful, could have an adverse effect on Aston Martin Lagonda's brand and reputation. Furthermore, given the relatively small scale of its operations, the consequences of any claims and the related management time required to deal with such claims could have a significant effect on Aston Martin Lagonda's ability to operate its business.

***Aston Martin Lagonda may become subject to product liability claims.***

The automobile industry experiences significant product liability claims and Aston Martin Lagonda is exposed to an inherent risk of exposure to such a claim where its cars do not perform as expected or malfunction resulting in personal injury or death. Additionally, failure to keep up with state-of-the-art technologies could be considered as a defect and lead to an increased risk from a product liability perspective.

From time to time, Aston Martin Lagonda is, and may in the future become, subject to product liability claims. Where a product liability claim is successful, it could result in a substantial monetary award and significant reputational damage to the brand. While Aston Martin Lagonda insures against such risks, there can be no guarantee that any claim under the appropriate insurance policy will be honoured fully or in a timely manner or that the insurance cover will be sufficient to meet the full monetary award in connection with a claim. Further, Aston Martin Lagonda may not be able to secure additional product liability insurance cover on commercially acceptable terms or at reasonable cost when needed, particularly if it does face liability for its products and is forced to make a claim under existing policies.

***Aston Martin Lagonda is exposed to risks in connection with product-related guarantees and warranties as well as the provision of voluntary services, which may be costly.***

Aston Martin Lagonda is obliged to provide extensive warranties to its customers, dealers and distributors. There is a risk that, relative to the guarantees and warranties provided, the calculated product prices and the provisions for its guarantee and warranty risks have been set, or will in the future be set, too low. In 2017, 2018 and 2019 the Group held a provision of £20.9 million, £23.7 million and £28.2 million, respectively, for expected claims based on volume of cars built per year and past experience of the level of actual warranty claims received. There is also a risk that Aston Martin Lagonda will be required to extend the guarantee or warranty originally granted in certain markets, or to provide services as a courtesy or for reasons of reputation where it is not legally obliged to do so, and for which Aston Martin Lagonda will generally not be able to assert claims in recourse against suppliers or insurers. In addition, the Group may from time to time be required to recall certain products. Any of the foregoing could have a material adverse effect on the Group's business, financial condition and results of operations.

**Risks relating to the Rights Issue and investment in Shares**

***The Major Shareholders and the Yew Tree Consortium will have significant interests in the Company following the Capital Raise, and their interests may differ from those of other Shareholders.***

Immediately following Admission of the Placing Shares, the Prestige/SEIG Shareholder Group, the Adeem/PW Shareholder Group and the Yew Tree Consortium are expected to beneficially own 24.70 per cent., 22.99 per cent. and 16.67 per cent., respectively, of the issued ordinary share capital of the Company.

The Prestige/SEIG Shareholder Group has irrevocably undertaken to take up 100 per cent. of its entitlements under the Rights Issue, and the Adeem/PW Shareholder Group has agreed to sell such number of Nil Paid Rights to the Yew Tree Consortium which will result in (i) the Adeem/PW Shareholder Group taking up 38.9 per cent. of its entitlements under the Rights Issue and (ii) the Yew Tree Consortium taking up the remainder of the Adeem/PW Shareholder Group's entitlements. The Yew Tree Consortium has, in addition, irrevocably undertaken to take up 100 per cent. of its entitlements under the Rights Issue.

Immediately following Admission of the New Shares, (i) the Prestige/SEIG Shareholder Group is expected to beneficially own 24.70 per cent. of the Company's share capital, being the contemplated position assuming full take up by the Prestige/SEIG Shareholder Group of its entitlements under the Rights Issue, (ii) the Adeem/PW Shareholder Group is expected to beneficially own 17.95 per cent. of the Company's share capital, being the contemplated position assuming 38.9 per cent. take up by the Adeem/PW Shareholder Group of its entitlements under the Rights Issue and (iii) the Yew Tree Consortium is expected to beneficially own 21.71 per cent. of the Company's share capital, being the contemplated position assuming full take up by the Yew Tree Consortium of its entitlements under the Rights Issue, as well as the entitlements in respect of the Nil Paid Rights that it has agreed to purchase from the Adeem/PW Shareholder Group.

If the Prestige/SEIG Shareholder Group were to hold more than 25 per cent. of the issued Shares following Admission of the New Shares, it would have the power to block special resolutions of the Company. Further, under their respective relationship agreements with the Company, each of the Yew Tree Consortium and each of the Major Shareholder Groups shall be able to nominate two non-executive directors to the Board so long as it maintains a shareholding that exceeds the lowest percentage shareholding of each of the Yew Tree Consortium, the Prestige/SEIG Shareholder Group and the Adeem/PW Shareholder Group upon completion of the Rights Issue, but in all cases not below 17.5 per cent. One of the Yew Tree Consortium's appointees will be Lawrence Stroll, who will serve as Executive Chair effective on 7 April 2020. Therefore, immediately following completion of the Capital Raise, the Major Shareholders and the Yew Tree Consortium will, in aggregate, control six of the 13 Board seats, including Lawrence Stroll as Executive Chair.

The interests of the Major Shareholders and the Yew Tree Consortium may not necessarily be aligned with each other or with those of other Shareholders.

The Company has entered into separate relationship agreements with each of the Major Shareholders and the Yew Tree Consortium, the principal purpose of which is to document the aforementioned director nomination rights and certain other governance arrangements between the Company and each of the Major Shareholders and the Yew Tree Consortium.

Each of the Major Shareholders and the Yew Tree Consortium will be able to exercise significant influence over matters requiring shareholder approval (including the election of directors and significant transactions) and through their board appointment rights. The concentration of ownership may have the effect of delaying, deterring or preventing a change in control, merger, consolidation, takeover or other business combination or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control, which could in turn have an adverse effect on the trading price of the Shares.

***The market price of the Shares could be negatively affected by sales of substantial amounts of such Shares in the public markets or the perception that these sales could occur.***

Following Admission of the New Shares, the Major Shareholders and the Yew Tree Consortium are expected to beneficially own, in aggregate, 64.36 per cent. of the Company's share capital (subject to the assumptions set out in the immediately preceding risk factor). The issue or sale of a substantial number of Shares by the Company, the Major Shareholders, the Yew Tree Consortium, the Directors or the Senior Managers in the public market, or the perception that these sales may occur, may depress the market price of the Shares and could impair the Company's ability to raise capital through the sale of additional equity securities.

***If the Major Shareholders, the Yew Tree Consortium, the Directors and/or certain other Shareholders purchase additional Nil Paid Rights and/or Fully Paid Rights during the Rights Issue offer period, the Company may cease to comply with the free float requirement under Listing Rule 6.14, and therefore, absent a modification from the FCA, the Shares may be suspended or cancelled from the premium listing segment of the Official List in order to maintain the smooth operation of the market or to protect investors.***

Listing Rule 6.14 requires that 25 per cent. or more of a class of shares admitted to the premium listing segment of the Official List be held in public hands in the European Economic Area (EEA)

including the United Kingdom. Shares held by (i) Directors and their connected persons, (ii) persons who hold five per cent. or more of the Shares and (iii) non-EEA/UK Shareholders are not regarded as being held in public hands in the EEA/UK for purposes of Listing Rule 6.14.

The Prestige/SEIG Shareholder Group has irrevocably undertaken to take up 100 per cent. of its entitlements under the Rights Issue, and the Adeem/PW Shareholder Group has agreed to sell such number of Nil Paid Rights to the Yew Tree Consortium which will result in (i) the Adeem/PW Shareholder Group taking up 38.9 per cent. of its entitlements under the Rights Issue and (ii) the Yew Tree Consortium taking up the remainder of the Adeem/PW Shareholder Group's entitlements. The Yew Tree Consortium has, in addition, irrevocably undertaken to take up 100 per cent. of its entitlements under the Rights Issue.

Assuming 100 per cent. take up by the Prestige/SEIG Shareholder Group, the Yew Tree Consortium (including the Nil Paid Rights it has agreed to purchase from the Adeem/PW Shareholder Group), other persons holding five per cent. or more of the Shares, the Directors and their connected persons and non-EEA/UK Shareholders of their entitlements under the Rights Issue, and 38.9 per cent. take up by the Adeem/PW Shareholder Group, the Company's free float would be 27.20 per cent. immediately following completion of the Rights Issue.

However, it is possible that any of the aforementioned entities may purchase additional Nil Paid Rights and/or Fully Paid Rights during the Rights Issue offer period such that the number of Shares not held in public hands in the EEA/UK would cause the Company's free float to fall below 25 per cent. immediately following completion of the Rights Issue.

Failure to comply with Listing Rule 6.14 without a modification from the FCA could result in the FCA either suspending or cancelling the listing of the Shares. If the Company becomes aware that its free float has fallen below 25 per cent. during or following the Rights Issue, it will notify the FCA without delay and apply to it for a modification in respect of the free float requirement. There is no certainty that such modification will be granted by the FCA, and even if granted, such modification can be revoked at any time by the FCA. In the event that such modification is not granted, or is granted and subsequently revoked, the FCA may allow a reasonable time to restore the free float, but may also suspend or cancel the Shares from the premium listing segment of the Official List if doing so is necessary to maintain the smooth operation of the market or to protect investors. A suspension or cancellation of the Company's Shares would cause the Shares to cease trading on the London Stock Exchange. As a result, there would be no active trading market for the Shares, and the value of the Shares would likely decrease as a result of the lack of market liquidity.

***The market price of the Nil Paid Rights, Fully Paid Rights and/or Shares could be subject to volatility.***

The market price of the Nil Paid Rights, the Fully Paid Rights and/or the Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding the Nil Paid Rights, the Fully Paid Rights and/or the Shares (or securities similar to them), including, in particular, in response to various facts and events, including any regulatory changes affecting the Group's operations, variations in the Group's operating results and/or business developments of the Group and/or its competitors. Stock markets have from time to time experienced significant price and volume fluctuations that have affected the market prices for securities and which may be unrelated to the Company's operating performance or prospects. Furthermore, the Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the Nil Paid Rights, the Fully Paid Rights and/or the Shares.

***An active trading market for the New Shares, Nil Paid Rights and Fully Paid Rights may not develop.***

Application has been made to admit the New Shares (nil and fully paid) to trading on the London Stock Exchange's main market for listed securities. It is expected that dealings in rights to acquire the New Shares on the London Stock Exchange's main market for listed securities will commence

at 8.00 a.m. on 18 March 2020. There can be no assurance, however, that an active trading market in Nil Paid Rights, Fully Paid Rights or New Shares will develop.

***The market price for the Shares may decline below the Issue Price and Shareholders may not be able to sell Shares at a favourable price after the Rights Issue.***

The public trading market price of the Shares may decline below the Issue Price. Should that occur prior to the latest time and date for acceptance under the Rights Issue, Qualifying Shareholders or renounees who exercise their rights in the Rights Issue will suffer an immediate loss as a result. Moreover, following the exercise of their rights, Shareholders may not be able to sell their New Shares at a price equal to or greater than the acquisition price for those shares.

Although the Group has no current plans for a subsequent offering of Shares, it is possible that it may decide to undertake such an offering in the future. An additional offering could have an adverse effect on the market price of the outstanding Shares.

***Investors in the Nil Paid Rights, Full Paid Rights and/or New Shares may be subject to exchange rate risk.***

The New Shares, Nil Paid Rights and Fully Paid Rights are priced in pounds sterling. Accordingly, any investor outside the United Kingdom is subject to adverse movements to their local currency against pounds sterling.

***It may not be possible to effect service of process upon the Company or the Directors or enforce court judgments against the Company or the Directors.***

The Company is incorporated in England and Wales. As a result, it may not be possible for investors outside of the United Kingdom to effect service of process outside the United Kingdom against the Company or the Directors or to enforce the judgement of a court outside the United Kingdom against the Company or the Directors.

***The Company does not currently pay dividends on the Shares and its ability to do so in the future will depend on the availability of distributable reserves.***

The Company's ability to pay dividends is limited under English company law, which limits a company to only paying cash dividends to the extent that it has distributable reserves and cash available for this purpose. As a holding company, the Company's ability to pay dividends in the future is affected by a number of factors, principally its ability to receive sufficient dividends from subsidiaries. The payment of dividends to the Company by its subsidiaries is, in turn, subject to restrictions, including certain regulatory requirements and the existence of sufficient distributable reserves and cash in the Company's subsidiaries. The ability of these subsidiaries to pay dividends and the Company's ability to receive distributions from its investments in other entities are subject to applicable local laws and regulatory requirements and other restrictions, including, but not limited to, applicable tax laws and covenants in some of the Company's debt facilities. These laws and restrictions could limit the payment of dividends and distributions to the Company by its subsidiaries, which could restrict the Company's ability to fund other operations or to pay a dividend to the Shareholders.

***Shareholders who do not acquire New Shares in the Rights Issue will experience dilution in their ownership of the Company, and all Shareholders will experience dilution as a result of the Placing.***

If a Shareholder does not take up the offer of New Shares under the Rights Issue, either because the Shareholder is in the United States, an Excluded Territory or another jurisdiction where their participation is restricted for legal, regulatory and other reasons or because the Shareholder does not respond to the Rights Issue by 11.00 a.m. on 1 April 2020, the expected latest time and date for acceptance and payment in full for that Shareholder's provisional allotment of New Shares, and that Shareholder's Nil Paid Rights to acquire New Shares lapse, the Shareholder's proportionate ownership and voting interests as well as the percentage that their Shares will represent of the total share capital of the Company will be reduced accordingly. Even if a Shareholder elects to sell their unexercised Nil Paid Rights, or such Nil Paid Rights are sold on



their behalf, the consideration the Shareholder receives may not be sufficient to compensate them fully for the dilution of their percentage ownership of the Company's share capital that may be caused as a result of the Rights Issue.

The Company has made arrangements under which the Underwriters, within the two Business Day period following the expiration of the latest time and date for acceptance and payment, will endeavour, on behalf of Shareholders that do not take up New Shares provisionally allotted, to find acquirers for New Shares not taken up by Shareholders. If, however, the Underwriters are unable to find acquirers for such New Shares or are unable to achieve a specified premium over the Issue Price and the related expenses of procuring such acquirers, Shareholders will not receive any consideration for the Nil Paid Rights they have not taken up. Furthermore, to the extent that Shareholders do not exercise their Nil Paid Rights to acquire New Shares, their proportionate ownership and voting interest in the Shares of the Company (upon the issue of New Shares) will, accordingly, be reduced, and the percentage that their Existing Shares represent of the Company's increased share capital after the issue of New Shares will accordingly be reduced.

In addition, all Shareholders will experience a dilution of their shareholding in the Company of 16.67 per cent. as a result of the Placing.

***Shareholders outside the United Kingdom may not be able to acquire New Shares in the Rights Issue.***

Securities laws of certain jurisdictions may restrict the Company's ability to allow participation by Shareholders in the Rights Issue. In particular, holders of Shares who are located in the United States may not be permitted to take up their entitlements under the Rights Issue unless an exemption from the registration requirements is available under the Securities Act. The Rights Issue will not be registered under the Securities Act. Securities laws of certain other jurisdictions (including the Excluded Territories) may restrict the Company's ability to allow participation by Shareholders in such jurisdictions in any future issue of shares carried out by the Company. Qualifying Shareholders who have a registered address in or who are resident in, or who are citizens of, countries other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Nil Paid Rights or to acquire Fully Paid Rights or acquire New Shares.

## IMPORTANT INFORMATION

### GENERAL

The Company will update the information provided in this document by means of a supplement if a significant new factor that may affect the evaluation by prospective investors of the offer occurs after the publication of this document or if this document contains any material mistake or substantial inaccuracy. This document and any supplement will be subject to approval by the FCA (as competent authority under Regulation (EU) 2017/1129) and will be made public in accordance with the Prospectus Regulation Rules. If a supplement to this document is published prior to Admission of the New Shares, investors shall have the right to withdraw their applications for New Shares made prior to the publication of the supplement. Such withdrawal must be made within the time limits and in the manner set out in any such supplement (which shall not be shorter than two clear Business Days after publication of the supplement).

### MARKET AND INDUSTRY INFORMATION

Unless the source is otherwise stated, the market, economic and industry data in this document constitute the Directors' estimates, using underlying data from independent third parties. Market data and certain industry data and forecasts included in this document have been obtained from internal company surveys, market research, consultant surveys, publicly available information, reports of governmental agencies and industry publications and surveys, including (i) the World Wealth Report, Capgemini, 2019 and (ii) data compiled by IHS Markit.

The Company confirms that all third-party data contained in this document has been accurately reproduced and, so far as the Company is aware and able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where third-party information has been used in this document, the source of such information has been identified. While industry surveys, publications, consultant surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, the accuracy and completeness of such information is not guaranteed. The Company has not independently verified any of the data from third-party sources, nor has the Company ascertained the underlying economic assumptions relied upon therein. Similarly, internal surveys, industry forecasts and market research, which the Company believes to be reliable based upon the Directors' knowledge of the industry, have not been independently verified. Statements as to the Group's market position are based on recently available data.

### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document includes certain forward-looking statements, forecasts, estimates, projections and opinions (**Forward-looking Statements**). When used in this document, the words "anticipate", "believe", "estimate", "forecast", "expect", "intend", "plan", "project", "may", "will" or "should" or, in each case, their negative or other variations or similar expressions, as they relate to the Group, its management or third parties, identify Forward-looking Statements. Forward-looking Statements include statements regarding the Group's business strategy, objectives, financial condition, results of operations and market data, as well as any other statements that are not historical facts. These statements reflect beliefs of the Directors (including based on their expectations arising from pursuit of the Group's strategy), as well as assumptions made by the Directors and information currently available to the Company.

Although the Company believes that these beliefs and assumptions are reasonable, by their nature, Forward-looking Statements involve known and unknown risks, uncertainties, assumptions and other factors because they relate to events and depend on circumstances that will occur in the future whether or not outside the control of the Company. These factors, risks, uncertainties and assumptions could cause actual outcomes and results to be materially different from those projected. 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. No representation is made or will be made that any Forward-looking

Statements will be achieved or will prove to be correct. These factors, risks, assumptions and uncertainties expressly qualify all subsequent oral and written Forward-looking Statements attributable to the Group or persons acting on its behalf.

None of the Company, the Directors or the Underwriters assume any obligation to update any Forward-looking Statement and disclaims any obligation to update its view of any risks or uncertainties described herein or to publicly announce the result of any revisions to the Forward-looking Statements made in this document, except as required by law (including, for the avoidance of doubt, the Prospectus Regulation Rules, the Listing Rules and Disclosure Guidance and Transparency Rules).

In addition, this document contains information concerning the Group's industry and its market and business segments generally, which is forward-looking in nature and is based on a variety of assumptions regarding the ways in which the industry, and the Group's market and business segments, will develop. These assumptions are based on information currently available to the Company. If any one or more of these assumptions turn out to be incorrect, actual market results may differ from those predicted. While the Company does not know what effect any such differences may have on the Group's business, if there are such differences, they could have a material adverse effect on the Group's future results of operations and financial condition.

#### **PRESENTATION OF FINANCIAL INFORMATION**

Unless otherwise indicated, the historical and other financial information presented in this document has been derived from (i) the audited consolidated financial statements of the Company as of and for the year ended 31 December 2019 (the **2019 Financial Statements**) and (ii) the audited consolidated financial statements of the Company as of and for the year ended 31 December 2018 (the **2018 Financial Statements**), each included elsewhere in this document.

On 3 September 2018, the Company obtained control of the entire share capital of Aston Martin Holdings (UK) Limited (**AM Holdings**) by way of a share for share exchange. Although the share for share exchange resulted in a change in legal ownership, in substance the consolidated financial information presented for the periods ended 31 December 2018 and 31 December 2019 represent the continuation of the pre-existing group headed by AM Holdings. Consequently, references in this document to the "Group" or "Aston Martin Lagonda" in the context of historical financial information or other financial information prior to the year ended 31 December 2018 relate to AM Holdings and its subsidiaries and do not include Aston Martin Lagonda Global Holdings plc; and references to the "Group" or "Aston Martin Lagonda" in the context of historical financial information or other financial information from the year ended 31 December 2018 onwards relate to Aston Martin Lagonda Global Holdings plc and its subsidiaries.

The 2018 Financial Statements and the 2019 Financial Statements are presented in pounds sterling and have been prepared in accordance with IFRS as adopted by the European Union.

#### **IFRS 16**

IFRS 16 (*Leases*) became effective for periods beginning on or after 1 January 2019. The 2019 Financial Statements give effect to the entry into force of IFRS 16 (*Leases*). The new standard replaces the previous accounting standard, IAS 17 (*Leases*), including related interpretations. The Company has applied exemptions for short-term leases and leases of low value items and chose to adopt the modified retrospective transition approach for IFRS 16 under which, prior to reflecting the impact of lease incentives, the Company evaluated its lease liability using incremental borrowing rates assessed at the date of transition with a right of use asset of equal value. The Company's equity reserves as of 1 January 2019 have been adjusted to reflect the de-recognition of legal and other costs associated with lease agreements previously expensed over the lease term. Whilst qualifying costs of this nature incurred would be included in the value of the associated right of use asset on adoption of IFRS 16, under the transition approach adopted, this treatment is not followed. There have been no IFRS 16 adjustments made to the consolidated income statements for the periods prior to 1 January 2019. See notes 2 and 16 of the 2019 Financial Statements. See also "IFRS 16" in Part V - Operating and Financial Review.

### Restated 2018 Financial Information

Certain reclassifications have been made in the statement of financial position in the 2019 Financial Statements regarding the 2018 comparative values, including:

- (i) a reclassification of service plan liabilities from non-current provisions into current and non-current trade and other payables;
- (ii) a reclassification of lease incentives from current trade and other payables to non-current trade and other payables; and
- (iii) an offset of deferred tax assets and deferred tax liabilities where a right of offset exists in certain jurisdictions.

Additional information is presented in note 2 of the 2019 Financial Statements.

The following table sets forth the impact on these reclassifications on the 2018 comparative values in the statement of financial position in the 2019 Financial Statements.

	2018 values as disclosed in the 2018 Financial Statements	(i)	(ii) (£ millions) (unaudited)	(iii)	2018 values as restated in the 2019 Financial Statements
<b>Non-current assets</b>					
Deferred tax assets .....	123.1	-	-	(91.0)	32.1
<b>Current liabilities</b>					
Trade and other payables .....	(696.1)	(5.2)	30.3	-	(671.0)
<b>Non-current liabilities</b>					
Trade and other payables .....	(12.2)	(7.3)	(30.3)	-	(49.8)
Provisions .....	(25.4)	12.5	-	-	(12.9)
Deferred tax liabilities .....	(111.0)	-	-	91.0	(20.0)

### IFRS 15

IFRS 15 (*Revenue from Contracts with Customers*) became effective for periods beginning on or after 1 January 2018. The new standard integrates the various previously existing IFRS requirements and interpretations relating to revenue recognition into a single standard and establishes the principles which an entity needs to apply when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. The Company has applied the new requirements for revenue from contracts with customers in the year ended 31 December 2018 using the “full retrospective” option. As a result, the Company presents, within the audited consolidated financial statements as of and for the year ended 31 December 2018, a restatement of the audited comparative periods (the **Restated 2017 Financial Information**). The Restated 2017 Financial Information is presented in this document and further information in relation to the restatement is included in note 2 of the 2018 Financial Statements.

### ALTERNATIVE PERFORMANCE MEASURES

This document contains certain alternative performance measures (**APMs**) that are not defined or recognised under IFRS, including Adjusted Operating Profit (EBIT), Adjusted EBITDA, Net Debt, Adjusted Leverage Ratio, Adjusted Return on Invested Capital and certain income statement line items excluding the impact of the Preference Shares.

APMs should not be considered in isolation and investors should not consider such information as alternatives to revenue, profit before tax or cash flows from operations calculated in accordance with IFRS, as indications of operating performance or as measures of the Group’s profitability or liquidity. Such financial information must be considered only in addition to, and not as a substitute for or superior to, financial information prepared in accordance with IFRS included elsewhere in this document. Investors are cautioned not to place undue reliance on these APMs and are also advised to review them in conjunction with the 2018 Financial Statements and the 2019 Financial Statements included elsewhere in this document.

### **Adjusted Operating Profit (EBIT) and Adjusted EBITDA**

Adjusted Operating Profit (EBIT), as used in this document, represents profit / (loss) for the period, before income tax (charge) / credit and net financing expense, and adjust for items of which the Directors believe the quantum, nature and volatility would distort the underlying trading performance of the Group, including the tax effect thereof.

Adjusted EBITDA, as used in this document, represents Adjusted Operating Profit (EBIT) before profit and loss on the disposal of fixed assets and depreciation, amortisation and impairment.

The Group presents Adjusted Operating Profit (EBIT) and Adjusted EBITDA because the Directors believe that these APMs contribute to a better understanding of the Group's results of operations by providing additional information on what the Directors consider to be some of the drivers of the Group's financial performance. Furthermore, the Directors believe that these APMs are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance.

The following table sets out the reconciliation of Adjusted Operating Profit (EBIT) and Adjusted EBITDA from profit/(loss) for the periods indicated.

	For the year ended 31 December		
	2017 <sup>(1)</sup>	2018 (£ millions) (audited)	2019
<b>Profit/(loss) for the period</b> .....	76.8	(57.1)	(104.4)
Income tax (credit)/expense .....	7.7	(11.1)	0.1
Net financing expense <sup>(2)</sup> .....	64.3	141.0	67.6
Adjusting items <sup>(3)</sup> .....	(24.3)	74.1	42.1
<b>Adjusted Operating Profit (EBIT)</b> .....	<b>124.5</b>	<b>146.9</b>	<b>5.4</b>
Depreciation, amortisation and impairment .....	82.1	100.0	127.9
Profit/(loss) on sale of fixed assets .....	(0.1)	0.4	0.9
<b>Adjusted EBITDA</b> .....	<b>206.5</b>	<b>247.3</b>	<b>134.2</b>

#### Notes:

(1) Restated to reflect the adoption of IFRS 15. See note 2 of the 2018 Financial Statements.

(2) The net financing expense for the year ended 31 December 2018 includes the premium on the redemption of the Preference Shares (£46.8 million) and the Preference Shares fee write-off (£15.1 million) which are one-off items.

(3) Adjusting operating items for 2017 related to a credit arising from the reduction in the pension scheme deficit in 2017. The adjusting operating items for 2018 related to the costs related to the AML IPO, including £61.2 million staff incentives and £12.9 million professional fees. These costs included deferred staff incentives contingent on performance of the Group following the AML IPO. IPO-related bonuses subject to 2019 performance will not be paid as targets were not met, resulting in £4.2 million being credited back to the consolidated income statement in 2019 as an adjusting item in order to remain consistent with the treatment of the initial accrual in 2018. Adjusting operating items for 2019 related to the Rapide E impairment (£39.4 million), employee redundancy costs (£2.6 million) and costs related to the AML IPO (including the aforementioned £4.0 million credit, pre-AML IPO long-term incentive plan costs of £3.6 million and additional professional fees of £0.5 million).

### **Net Debt**

Net Debt, represents the Group's total current and non-current borrowings, excluding Preference Shares, adjusted for cash and cash equivalents. In 2019, Net Debt was further adjusted for cash held not available for short-term use and a £38.7 million inventory repurchase arrangement (including £6.5 million of VAT) entered into in November 2019.

The Group presents Net Debt because the Directors believe that it contributes to a better understanding of the Group's liquidity and financial position by providing additional information in respect of the Group's ability to meet its financial obligations. Furthermore, the Directors believe that Net Debt is widely used by certain investors, securities analysts and other interested parties as a supplemental measure of liquidity and financial position.



The following table sets out the calculation of Net Debt for the periods indicated.

	As at 31 December		
	2017 <sup>(1)</sup>	2018	2019
		(£ millions)	
		(audited)	
Cash and cash equivalents .....	167.8	144.6	107.9
Cash held not available for short-term use .....	-	-	8.7
Loans and other borrowings - current .....	(13.5)	(99.4)	(114.8)
Inventory repurchase arrangement .....	-	-	(38.9)
Loans and other borrowings – non current .....	(571.5)	(604.7)	(839.1)
Preference shares .....	(255.9)	-	-
<b>Net Debt</b> .....	<b>(673.1)</b>	<b>(559.5)</b>	<b>(876.2)</b>

Note:

(1) Restated to reflect the adoption of IFRS 15. See note 2 of the 2018 Financial Statements.

### **Adjusted Leverage Ratio**

Adjusted Leverage Ratio is defined as Net Debt divided by Adjusted EBITDA (excluding the impact of IFRS 16). Adjusted Leverage Ratio is a measure of liquidity, and the Group considers it to be a useful metric to assess its ability to meet its financial obligations.

The following table sets out the calculation of Adjusted Leverage Ratio for the periods indicated.

	As at and for the 12 months ended 31 December		
	2017 <sup>(1)</sup>	2018	2019
	(£ millions, unless otherwise indicated)		
		(audited)	
<b>Net Debt</b> .....	<b>(673.1)</b>	<b>(559.5)</b>	<b>(876.2)</b>
Adjusted EBITDA .....	206.5	247.3	134.2
Impact of IFRS 16 on Adjusted EBITDA .....	-	-	(14.5)
<b>Adjusted EBITDA (excluding the impact of IFRS 16)</b> .....	<b>206.5</b>	<b>247.3</b>	<b>119.7</b>
<b>Adjusted Leverage Ratio</b> .....	<b>3.3x</b>	<b>2.3x</b>	<b>7.3x</b>

Note:

(1) Restated to reflect the adoption of IFRS 15. See note 2 of the 2018 Financial Statements.

### **Adjusted Return on Invested Capital**

Adjusted Return on Invested Capital represents Adjusted Operating Profit (EBIT) after tax divided by the sum of gross debt, including inventory repurchase arrangements whilst excluding lease liabilities, and equity. The Group uses Adjusted Return on Invested Capital to assess the return that is generated on the capital invested by the Group and believes that it is an important measure for evaluating the quality of the Group's investments and use of its capital.

	As at and for the 12 months ended 31 December		
	2017 <sup>(1)</sup>	2018	2019
	<i>(£ millions, unless otherwise indicated)</i> <i>(audited)</i>		
Adjusted Operating Profit (EBIT) .....	124.5	146.9	5.4
Tax on Adjusted Operating Profit (EBIT) (credit) .....	(3.6)	0.6	(8.9)
<b>Adjusted Operating Profit (EBIT) after tax</b>	<b>120.9</b>	<b>147.5</b>	<b>(3.5)</b>
Senior Secured Notes .....	570.2	590.9	829.9
Unsecured loans .....	1.3	1.4	-
Inventory repurchase arrangement .....	-	-	38.9
Loans and borrowings .....	-	-	124.0
Current loans and borrowings .....	13.5	99.4	-
Non-current loans and borrowings .....	-	12.4	-
Preference shares .....	255.9	-	-
Gross debt .....	840.9	704.1	992.8
Equity .....	136.1	449.4	358.9
<b>Gross debt and equity</b> .....	<b>977.0</b>	<b>1,153.5</b>	<b>1,351.7</b>
<b>Adjusted Return on Invested Capital</b> .....	<b>12.4%</b>	<b>12.8%</b>	<b>(0.3)%</b>

Note:

(1) Restated to reflect the adoption of IFRS 15. See note 2 of the 2018 Financial Statements.

### **Certain income statement line items excluding the impact of the Preference Shares**

The Preference Shares are preference shares issued by Aston Martin Holdings (UK) Limited, certain of which were allotted on 29 April 2015 with the remaining preference shares allotted on 15 April 2016. The Preference Shares were converted into Shares as part of the AML IPO.

The Group's finance expenses include interest expense with respect to the Preference Shares. Interest expense with respect to the Preference Shares was £37.9 million and £93.9 million (including £32.0 million of interest expense and £61.9 million of costs in relation to the conversion of the Preference Shares as part of the AML IPO) in 2017 and 2018, respectively.

The Group presents the below income statement line items excluding the impact of the Preference Shares because the Directors believe that such presentation provides a better understanding of the underlying drivers of the Group's financial performance.

The following table shows the calculation of certain income statement line items excluding the impact of the Preference Shares.

	2017	2018	2019
	<i>(£ millions)</i>		
	<i>(audited, unless otherwise indicated)</i>		
Finance expense .....	(99.9)	(145.2)	(83.9)
Expenses relating to the Preference Shares .....	37.9 <sup>(2)</sup>	93.9 <sup>(2)</sup>	-
Finance expense, excluding impact of the Preference Shares .....	(62.0) <sup>(2)</sup>	(51.3) <sup>(2)</sup>	(83.9)
Profit/(loss) before tax .....	84.5	(68.2)	(104.3)
Expenses relating to the Preference Shares .....	37.9 <sup>(2)</sup>	93.9 <sup>(2)</sup>	-
Profit/(loss) before tax, excluding impact of the Preference Shares .....	122.4 <sup>(2)</sup>	25.7 <sup>(2)</sup>	(104.3)
Income tax (charge)/credit .....	(7.7)	11.1	(0.1)
Tax impact of the Preference Shares <sup>(1)</sup> .....	-	(2.9) <sup>(2)</sup>	-
Income tax (charge)/credit, excluding impact of the Preference Shares .....	(7.7)	8.2 <sup>(2)</sup>	(0.1)
Profit/(loss) for the year .....	76.8	(57.1)	(104.4)
Tax impact of the Preference Shares <sup>(1)</sup> .....	-	(2.9) <sup>(2)</sup>	-
Expenses relating to the Preference Shares .....	37.9 <sup>(2)</sup>	93.9 <sup>(2)</sup>	-
Profit/(loss) for the year, excluding impact of the Preference Shares .....	114.7 <sup>(2)</sup>	33.9 <sup>(2)</sup>	(104.4)

Note:

(1) The estimated reduction in the tax credit attributable to the impact of excluding the Preference Share interest for the year ended 31 December 2018 would be £2.9 million.

(2) Unaudited.

APMs do not constitute a measure of financial performance under IFRS and should not be considered a substitute for operating income, net income, cash flow or other financial measures computed in accordance with IFRS, or as a measure of the Group's future results of operations or liquidity.

#### ROUNDING

Certain numerical figures included in this document have been rounded. Therefore, discrepancies in tables between totals and the sums of the amounts listed may occur due to such rounding. Percentages in tables have been rounded and accordingly may not add up to 100 per cent.

#### CURRENCY INFORMATION

Unless otherwise indicated, references in this document to "pound sterling", "GBP" or "£" are to the lawful currency of the United Kingdom and references to "US dollars", "dollars", "US\$" or "\$" are to the lawful currency of the United States of America.

#### NO PROFIT FORECAST

No statement in this document is intended as a profit forecast and no statement in this document should be interpreted to mean that earnings per share for the current or future financial years would necessarily match or exceed the historical published earnings per share.

#### Notice to investors in the United States of America

Subject to certain exceptions, neither this document nor the Provisional Allotment Letter constitutes, or will constitute, or forms part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or acquire, New Shares, Placing Shares, Nil Paid Rights and/or Fully Paid Rights to any Shareholder with a registered address in, or who is resident of, the United States. If you are in the United States, you may not exercise your Nil Paid Rights or Fully Paid Rights and/or acquire any New Shares offered hereby. Notwithstanding the foregoing, the Company reserves the right to offer and deliver the Nil Paid Rights to, and the Fully Paid Rights and the New Shares may be offered to and acquired by, a limited number of Shareholders in the United States reasonably believed to be QIBs, within the meaning of Rule 144A, or to other persons in offerings exempt from or in a transaction not subject to, the registration requirements

under the Securities Act. The Nil Paid Rights, the Fully Paid Rights and the New Shares being offered outside the United States are being offered in reliance on Regulation S. If you are a QIB located in the United States, in order to exercise your Nil Paid Rights or Fully Paid Rights and/or acquire any New Shares upon exercise thereof, you must sign and deliver an investor letter.

If you sign such an investor letter, you will be, amongst other things: representing that you and any account for which you are acquiring the New Shares, the Nil Paid Rights or the Fully Paid Rights are a QIB; and agreeing not to reoffer, sell, pledge or otherwise transfer the New Shares, the Nil Paid Rights, the Fully Paid Rights or the Provisional Allotment Letters, except: in an offshore transaction in accordance with Rule 904 of Regulation S under the Securities Act (which, for the avoidance of doubt, includes a sale over the London Stock Exchange), and neither the seller nor any person acting on its behalf knows that the transaction has been pre-arranged with a buyer in the United States; to a QIB in a transaction in accordance with Rule 144A; with respect to the New Shares only, pursuant to Rule 144 under the Securities Act (if available); or in another transaction pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, and, in each case, in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

No representation has been, or will be, made by the Company or the Underwriters as to the availability of Rule 144 under the Securities Act or any other exemption under the Securities Act or any applicable securities laws of any state or other jurisdiction of the United States for the reoffer, pledge or transfer of the New Shares.

Any envelope containing a Provisional Allotment Letter and post-marked from the United States will not be valid unless it contains a duly executed investor letter in the appropriate form as described above, any Provisional Allotment Letter in which the exercising holder requests New Shares to be issued in registered form and gives an address in the United States will not be valid unless it contains a duly executed investor letter.

The payment paid in respect of Provisional Allotment Letters that do not meet the foregoing criteria will be returned without interest.

Any person in the United States who obtains a copy of this document and who is not a QIB will be unable to purchase or acquire Nil Paid Rights, Fully Paid Rights, New Shares and is required to disregard this document.

#### **OVERSEAS TERRITORIES**

Shareholders who have registered addresses in or who are resident in, or who are citizens of, all countries other than the UK should refer to paragraph 2.5 of Part III - Terms and Conditions of the Rights Issue.

#### **NOTICE TO ALL SHAREHOLDERS**

Any reproduction or distribution of this document, the Provisional Allotment Letters or the Forms of Instruction, in whole or in part, and any disclosure of its contents or use of any information contained in this document for any purpose other than considering an investment in the Nil Paid Rights, the Fully Paid Rights or the New Shares is prohibited. By accepting delivery of this document and, where applicable, the Provisional Allotment Letters or the Forms of Instruction, each offeree of the Nil Paid Rights, the Fully Paid Rights and the New Shares agrees to the foregoing.

The distribution of this document and any accompanying documents into jurisdictions other than the United Kingdom may be restricted by law. Persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. For further information on the Excluded Territories, please see Part III - Terms and Conditions of the Rights Issue.

No action has been taken by the Company or by the Underwriters that would permit an offer of the Nil Paid Rights, the Fully Paid Rights or the New Shares or possession or distribution of this document, the Provisional Allotment Letters or any other offering or publicity material in any of the Excluded Territories or in any other jurisdictions where the extension and availability of the Rights Issue would breach any applicable law.

#### **AVAILABLE INFORMATION**

If, at any time, the Company is neither subject to Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the **Exchange Act**), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Company will furnish, upon request, to any holder or beneficial holder of Shares, or any prospective purchaser designated by any such holder or beneficial owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act. In such cases, the Company will also furnish to each such owner all notices of general Shareholders' meetings and other reports and communications that the Group generally makes available to Shareholders.

#### **ENFORCEMENT OF CIVIL LIABILITIES**

The ability of an Overseas Shareholder to bring an action against the Company may be limited under law. The Company is a public limited company incorporated in England and Wales. The rights of holders of Shares are governed by English law and by the Company's memorandum and articles of association. These rights differ from the rights of shareholders in typical US corporations and some other non-UK corporations.

An Overseas Shareholder may not be able to enforce a judgment against some or all of the Directors and executive officers. The majority of the Directors and executive officers are residents of the United Kingdom. Consequently, it may not be possible for an Overseas Shareholder to effect service of process upon the Directors and executive officers within that Shareholder's country of residence or to enforce against the Directors and executive officers judgments of courts of that Shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that an Overseas Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the United Kingdom against the Directors or executive officers who are residents of the United Kingdom or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Directors or executive officers in any original action based solely on the foreign securities laws brought against the Company or the Directors in a court of competent jurisdiction in England or other countries.



## RIGHTS ISSUE AND PLACING STATISTICS

Price per New Share under the Rights Issue .....	207 pence
Basis of Rights Issue .....	14 New Shares for every 25 Existing Shares
Number of Shares in issue at 21 February 2020 <sup>(1)</sup> .....	228,002,890
Number of New Shares to be issued by the Company under the Rights Issue <sup>(2)</sup> .....	153,217,942
Issue price per Placing Share .....	400 pence
Number of Placing Shares to be issued by the Company pursuant to the Placing .....	45,600,577
Number of Shares in issue immediately following completion of the Capital Raise <sup>(2)</sup> .....	426,821,409
New Shares and Placing Shares as a percentage of enlarged issued share capital of the Company immediately following completion of the Capital Raise <sup>(2)</sup> .....	47%
Approximate expenses in connection with the Capital Raise .....	£15 million
Approximate net proceeds receivable by the Company from the Capital Raise after expenses .....	£485 million

### Notes:

(1) Being the latest practicable date prior to the date of this document.

(2) Assuming that no Shares are issued as a result of the exercise of any options between 21 February 2020, being the latest practicable date prior to the publication of this document, and Admission of the New Shares becoming effective.

## EXPECTED TIMETABLE FOR THE RIGHTS ISSUE AND THE PLACING<sup>(1) (2)</sup>

Publication and posting of this document, which contains the notice of General Meeting, the Form of Proxy or a Voting Instruction Form .....	27 February 2020
Latest time and date for receipt of General Meeting Voting Instruction Forms .....	10.00 a.m. on 11 March 2020
Latest time and date for receipt of General Meeting Forms of Proxy, submission of CREST Proxy Instructions or registration to vote electronically .....	10.00 a.m. on 12 March 2020
<b>General Meeting</b> .....	<b>10.00 a.m. on 16 March 2020</b>
Issue of the Placing Shares .....	16 March 2020
<b>Record Date for entitlements under the Rights Issue</b> .....	<b>close of business on 16 March 2020</b>
Listing and Admission of the Placing Shares .....	8.00 a.m. on 17 March 2020
Despatch of Provisional Allotment Letters (to Qualifying Non-CREST Shareholders only) and Forms of Instruction (to Qualifying AML Nominee Service Shareholders only) <sup>(3)</sup> .....	17 March 2020
<b>Admission of, and dealings commence in, Nil Paid Rights on the London Stock Exchange</b> .....	<b>8.00 a.m. on 18 March 2020</b>
Existing Shares marked ex-Rights (the Ex-Rights Date) by the London Stock Exchange .....	8.00 a.m. on 18 March 2020
Nil Paid Rights and Fully Paid Rights enabled in CREST (for Qualifying CREST Shareholders only) <sup>(3)</sup> .....	as soon as practicable after 8.00 a.m. on 18 March 2020
CREST stock accounts credited with Nil Paid Rights (for Qualifying CREST Shareholders only) <sup>(3)</sup> .....	as soon as practicable after 8.00 a.m. on 18 March 2020
Latest time for receipt of instructions under Special Dealing Service in respect of Cashless Take-up or disposal of Nil Paid Rights .....	5.00 p.m. on 25 March 2020
Recommended latest time for requesting withdrawal of Nil Paid Rights or Fully Paid Rights from CREST (i.e. if your Nil Paid Rights or Fully Paid Rights are in CREST and you wish to convert them into certificated form) .....	4.30 p.m. on 26 March 2020
Dealings carried out in relation to the Cashless Take-up or disposal of Nil Paid Rights under the Special Dealing Service ....	26 March 2020
Latest time and date for depositing renounced Provisional Allotment Letters, nil paid or fully paid, into CREST or for dematerialising Nil Paid Rights into a CREST stock account .....	3.00 p.m. on 27 March 2020
Latest time and date for splitting Provisional Allotment Letters, nil or fully paid .....	3.00 p.m. on 30 March 2020
Despatch of cheques in relation to net proceeds of disposal of Nil Paid Rights under the Special Dealing Service .....	30 March 2020
<b>Latest time and date for acceptance and payment in full and registration of renounced Provisional Allotment Letters for Non-CREST Shareholders</b> .....	<b>11.00 a.m. on 1 April 2020</b>
Expected date of announcement of results of the Rights Issue through a Regulatory Information Service .....	2 April 2020
<b>Admission of, and dealings commence in, the New Shares, fully paid, on the London Stock Exchange</b> .....	<b>8.00 a.m. on 2 April 2020</b>
New Shares credited to CREST stock accounts (for Qualifying CREST Shareholders only) <sup>(3)</sup> .....	as soon as practicable after 8.00 a.m. on 2 April 2020

Despatch of definitive share certificates for New Shares in certificated form (to Qualifying Non-CREST Shareholders only) <sup>(3)</sup> and Premium Payments (if applicable) of Nil Paid Rights not taken up ..... by no later than 16 April 2020

Despatch of Nominee Statements (to Qualifying AML Nominee Service Shareholders only)<sup>(3)</sup> ..... by no later than 24 April 2020

**Notes:**

- (1) The times and dates set out in the expected timetable of principal events above and mentioned throughout this document, by announcement through a Regulatory Information Services, and in the Provisional Allotment Letter may be adjusted by the Company, in which event details of the new dates will be notified to the FCA and to the London Stock Exchange and, where appropriate, to Shareholders.
- (2) References to times in this document are to London time unless otherwise indicated.
- (3) Subject to certain restrictions relating to Overseas Shareholders. See paragraph 2.5 of Part III - Terms and Conditions of the Rights Issue.

## DIRECTORS, COMPANY SECRETARY AND ADVISERS

### Board of Directors

A list of the members of the Company's Board as at the date of this document is set forth in the table below.

Name	Position
Penny Hughes, CBE . . . . .	Chair
Dr Andrew Palmer, CMG . . . . .	President and Group Chief Executive Officer
Mark Wilson . . . . .	Chief Financial Officer and Executive Vice President
Richard Solomons . . . . .	Senior Independent Non-Executive Director
Amr Ali Abdallah AbouelSeoud . . . . .	Non-Executive Director
Lord Matthew Carrington . . . . .	Independent Non-Executive Director
Mahmoud Samy Mohamed Aly El Sayed . . . . .	Non-Executive Director
Peter Espenhahn . . . . .	Independent Non-Executive Director
Dante Razzano . . . . .	Non-Executive Director
Imelda Walsh . . . . .	Independent Non-Executive Director
Professor Tensie Whelan . . . . .	Independent Non-Executive Director

Following completion of the Capital Raise, Penny Hughes will step down as a Director and the Chair, and Lawrence Stroll (the **Proposed Director**) will join the Board as Executive Chair, effective on 7 April 2020.

Each of the Directors' business address is, and the Proposed Director's business address will be, the Company's registered office address at Banbury Road, Gaydon, Warwick CV35 0DB, United Kingdom.

Telephone: +44 (0) 1926 644 644

**Company Secretary:**

Catherine Sukmonowski

**Registered Office:**

Banbury Road  
Gaydon  
Warwick CV35 0DB  
United Kingdom

**Sole Financial Adviser, Sponsor, Joint Global Co-ordinator and Joint Bookrunner:**

Morgan Stanley & Co. International plc  
25 Cabot Square  
London E14 4QA  
United Kingdom

**Joint Global Co-ordinators and Joint Bookrunners:**

Deutsche Bank AG, London Branch  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

J.P. Morgan Securities plc  
25 Bank Street  
Canary Wharf  
London E14 5JP  
United Kingdom

**Auditors (from 2019):**

Ernst & Young LLP  
Colmore Square  
Birmingham B4 6HQ  
United Kingdom

**Auditors (prior to 2019):**

KPMG LLP  
One Snowhill  
Snow Hill Queensway  
Birmingham B4 6GH  
United Kingdom

**Reporting Accountant:**

Ernst & Young LLP  
Colmore Square  
Birmingham B4 6HQ  
United Kingdom

**Legal advisers to the Company as to English and US law:**

Freshfields Bruckhaus Deringer LLP  
65 Fleet Street  
London EC4Y 1HS  
United Kingdom

**Legal advisers to the Sole Financial Adviser, Sponsor, Joint Global Co-ordinators and Joint Bookrunners as to English and US law:**

Linklaters LLP  
One Silk Street  
London EC2Y 8HQ  
United Kingdom

**Registrar and Receiving Agent**

Equiniti Limited  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA  
United Kingdom



**PART I - LETTER FROM THE CHAIR OF ASTON MARTIN LAGONDA GLOBAL HOLDINGS PLC**

*Directors:*

Penny Hughes, CBE  
Dr Andrew Palmer, CMG  
Mark Wilson  
Richard Solomons  
Amr Ali Abdallah AbouelSeoud  
Lord Matthew Carrington  
Mahmoud Samy Mohamed Aly El Sayed  
Peter Espenhahn  
Dante Razzano  
Imelda Walsh  
Professor Tensie Whelan

*Registered Office:*

Banbury Road  
Gaydon  
Warwick CV35 0DB  
United Kingdom

*Proposed Director:*

Lawrence Stroll

27 February 2020

*To holders of Aston Martin Lagonda Global Holdings plc ordinary shares*

Dear Shareholder

**Proposed Placing of 45,600,577 Placing Shares at 400 pence  
per Placing Share to the Yew Tree Consortium**

**Proposed 14 for 25 Rights Issue of 153,217,942 New Shares at 207 pence  
per New Share**

**Notice of General Meeting**

**1. Introduction**

On 31 January 2020, the Company announced its intention to raise £500 million by way of a strategic investment of £182.4 million by a consortium led by Lawrence Stroll and a rights issue of £317.2 million.

The purpose of this document is to explain the background to and reasons for the Capital Raise, set out the terms and conditions of the Rights Issue and provide you with a Notice of General Meeting to be held to consider and, if thought fit, to pass the Resolutions required to authorise the Company to carry out the Capital Raise.

This document also explains why the Board considers that the Resolutions to be proposed at the General Meeting are in the best interests of Shareholders and why the Board unanimously recommends that Shareholders vote in favour of the Resolutions.

**2. Background to and reasons for the Capital Raise**

***Background to the Capital Raise***

2019 was a challenging year for Aston Martin Lagonda. As a result of weaker trading, the Group was required to revise down guidance for 2019 versus the expectations set out at IPO and in other announcements, first in July 2019 and again in January 2020. The Group's liquidity position has deteriorated significantly, which has prompted an operational and financial review of the business. This has resulted in a revised business plan as announced on 31 January 2020 and

described more fully in this document. The Capital Raise is required for the Group to continue operating as a going concern, to facilitate the successful execution of the reset of the business plan and to provide a platform for the future success of Aston Martin Lagonda. The Capital Raise is also required to ensure the Company can publish a clean viability statement covering the five-year period to 31 December 2024 in its 2019 annual report to be published on or around 17 March 2020.

### *Second Century Plan and the IPO*

At the time of the Company's IPO in October 2018, the Group came to market with a growth story centred on the successful execution of the Second Century Plan. The Second Century Plan was initiated in 2015 with three distinct phases: (i) business stabilisation, (ii) core strengthening, and (iii) expansion of its product portfolio, all aimed at delivering a successful and sustainable luxury business. The Second Century Plan was underpinned by a product strategy to launch seven new core models over seven years, with each model having a seven-year lifecycle. Given the number of product launches taking place in quick succession, the Second Century Plan required an elevated level of capital investment, with an aim to deliver operating leverage in the medium term and to position the Group to capitalise on strong industry tailwinds in the HLS car market.

Phase 1 was completed in 2017, following the introduction of DB11 and the establishment of a clear growth strategy which committed the group to additional investment in manufacturing to realise the future product strategy. Phase 2 was substantially completed in 2018 with the launch of the Vantage and DBS Superleggera, delivering a new range of Aston Martin sports cars. The Group's commitment to its special edition range was significant, including the development of a hypercar, Valkyrie, in collaboration with Red Bull Racing. Phase 3 commenced with the expansion of the Aston Martin portfolio into the SUV market with the Aston Martin DBX.

However, the Second Century Plan ultimately proved to be too ambitious against the unexpectedly large downside risk of underperformance that the business has experienced. The planned product cadence and requirement for new manufacturing facilities was too demanding on the scale of investment and a balance sheet unable to withstand the Group's trading performance in 2019.

### *2019 Trading*

As previously announced, the Group's trading performance diminished throughout 2019, resulting in lower sales, higher selling costs and lower margins versus expectations. The Group started 2019 with elevated levels of company and dealer stocks, partially due to the supply chain disruption at the end of 2018 but also as a result of the lower than expected demand for Vantage and the lead-time required to adjust manufacturing and supply levels.

Consequently, achieving the retail sell through to start to de-stock the dealer network and rebalance the Group's supply levels required more retail and customer financing support than planned, weighing on average selling price. Despite core retail dealer sales increasing by 12 per cent. in 2019 year-on-year, this was not sufficiently high enough to support the Group's expectations of wholesale volumes. As a result of lower than planned wholesales in the first half of 2019, the Group's stock remained elevated at 30 June 2019 and the Group took steps to reduce its outlook for the year accordingly. A further reduction in volumes in the second half of 2019 created an immediate need for liquidity, resulting in the issuance of the \$150 million 12.0 per cent. senior secured split coupon notes due 2022 (the **\$150m 12.0% Notes due 2022**). Pressure on liquidity continued in the fourth quarter as revised targets were not met during the Group's largest selling season.

Whilst dealer stocks at 31 December 2019 were approximately 190 units lower than they were at 31 December 2018, they remain elevated and the Group is focused on repairing the balance between demand and supply, to allow the Group to regain its price positioning.

Finally, costs were higher than planned due to a combination of incremental marketing campaigns in December, particularly in the United States and in support of DBX launch activities, alongside headcount and other selling, general and administrative costs falling short of savings targets.

DB11 and DBS Superleggera have performed comparatively well and have grown market share in recent years but have not been immune to the challenging trading conditions experienced in 2019. Despite gaining share in a declining segment, which was down a double-digit percentage for the year, the Vantage underperformed versus the Group's original expectations, particularly in Europe and the United Kingdom.

The Group's weakening trading performance led to successive downward revisions to the Group's previous 2019 guidance, first in July 2019 and again in January 2020.

As a result of the lower than expected cash generation from operations and considerable investment in both product launches and the additional manufacturing facility at St. Athan, the Group has in parallel experienced a deterioration in its liquidity position since the first quarter of 2019. This led to a requirement for the Group to raise additional debt to maintain liquidity. New debt issuances in 2019 included the \$190 million 6.5 per cent. senior secured notes due April 2022 (the **\$190m 6.5% Notes due 2022**) in April 2019, the \$150m 12.0% Notes due 2022 in October 2019 and a £38.7 million inventory repurchase arrangement (including £6.5 million of VAT) in November 2019. This has resulted in a Net Debt position of £876.2 million and an Adjusted Leverage Ratio of 7.3x as of 31 December 2019.

### *Operational and Financial Review*

The Group conducted a comprehensive review of the business, and longer-term strategic options in light of its 2019 operational and financial performance and a challenging HLS car market. The review has been completed and the Board has agreed a series of actions to reset, stabilise and de-risk the business and position the Group for controlled, long-term, profitable growth. The resetting of the Second Century Plan includes the Capital Raise of £500 million, the rebalancing of supply and demand dynamics, reduced capital expenditure and the re-phasing of some future product launches, together with cost-efficiency initiatives.

The Group is focused on turning around performance, restoring price positioning and delivering a more efficient operational footprint. The reset of the business plan includes a more conservative view for sports car wholesales for 2020, particularly for Vantage, and in the medium term the Group intends to manage sports car wholesales in order to maintain the appropriate balance between supply and demand to regain a stronger order book and thus pricing power.

In addition, the Group will deliver new products this year with DBX, which was unveiled in November 2019 with launch planned for the second quarter of 2020, the Vantage Roadster in the spring and the Aston Martin Valkyrie in the second half of the year.

The Group has reviewed the timing of future product launches to control medium-term investment requirements, improve cash generation and provide greater financial stability and flexibility. The Group's mid-engined core car (Vanquish) is now expected to be unveiled in 2023, following the unveiling of Valhalla in 2022. Development of a fuel-efficient, modular V6 engine with hybrid and plug-in capabilities continues, which will support the Group's core cars being available as hybrid and plug-in hybrid variants from the mid-2020s. The Lagonda brand will now be relaunched no earlier than 2025 (previously 2022) and while development of Rapide E is substantially complete, the programme has been paused pending a review (previously deliveries had been expected to start in 2020).

Special editions continue to be a key component of the reset of the business plan, with the following expected milestones:

- production of the Aston Martin Valkyrie is still expected to ramp up through the second half of 2020;
- deliveries of the *Goldfinger* DB5 Continuations are due to start in 2020 as well as the DBS GT Zagatos, which will complete the DBZ Centenary Collection;
- the V12 Speedster will be unveiled in 2020 with deliveries due to start in the first quarter of 2021;

- the Aston Martin Valkyrie AMR Pro is still expected to be revealed in 2021;
- Valhalla is now expected to be unveiled in 2022; and
- new specials that have not yet been revealed will comprise the balance of one heritage special edition and two contemporary special editions each year.

There have also been changes in the management of Sales, Marketing & Communications and Engineering. Moreover, further to the significant reduction in contractors and a voluntary redundancy and early retirement programme actioned in 2019 that led to an approximately 22 per cent. reduction in headcount year-on-year, additional reductions will be made to rebalance the Group's permanent and contractor headcount. At the same time, approximately 300 new roles will be created at the St. Athan manufacturing facility in addition to the approximately 300 employees already at that site. The Group's property footprint will also reduce alongside selling, general and administrative cost reductions commensurate with the Group's financial and operational ambitions.

The Directors expect these changes to yield £10 million of annualised savings, with £7 million delivered during 2020 after one-off costs, broadly offsetting expected cost increases due to the opening of the new facility in St. Athan.

### *Major Shareholders*

As at 21 February 2020 (being the latest practicable date prior to the publication of this document), the Prestige/SEIG Shareholder Group owns 29.64 per cent. of the Group and the Adeem/PW Shareholder Group (together with the Prestige/SEIG Shareholder Group, the **Major Shareholders**) owns 27.59 per cent. of the Group. The Major Shareholders own 57.23 per cent. of the Group in aggregate, and each currently have the right to appoint two Directors to the Board. With the sad passing of Peter Rogers earlier this year, the Prestige/SEIG Shareholder Group is currently represented by only one Director on the Board. The Major Shareholders have irrevocably undertaken to vote in favour of the Capital Raise.

The Prestige/SEIG Shareholder Group has irrevocably undertaken to take up 100 per cent. of its entitlements under the Rights Issue. The Adeem/PW Shareholder Group has agreed to sell such number of Nil Paid Rights to the Yew Tree Consortium which will result in (i) the Adeem/PW Shareholder Group taking up 38.9 per cent. of its entitlements under the Rights Issue and (ii) the Yew Tree Consortium taking up the remainder of the Adeem/PW Shareholder Group's entitlements. Accordingly, 100 per cent. of the Adeem/PW Shareholder Group's entitlements under the Rights Issue will be taken up by the Adeem/PW Shareholder Group and the Yew Tree Consortium. The Yew Tree Consortium has, in addition, irrevocably undertaken to take up 100 per cent. of its entitlements under the Rights Issue.

Mercedes-Benz AG, which owns 4.18 per cent. of the Company's issued share capital as at 21 February 2020 (being the latest practicable date prior to the publication of this document), has irrevocably undertaken to (i) vote in favour of the Placing and the Rights Issue and (ii) take up 100 per cent. of its entitlements under the Rights Issue.

The Group has also received irrevocable undertakings from other Shareholders (which used to form part of the Prestige/SEIG Shareholder Group) representing 3.16 per cent. of the Company's issued share capital to (i) vote in favour of the Placing and the Rights Issue and (ii) take up 100 per cent. of their entitlements under the Rights Issue.

### *Reasons for the Capital Raise*

The operational and financial review has highlighted the immediate need for additional liquidity to fund its short-term working capital needs, strengthen the balance sheet and ensure the Group has a capital structure that will enable the Group to successfully deliver the reset of the business plan.

### *Reset of the Business Plan*

As noted above, the Group expects to launch DBX, Vantage Roadster and Valkyrie in 2020. Production and delivery of these models are critical to managing the Group's evolution towards becoming a cash flow positive business.

Since the highly successful unveiling of DBX in November 2019, the order book has progressed even better than expected, with approximately 1,800 orders from when it opened on 20 November 2019 to 7 January 2020, with approximately 1,200 of those orders being a combination of customer orders and specifications in progress and approximately 600 dealer-specified to maintain the successful launch of DBX including customer test cars, marketing cars and showroom cars. The order book has continued to build, with total orders taken as at the date of this document in excess of the planned DBX retail target for 2020. Given such strong orders, the key focus of the Group is to ensure that full production and delivery of DBX remain on schedule. The Group has an established record of starting production and delivering its cars on time, and the Capital Raise will help to ensure the Group has sufficient cash flow to continue operations through to the start of delivery of DBX, with an improving cash flow profile expected thereafter.

Aston Martin is a well-known and well-established brand, and the Group has a clear pathway to becoming a cash-generative business, but near-term liquidity support is required to ensure the delivery of the 2020 pipeline and beyond. The Capital Raise is intended to support the future success of the Group.

In addition to the near-term liquidity needs, the Group's Adjusted Leverage Ratio of 7.3x as at 31 December 2019, with a Net Debt position of £876.2 million, is too high to support the business in the medium and long terms. The Group has £829.9 million of financial debt maturing in April 2022. Therefore, ensuring that the Group's balance sheet is improved ahead of the refinancing process commencing is critical to ensure the capital structure can be extended and refinanced on appropriate terms.

Improving the balance sheet through the Capital Raise will also allow the Group to adopt a more demand-driven approach to inventory and pricing management, restoring pricing power and thereby improving profitability in the short, medium and long terms, together with increasing brand equity.

### *Benefits of the Yew Tree Consortium Investment*

The strength of the Aston Martin Lagonda brand has been apparent with the significant interest the Group received from a variety of potential strategic investors over the recent months. The Board considered and discussed all proposals received prior to making the announcement on 31 January 2020 in relation to the proposed investment in the Group by the Yew Tree Consortium led by Lawrence Stroll. The other members of the consortium are André Desmarais (former CEO of Power Corp. Canada) and his family, Michael de Picciotto (Vice-Chairman of the Supervisory Board of Engel & Völkers AG), Silas Chou (the Hong Kong fashion sector investor), John Idol (Chairman and CEO of Capri Holdings), Lord Anthony Bamford (Chairman of JCB) and John McCaw (former part-owner of McCaw Cellular).

The following table sets forth the percentage investment in the Yew Tree Consortium by each consortium member.

Lawrence Stroll (Yew Tree) <sup>(1)</sup>	86.4
John Idol	4.25
Lord Anthony Bamford (J.C.B. Research)	4.25
Michael de Picciotto (Saint James Invest SA)	2.13
André Desmarais and his family (Francinvest Holding Corporation)	1.70
John McCaw (RRRR Investments LLC)	1.28

(1) Includes an indirect holding of 4.25% of the Yew Tree Consortium held by Silas Chou and certain members of his family.



The Board believes that the Yew Tree Consortium represents the most compelling proposition for the Group. As announced on 31 January 2020, the Yew Tree Consortium will invest £182.4 million by way of a placing of Shares representing 16.67 per cent. of the post-Placing issued share capital of the Group. This will be followed by the Rights Issue to raise an additional £317.2 million.

In addition, in early February 2020 Yew Tree provided the Group with £55.5 million of short-term working capital support, the financial terms of which are significantly more favourable than the Delayed Draw Notes, in order to improve the liquidity of the Group immediately. It is intended that these funds will be refunded upon completion of the Placing. For more detail, please see paragraph 18.1.6 of part IX - Additional Information.

Subject to completion of the Capital Raise, Mr. Stroll will join the Board as Executive Chair, effective on 7 April 2020. Mr. Stroll has a great deal of experience and success in building some of the world's most prominent luxury brands such as Tommy Hilfiger and Polo Ralph Lauren, and notably led the IPO of Michael Kors which went on to enjoy further strong growth as a publicly listed company. Mr. Stroll has also been for many years an active investor in the racing and luxury car industry, historically including the Ferrari dealership in Quebec and Circuit Mont-Tremblant and currently the Racing Point Formula 1™ team.

In addition, the Group has entered into an agreement under which the Racing Point F1™ team will become the Aston Martin F1™ team with effect from the 2021 season. This agreement is for a 10-year initial term and the Group will receive an economic interest in the team. The agreement also includes a sponsorship arrangement from 2021 and for the subsequent four years with commercial terms commensurate with the Group's current annual F1™ expenditure, renewable for five years, subject to satisfying certain conditions at the time.

For the 2020 F1™ season the Group will continue with its proud sponsorship of the Red Bull Racing F1™ Team, and the technology partnership between the Group and Red Bull Advanced Technologies will continue until the Aston Martin Valkyrie is delivered.

The Group's medium-term leverage target is to be under 2.0x EBITDA, which the Board believes is appropriate for the business. The Capital Raise would accelerate progress towards this target and provide the Group's customers, suppliers and stakeholders with confidence in the Group; alleviating any immediate concerns relating to near-term liquidity.

### **3. Use of proceeds**

The Capital Raise is expected to raise approximately £500 million in gross proceeds and approximately £485 million in net proceeds, which the Group expects to use to improve liquidity, finance the ramp-up in production of DBX and deliver the turnaround of the Company's performance. The Group will use a portion of the net proceeds of the Placing to refund the £55.5 million of short-term working capital support provided by Yew Tree to the Group in early February 2020 and between £70 million and £100 million to fund the working capital needs of the business in the first half of 2020 to facilitate the delivery of DBX, Valkyrie and other special editions in 2020. The remaining approximately £329.5 million to £359.5 million will be used for general corporate purposes in support of the reset of the business plan.

### **4. Financial impact of the Capital Raise**

Had the Capital Raise taken place as at the last balance sheet date, being 31 December 2019, the effect on the balance sheet would have been an increase in cash and cash equivalents of approximately £485 million.

Your attention is also drawn to Part VII – Unaudited Pro Forma Financial Information, which contains an unaudited pro forma statement of net assets that illustrates the effect of the Capital Raise on the Group's net assets as at 31 December 2019 as if the Capital Raise had been undertaken at that date.

## **5. Terms of the Placing, the Rights Issue and the New Shares**

### ***The Placing***

The Placing comprises 45,600,577 Placing Shares (representing 19.99 per cent. of the Company's existing issued ordinary share capital). The Yew Tree Consortium will subscribe for, and the Company will issue and allot to the Yew Tree Consortium, the Placing Shares at an issue price of 400 pence per Placing Share, and the Company will therefore raise £182.4 million (before expenses). The Placing Shares will represent 16.67 per cent. of the Company's issued ordinary share capital immediately following completion of the Placing and prior to the Rights Issue.

The price at which the Placing Shares will be issued to the Yew Tree Consortium represents a 0.67 per cent. discount to the closing price of 402.7 pence per Share on 30 January 2020 (the last Business Day before the Capital Raise was announced to the market). The price per Placing Share is not directly connected to the Issue Price of the Rights Issue.

The Placing and the obligations of the Yew Tree Consortium to subscribe for the Placing Shares are conditional on the Resolutions being duly passed at the General Meeting, Admission of the Placing Shares occurring at or before 8.00 a.m. on 17 March 2020, none of the warranties or undertakings in the Placing Agreement being breached and none of the warranties becoming untrue, inaccurate or misleading. Assuming the Resolutions are passed, the Placing Shares will be registered in the names of the members of the Yew Tree Consortium in accordance with their respective placing allocations on the Record Date.

Applications will be made for the Placing Shares to be admitted to listing on the Official List and to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission of the Placing Shares will become effective and dealings in the Placing Shares will commence at 8.00 a.m. on 17 March 2020.

The Placing Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Shares, including the right to receive all dividends or other distributions declared, made or paid after the date of their issue. As a result, each of the members of the Yew Tree Consortium will be eligible to participate in the Rights Issue, and the Yew Tree Consortium has irrevocably undertaken to take up its rights in full in respect of the New Shares to which it is entitled. In addition, the Yew Tree Consortium has agreed to purchase certain Nil Paid Rights from the Adeem/PW Shareholder Group.

It is expected that the Yew Tree Consortium's shareholding in the Company immediately following the Rights Issue will represent approximately 21.71 per cent. of the Company's issued ordinary share capital.

Shareholders will experience a dilution of their shareholding in the Company of 16.67 per cent. as a result of the Placing.

### ***The Rights Issue and the New Shares***

The Company is proposing to raise proceeds of £317.2 million (before expenses) pursuant to the Rights Issue. The Rights Issue is being underwritten by the Underwriters (other than the New Shares for which the Committed Shareholders have irrevocably undertaken to subscribe), subject to certain customary conditions. The principal terms of the underwriting agreement are summarised in paragraph 17.1 of Part IX - Additional Information.

The Company proposes to issue 153,217,942 New Shares in connection with the Rights Issue. Subject to the fulfilment of, among other things, the conditions set out below, New Shares will be offered to Qualifying Shareholders at an Issue Price of 207 pence per New Share, payable in full on acceptance. The Rights Issue will be offered on the basis of:

#### **14 New Shares at 207 pence per New Share for every 25 Existing Shares**

held on the Record Date (and so in proportion for any other number of Existing Shares then held) and otherwise on the terms and conditions as set out in this document and, in the case of Qualifying Non-CREST Shareholders and Qualifying AML Nominee Service Shareholders also in the Provisional Allotment Letters and the Forms of Instruction, respectively.

The Issue Price of 207 pence per New Share represents a discount of approximately 47 per cent. to the closing price of 391 pence per Existing Share on 26 February 2020 (the last Business Day before the publication of this document) and a discount of approximately 36 per cent. to the theoretical ex-rights price of 325 pence per Share by reference to the closing price on the same basis.

Entitlements to New Shares will be rounded down to the nearest whole number (or to zero) and fractions of New Shares will not be allocated to Qualifying Non-CREST Shareholders or Qualifying CREST Shareholders but will be aggregated and issued into the market for the benefit of the Company. Holdings of Existing Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

The Rights Issue is conditional, among other things, upon:

- (i) the Underwriting Agreement having become unconditional in all respects save for the condition relating to Admission of the New Shares, nil paid;
- (ii) Admission of the New Shares, nil paid, becoming effective by not later than 8.00 a.m. on 18 March 2020 (or such later time and/or date as the Joint Global Co-ordinators and the Company may agree); and
- (iii) the passing of the Resolutions at the General Meeting without material amendment.

The Rights Issue will result in 153,217,942 New Shares being issued (representing approximately 56 per cent. of the expected issued share capital immediately following the Placing and 36 per cent. of the enlarged issued share capital immediately following completion of the Capital Raise).

The New Shares, when issued and fully paid, will rank *pari passu* in all respects with the Existing Shares, including the right to receive dividends or distributions made, paid or declared after the date of issue of the New Shares. Application will be made to the FCA and to the London Stock Exchange for the New Shares to be admitted to the premium listing segment of the Official List and to trading on the main market of the London Stock Exchange. It is expected that Admission of the New Shares will occur and that dealings in the New Shares (nil paid) on the London Stock Exchange will commence at 8.00 a.m. on 2 April 2020.

Some questions and answers, together with details of further terms and conditions of the Rights Issue, including the procedure for acceptance and payment and the procedure in respect of rights not taken up, are set out in Part II and Part III of this document and where relevant will also be set out in the Provisional Allotment Letter.

Overseas Shareholders should refer to paragraph 2.5 of Part III - Terms and Conditions of the Rights Issue for further information on their ability to participate in the Rights Issue.

## **6. Intentions of the Directors**

The Directors, who hold in aggregate 4,315,841 Existing Shares, representing approximately 1.89 per cent. of the Company's existing issued ordinary share capital as at 21 February 2020 (being the last practicable date prior to the publication of this document), each intend to take up their rights in full or in part in respect of the New Shares to which they are entitled or, where their Shares are held in trust or with nominees, such Directors intend to recommend that such rights be taken up in full or in part.

## **7. Current trading and prospects in respect of the Group**

Since 1 January 2020, the Group has been trading in line with its revised budget and has continued to focus on de-stocking the dealer network with low wholesales as expected in line with its budget.

In addition, in early February 2020 Yew Tree provided the Group with £55.5 million of short-term working capital support, the financial terms of which are significantly more favourable than the

Delayed Draw Notes, in order to improve the liquidity of the Group immediately. It is intended that these funds will be refunded upon completion of the Placing. For more detail, please see paragraph 18.1.6 in Part IX - Additional Information.

Going forward, 2020 is the year in which the business will be reset in order that it can start to operate as a true luxury car brand. This process is absolutely necessary for the long term performance and value of the Company.

The uncertainties and risks to the financial performance in 2020 will include:

- Sports car wholesales for 2020 are planned to be materially lower than in 2019 as the Company focuses on further reducing dealer inventories to a luxury norm. The Company is planning to control and align shipments to dealers with customer demand in order to build a stronger order book and regain price positioning.
- DBX and Aston Martin Valkyrie are key launch programmes for the business. Both currently remain on plan. At St. Athan the DBX production trial to test line and suppliers at run-rate and to ensure that the final build quality meets required standards has started. Initial deliveries are scheduled for summer 2020, subject to any COVID-19 impact on the supply chain and completion of quality maturation. Management will be fully focused on overseeing the delivery of these programmes.
- Adjusted EBITDA in 2020 is expected to be almost entirely weighted in the second half of the year due to initial deliveries of DBX and special editions and as first half revenue is expected to decline as wholesales are managed. The final outcome for the year will depend significantly on the successful execution of model roll-outs and special editions in the second half. The Directors expect operational cost savings to yield £10 million of annualised savings, with £7 million delivered during 2020 after one-off costs, broadly offsetting expected cost increases due to the opening of the new facility in St. Athan.
- In light of the ongoing evolution of COVID-19, the primary concern remains the health and safety of colleagues and their families, business partners and the local communities and the Company continues to provide all the support possible. Public health measures advised by governments are being followed in support of their efforts to contain the spread of the virus.
- COVID-19 has the potential to impact both the supply chain and customer demand in China and other markets. China was the Company's fastest growing market in 2019 and represented nine per cent. of total wholesales. None of the Company's tier 1 suppliers manufactures in China. The supply chain is being proactively managed in China and other markets. Despite some disruption to supply of some components from China there has been no impact on production. Supply is secured until at least the end of March.

Capital expenditure in 2020 is expected to be approximately £285 million in 2020, with approximately half of this investment in the first quarter and two-thirds in the first half, reflecting final St. Athan and DBX development costs. Depreciation and amortisation is expected to be approximately £220 million and net interest approximately £90 million (income statement charge assuming current exchange rates prevail for 2020). Working capital outflow of about £100 million is expected for 2020. In the first half of 2020, up to £100 million of incremental inventory for DBX is expected to be partially offset by receivables unwind and deposit inflows.

The Company's focus is on the successful completion of the Placing and Rights Issue and the delivery of key model roll out milestones. The Company will continue to update its guidance to the market as the year progresses. The Company confirms its belief in the longer-term opportunity for significant growth and recovery of margins in order to achieve a path to a cash generative, global luxury car brand through the resetting of the business during 2020.

## **8. Dividends and dividend policy**

The Group is focused on improving its liquidity position, strengthening its balance sheet and successfully executing the reset of the business plan. It is therefore the Directors' intention during the current phase of the Group's development to retain the Group's cash flow to achieve these objectives. The Directors intend to review, on an ongoing basis, the Company's dividend policy

and will consider the payment of dividends as the Group's strategy matures, depending upon the Group's free cash flow, financial condition, future prospects and any other factors deemed by the Directors to be relevant at the time.

## **9. General Meeting and Resolutions**

You will find set out at the end of this document a notice convening a general meeting of the Company to be held at 10.00 a.m. on 16 March 2020 at Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HT, United Kingdom. This general meeting is being held for the purpose of considering and, if thought fit, passing the Resolutions. A summary and explanation of the Resolutions is set out below, but please note that this does not contain the full text of the Resolutions and you should read this section in conjunction with the Resolutions in the Notice of General Meeting at the end of this document.

Two of the Resolutions are ordinary resolutions authorising the Board to (i) implement the Placing and allot the Placing Shares and (ii) implement the Rights Issue and allot the New Shares. The ordinary resolutions will pass if more than a 50 per cent. majority of the votes cast (either in person or by proxy) vote in favour of each. These Resolutions are required because the Company currently does not have the authority to allot Shares.

Two of the Resolutions are special resolutions to (i) disapply pre-emption rights in connection with the Placing and (ii) disapply pre-emption rights in connection with the Rights Issue. The special resolutions will pass if more than 75 per cent. majority of the votes cast (either in person or by proxy) vote in favour of each. The Companies Act and the Listing Rules allow for the disapplication of pre-emption rights which may be waived by a special resolution of Shareholders, either generally or specifically, for a maximum period not exceeding five years. Disapplication of pre-emption rights allows the Board to impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter.

Each of the Resolutions is conditional on all of the other Resolutions being passed.

## **10. Overseas Shareholders**

The attention of Shareholders who have registered addresses outside the United Kingdom, or who are citizens or residents of countries other than the United Kingdom, or who are holding Shares for the benefit of such persons (including, without limitation, custodians, nominees, trustees and agents) or who have a contractual or other legal obligation to forward this document, a Provisional Allotment Letter and any other document in relation to the Rights Issue to such persons, is drawn to the information which appears in paragraph 2.5 of Part III - Terms and Conditions of the Rights Issue.

New Shares will be provisionally allotted (nil paid) to all Shareholders on the register on the Record Date, including Overseas Shareholders. However, Provisional Allotment Letters will not be sent to Shareholders with registered addresses, or who are resident or located, in an Excluded Territory or, subject to certain exceptions, the United States, nor will the CREST stock account of Shareholders with registered addresses, or who are resident or located, in an Excluded Territory, or, subject to certain exceptions, the United States, be credited with Nil Paid Rights. Any person with a registered address, or who is resident or located, in the United States or an Excluded Territory who obtains a copy of this document or a Provisional Allotment Letter is required to disregard them, except with the consent of the Company.

Notwithstanding any other provision of this document or the Provisional Allotment Letter, the terms of the Rights Issue relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company in its absolute discretion.

In addition, Overseas Shareholders should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their entitlements to the Rights Issue.



## **11. Taxation**

Your attention is drawn to Part VIII – Taxation. If you are in any doubt as to your tax position, you should consult your own professional adviser without delay.

## **12. Share-Based Incentive Plans**

The remuneration committee is currently considering the impact of the Capital Raise on outstanding awards under the LTIP. While the remuneration committee has the power to adjust the number of Shares under awards, it does not currently anticipate using this power. The remuneration committee may amend the performance conditions to ensure performance is measured on a like-for-like basis before and after the Capital Raise. No decision has been taken at this time as to whether to adjust performance conditions and this matter will be considered further during 2020. If the remuneration committee decides any adjustments would be appropriate, those would be set out in the 2020 Directors' Remuneration Report to be included in the Company's 2020 annual report.

In respect of the Shares held by the Executive Directors under the legacy IPO LTIP, each of the Directors will instruct the nominee who holds the shares on their behalf to sell sufficient Nil Paid Rights to enable the nominee to take up the balance of the rights. The resulting Shares will be released in three equal tranches on the second, third and fourth anniversary of IPO (being the relevant release dates under the legacy IPO LTIP).

## **13. Actions to be taken**

Shareholders will find enclosed with this document a Form of Proxy or, in the case of Qualifying AML Nominee Service Shareholders, a Voting Instruction Form, for use at the General Meeting. You are requested to complete and sign the Form of Proxy or Voting Instruction Form whether or not you propose to attend the General Meeting in person in accordance with the instructions printed on it so as to be received by the Registrar, Equiniti Limited, at the return address on the enclosed Form of Proxy, as soon as possible, and in any event no later than 10.00 a.m. on 12 March 2020 in the case of Forms of Proxy, and 10.00 a.m. on 11 March 2020 in the case of Forms of Instruction.

If you hold Existing Shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the Notice of General Meeting at the end of this document on page 385. The completion and return of a Form of Proxy (or the electronic appointment of a proxy) will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof, if you wish to do so and are so entitled.

If you are a Qualifying Non-CREST Shareholder, a Provisional Allotment Letter will be dispatched to you giving you details of your Nil Paid Rights by post on or about 17 March 2020. If you are a Qualifying AML Nominee Service Shareholder, a Form of Instruction will be dispatched to you giving you details of your Nil Paid Rights by post on or about 17 March 2020. If you are a Qualifying CREST Shareholder, you will not be sent a Provisional Allotment Letter or a Form of Instruction. Instead, you will receive a credit to your appropriate stock accounts in CREST in respect of Nil Paid Rights, which it is expected will take place as soon as practicable after 8.00 a.m. on 18 March 2020. Such crediting does not in itself constitute an offer of New Shares.

If you sell or have sold or otherwise transferred all of your Shares held (other than ex-rights) in certificated form before 8.00 a.m. on 18 March 2020, please forward this document and any Provisional Allotment Letter, if and when received, at once to the purchaser or transferee or the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee, except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including, but not limited to, the United States and the Excluded Territories.

If you sell or have sold or otherwise transferred only part of your holding of Existing Shares (other than ex-rights) held in certificated form before the Ex-Rights Date, you should refer to the

instruction regarding split applications in Part III - Terms and Conditions of the Rights Issue of this document and in the Provisional Allotment Letter.

If you sell or have sold or otherwise transferred all or some of your Shares (other than ex-rights) held in uncertificated form before the Ex-Rights Date, a claim transaction will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

**The latest time and date for acceptance and payment in full in respect of the Rights Issue is expected to be 11.00 a.m. on 1 April 2020, unless otherwise announced by the Company. The procedure for acceptance and payment is set out in Part III - Terms and Conditions of the Rights Issue of this document and, if applicable, in the Provisional Allotment Letter.**

For Qualifying Non-CREST Shareholders who take up their rights in the Rights Issue, the New Shares will be issued in certificated form and will be represented by definitive share certificates, which are expected to be despatched by no later than 16 April 2020 to the registered address of the person(s) entitled to them.

For Qualifying AML Nominee Service Shareholders who take up their rights in the Rights Issue, the New Shares will be issued to the nominee and Equiniti Financial Services Limited will issue Nominee Statements to confirm the number of Shares received under the Rights Issue and the new balance held on behalf of such shareholders at that date, which are expected to be despatched by no later than 24 April 2020 to the registered address of the person(s) entitled to them.

For Qualifying CREST Shareholders who take up their rights, the Receiving Agent will instruct CREST to credit the stock accounts of the Qualifying CREST Shareholders with their entitlements to New Shares. It is expected that this will take place as soon as practicable after 8.00 a.m. on 2 April 2020.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsor regarding the action to be taken in connection with this document and the Rights Issue.

If you are in any doubt as to the action you should take, you should immediately seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the FSMA or, if you are outside the United Kingdom, by another appropriately authorised independent financial adviser.

#### **14. Special Dealing Service**

The Company has engaged Equiniti Financial Services Limited to make available the Special Dealing Service in order for Qualifying Non-CREST Shareholders (who are private individuals and whose registered addresses are in the United Kingdom or any other jurisdiction in the EEA) to sell all of the Nil Paid Rights to which they are entitled or to effect a Cashless Take-up should they wish. Further information about the Special Dealing Service is set out in paragraph 2.1.5 of Part III - Terms and Conditions of the Rights Issue of this document and the Special Dealing Service Terms and Conditions will be posted to Qualifying Non-CREST Shareholders together with the Provisional Allotment Letters.

#### **15. Further information**

Your attention is drawn to the further information set out in Part II - Some Questions and Answers about the Rights Issue and the Placing to Part X – Definitions and Glossary (inclusive) of this document. Shareholders should read the whole of this document and not rely solely on the information set out in this letter. In addition, you should consider the Risk Factors starting on page 8 of this document.

#### **16. Importance of your vote**

Your attention is again drawn to the fact that the Capital Raise is conditional and dependent upon, amongst other things, the Resolutions, all of which are inter-conditional, being passed at the General Meeting.

If the Resolutions are not passed and the Capital Raise does not proceed:

- The Group will be unable to fund its short-term working capital needs required for the reset of the business plan; consequently
- The Board will be required to take immediate restructuring action and cease near-term investment.
- Despite the restructuring action, the Group may not be considered a 'going concern', and may not receive a clean viability statement from its auditors.
- As a result of the above, the Company and key trading companies in the Group could enter into administration or liquidation shortly thereafter, which could be as early as the next six months.

Shareholders are therefore asked to vote in favour of the Resolutions at the General Meeting in order for the Capital Raise to proceed. The Directors believe that, in addition to alleviating the severe concerns regarding near-term liquidity and avoiding the refinancing difficulties described below, the successful completion of the Capital Raise will significantly strengthen the Group's balance sheet and will enable the Group to make planned investments to deliver the reset of the business plan and to realise essential opportunities for future growth.

The Group's diminished trading performance in 2019, together with the need to fund ongoing product development capital expenditure, a ramp-up in DBX production capabilities ahead of delivery commencing on schedule in the second quarter of 2020, working capital and debt service requirements are expected to generate an even more acute liquidity shortfall in the middle of 2020.

If the Capital Raise does not proceed, increasing awareness of the Group's challenged financial situation could lead to an increase in customer and supplier concerns around the Group's continued viability. This could prompt weakened credit terms with suppliers, which could cause a significant cash outflow. As at 31 December 2019, trade creditors for the Group were £138.5 million, so a reduction in settlement times would result in material incremental working capital pressure and consequent funding requirements, with no certainty that they could be met.

Improving the balance sheet through the Capital Raise will also allow the Group to adopt a more demand-driven approach to inventory and pricing management, restoring pricing power and thereby improving profitability in the short, medium and long terms, together with increasing brand equity.

Lower than expected cash generation from operations and considerable investment in both product launches and the additional manufacturing facility at St. Athan has led to a requirement for the Group to raise additional debt in recent months. New debt issuances in 2019 included the \$190m 6.5% Notes due 2022 in April 2019, the \$150m 12.0% Notes due 2022 in October 2019 and a £38.7 million inventory repurchase arrangement (including £6.5 million of VAT) in November 2019. This has resulted in a Net Debt position of £876.2 million and an Adjusted Leverage Ratio of 7.3x as of 31 December 2019. With £829.9 million of the Group's financial debt maturing in April 2022, the Group's balance sheet must be improved ahead of the refinancing process commencing to facilitate a capital structure with appropriate financing terms.

However, if the Resolutions are not passed and the Capital Raise therefore does not proceed, the Company will not receive the proposed net proceeds of the Capital Raise and will have an immediate liquidity shortfall and be unable to fund its short-term working capital needs required for the reset of the business plan. In this scenario, the Group would put in place an action plan to mitigate the immediate working capital shortfall, which would first involve extending the period of payments to various suppliers, together with ceasing all near-term discretionary investment in vehicle development.

The mitigating actions would lead to faster sales decay profiles of current models, as well as reduced performance, delays to, or the outright cancellation of, one or more future model programmes, which the Directors believe is not a credible option should the Group wish to

continue trading. If the Group were forced to cancel any orders for which customers have prepaid a deposit, the Group would be liable to return the deposits in respect of those cancelled orders. As of 31 December 2019, the Group held £78.5 million of refundable customer deposits and advances. Despite these changes to the business plan, the Company and key trading companies in the Group could still be required to enter into administration or liquidation shortly thereafter.

In addition, the Group would need to seek alternative financing arrangements. The Group has the option, on or prior to 15 July 2020, to draw an additional \$100 million under the Delayed Draw Notes. However, the Delayed Draw Notes alone would not be sufficient to cover the immediate liquidity shortfall and would lead to the further deterioration of the Group's financial position given the punitive interest cost.

The Company is not currently discussing with potential lenders any further arrangements and believe that the terms of any new arrangements, if available at all, and particularly given the Group's continuing deterioration in credit position (highlighted by the recent Moody's downgrade to Caa1 on 14 January 2020), would likely be significantly more expensive and onerous than those which apply under the Group's existing financing arrangements. The Group would also have to seek other forms of funding, such as a new equity restructuring, which may result in a material dilution of the equity interests of Shareholders in the Company.

Given the immediate working capital shortfall in the event the Capital Raise does not successfully complete, despite the Board and the boards of the relevant Group companies taking immediate restructuring action, the Company and key trading companies in the Group may enter into administration or liquidation in the near term, which could be as early as the next six months. Even if the near-term liquidity challenges can be alleviated, the Group would experience a significant liquidity shortfall within the next 18 months in the event the Capital Raise does not successfully complete if a reasonable downside scenario were to occur, even despite mitigating actions being effected by the boards of the relevant Group companies.

Consequently, the Group is exposed to significant liquidity risks over the near, medium and long terms in the absence of the proceeds of the Capital Raise which, without such proceeds, could result in the loss by Shareholders of all or part of their investment in the Company.

**Accordingly, it is critical that Shareholders vote in favour of the Resolutions, as the Board considers the Capital Raise to represent the best transaction possible for the Company, Shareholders and its stakeholders as a whole in the current circumstances.**

#### **17. Recommendation and voting intentions**

**The Board believes the Capital Raise and the Resolutions to be in the best interests of the Shareholders as a whole. Accordingly, the Board unanimously recommends that the Shareholders vote in favour of the Resolutions to be proposed at the General Meeting to approve the Capital Raise, as the Directors each intend to do in respect of their own legal and beneficial holdings, amounting to 4,315,841 Existing Shares (representing approximately 1.89 per cent. of the Company's existing issued ordinary share capital as at 21 February 2020 (being the last practicable date prior to the publication of this document)).**

Yours faithfully,  
for and on behalf of Aston Martin Lagonda Global Holdings plc

Penny Hughes, CBE  
Chair

## **PART II - SOME QUESTIONS AND ANSWERS ABOUT THE RIGHTS ISSUE AND THE PLACING**

*The questions and answers set out in this Part II are intended to be in general terms only and, as such, you should read Part III - Terms and Conditions of the Rights Issue of this document for full details of what action you should take in connection with the Rights Issue. If you are in any doubt as to what action you should take, you are recommended to seek immediately your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser, duly authorised under the FSMA if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.*

*This Part II deals with general questions relating to the Rights Issue and the Placing and more specific questions relating to Shares held by persons resident in the United Kingdom who hold their Shares in certificated form only. If you are an Overseas Shareholder, you should read paragraph 2.5 of Part III - Terms and Conditions of the Rights Issue of this document and you should take professional advice as to whether you are eligible and/or you need to observe any formalities to enable you to take up your rights. If you hold your Shares in uncertificated form (that is, through CREST) you should read Part III - Terms and Conditions of the Rights Issue of this document for full details of what action you should take. If you are a CREST sponsored member, you should also consult your CREST sponsor. If you do not know whether your Shares are in certificated or uncertificated form, please call the Shareholder Helpline at Equiniti on 0333 207 6530 (+44 121 415 0915 if calling from outside the United Kingdom). Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 8.30 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Equiniti cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.*

*Times and dates referred to in this Part II have been included on the basis of the expected timetable for the Rights Issue and the Placing set out in Part III - Terms and Conditions of the Rights Issue of this document.*

### **1. What is a rights issue?**

A rights issue is a way for companies to raise money. Companies do this by giving their existing shareholders a right to buy further shares in proportion to their existing shareholdings.

The offer under this Rights Issue is at a price of 207 pence per New Share. If you hold Shares on the Record Date, subject to certain exceptions, you will be entitled to buy New Shares under the Rights Issue unless you have sold or otherwise transferred those Shares (other than ex-rights) prior to the Ex-Rights Date. If you hold your Existing Shares in certificated form, your entitlement will be set out in your Provisional Allotment Letter, which is due to be sent to you on 17 March 2020. If you hold your Existing Shares through the AML Nominee Service, your entitlement will be set out in your Form of Instruction, which is due to be sent to you on 17 March 2020.

New Shares are being offered to Qualifying Shareholders in the Rights Issue at a discount to the share price on the last dealing day before the Capital Raise was announced on 30 January 2020. The Issue Price of 207 pence per New Share represents a 36 per cent. discount to the theoretical ex-rights price of 325 pence per Share based on the closing price of an Existing Share of 391 pence per Share on 26 February 2020, the last Business Day before the publication of this document. As a result of this discount and while the market value of the Existing Shares exceeds the Issue Price, the right to buy the New Shares is potentially valuable.

The Rights Issue is on the basis of 14 New Shares for every 25 Existing Shares held by Qualifying Shareholders on the Record Date.

If you are a Qualifying Shareholder and you do not want to buy the New Shares to which you are entitled, you can instead sell or transfer your rights (called Nil Paid Rights) to those New Shares and receive the net proceeds, if any, of the sale or transfer in cash. This is referred to as “dealing nil paid”.



## **2. What is the Placing?**

Pursuant to the Placing, the Yew Tree Consortium will subscribe for, and the Company will issue and allot to the Yew Tree Consortium, 45,600,577 Placing Shares (representing 19.99 per cent. of the Company's existing issued ordinary share capital). The Yew Tree Consortium will subscribe for the Placing Shares at an issue price of 400 pence per Placing Share, and the Company will therefore raise £182.4 million (before expenses). The Placing Shares will represent 16.67 per cent. of the Company's issued ordinary share capital immediately following completion of the Placing and prior to the Rights Issue.

As a result of the Placing, each of the members of the Yew Tree Consortium will be a Qualifying Shareholder for the purposes of the Rights Issue and intends to take up its rights in full in respect of the New Shares to which it is entitled. It is expected that the Yew Tree Consortium's shareholding in the Company immediately following the Rights Issue will represent approximately 21.71 per cent. of the Company's issued ordinary share capital.

Shareholders will experience a dilution of their shareholding in the Company of 16.67 per cent. as a result of the Placing.

## **3. What happens next?**

The Company has called a General Meeting to be held at 10.00 a.m. on 16 March 2020 at Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HT, United Kingdom. Please see the Notice of General Meeting at the end of this document. As you will see from the contents of the Notice of the General Meeting, the Directors are seeking shareholder approval to (i) implement the Placing and allot the Placing Shares, (ii) implement the Rights Issue and allot the New Shares, (iii) disapply pre-emption rights in connection with the Placing and (iv) disapply pre-emption rights in connection with the Rights Issue. If you are not able to (or do not) take up your Nil Paid Rights under the Rights Issue, then you will experience a dilution of your shareholding in the Company as a result of the Rights Issue.

Unless you hold your Shares indirectly, you will find enclosed with this document a Form of Proxy or, in the case of Qualifying AML Nominee Service Shareholders, a Voting Instruction Form, for use in relation to the General Meeting. You are requested to complete and sign the Form of Proxy or Voting Instruction Form whether or not you propose to attend the General Meeting in person in accordance with the instructions printed on it so as to be received by the Registrar, Equiniti Limited, at the return address on the enclosed Form of Proxy or Voting Instruction Form, as soon as possible, and in any event no later than 10.00 a.m. on 12 March 2020 in the case of Forms of Proxy, and 10.00 a.m. on 11 March 2020 in the case of Forms of Instruction.

As an alternative to completing and returning the printed Form of Proxy, you can also submit your proxy electronically by accessing the Registrar's website at [www.sharevote.co.uk](http://www.sharevote.co.uk). Alternatively, if you hold Existing Shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the Notice of the General Meeting at the end of this document on page 385. To be valid, the electronic submission or CREST Proxy Instruction should be received no later than 10.00 a.m. on 12 March 2020 or not later than 48 hours before the time appointed for any adjourned meeting.

The completion and return of a Form of Proxy (or the electronic appointment of a proxy) will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof, if you wish to do so and are so entitled.

If the Resolutions are approved at the General Meeting, the Capital Raise will proceed (subject to certain conditions). The Provisional Allotment Letters or Forms of Instruction are due to be despatched on 17 March 2020 to Qualifying Non-CREST Shareholders and the Nil Paid Rights are due to be credited to the CREST stock accounts of Qualifying CREST Shareholders as soon as practicable after 8.00 a.m. on 18 March 2020.



**4. Can I sell some rights and use the proceeds to take up my other rights?**

This is known as a Cashless Take-up or “tail-swallowing”. You should contact your stockbroker who may be able to help if you wish to do this. Alternatively, if you are an individual Non-CREST Shareholder whose registered address is in the United Kingdom or any other EEA country, you can use the Special Dealing Service (see paragraph 7(e) below). Please note that your ability to sell your rights is dependent on demand for such rights and that the price for Nil Paid Rights may fluctuate. Please ensure that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 1 April 2020.

**5. I hold my Existing Shares in certificated form. How do I know if I am able to acquire New Shares under the Rights Issue?**

If you receive a Provisional Allotment Letter and are not, subject to certain exceptions, a holder with a registered address in the Excluded Territories or in the United States, then you should be eligible to acquire New Shares under the Rights Issue (as long as you have not sold all of your Existing Shares before 8.00 a.m. on 18 March 2020 (the time when the Existing Shares are expected to be marked “ex-rights” by the London Stock Exchange) in which case you will need to follow the instructions on the front page of this document).

Overseas Shareholders should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their entitlements to the Rights Issue.

**6. I hold my Existing Shares in certificated form or within the AML Nominee Service. How will I be informed of how many New Shares I am entitled to buy?**

Subject to Shareholders approving the Resolutions at the General Meeting to be held at 10.00 a.m. on 16 March 2020 at Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HT, United Kingdom, if you hold your Existing Shares in certificated form and do not have a registered address in the United States or one of the Excluded Territories (subject to certain exceptions), you will be sent a Provisional Allotment Letter or Form of Instruction that shows:

- how many Existing Shares you held at the close of business on 16 March (the Record Date for the Rights Issue);
- how many New Shares you are entitled to buy; and
- how much you need to pay if you want to take up your right to buy all the New Shares provisionally allotted to you in full.

Subject to certain exceptions, if you have a registered address in one of the Excluded Territories or in the United States, you will not receive a Provisional Allotment Letter.

**7. I am a Qualifying Shareholder and I hold my Existing Shares in certificated form or within the AML Nominee Service. What are my choices and what should I do with the Provisional Allotment Letter or Form of Instruction?**

**(a) If you want to take up all of your rights**

If you want to take up all of your rights to acquire the New Shares to which you are entitled, all you need to do is send the Provisional Allotment Letter or Form of Instruction, together with your cheque for the full amount, payable to, in the case of Qualifying Non-CREST Shareholders “Equiniti Ltd Re AML Rights Issue” and crossed “A/C payee only” or, in the case of Qualifying AML Nominee Service Shareholders “Equiniti FS Ltd client AC CSN RI AML” and crossed “A/C payee only”, by post or by hand (during normal business hours only) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom to arrive by no later than 11.00 a.m. on 1 April 2020. A reply-paid envelope will be enclosed with the Provisional Allotment Letter or Form of Instruction for use within the United

Kingdom only. If you post your Provisional Allotment Letter or Form of Instruction, it is recommended that you allow sufficient time for delivery (for instance, allowing four days for first class post within the United Kingdom). Payments via CHAPS, BACS or electronic transfer will not be accepted. Full instructions are set out in Part III - Terms and Conditions of the Rights Issue of this document and will be set out in the Provisional Allotment Letter or Form of Instruction (as applicable).

**Please note third party cheques may not be accepted other than building society cheques.**

Cheques must be drawn on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) of a bank or building society which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques to be cleared through facilities provided by either of these companies. Such cheques must bear the appropriate sort code in the top right hand corner. Post-dated cheques will not be accepted.

Cheques will be presented for payment on receipt. It is a term of the Rights Issue that cheques shall be honoured on first presentation, and the Company and the Underwriters may elect to treat as invalid any acceptances in respect of which cheques are not so honoured. Return of a Provisional Allotment Letter or Form of Instruction will constitute a warranty that the cheque will be honoured on first presentation. All documents and cheques sent through the post will be sent at the risk of the sender.

Qualifying Non-CREST Shareholders will be sent a definitive share certificate for the New Shares that they take up and Qualifying AML Nominee Service Shareholders will be sent a Nominee Statement. Your definitive share certificate or Nominee Statement for New Shares is expected to be despatched to you by no later than 16 April 2020 or 24 April 2020, respectively. You will need your Provisional Allotment Letter to be returned to you if you want to deal in your Fully Paid Rights. Your Provisional Allotment Letter will not be returned to you unless you tick the appropriate box on the Provisional Allotment Letter.

**(b) *If you do not want to take up your rights at all***

If you do not want to take up your rights, you do not need to do anything. If you do not return your Provisional Allotment Letter or Form of Instruction (as applicable) subscribing for the New Shares to which you are entitled by 11.00 a.m. on 1 April 2020, the Group has made arrangements under which the Underwriters, on behalf of Shareholders that do not take up New Shares provisionally allotted, will try to find investors to take up your rights and the rights of others who have not taken up their rights. If the Underwriters do find investors who agree to pay a premium above the Issue Price and the related expenses of procuring those investors (including any applicable brokerage and commissions and amounts in respect of VAT), you will be sent a cheque for your share of the amount of that premium provided that this is £5.00 or more (except Qualifying AML Nominee Service Shareholders who will be paid regardless of value). Cheques are expected to be despatched by no later than 16 April 2020 and will be sent to the registered address appearing on the Company's register of members (or to the first-named holder if you hold your Existing Shares jointly). If the Underwriters cannot find investors who agree to pay a premium over the Issue Price and related expenses so that your entitlement would be £5.00 or more, you will not receive any payment, and any amounts of less than £5.00 will be aggregated and will be for the account of the Company. Alternatively, if you do not want to take up your rights, you can sell or transfer your Nil Paid Rights (see paragraph 7(d) below).

**(c) *If you want to take up some but not all of your rights***

In relation to Non-CREST Shareholders, if you want to take up some but not all of your rights and wish to sell some or all of those you do not want to take up, you should first apply to have your Provisional Allotment Letter split by completing Form X on the Provisional Allotment Letter (unless you wish to use the Special Dealing Service), and returning it by post or hand (during normal business hours only) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom to be received by 3.00 p.m. on 30 March 2020,

together with a covering letter stating the number of split Provisional Allotment Letters required and the number of Nil Paid Rights to be comprised in each split Provisional Allotment Letter. You should then deliver the split Provisional Allotment Letter representing the New Shares that you wish to accept together with your cheque to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom to be received by 11.00 a.m. on 1 April 2020.

**Shareholders who wish to effect a Cashless Take-up of their Nil Paid Rights (which may be achieved through the sale of such portion of their Nil Paid Rights as will raise sufficient funds to allow the relevant Shareholder to take up their remaining Nil Paid Rights) should either use the Special Dealing Service or, alternatively, contact their broker, who may be able to assist with such arrangements. Please note that your ability to sell your rights is dependent on demand for such rights and that the price for Nil Paid Rights may fluctuate.** Please ensure that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 1 April 2020.

Alternatively, if you only want to take up some of your rights (but not sell some or all of the rest), you should complete Form X on the Provisional Allotment Letter or, in the case of Qualifying AML Nominee Service Shareholders, complete Part 1 Option 2 on the Form of Instruction and return it with a cheque together with an accompanying letter indicating the number of Nil Paid Rights that you wish to take up, in accordance with the provisions set out in the Provisional Allotment Letter or Form of Instruction.

Further details are set out in Part III - Terms and Conditions of the Rights Issue and will be set out in the Provisional Allotment Letter or Form of Instruction.

*(d) If you want to sell all of your rights*

If you want to sell all of your rights other than through the Special Dealing Service, you should complete and sign Form X on the Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and pass the entire letter to Equiniti Limited. Alternatively you can sell your rights via your stock broker by contacting your stockbroker, bank manager or other appropriate financial adviser or to the transferee (provided they are not in the United States, any of the Excluded Territories or any other jurisdictions where the extension and availability of the Rights Issue would breach any applicable law).

Please ensure that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 1 April 2020.

*(e) If you want to use the Special Dealing Service*

If you are an individual Non-CREST Shareholder whose registered address is in the United Kingdom or any other EEA country, you can use the Special Dealing Service to either (i) sell all of your Nil Paid Rights or (ii) sell a sufficient number of Nil Paid Rights to raise money to take up the remainder (that is, effect a Cashless Take-up).

If you want to use the Special Dealing Service to sell all of your Nil Paid Rights, you should place an X in Part 1 Option 3 on the front page of your Provisional Allotment Letter or Form of Instruction, sign and date it and return the Provisional Allotment Letter by 5.00 p.m. on 25 March 2020.

If you want to effect a Cashless Take-up, you should tick Part 1 Option 4 on the front page of your Provisional Allotment Letter or Form of Instruction, sign and date it and return the Provisional Allotment Letter or Form of Instruction by 5.00 p.m. on 25 March 2020.

Equiniti Financial Services Limited will not charge a commission on any sale of Nil Paid Rights effected using the Special Dealing Service. You should be aware that by returning your Provisional Allotment Letter or Form of Instruction and electing to use the Special Dealing

Service, you will be deemed to be agreeing to the terms and conditions of the Special Dealing Service and make a legally binding agreement with Equiniti Financial Services Limited on those terms. The terms and conditions of the Special Dealing Service will be posted to you together with the Provisional Allotment Letter if you hold your Ordinary Shares in certificated form.

If you have any questions relating to the Special Dealing Service, please telephone the Shareholder Helpline at Equiniti on 0333 207 6530 (+44 121 415 0915 if calling from outside the United Kingdom). Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 8.30 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Equiniti cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. Please note that, for legal reasons, the Shareholder Helpline is only able to provide information contained in this document and information relating to the Company's register of members and is unable to give advice on the merits of the Rights Issue.

Further details about the Special Dealing Service are set out in paragraph 2.1.5 of Part III - Terms and Conditions of the Rights Issue.

**8. I acquired my Existing Shares prior to the Record Date and hold my Existing Shares in certificated form or within the AML Nominee Service. What if I do not receive a Provisional Allotment Letter or Form of Instruction?**

If Shareholders approve the Resolutions at the General Meeting to be held at 10.00 a.m. on 16 March 2020 at Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HT, United Kingdom, and you do not receive a Provisional Allotment Letter or Form of Instruction but hold your Existing Shares in certificated form or through the AML Nominee Service (as applicable), this probably means that you are not permitted to acquire New Shares under the Rights Issue. Some Non-CREST Shareholders, however, will not receive a Provisional Allotment Letter or Form of Instruction but may still be eligible to acquire New Shares under the Rights Issue, namely:

- Qualifying CREST Shareholders who held their Existing Shares in uncertificated form at close of business on 16 March 2020 and who have converted them to certificated form;
- Shareholders who bought Existing Shares before close of business on 16 March 2020 and who hold such Shares in certificated form or via the AML Nominee Service but were not registered as the holders of those Shares at the close of business on 16 March 2020; and
- certain Overseas Shareholders.

If you do not receive a Provisional Allotment Letter or Form of Instruction but think that you should have received one, please call the Shareholder Helpline at Equiniti on 0333 207 6530 (+44 121 415 0915 if calling from outside the United Kingdom). Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 8.30 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Equiniti cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

**9. If I buy Shares after the Record Date will I be eligible to participate in the Rights Issue?**

If you bought Shares after the Record Date but prior to 8.00 a.m. on 18 March 2020 (the time when the Existing Shares are expected to start trading ex-rights on the London Stock Exchange), you may be eligible to participate in the Rights Issue.

If you are in any doubt, please consult your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement.

If you buy Shares on or after 8.00 a.m. on 18 March 2020, you will not be eligible to participate in the Rights Issue in respect of those Shares.

**10. I hold my Existing Shares in certificated form. If I take up my rights, when will I receive the certificate representing my New Shares?**

If you take up your rights under the Rights Issue, share certificates for the New Shares are expected to be posted by no later than 16 April 2020.

**11. I hold my Existing Shares through the AML Nominee Service. If I take up my rights, when will I receive the statement representing my New Shares?**

If you take up your rights under the Rights Issue, statements for the New Shares are expected to be posted by no later than 24 April 2020.

**12. What if the number of New Shares to which I am entitled is not a whole number? Am I entitled to fractions of New Shares?**

Your entitlement to New Shares will be calculated at the Record Date (other than in the case of those who bought shares after the Record Date but prior to 8.00 a.m. on 18 March 2020 who may be eligible to participate in the Rights Issue). If the result is not a whole number, you will not be provisionally allotted a New Share in respect of the fraction of a New Share and your entitlement will be rounded down to the nearest whole number.

The New Shares representing the aggregated fractions that would otherwise be allotted to Shareholders will be issued in the market nil paid for the benefit of the Company, except Qualifying AML Nominee Service Shareholders who will be paid regardless of value.

**13. Will I be taxed if I take up or sell my rights or if my rights are sold?**

If you are resident in the United Kingdom for tax purposes, you should not have to pay UK tax when you take up your rights, although the Rights Issue will affect the amount of UK tax you may pay when you subsequently sell your Shares.

However you may be subject to UK tax on chargeable gains on any proceeds that you receive from the sale of your rights.

Further information for certain Qualifying Shareholders is contained in Part VIII – Taxation. **Qualifying Shareholders who are in any doubt as to their tax position, or who are subject to tax in any other jurisdiction, should consult an appropriate professional adviser as soon as possible. Please note that the Shareholder Helpline will not be able to assist you with taxation issues.**

If you are a US citizen or otherwise resident in the United States for US federal tax purposes, you should not have to pay US federal income tax on the take up of your rights, but the proceeds, if any, from a sale of your rights (or from a sale of rights on your behalf) generally will be subject to US federal income tax. Further information for persons subject to US federal income tax is also included in Part VIII – Taxation.

**14. I understand that there is a period when there is trading in the Nil Paid Rights. What does this mean?**

If you do not want to buy the New Shares being offered to you under the Rights Issue, you can instead sell or transfer your rights (called **Nil Paid Rights**) to those New Shares and receive the net proceeds of the sale or transfer in cash. This is referred to as “dealing nil paid”. This means that, during the Rights Issue offer period (being between 8.00 a.m. on 18 March 2020 and 11.00 a.m. on 1 April 2020) you can either purchase Shares (which will not carry any entitlement to participate in the Rights Issue) or you can trade in the Nil Paid Rights.

**15. I hold my Existing Shares in certificated form. What if I want to sell the New Shares for which I have paid?**

Provided the New Shares have been paid for and you have requested the return of the receipted Provisional Allotment Letter, you can transfer the Fully Paid Rights by completing Form X (the



form of renunciation) on the receipted Provisional Allotment Letter in accordance with the instructions set out in the Provisional Allotment Letter until 11.00 a.m. on 1 April 2020. After that time, you will be able to sell your New Shares in the normal way. The share certificate relating to your New Shares is expected to be despatched to you by no later than 16 April 2020. Pending despatch of the share certificate, instruments of transfer will be certified by the Registrar against the register.

Further details are set out in Part III - Terms and Conditions of the Rights Issue.

**16. What should I do if I live outside the United Kingdom?**

Your ability to take up or sell rights to New Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your rights. Subject to certain exceptions, Shareholders with registered addresses in, or located or resident in, the Excluded Territories or the United States are not permitted to acquire New Shares under the Rights Issue. Shareholders who have registered addresses in or who are resident in, or who are citizens of, all countries other than the United Kingdom should refer to paragraph 2.5 of Part III - Terms and Conditions of the Rights Issue.

If you are not permitted to acquire New Shares under the Rights Issue, the Company has made arrangements under which the Underwriters will try to find investors to take up your rights and those of other Shareholders who have not taken up their rights. If the Underwriters do find investors who agree to pay a premium above the Issue Price and the related expenses of procuring those investors (including any applicable brokerage and commissions and amounts in respect of value added tax), you will be sent a cheque for your share of the amount of that premium provided that this is £5.00 or more. Cheques are expected to be despatched by no later than 16 April 2020 and will be sent to your address appearing on the Company's register of members (or to the first-named holder if you hold your Shares jointly). If the Underwriters cannot find investors who agree to pay a premium over the Issue Price and related expenses so that your entitlement would be £5.00 or more, you will not receive any payment and any amounts of less than £5.00 will be aggregated and will ultimately accrue for the benefit of the Company.

**17. Will the Rights Issue affect the future dividends the Company pays?**

Following completion of the Rights Issue, future dividend payments will be adjusted for the Rights Issue to reflect the higher number of Shares in issue.

**18. What if I hold awards and options under the Share-Based Incentive Plans?**

Participants in the Share-Based Incentive Plans will be contacted separately and in due course with further information on how their awards and options granted under such plans may be affected by the Rights Issue.

**19. How do I transfer my rights into the CREST system?**

If you are a Qualifying Non-CREST Shareholder, but are a CREST member and want your New Shares to be in uncertificated form, you should complete Form X and the CREST Deposit Form (both on the Provisional Allotment Letter), and ensure they are delivered to CREST Courier and Sorting Service (CCSS) to be received by 3.00 p.m. on 27 March 2020 at the latest. CREST sponsored members should arrange for their CREST sponsors to do this.

If you have transferred your rights into the CREST system, you should refer to paragraph 2.2 of Part III - Terms and Conditions of the Rights Issue of this document for details on how to pay for the New Shares.

**20. What should I do if I think my holding of Shares is incorrect?**

If you have recently bought or sold Shares, your transaction may not be entered on the register of members in time to appear on the register at the Record Date. If you are concerned about the



figure in the Provisional Allotment Letter or otherwise concerned that your holding of Shares is incorrect, please call the Shareholder Helpline at Equiniti on 0333 207 6530 (+44 121 415 0915 if calling from outside the United Kingdom). Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 8.30 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Equiniti cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

## PART III - TERMS AND CONDITIONS OF THE RIGHTS ISSUE

### 1. INTRODUCTION

The Company is proposing to raise proceeds of approximately £317.2 million (before expenses) by way of a rights issue of 153,217,942 New Shares to Qualifying Shareholders. Subject to the fulfilment of the conditions of the Underwriting Agreement, the New Shares will be offered under the Rights Issue by way of rights at 207 pence per New Share. This Rights Issue will be made on the basis of:

#### **14 New Shares at 207 pence per New Share for every 25 Existing Shares**

held on the Record Date (and so in proportion for any other number of Existing Shares then held) and otherwise on the terms and conditions as set out in this document and, in the case of Qualifying Non-CREST Shareholders and Qualifying AML Nominee Service Shareholders also in the Provisional Allotment Letters and Forms of Instruction, respectively.

Times and dates referred to in this Part III have been included on the basis of the expected timetable for the Rights Issue set out on page 45.

The Issue Price of 207 pence per New Share represents a discount of approximately 47 per cent. to the closing price of 391 pence per Existing Share on 26 February 2020 (the last Business Day before the publication of this document) and a discount of approximately 36 per cent. to the theoretical ex-rights price of 325 pence per Share by reference to the closing price on the same basis.

Shareholders who do not or are not permitted to take up their entitlements to New Shares will have their proportionate shareholdings in the Company diluted by approximately 36 per cent. Those Shareholders who take up the New Shares provisionally allotted to them in full will, subject to the rounding down of any fractions, retain the same proportionate voting and distribution rights as held by them on the Record Date. In each case, it is assumed that no Shares are issued to satisfy the vesting of awards or the exercise of options under the Share-Based Incentive Plans between the date of this document and Admission of the New Shares becoming effective.

The Nil Paid Rights (also described as New Shares, nil paid) are entitlements to acquire the New Shares subject to payment of the Issue Price. The Fully Paid Rights are entitlements to receive the New Shares, for which a subscription and payment has already been made.

Holdings of Existing Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue. Entitlements to New Shares will be rounded down to the nearest whole number and fractions of New Shares will not be allotted to Shareholders, but will be aggregated and issued into the market for the benefit of the Company.

**Shareholders or any person (including, without limitation, custodians, nominees and trustees) who has a contractual or other legal obligation to forward this document into a jurisdiction other than the United Kingdom should consider paragraph 2.5 below. The offer of New Shares under the Rights Issue will not be made into certain territories. Subject to the provisions of paragraph 2.5 below, Shareholders with a registered address in the United States or an Excluded Territory are not being sent this document and will not be sent Provisional Allotment Letters.**

Applications will be made to the FCA and to the London Stock Exchange for the New Shares (nil paid and fully paid) to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities, respectively. It is expected that Admission of the New Shares, nil paid, will become effective on 18 March and that dealings in the New Shares, nil paid, will commence on the London Stock Exchange by 8.00 a.m. on that date.

The Existing Shares are already admitted to CREST. No further application for admission to CREST is required for the New Shares and all of the New Shares when issued and fully paid may be held and transferred by means of CREST. Applications will be made for the Nil Paid Rights and the Fully Paid Rights to be admitted to CREST. Euroclear requires the Company to confirm to it that certain conditions (imposed by the CREST Manual) have been satisfied before Euroclear will admit any security to CREST. It is expected that these conditions will be satisfied, in respect of the Nil Paid Rights and the Fully Paid Rights, on Admission of the New Shares. As soon as practicable after satisfaction of the conditions, the Company will confirm this to Euroclear.

The ISIN for the New Shares will be the same as that of the Existing Shares, being GB00BFXZC448. The ISIN for the Nil Paid Rights will be GB00BHNC9J35 and the ISIN for the Fully Paid Rights will be GB00BHNC9K40.

None of the New Shares are being offered to the public other than pursuant to the Rights Issue.

The Rights Issue has been underwritten by the Underwriters (other than the New Shares for which the Committed Shareholders have irrevocably undertaken to subscribe) and is conditional, *inter alia*, upon:

- (i) the Underwriting Agreement having become unconditional in all respects save for the condition relating to Admission of the New Shares, nil paid;
- (ii) Admission of the New Shares, nil paid, becoming effective by not later than 8.00 a.m. on 18 March 2020 (or such later time and/or date as the Joint Global Co-ordinators and the Company may agree); and
- (iii) the passing of the Resolutions at the General Meeting without material amendment.

New Shares will be provisionally allotted (nil paid) to all Shareholders on the register at the Record Date, including Overseas Shareholders. Resolutions authorising the allotment of the New Shares and the waiver of pre-emption rights in connection with the Rights Issue are proposed to the Shareholders for approval at the General Meeting in order to implement the Rights Issue in compliance with the regulatory constraints imposed by some jurisdictions. If a Shareholder is not able to (or does not) take up his or her Nil Paid Rights under the Rights Issue, then his or her shareholding in the Company will be diluted as a result of the Rights Issue. These authorities, if passed, will be relied upon for the purposes of the Rights Issue.

The Underwriting Agreement is conditional upon certain matters being satisfied or not breached prior to the General Meeting and may be terminated by the Joint Global Co-ordinators prior to Admission of the New Shares, nil paid, upon the occurrence of certain specified events, in which case the Rights Issue will not proceed. The Underwriting Agreement is not capable of termination following Admission of the New Shares, nil paid. The Underwriters may arrange sub-underwriting for some, all or none of the New Shares. A summary of certain terms and conditions of the Underwriting Agreement is contained in paragraph 17.1 of Part IX - Additional Information.

The Underwriters and any of their respective affiliates may engage in trading activity in connection with their roles under the Underwriting Agreement and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for their own account in securities of the Company and related or other securities and instruments (including Shares, Nil Paid Rights and Fully Paid Rights) for the purpose of hedging their underwriting exposure or otherwise. Accordingly, references in this document to Nil Paid Rights, Fully Paid Rights or New Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, placing or dealing by, the Underwriters and any of their affiliates acting as investors for their own account. Except as required by applicable law or regulation, none of the Underwriters propose to make any public disclosure in relation to such transactions. In addition certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps or contracts for differences) with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of Shares.

In addition, the Company reserves the right to decide not to proceed with the Rights Issue if the Underwriting Agreement is terminated at any time prior to Admission of the New Shares and commencement of dealings in the New Shares (nil paid).

Subject, *inter alia*, to the conditions referred to above being satisfied (other than the condition relating to Admission of the New Shares) and save as provided in paragraph 2.5 below, it is intended that:

- (i) Provisional Allotment Letters and Forms of Instruction in respect of Nil Paid Rights will be despatched to Qualifying Non-CREST Shareholders and Qualifying AML Nominee Service Shareholders, respectively, on 17 March 2020;
- (ii) the Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of Qualifying CREST Shareholders with such Shareholders' entitlements to Nil Paid Rights with effect from 8.00 a.m. on 18 March 2020;
- (iii) the Nil Paid Rights and the Fully Paid Rights will be enabled for settlement by Euroclear as soon as practicable after the Company has confirmed to Euroclear that all the conditions for admission of such rights to CREST have been satisfied, which is expected to be at 8.00 a.m. on 18 March 2020;
- (iv) New Shares will be credited to the appropriate stock accounts of the relevant Qualifying CREST Shareholders and/or acquirers of Nil Paid Rights (or their renounees) who validly take up their rights, and the acquirers of Fully Paid Rights, as soon as practicable after 8.00 a.m. on 2 April 2020; and
- (v) share certificates and Nominee Statements for the New Shares will be despatched to relevant Qualifying Non-CREST Shareholders and Qualifying AML Nominee Service Shareholders, respectively, or their renounees by no later than 16 April 2020 in the case of share certificates and 24 April 2020 in the case of Nominee Statements.

The offer will be made to Qualifying Non-CREST Shareholders and Qualifying AML Nominee Service Shareholders by way of the Provisional Allotment Letter and Form of Instruction, respectively, (as described in step (i) above) and to Qualifying CREST Shareholders by way of the enablement of the Nil Paid Rights and the Fully Paid Rights (as described in step (iii) above) (such Shareholders' stock accounts having been credited as described in step (ii) above). Subject to certain exceptions, the offer is not being made to Shareholders with registered addresses in, or who are residents or citizens of, an Excluded Territory, the United States or any other jurisdictions where the extension and availability of the Rights Issue would breach any applicable law.

The New Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Shares, including the right to receive all dividends or other distributions made, paid or declared after the date of issue of the New Shares. There will be no restrictions on the free transferability of the New Shares save as provided in the Articles. The rights attaching to the New Shares are governed by the Articles, a summary of which is set out in paragraph 4 of Part IX - Additional Information.

All documents, including Provisional Allotment Letters and Forms of Instruction (each of which constitute temporary documents of title) and cheques and certificates posted to, by or from Qualifying Shareholders and/or their transferees or renounees (or their agents, as appropriate) will be posted at their own risk.

Shareholders taking up their rights by completing a Provisional Allotment Letter or by sending a Many-To-Many (**MTM**) instruction to Euroclear will be deemed to have given the representations and warranties set out in paragraph 2.6 of this Part III, unless the requirement is waived by the Company.

## **2. ACTION TO BE TAKEN**

The action to be taken in respect of the New Shares depends on whether, at the relevant time, the Nil Paid Rights or the Fully Paid Rights in respect of which action is to be taken are in certificated form (that is, are represented by Provisional Allotment Letters) or are in uncertificated form (that is, are in CREST).

If you are a Qualifying Non-CREST Shareholder, please refer to paragraph 2.1 and paragraphs 2.3 to 2.10 below.

If you are a Qualifying CREST Shareholder, please refer to paragraphs 2.2 to 2.10 below and to the CREST Manual for further information on the CREST procedures referred to below.

If you are a Shareholder with a registered address in the United States or holding Shares on behalf of, or for the account or benefit of any person on a non-discretionary basis who is in the United States or any state or other jurisdiction of the United States, please refer to paragraph 2.5 and, in particular, paragraph 2.5.2, below.

If you are a Shareholder with a registered address in, or who is a citizen or resident of, an Excluded Territory or any other jurisdictions where the extension and availability of the Rights Issue would breach any applicable law, the offer of New Shares is not, subject to certain exceptions, being made to you. Please refer to paragraph 2.5 and, in particular, paragraph 2.5.3, below.

**CREST sponsored members should refer to their CREST sponsors, as only their CREST sponsors will be able to take the necessary actions specified below to take up the entitlements or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of CREST sponsored members.**

All enquiries in relation to the Provisional Allotment Letters should be addressed to the Shareholder Helpline at Equiniti on 0333 207 6530 (+44 121 415 0915 if calling from outside the United Kingdom). Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 8.30 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Equiniti cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

### **2.1 Action to be taken by Qualifying Non-CREST Shareholders and Qualifying AML Nominee Service Shareholders in relation to the Nil Paid Rights represented by Provisional Allotment Letters and Forms of Instruction, respectively**

#### **2.1.1 General**

Provisional Allotment Letters and Forms of Instruction are expected to be despatched to Qualifying Non-CREST Shareholders and Qualifying AML Nominee Service Shareholders, respectively, on 17 March 2020. Each Provisional Allotment Letter and Form of Instruction will set out:

- (i) the holding on the Record Date of Existing Shares in certificated form on which a Qualifying Non-CREST Shareholder's or Qualifying AML Nominee Service Shareholder's (as applicable) entitlement to New Shares has been based;
- (ii) the aggregate number of New Shares which have been provisionally allotted to that Qualifying Non-CREST Shareholder or Qualifying AML Nominee Service Shareholders (as applicable) with respect to the Existing Shares referred to in (i);
- (iii) the amount payable by a Qualifying Non-CREST Shareholder or Qualifying AML Nominee Service Shareholders (as applicable) at the Issue Price to take up his or her entitlement in full;
- (iv) the procedures to be followed if a Qualifying Non-CREST Shareholder or Qualifying AML Nominee Service Shareholders (as applicable) wishes to dispose of all or part of his or her entitlement or to convert all or part of his or her entitlement into uncertificated form;

- (v) the procedures to be followed if a Qualifying Non-CREST Shareholder or Qualifying AML Nominee Service Shareholders (as applicable) who is eligible to use the Special Dealing Service wishes to sell all of his or her Nil Paid Rights or to effect a Cashless Take-up using the Special Dealing Service; and
- (vi) instructions regarding acceptance and payment, consolidation, splitting and registration of renunciation (where applicable).

On the basis that Provisional Allotment Letters and Forms of Instruction are posted on 17 March 2020, and that dealings in Nil Paid Rights commence on 18 March 2020:

- the latest time and date for acceptance and payment in full will be 11.00 a.m. on 1 April 2020; and
- the latest time and date for receipt of instructions under the Special Dealing Service in respect of the sale of all Nil Paid Rights or a Cashless Take-up will be 5.00 p.m. on 25 March 2020.

If the Rights Issue is delayed so that Provisional Allotment Letters and Forms of Instruction cannot be despatched on 17 March 2020 or if the timetable for the Rights Issue is otherwise amended, the expected timetable, as set out at the front of this document, will be adjusted accordingly and the revised dates will be set out in the Provisional Allotment Letters and Forms of Instruction and announced through a Regulatory Information Service. All references to times and/or dates in this Part III should be read as being subject to such adjustment.

#### 2.1.2 Procedure for acceptance and payment

- (i) *Qualifying Non-CREST Shareholders and Qualifying AML Nominee Service Shareholders who wish to take up their entitlement in full*

Holders of Provisional Allotment Letters or Forms of Instructions who wish to take up all of their Nil Paid Rights should either do so by post as set out below.

Qualifying Non-CREST Shareholders and Qualifying AML Nominee Service Shareholders who wish to apply for their New Shares, the Provisional Allotment Letter or Form of Instruction should be completed in accordance with its instructions thereon. The Provisional Allotment Letter or Form of Instruction must be returned, together with the cheque or building society cheque in pounds sterling, written in black ink, made payable (i) in the case of Qualifying Non-CREST Shareholders, to "Equiniti Ltd Re AML Rights Issue" and crossed "A/C payee only", or (ii) in the case of Qualifying AML Nominee Service Shareholders to "Equiniti FS Ltd Client AC CSN RI AML" and crossed "A/C payee only", for the full amount payable on acceptance, in accordance with the instructions printed on the Provisional Allotment Letter or Form of Instruction, by post or by hand (during normal business hours only) to the Receiving Agent at Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom, so as to be received as soon as possible and, in any event, not later than 11.00 a.m. on 1 April 2020. A reply-paid envelope will be enclosed for use within the United Kingdom only. If you post your Provisional Allotment Letter, it is recommended that you allow sufficient time for delivery (for instance, allowing four days for first class post within the United Kingdom). Please note that banker's draft and payments via CHAPS, BACS or electronic transfer will not be accepted. Post-dated cheques will also not be accepted.

Once the Provisional Allotment Letter or Form of Instruction, duly completed, and payment have been received by the Receiving Agent in accordance with the above, the Qualifying Non-CREST Shareholder will have been deemed to have accepted the offer to subscribe for the number of New Shares specified on their Provisional Allotment Letter or Form of Instruction.

- (ii) *Qualifying Non-CREST Shareholders and Qualifying AML Nominee Service Shareholders who wish to take up some (but not all) of their entitlement*

Holders of Provisional Allotment Letters or Forms of Instruction who wish to take up some but not all of their Nil Paid Rights can do so by following the instructions below.



### Qualifying Non-CREST Shareholders

**Qualifying Non-CREST Shareholders who wish to take up some (but not all) of their entitlement, without selling or transferring the remainder,** should complete the Provisional Allotment Letter in accordance with the instructions printed thereon and return it, together with a cheque or building society cheque in pounds sterling, written in black ink, for the amount payable for the number of Nil Paid Rights such Qualifying Non-CREST Shareholder wishes to take up, by post using the reply paid envelope provided or by hand (during normal business hours only) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom, so as to arrive as soon as possible and in any event so as to be received by not later than 11.00 a.m. on 1 April 2020.

**Alternatively, Qualifying Non-CREST Shareholders who wish to take up some (but not all) of their entitlement and wish to sell some or all of those rights which they do not want to take up (other than effecting Cashless Take-up using the Special Dealing Service described in paragraph 2.1.5 below),** should return by post using the reply paid envelope provided or by hand (during normal business hours only) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom, so as to arrive as soon as possible and in any event so as to be received by not later than 11.00 a.m. on 1 April 2020, (the last date and time for splitting Nil Paid Rights), the following:

- a) the Provisional Allotment Letter duly completed in accordance with the instructions printed thereon;
- b) a cheque or building society cheque in pounds sterling, written in black ink, made payable to "Equiniti Ltd Re AML Rights Issue" and crossed "A/C payee only", for the amount payable for the number of Nil Paid Rights such Qualifying Non-CREST Shareholder wishes to take up; and
- c) a covering letter, signed by the Qualifying Non-CREST Shareholder(s), stating the number of split Provisional Allotment Letters required for the Nil Paid Rights not being taken up and the number of Nil Paid Rights to be comprised in each such split Provisional Allotment Letter. Refer to paragraph 2.1.7 below for further information about splitting your Provisional Allotment Letter.

In this case, the split Provisional Allotment Letters (representing the Nil Paid Rights the Qualifying Non-CREST Shareholder does not wish to take up) will be required in order to sell those rights not being taken up.

### Qualifying AML Nominee Service Shareholders

**Qualifying AML Nominee Service Shareholders who wish to take up some but not all of their entitlement,** without selling or transferring the remainder, should complete the Form of Instruction and return it, together with a cheque or building society cheque in pounds sterling, written in black ink, made payable to "Equiniti FS Ltd Client AC CSN RI AML" and crossed "A/C payee only" for the full amount payable for the number of Nil Paid Rights such Qualifying AML Nominee Service Shareholder wishes to take up, in accordance with the instructions printed thereon, by post using the reply paid envelope provided or by hand (during normal business hours only) to Equiniti Limited at the address referred to in paragraph (a) above, so as to arrive as soon as possible and in any event so as to be received by not later than 11.00 a.m. on 1 April 2020.

Qualifying AML Nominee Service Shareholders who wish to effect a Cashless Take-up (i.e. effecting the sale of such number of Nil Paid Rights to which they are entitled as will generate sufficient sale proceeds to enable them to take up all of the remaining Nil Paid Rights (or entitlements thereto)) should see paragraph 2.1.5 below for further details. If a Qualifying AML Nominee Service Shareholder is considering any other options, he or she should contact the Shareholder Helpline detailed on page 63.

(iii) *Qualifying Non-CREST Shareholders and Qualifying AML Nominee Service Shareholders who do not wish to take up their rights at all*

Qualifying Non-CREST Shareholders and Qualifying AML Nominee Service Shareholders who do not wish to take up their rights at all do not need to do anything. If Qualifying Non-CREST Shareholders and Qualifying AML Nominee Service Shareholders do not return their Provisional Allotment Letters or Forms of Instruction by 11.00 a.m. on 1 April 2020, the Company has made arrangements under which the Underwriters will try to find investors to take up such rights. If they do find investors and are able to achieve a premium over the Rights Issue Price and the related expenses of procuring those investors (including any applicable commission and amounts in respect of irrecoverable VAT), then Qualifying Non-CREST Shareholders and Qualifying AML Nominee Service Shareholders so entitled will be paid for the amount of that aggregate premium above the Rights Issue Price less related expenses (including any applicable commission and amounts in respect of irrecoverable VAT), so long as the amount in question is at least £5.00 (except Qualifying AML Nominee Service Shareholders who will be paid regardless of value), in pounds sterling by cheque posted to their registered address.

(iv) *Company's discretion as to validity of acceptances*

If payment is not received in full by 11.00 a.m. on 1 April 2020, the provisional allotment will (unless the Company has exercised its right to treat as valid an acceptance, as set out below) be deemed to have been declined and will lapse. The Company may elect, with the agreement of the Joint Global Co-ordinators, but shall not be obliged, to treat as valid Provisional Allotment Letters and accompanying remittances for the full amount due which are received prior to 5.00 p.m. on 1 April 2020.

The Company may elect, but shall not be obliged, to treat as a valid acceptance the receipt of appropriate remittance by 5.00 p.m. on 1 April 2020, from an authorised person (as defined in the FSMA) specifying the number of New Shares to be acquired and containing an undertaking by that person to lodge the relevant Provisional Allotment Letters, duly completed, in due course.

The Company may also (in its sole discretion) treat a Provisional Allotment Letter as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or is not accompanied by a valid power of attorney where required.

The Company reserves the right to treat as invalid any acceptance or purported acceptance of the New Shares that appears to the Company to have been executed in, despatched from or that provided an address for delivery of definitive share certificates for New Shares in the United States, an Excluded Territory or any other jurisdictions where the extension and availability of the Rights Issue would breach any applicable law unless the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

The provisions of this paragraph 2.1.2(iv) and any other terms of the Rights Issue relating to Qualifying Non-CREST Shareholders may be waived, varied or modified as regards specific Qualifying Non-CREST Shareholder(s) or on a general basis by the Company, with the agreement of the Underwriters.

A Qualifying Non-CREST Shareholder who makes a valid acceptance and payment in accordance with this paragraph 2.1.2 is deemed to request that the New Shares to which they will become entitled be issued to them on the terms and conditions set out in this document and subject to the Articles.

(v) *Payments*

All payments made by Qualifying Non-CREST Shareholders and Qualifying AML Nominee Service Shareholders must be made in pounds sterling by cheque or building society cheque, written in black ink, made payable (i) in the case of Qualifying Non-CREST Shareholders, to "Equiniti Ltd Re

AML Rights Issue" and crossed "A/C payee only", or (ii) in the case of Qualifying AML Nominee Service Shareholders, to "Equiniti FS Ltd Client AC CSN RI AML" and crossed "A/C payee only". Third party cheques may not be accepted except building society cheques where the building society has inserted the full name of the account holder and have either added the building society stamp or have provided a supporting letter confirming the source of funds. Cheques or building society cheques must be drawn on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) of a bank or building society which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and building society cheques to be cleared through facilities provided by either of these companies. Such cheques and building society cheques must bear the appropriate sorting code in the top right-hand corner. Post-dated cheques will not be accepted. Payments via bankers' drafts, CHAPS, BACS or electronic transfer will not be accepted.

Cheques and building society cheques will be presented for payment on receipt. No interest will be paid on payments made before they are due and any interest on such payments ultimately will accrue for the benefit of the Company. It is a term of the Rights Issue that cheques shall be honoured on first presentation, and the Company may elect to treat as invalid any acceptances in respect of which cheques are not so honoured. Return of a Provisional Allotment Letter or Form of Instruction by a Qualifying Non-CREST Shareholder will constitute a warranty that the cheque will be honoured on first presentation. All documents, cheques and building society cheques sent through the post will be sent at the risk of the sender. If New Shares have already been allotted to Qualifying Shareholders prior to any payment not being so honoured or such Qualifying Shareholders' acceptances being treated as invalid, the Company may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such shares on behalf of those Qualifying Shareholders and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and of all amounts payable by such Qualifying Shareholders pursuant to the provisions of this Part III in respect of the acquisition of such shares) on behalf of such Qualifying Shareholders. None of the Company, the Underwriters or any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by Qualifying Shareholders as a result.

**Holders of Provisional Allotment letters who wish to take up any of their entitlements must make the representations and warranties set out in paragraph 2.6 below.**

### **2.1.3 Money Laundering Regulations**

It is a term of the Rights Issue that, to ensure compliance with the Money Laundering Regulations, the Registrar, Equiniti Limited, may require verification of the identity of the person by whom or on whose behalf a Provisional Allotment Letter or Form of Instruction is lodged with payment (which requirements are referred to below as the "verification of identity requirements"). If an application is made by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements is the responsibility of such broker or intermediary and not of the Receiving Agent. In such case, the lodging agent's stamp should be inserted on the Provisional Allotment Letter. The person(s) (the "acceptor") who, by lodging a Provisional Allotment Letter or Form of Instruction with payment, and in accordance with the other terms as described above, accept(s) directly or indirectly, the allotment of the New Shares (the "relevant shares") comprised in such Provisional Allotment Letter or Form of Instruction (being the provisional allottee or, in the case of renunciation, the person named in such Provisional Allotment Letter) shall thereby be deemed to agree to provide the Receiving Agent and/or the Company with such information and other evidence as they or either of them may require to satisfy the verification of identity requirements Receiving Agent.

If the Receiving Agent determines that the verification of identity requirements apply to an acceptance of an allotment and the verification of identity requirements have not been satisfied (which the Receiving Agent shall in its absolute discretion determine) by 11.00 a.m. on 1 April 2020, the Company may, in its absolute discretion, and without prejudice to any other rights of

the Company, treat the acceptance as invalid, in which event the application monies will be returned (at the applicant's risk) without interest to the account of the bank or building society on which the relevant cheque was drawn, or may confirm the allotment of the relevant shares to the acceptor but (notwithstanding any other term of the Rights Issue) such shares will not be issued to him or her or registered in his or her name until the verification of identity requirements have been satisfied (which the Receiving Agent shall in its absolute discretion determine). If the acceptance is not treated as invalid and the verification of identity requirements are not satisfied within such period, being not less than seven days after a request for evidence of identity is despatched to the acceptor, as the Company may in its absolute discretion allow, the Company will be entitled to make arrangements (in its absolute discretion as to manner, timing and terms) to sell the relevant shares (and for that purpose the Company will be expressly authorised to act as agent of the acceptor). Any proceeds of sale (net of the Company's reasonable estimate of any loss it has suffered as a result of the same and of the expenses of the sale, including, without limitation, any stamp duty or SDRT payable on the transfer of such Shares) of the relevant shares which shall be issued to and registered in the name of the purchaser(s) or an amount equivalent to the original payment, whichever is the lower, will be held by the Company on trust for the acceptor, subject to the requirements of the Money Laundering Regulations. The Receiving Agent is entitled in its absolute discretion to determine whether the identity verification requirements apply to any acceptor and whether such requirements have been satisfied. Neither the Company, the Underwriters nor the Receiving Agent will be liable to any person for any loss suffered or incurred as a result of the exercise of any such discretion or as a result of any sale of relevant shares.

**Return of a Provisional Allotment Letter or Form of Instruction with the appropriate remittance will constitute a warranty from the acceptor that the Money Laundering Regulations will not be breached by acceptance of such remittance and an undertaking to provide promptly to the Receiving Agent such information as may be specified by the Registrar as being required for the purpose of the Money Laundering Regulations. If the verification of identity requirements apply, failure to provide the necessary evidence of identity may result in your acceptance being treated as invalid or in delays in the despatch of a receipted fully paid Provisional Allotment Letter, share certificate or other documents relating to the Rights Issue (as applicable).**

The verification of identity requirements will not usually apply:

- (i) if the acceptor is an organisation required to comply with the Money Laundering Directive 2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the United States of the financial system for the purpose of money laundering and terrorist financing; or
- (ii) if the acceptor is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or
- (iii) if the acceptor (not being an acceptor who delivers his or her acceptance in person) makes payment by way of a cheque drawn on an account in the name of such acceptor; or
- (iv) if the aggregate subscription price for the relevant shares is less than €15,000 (approximately £12,500).

Where the verification of identity requirements apply, please note the following as this will assist in satisfying the requirements. Satisfaction of the verification of identity requirements may be facilitated in the following ways:

- (a) if payment is made by cheque in pounds sterling drawn on a branch in the United Kingdom of a bank or building society and bears a UK bank sort code number in the top right-hand corner, the following applies. Cheques should, in the case of Qualifying Non-CREST Shareholders be made payable to "Equiniti Ltd Re AML Rights Issue" and crossed "A/C payee only" and, in the case of Qualifying AML Nominee Service Shareholders be made payable to "Equiniti FS Ltd Client AC CSN RI AML" and crossed "A/C payee only". Third party cheques may not be accepted with the exception of building society cheques where the building society or bank has confirmed the name of the account holder by stamping or endorsing the back of the building society cheque to such effect. The account name should be the same as that shown on the application;

- (b) if the Provisional Allotment Letter or Form of Instruction is lodged with payment by an agent which is an organisation of the kind referred to in (a) above or which is subject to anti money-laundering regulation in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Argentina, Australia, Brazil, Canada, Hong Kong, Iceland, Japan, Mexico, New Zealand, Norway, the Russian Federation, Singapore, South Africa, Switzerland, Turkey, the United States of America and, by virtue of their membership of the Gulf Co-operation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), the agent should provide written confirmation with the Provisional Allotment Letter or Form of Instruction that it has that status and a written assurance that it has obtained and recorded evidence of the identity of the persons for whom it acts and that it will on demand make such evidence available to the Registrar or the relevant authority; or
- (c) if a Provisional Allotment Letter or Form of Instruction is lodged by hand by the acceptor in person, he or she should ensure that he or she has with him or her evidence of identity bearing his or her photograph (for example, his or her passport) and evidence of his or her address (for example, a recent bank statement).

In order to confirm the acceptability of any written assurance referred to in (b) above or any other case, the acceptor should contact the Receiving Agent. The Shareholder Helpline at Equiniti on 0333 207 6530 (+44 121 415 0915 if calling from outside the United Kingdom). Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 8.30 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Equiniti cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

#### **2.1.4 Dealings in Nil Paid Rights**

Assuming the Rights Issue becomes unconditional, dealings on the London Stock Exchange in the Nil Paid Rights are expected to commence at 8.00 a.m. on 18 March 2020. A transfer of Nil Paid Rights can be made by renunciation of the Provisional Allotment Letter in accordance with the instructions printed on it and delivery of the letter to the transferee or to a stockbroker, bank or other appropriate financial adviser. The latest time and date for registration of renunciation of Provisional Allotment Letters, nil paid, is expected to be 11.00 a.m. on 1 April 2020.

In addition, Qualifying Non-CREST Shareholders who are individuals with a registered address in the United Kingdom or in any other jurisdiction in the EEA can elect to sell all of their Nil Paid Rights or to effect a Cashless Take-up in each case using the Special Dealing Service, details of which are set out in paragraph 2.1.5 below.

#### **2.1.5 Special Dealing Service**

Qualifying Non-CREST Shareholders and Qualifying AML Nominee Service Shareholders who are individuals with a registered address in the United Kingdom or in any other jurisdiction in the EEA may elect to: (a) sell all of the Nil Paid Rights to which they are entitled; or (b) effect a Cashless Take-up, using the Special Dealing Service.

##### **(i) Qualifying Non-CREST Shareholders and Qualifying AML Nominee Service Shareholders who wish to sell all of their entitlement using the Special Dealing Service**

**Qualifying Non-CREST Shareholders and Qualifying AML Nominee Service Shareholders who are individuals with a registered address in the United Kingdom or in any other jurisdiction in the EEA and who wish to sell all of the Nil Paid Rights to which they are entitled may elect to do so by completing and returning the Provisional Allotment Letter or Form of Instruction in accordance with the instructions printed thereon, by post or by hand (during normal business hours only) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom, so as to arrive as soon as possible and in any event so as to be received by not later than 5.00 p.m. on 25 March 2020, the latest time and date for requesting**



the sale of Nil Paid Rights through the Special Dealing Service. A reply-paid envelope will be enclosed with the Provisional Allotment Letter or Form of Instruction for this purpose. If you post your Provisional Allotment Letter or Form of Instruction within the United Kingdom by first-class post, it is recommended that you allow at least four days for delivery. Equiniti Financial Services Limited will not charge a commission on the sale of all of the Nil Paid Rights to which the Qualifying Non-CREST Shareholder or Qualifying AML Nominee Service Shareholder is entitled for effecting such sale through the Special Dealing Service.

Under the Special Dealing Service, Equiniti Financial Services Limited will normally sell all of the Nil Paid Rights for a Qualifying Non-CREST Shareholder or Qualifying AML Nominee Service Shareholder on the Business Day following 5.00 p.m. on 25 March 2020, the latest time and date for requesting the sale of Nil Paid Rights through the Special Dealing Service.

Equiniti Financial Services Limited will aggregate instructions from all Qualifying Non-CREST Shareholders and Qualifying AML Nominee Service Shareholders who have elected to sell all of their Nil Paid Rights under the Special Dealing Service that are received (or are treated as having been received) by 5.00 p.m. on 25 March 2020, the latest time and date for requesting the sale of Nil Paid Rights through the Special Dealing Service. In this case, Qualifying Non-CREST Shareholders and Qualifying AML Nominee Service Shareholders would receive the average price obtained for the sale of all of the Nil Paid Rights aggregated for sale purposes in accordance with the above. This may result in Qualifying Non-CREST Shareholders and Qualifying AML Nominee Service Shareholders who choose to sell all of their Nil Paid Rights through the Special Dealing Service receiving a higher or lower price than if their Nil Paid Rights were sold separately.

Notwithstanding the above, the Nil Paid Rights in respect of which an instruction is received may be sold in several transactions and on separate days. In this case, Qualifying Non-CREST Shareholders and Qualifying AML Nominee Service Shareholders would receive the average price obtained for the sale of all of the Nil Paid Rights sold in that period. This may result in Qualifying Non-CREST Shareholders and Qualifying AML Nominee Service Shareholders who choose to sell all of their Nil Paid Rights through the Special Dealing Service receiving a higher or lower price for their Nil Paid Rights than if all of their Nil Paid Rights had been sold in a single transaction or on a single day and such Qualifying Non-CREST Shareholders and Qualifying AML Nominee Service Shareholders may receive the proceeds of sale later than if their Nil Paid Rights had been sold by another broker on an individual basis.

A Qualifying Non-CREST Shareholder or Qualifying AML Nominee Service Shareholder who is considering giving an instruction to sell all of their Nil Paid Rights under the Special Dealing Service should note that there is no guarantee that the sale of the Nil Paid Rights will be effected under the Special Dealing Service in relation to his or her Nil Paid Rights.

**(ii) Qualifying Non-CREST Shareholders and Qualifying AML Nominee Service Shareholders who wish to effect a Cashless Take-up using the Special Dealing Service**

**Qualifying Non-CREST Shareholders and Qualifying AML Nominee Service Shareholders who are individuals with a registered address in the United Kingdom or in any other jurisdiction in the EEA and who wish to effect a Cashless Take-up** may elect to do so by completing and returning the relevant Provisional Allotment Letter or Form of Instruction in accordance with the instructions printed on it, by post or by hand (during normal business hours only) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom, so as to arrive as soon as possible and in any event so as to be received by not later than 5.00 p.m. on 25 March 2020, the latest time and date for requesting a Cashless Take-up through the Special Dealing Service. A reply-paid envelope will be enclosed with the Provisional Allotment Letter or Form of Instruction for this purpose. If you post your Provisional Allotment Letter or Form of Instruction within the United Kingdom by first-class post, it is recommended that you allow at least four days for delivery. Equiniti Financial Services Limited will not charge a commission on the sale of all of the Nil Paid Rights to which the Qualifying Non-CREST Shareholder or Qualifying AML Nominee Service Shareholder is entitled for effecting such sale through the Special Dealing Service.



Under the Special Dealing Service, Equiniti Financial Services Limited will sell such number of Nil Paid Rights as is required to effect a Cashless Take-up for a Qualifying Non-CREST Shareholder or Qualifying AML Nominee Service Shareholder on the Business Day following receipt from such Qualifying Non-CREST Shareholder or Qualifying AML Nominee Service Shareholder of an Instruction for Cashless Take-up. Any Instruction received after 5.00 p.m. on 25 March 2020, the latest time and date for requesting a Cashless Take-up through the Special Dealing Service will be treated as invalid.

Equiniti Financial Services Limited will aggregate instructions from all Qualifying Non-CREST Shareholders and Qualifying AML Nominee Service Shareholders who elect a Cashless Take-up under the Special Dealing Service that are received (or are treated as having been received) by 5.00 p.m. on 25 March 2020, the latest time and date for requesting a Cashless Take-up through the Special Dealing Service. In this case, Qualifying Non-CREST Shareholders and Qualifying AML Nominee Service Shareholders would receive the average price obtained for the sale of all of the Nil Paid Rights aggregated for sale purposes in accordance with above. This may result in Qualifying Non-CREST Shareholders and Qualifying AML Nominee Service Shareholders who elect a Cashless Take-up under the Special Dealing Service receiving a higher or lower price than if the Nil Paid Rights the subject of the instruction were sold separately.

Notwithstanding the above, such number of Nil Paid Rights which need to be sold to effect a Cashless Take-up for a Qualifying Non-CREST Shareholder or Qualifying AML Nominee Service Shareholder under the Special Dealing Service may be sold in several transactions and on separate days. In this case, Qualifying Non-CREST Shareholders and Qualifying AML Nominee Service Shareholders would receive the average price obtained for the sale of all of the Nil Paid Rights sold in that period. This may result in Qualifying Non-CREST Shareholders and Qualifying AML Nominee Service Shareholders who choose to effect a Cashless Take-up under the Special Dealing Service receiving a higher or lower price for their Nil Paid Rights than if such Nil Paid Rights had been sold in a single transaction or on a single day.

A Qualifying Non-CREST Shareholder or Qualifying AML Nominee Service Shareholder who is considering giving an instruction for Cashless Take-up under the Special Dealing Service should note that there is no guarantee that Cashless Take-up will be effected under the Special Dealing Service in relation to his or her Nil Paid Rights.

### **(iii) General**

Following receipt of a valid election or instruction under the Special Dealing Service, the Provisional Allotment Letter or Form of Instruction to which such election or instruction relates will cease to be valid for any purpose. By making an election or giving an instruction under the Special Dealing Service a Qualifying Non-CREST Shareholder or Qualifying AML Nominee Service Shareholder will be deemed to have represented, warranted and undertaken that he or she will not thereafter seek to take any action in respect of his or her Provisional Allotment Letter or Form of Instruction. By giving an instruction under the Special Dealing Service, a Qualifying Non-CREST Shareholder or Qualifying AML Nominee Service Shareholder will be deemed to have renounced their Nil Paid Rights, as applicable to their instruction.

The Special Dealing Service Terms and Conditions will be set out in a document accompanying the Provisional Allotment Letter or Form of Instruction. A Qualifying Non-CREST Shareholder or Qualifying AML Nominee Service Shareholder who is eligible and elects to use the Special Dealing Service agrees to the terms and conditions of the Rights Issue set out in this document and the Special Dealing Service Terms and Conditions (including how the price for the sale of their Nil Paid Rights is calculated and the commissions that will be deducted from the proceeds of the sale of such Nil Paid Rights). Qualifying Non-CREST Shareholders and Qualifying AML Nominee Service Shareholders using the Special Dealing Service should note that they will be clients of Equiniti Financial Services Limited and not of the Company when using such service. Equiniti Financial Services Limited's liability to such a Qualifying Non-CREST Shareholder or Qualifying AML Nominee Service Shareholder and its responsibility for providing the protections afforded by the UK regulatory regime to clients for whom such services are provided is as set out in the Special Dealing Service Terms and Conditions, and neither Equiniti Financial Services Limited nor the

Company shall have any liability or responsibility to a Qualifying Non-CREST Shareholder or Qualifying AML Nominee Service Shareholder using the Special Dealing Service except as set out in those Special Dealing Service Terms and Conditions. None of the Company, or the Underwriters or their agents shall be responsible for any loss or damage (whether actual or alleged) arising from the terms or timing of any sale, any settlement issues arising from any sale, any exercise of discretion in relation to any sale, or any failure to procure any sale, of Nil Paid Rights pursuant to the Special Dealing Service.

The Company, Equiniti Financial Services Limited and/or their agents shall each have sole discretion to determine the eligibility of Qualifying Non-CREST Shareholders and Qualifying AML Nominee Service Shareholders, and may each in their sole discretion interpret instructions (including handwritten markings) on the Provisional Allotment Letter or Form of Instruction, and none of the Company, the Underwriters, Equiniti Financial Services Limited or their agents shall be responsible for any loss or damage (whether actual or alleged) arising from any such exercise of discretion.

All remittances will be sent by post, at the risk of the Qualifying Non-CREST Shareholder or Qualifying AML Nominee Service Shareholder entitled thereto, to the registered address of the relevant Qualifying Non-CREST Shareholder or Qualifying AML Nominee Service Shareholder (or, in the case of joint holders, to the address of the joint holder whose name stands first in the register of Shareholders or the AML Nominee Service Register (as applicable)).

No interest will be payable on any proceeds received from the sale of Nil Paid Rights under the Special Dealing Service.

#### **2.1.6 Dealings in Fully Paid Rights**

After acceptance by a Qualifying Non-CREST Shareholder of the provisional allotment and payment in full in accordance with the provisions set out in this document and the Provisional Allotment Letter, the resultant Fully Paid Rights may be transferred by renunciation of the relevant fully paid Provisional Allotment Letter and delivering it, by post or by hand (during normal business hours only), to the Receiving Agent so as to be received not later than 11.00 a.m. on 1 April 2020. To do this, a Qualifying Non-CREST Shareholder will need to have their fully paid Provisional Allotment Letter returned to them after the acceptance has been effected by the Receiving Agent. However, fully paid Provisional Allotment Letters will not be returned to Qualifying Non-CREST Shareholders unless their return is requested by placing an "X" in the appropriate box on the Provisional Allotment Letter. The New Shares are expected to be held in registered form and transferable in the usual way from 8.00 a.m. on 2 April 2020.

No dealings in Fully Paid Rights may be effected using the Special Dealing Service.

It should be noted that Qualifying Non-CREST Shareholders who wish to sell their Fully Paid Rights will have to take-up their rights by returning their Provisional Allotment Letter and cheque in the post by following the instructions in paragraph 2.1.2 above.

#### **2.1.7 Renunciation and splitting of Provisional Allotment Letters**

Although the following is substantive compared to some other instructions, it should be noted that this will be relevant to a very small population of Qualifying Non-CREST Shareholders.

##### Provisional Allotment Letters

The Provisional Allotment Letters are fully renounceable (save as required by the laws of certain overseas jurisdictions) and may be split up to 3.00 p.m. on 30 March 2020 nil paid and fully paid.

Qualifying Non-CREST Shareholders who wish to transfer all of their Nil Paid Rights or, after acceptance of the provisional allotment and payment in full, Fully Paid Rights represented by a Provisional Allotment Letter may (save as required by the laws of certain overseas jurisdictions) renounce such allotment by completing and signing Form X of the Provisional Allotment Letter

(if it is not already marked "Original Duly Renounced") and passing the entire Provisional Allotment Letter to their stockbroker or bank or other appropriate financial adviser or to the transferee. Once a Provisional Allotment Letter has been renounced, it will become a negotiable instrument in bearer form and the Nil Paid Rights or Fully Paid Rights (as appropriate) comprised in such letter may be transferred by delivery of such letter to the transferee. The latest time and date for registration of renunciation of Provisional Allotment Letters is 11.00 a.m. on 1 April 2020, and from 8.00 a.m. 2 April 2020 the New Shares will be in registered form, transferable by written instrument of transfer in the usual common form or, if they have been issued in or converted into uncertificated form, in electronic form under the CREST system. Qualifying Non-CREST Shareholders should note that fully paid Provisional Allotment Letters will not be returned to Qualifying Non-CREST Shareholders unless their return is requested.

If a holder of a Provisional Allotment Letter wishes to have only some of the New Shares registered in his or her name and to transfer the remainder, or wishes to transfer all the Nil Paid Rights, or (if appropriate) Fully Paid Rights represented by that Provisional Allotment Letter but to different persons, they may have the Provisional Allotment Letter split, for which purpose they must sign and date Form X of the Provisional Allotment Letter. The Provisional Allotment Letter must then be delivered by post or by hand (during normal business hours only) to the Receiving Agent at Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom, by not later than 3.00 p.m. on 30 March 2020, to be cancelled and exchanged for the split Provisional Allotment Letters required. The number of split Provisional Allotment Letters required and the number of Nil Paid Rights or (as appropriate) Fully Paid Rights to be represented by each split Provisional Allotment Letter should be stated in an accompanying letter. Form X of split Provisional Allotment Letters will be marked Original Duly Renounced before issue. The holder of the split Provisional Allotment Letters should then follow the instructions in the preceding paragraph in relation to transferring the Nil Paid Rights or (as appropriate) the Fully Paid Rights represented by each split Provisional Allotment Letter. Once the holder's split Provisional Allotment Letter, duly completed, and payment have been received by the Receiving Agent in accordance with the above, the holder will have accepted the offer to subscribe for the number of New Shares specified on that split Provisional Allotment Letter.

Alternatively, Qualifying Non-CREST Shareholders who wish to take up some of their rights, without selling or transferring the remainder, should complete Form X of the original Provisional Allotment Letter and return it by post or by hand (during normal business hours only) to the Receiving Agent at Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom, together with a covering letter confirming the number of New Shares to be taken up and a cheque for the appropriate amount made payable to "Equiniti Ltd Re AML Rights Issue" and crossed "A/C payee only" to pay for this number of shares. In this case, the Provisional Allotment Letter and cheque or building society cheque must be received by the Receiving Agent by 11.00 a.m. on 1 April 2020, being the last time and date for acceptance. Once the holder's Provisional Allotment Letter, duly completed, and payment have been received by the Receiving Agent in accordance with the above, the holder will have accepted the offer to subscribe for the number of New Shares specified on their Provisional Allotment Letter.

The Company reserves the right to refuse to register any renunciation in favour of any person in respect of whom the Board believes such renunciation may violate applicable legal or regulatory requirements including (without limitation) any renunciation in the name of any person with an address outside the United Kingdom.

#### Forms of Instruction

Forms of Instruction cannot be renounced, are not transferable by delivery and cannot be split.

#### **2.1.8 Registration in names of Qualifying Shareholders**

A Qualifying Non-CREST Shareholder who wishes to have all the New Shares to which they are entitled registered in their name must accept and make payment for such allotment in accordance with the provisions set out in this document and the Provisional Allotment Letter but

need take no further action. A share certificate in respect of the New Shares is expected to be dispatched to such Qualifying Non-CREST Shareholders by post no later than 16 April 2020.

#### **2.1.9 Registration in names of persons other than Qualifying Shareholders originally entitled**

To register the New Shares in certificated form in the name of someone other than the Qualifying Shareholder(s) originally entitled, the renouncee or their agent(s) must complete Form Y of the Provisional Allotment Letter (unless the renouncee is a CREST Member who wishes to hold such New Shares in uncertificated form, in which case Form X and the CREST Deposit Form must be completed (see paragraph 2.2.2 of this Part III)) and send the entire Provisional Allotment Letter, by post or by hand (during normal business hours only) to the Receiving Agent at Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom, so as to be received by not later than 11.00 a.m. on 1 April 2020. Registration cannot be effected unless and until the New Shares represented by a Provisional Allotment Letter are fully paid for.

The New Shares represented by two or more Provisional Allotment Letters (duly renounced where applicable) may be registered in the name of one holder (or joint holders). To consolidate rights attached to two or more Provisional Allotment Letters, complete Form Y of the Provisional Allotment Letter and attach a letter detailing each Provisional Allotment Letter number, the number of New Shares represented by each Provisional Allotment Letter, the total number of Provisional Allotment Letters to be consolidated and the total number of New Shares represented by all the Provisional Allotment Letters to be consolidated. All the Provisional Allotment Letters to be consolidated must be lodged in one batch together.

#### **2.1.10 Deposit of Nil Paid Rights or Fully Paid Rights into CREST**

The Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter may be converted into uncertificated form, that is, deposited into CREST (whether such conversion arises as a result of a renunciation of those rights or otherwise). Similarly, Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Subject as provided in the next following paragraph or in the Provisional Allotment Letter, normal CREST procedures and timings apply in relation to any such conversion. You are recommended to refer to the CREST Manual for details of such procedures.

The procedure for depositing the Nil Paid Rights represented by the Provisional Allotment Letter into CREST, whether such rights are to be converted into uncertificated form in the name(s) of the person(s) whose name(s) and address appear on page 1 of the Provisional Allotment Letter or in the name of a person or persons to whom the Provisional Allotment Letter has been renounced, is as follows: Form X and the CREST Deposit Form (both on the Provisional Allotment Letter) will need to be completed and the Provisional Allotment Letter deposited with the CREST Courier and Sorting Service (CCSS). In addition, the normal CREST Stock Deposit procedures will need to be carried out, except that (a) it will not be necessary to complete and lodge a separate CREST Transfer Form (prescribed under the Stock Transfer Act 1963) with the CCSS and (b) only the whole of the Nil Paid Rights or the Fully Paid Rights represented by the Provisional Allotment Letter may be deposited into CREST. If you wish to deposit only some of the Nil Paid Rights or the Fully Paid Rights represented by the Provisional Allotment Letter into CREST, you must first apply for split Provisional Allotment Letters by following the instructions in paragraph 2.1.2 above. If the rights represented by more than one Provisional Allotment Letter are to be deposited, the CREST Deposit Form on each Provisional Allotment Letter must be completed and deposited. The Consolidation Listing Form (as defined in the CREST Regulations) must not be used.

A holder of the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) represented by a Provisional Allotment Letter who is proposing to convert those rights into uncertificated form (whether following a renunciation of such rights or otherwise) is recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) in CREST following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 1 April 2020. **In particular, having regard to processing times in CREST and on the**

part of the Receiving Agent, the latest recommended time for depositing a renounced Provisional Allotment Letter (with Form X and the CREST Deposit Form on the Provisional Allotment Letter duly completed) with the CCSS (to enable the person acquiring the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) in CREST as a result of the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 1 April) is 3.00 p.m. on 27 March 2020.

When Form X and the CREST Deposit Form (on the Provisional Allotment Letter) have been completed, the title to the Nil Paid Rights or the Fully Paid Rights represented by the Provisional Allotment Letters will cease to be renounceable or transferable by delivery, and, for the avoidance of doubt, any entries in Form Y will not subsequently be recognised or acted upon by the Receiving Agent. All renunciations or transfers of Nil Paid Rights or Fully Paid Rights must be effected through the CREST system once such Nil Paid Rights or Fully Paid Rights have been deposited into CREST.

CREST sponsored members should contact their CREST sponsor as only their CREST sponsor will be able to take the necessary action to take up the entitlement or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of the CREST sponsored member.

#### **2.1.11 Issue of New Shares in definitive form and Nominee Statements**

Definitive share certificates in respect of the New Shares to be held in certificated form and Nominee Statements are expected to be despatched by post by no later than 16 April 2020 and 24 April 2020, respectively, at the risk of the persons entitled thereto to Qualifying Non-CREST Shareholders (or their transferees who hold Fully Paid Rights in certificated form) or Qualifying AML Nominee Service Shareholders, or in the case of joint holdings, to the first-named Shareholders, at their registered address (unless lodging agent details have been completed on the Provisional Allotment Letter or Form of Instruction (as applicable)). After despatch of the definitive share certificates and Nominee Statements, Provisional Allotment Letters and Forms of Instruction will cease to be valid for any purpose whatsoever. Pending despatch of definitive share certificates and Nominee Statements, instruments of transfer of the New Shares will be certified by the Receiving Agent against the register.

### **2.2 Action to be taken by Qualifying CREST Shareholders in relation to Nil Paid Rights and Fully Paid Rights in CREST**

#### **2.2.1 General**

It is expected that each Qualifying CREST Shareholder will receive a credit to his or her stock account in CREST of his or her entitlement to Nil Paid Rights as soon as practicable after 8.00 a.m. on 18 March. It is expected that such rights will be enabled shortly thereafter. The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Shares in uncertificated form held on the Record Date by the Qualifying CREST Shareholder in respect of which the Nil Paid Rights are provisionally allotted.

The maximum number of New Shares that a Qualifying CREST Shareholder may take up is that which has been provisionally allotted to that Qualifying CREST Shareholder and for which he or she receives a credit of entitlement into his or her stock account in CREST. The minimum number of New Shares a Qualifying CREST Shareholder may take up is one.

The Nil Paid Rights will constitute a separate security for the purposes of CREST and can accordingly be transferred, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST.

If, for any reason, it is impracticable to credit the stock accounts of Qualifying CREST Shareholders, or to enable the Nil Paid Rights shortly after 8.00 a.m. on 18 March 2020, Provisional Allotment Letters shall, unless the Company determines otherwise, be sent out in substitution for the Nil Paid Rights which have not been so credited or enabled and the expected timetable as set out in this document will be adjusted as appropriate. **References to dates and**



times in this document should be read as subject to any such adjustment. The Company will make an appropriate announcement to a Regulatory Information Service giving details of any revised dates but Qualifying CREST Shareholders may not receive any further written communication.

CREST members who wish to take up their entitlements in respect of or otherwise to transfer Nil Paid Rights or Fully Paid Rights held by them in CREST (including CREST members who wish to effect a Cashless Take-up of their Nil Paid Rights) should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST sponsored member, you should consult your CREST sponsor if you wish to take up your entitlement as only your CREST sponsor will be able to take the necessary action to take up your entitlements or otherwise to deal with your Nil Paid Rights or Fully Paid Rights (including effecting a Cashless Take-up of Nil Paid Rights).

#### 2.2.2 Procedure for acceptance and payment

##### (i) *MTM instructions*

CREST members who wish to take up all or some of their entitlement in respect of Nil Paid Rights in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an MTM instruction to Euroclear that, on its settlement, will have the following effect:

- (a) the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with the number of Nil Paid Rights to be taken up;
- (b) the creation of a settlement bank payment obligation (as this term is defined in the CREST Manual), in accordance with the RTGS payment mechanism (as this term is defined in the CREST Manual), in favour of the RTGS settlement bank (as this term is defined in the CREST Manual) of the Receiving Agent in pounds sterling in respect of the full amount payable on acceptance in respect of the Nil Paid Rights referred to in paragraph 2.2.2(i)(a) above; and
- (c) the crediting of a stock account of the accepting CREST member (being an account under the same participant ID and member account ID as the account from which the Nil Paid Rights are to be debited on settlement of the MTM instruction) of the corresponding number of Fully Paid Rights to which the CREST member is entitled on taking up his or her Nil Paid Rights referred to in paragraph 2.2.2(i)(a) above.

##### (ii) *Contents of MTM instructions*

The MTM instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (a) the number of Nil Paid Rights to which the acceptance relates;
- (b) the participant ID of the accepting CREST member;
- (c) the member account ID of the accepting CREST member from which the Nil Paid Rights are to be debited;
- (d) the participant ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 2RA77;
- (e) the member account ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is RA343701;
- (f) the number of Fully Paid Rights that the CREST member is expecting to receive on settlement of the MTM instruction. This must be the same as the number of Nil Paid Rights to which the acceptance relates;
- (g) the amount payable by means of the CREST assured payment arrangements on settlement of the MTM instruction. This must be the full amount payable on acceptance in respect of the number of Nil Paid Rights referred to in paragraph 2.2.2(ii)(a) above;



- (h) the intended settlement date. This must be on or before 11.00 a.m. on 1 April 2020;
- (i) the Nil Paid Rights ISIN number, which is GB00BHNC9J35;
- (j) the Fully Paid Rights ISIN number, which is GB00BHNC9K40;
- (k) the Corporate Action Number for the Rights Issue. This will be available by viewing the relevant corporate action details in CREST;
- (l) a contact name and telephone number in the shared note field; and
- (m) priority of at least 80.

(iii) *Valid acceptance*

An MTM instruction complying with each of the requirements as to authentication and contents set out in paragraph 2.2.2(ii) above will constitute a valid acceptance where either:

- (a) the MTM instruction settles by not later than 11.00 a.m. on 1 April 2020; or
- (b) at the discretion of the Company:
  - (I) the MTM instruction is received by Euroclear by not later than 11.00 a.m. on 1 April 2020; and
  - (II) a number of Nil Paid Rights at least equal to the number of Nil Paid Rights inserted in the MTM instruction is credited to the CREST stock member account of the accepting CREST member specified in the MTM instruction at 11.00 a.m. on 1 April 2020; and
  - (III) the relevant MTM instruction settles by 11.00 a.m. on 1 April 2020 (or such later time and/or date as the Company may determine).

An MTM instruction will be treated as having been received by Euroclear for these purposes at the time at which the instruction is processed by the Network Providers' Communications Host (as this term is defined in the CREST Manual) at Euroclear of the network provider used by the CREST member (or by the CREST sponsored member's CREST sponsor). This will be conclusively determined by the input time stamp applied to the MTM UK instruction by the Network Providers' Communications Host.

The provisions of this paragraph 2.2.2(iii) and any other terms of the Rights Issue relating to Qualifying CREST Shareholders may be waived, varied or modified as regards specific Qualifying CREST Shareholder(s) or on a general basis by the Company.

(iv) *Representations, warranties and undertakings of CREST members*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with this paragraph 2.2.2 represents, warrants and undertakes to the Company and the Underwriters that he or she has taken (or procured to be taken), and will take (or will procure to be taken), whatever action is required to be taken by him or her or by his or her CREST sponsor (as appropriate) to ensure that the MTM instruction concerned is capable of settlement at 11.00 a.m. on 1 April 2020. In particular, the CREST member or CREST sponsored member represents, warrants and undertakes that, at 11.00 a.m. on 1 April 2020 (or until such later time and date as the Company may determine), there will be sufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account to be debited with the amount payable on acceptance to permit the MTM instruction to settle. CREST sponsored members should contact their CREST sponsor if they are in any doubt. Such CREST member or CREST sponsored member taking up entitlements must make the representations and warranties set out in paragraph 2.6 below.

If there is insufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account of a CREST member or CREST sponsored member for such amount to be debited or the CREST member's or CREST sponsored member's acceptance is otherwise treated as invalid and New Shares have already been allotted to such CREST member

or CREST sponsored member, the Company may (in its absolute discretion as to the manner, timing and terms) make arrangements for the sale of such New Shares on behalf of that CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale, including, without limitation, any stamp duty or SDRT payable on the transfer of such New Shares, and of all amounts payable by the CREST member or CREST sponsored member pursuant to the Rights Issue in respect of the acquisition of such New Shares) on behalf of such CREST member or CREST sponsored member. Neither the Company nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such CREST member or CREST sponsored member as a result.

(v) *CREST procedures and timings*

CREST members and CREST sponsors (on behalf of CREST sponsored members) should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of an MTM instruction and its settlement in connection with the Rights Issue. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that its CREST sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 11.00 a.m. on 1 April 2020. In connection with this, CREST members and (where applicable) CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(vi) *CREST member's undertaking to pay*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this paragraph 2.2.2 undertakes to pay to the Receiving Agent, or procure the payment to the Receiving Agent of, the amount payable in pounds sterling on acceptance in accordance with the above procedures or in such other manner as the Receiving Agent may require (it being acknowledged that, where payment is made by means of the RTGS payment mechanism (as defined in the CREST manual), the creation of a RTGS payment obligation in pounds sterling in favour of the Receiving Agent's RTGS settlement bank (as defined in the CREST Manual) in accordance with the RTGS payment mechanism shall, to the extent of the obligation so created, (a) discharge in full the obligation of the CREST member (or CREST sponsored member) to pay the amount payable on acceptance and (b) requests that the Fully Paid Rights and/or New Shares to which he or she will become entitled be issued to him or her on the terms set out in this document and subject to the Articles of the Company).

If the payment obligations of the relevant CREST member or CREST sponsored member in relation to such New Shares are not discharged in full and such New Shares have already been allotted to the CREST member or CREST sponsored member, the Company may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such Shares on behalf of the CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss it has suffered as a result of the same and of the expenses of the sale, including, without limitation, any stamp duty or SDRT payable on the transfer of such Shares, and of all amounts payable by such CREST member or CREST sponsored member pursuant to the terms of the Rights Issue in respect of the acquisition of such Shares) or an amount equal to the original payment of the CREST member or CREST sponsored member. Neither the Company nor the Underwriters nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by the CREST member or CREST sponsored member as a result.

(vii) *Company's discretion as to rejection and validity of acceptances*

The Company may agree in its absolute sole discretion to:

- (a) reject any acceptance constituted by an MTM instruction, which is otherwise valid, in the event of breach of any of the representations, warranties and undertakings set out or referred to in this paragraph 2.2.2. Where an acceptance is made as described in this

paragraph 2.2.2, which is otherwise valid, and the MTM instruction concerned fails to settle by 11.00 a.m. on 1 April 2020 (or by such later time and date as the Company has determined), the Company shall be entitled to assume, for the purposes of its right to reject an acceptance contained in this paragraph 2.2.2, that there has been a breach of the representations, warranties and undertakings set out or referred to in this paragraph 2.2.2 unless the Company is aware of any reason outside the control of the CREST member or CREST sponsor (as appropriate) for the failure to settle;

- (b) treat as valid (and binding on the CREST member or CREST sponsored member concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in this paragraph 2.2.2;
- (c) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid acceptance in substitution for, or in addition to, an MTM instruction and subject to such further terms and conditions as the Company and the Underwriters may determine;
- (d) treat a properly authenticated dematerialised instruction in this paragraph 2.2.2(vii)(d) (the "first instruction") as not constituting a valid acceptance if, at the time at which the Receiving Agent receives a properly authenticated dematerialised instruction giving details of the first instruction, either the Company or the Receiving Agent has received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (e) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for acceptance and/or settlement of an MTM instruction or any alternative instruction or notification, if, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to take up all or part of his or her Nil Paid Rights by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by the Receiving Agent in connection with CREST.

### **2.2.3 Money Laundering Regulations**

If you hold your Nil Paid Rights in CREST and apply to take up all or part of your entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, the Registrar is entitled to take reasonable measures to establish the identity of the person or persons (or the ultimate controller of such person or persons) on whose behalf you are making the application and any submission of a MTM instruction constitutes agreement for the Registrar to make any search deemed necessary. You must therefore contact the Registrar before sending any MTM instruction or other instruction so that appropriate measures may be taken.

Submission of an MTM Instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above is an undertaking by the applicant to provide promptly to the Receiving Agent any information the Receiving Agent may specify as being required for the purposes of the Money Laundering Regulations or FSMA. Pending the provision of evidence satisfactory to the Receiving Agent as to identity, the Receiving Agent, having consulted with the Company, may take, or omit to take, such action as it may determine to prevent or delay settlement of the MTM Instruction. If satisfactory evidence of identity has not been provided within a reasonable time, then the Receiving Agent will not permit the MTM Instruction concerned to proceed to settlement, but without prejudice to the right of the Company to take proceedings to recover any loss suffered as a result of failure by the applicant to provide satisfactory evidence.

#### **2.2.4 Dealings in Nil Paid Rights in CREST**

Assuming the Rights Issue becomes unconditional, dealings in the Nil Paid Rights on the London Stock Exchange are expected to commence at 8.00 a.m. on 18 March 2020. A transfer (in whole or in part) of Nil Paid Rights can be made by means of CREST in the same manner as any other security that is admitted to CREST. The Nil Paid Rights are expected to be disabled in CREST after the close of CREST business on 1 April 2020.

#### **2.2.5 Dealings in Fully Paid Rights in CREST**

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this document, the Fully Paid Rights may be transferred by means of CREST in the same manner as any other security that is admitted to CREST. The last time for settlement of any transfer of Fully Paid Rights in CREST is expected to be 11.00 a.m. on 1 April 2020. The Fully Paid Rights are expected to be disabled in CREST after the close of CREST business on 1 April 2020. From 8.00 a.m. on 2 April 2020, the New Shares will be registered in the name(s) of the person(s) entitled to them in the Company's register of members and will be transferable in the usual way (see paragraph 2.2.7 of this Part III below).

#### **2.2.6 Withdrawal of Nil Paid Rights or Fully Paid Rights from CREST**

Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Normal CREST procedures (including timings) apply in relation to any such conversion.

The recommended latest time for receipt by Euroclear of a properly authenticated dematerialised instruction requesting withdrawal of Nil Paid Rights or, if appropriate, Fully Paid Rights from CREST is 4.30 p.m. on 26 March 2020, so as to enable the person acquiring or (as appropriate) holding the Nil Paid Rights or, if appropriate, Fully Paid Rights following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 1 April 2020. You are recommended to refer to the CREST Manual for details of such procedures.

#### **2.2.7 Issue of New Shares in CREST**

Fully Paid Rights in CREST are expected to be disabled in CREST after the close of CREST business on 1 April 2020 (the latest date for settlement of transfers of Fully Paid Rights in CREST). New Shares (in definitive form) will be issued in uncertificated form to those persons registered as holding Fully Paid Rights in CREST no later than the close of business on the Business Day after the date on which the Fully Paid Rights are disabled. The Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of those persons (under the same participant ID and member account ID that applied to the Fully Paid Rights held by those persons) with their entitlements to New Shares with effect as soon as practicable after 8.00 a.m. on 2 April 2020.

#### **2.2.8 Right to allot/issue in certificated form**

Despite any other provision of this document, the Company reserves the right to allot and/or issue any Nil Paid Rights, Fully Paid Rights or New Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by the Receiving Agent in connection with CREST.

### **2.3 Procedure in respect of rights not taken up (whether certificated or in CREST) and withdrawal**

#### **2.3.1 Procedure in respect of New Shares not taken up**

If an entitlement to New Shares is not validly taken up by 11.00 a.m. on 1 April 2020, in accordance with the procedure laid down for acceptance and payment, then the relevant Provisional Allotment Letter or Nil Paid Rights in uncertificated form (as applicable) will be deemed to have been declined and will lapse. The Underwriters will endeavour, on behalf of

Shareholders that do not take up New Shares provisionally allotted, to procure, by not later than 5.00 p.m. on the second dealing day after the last date for acceptance under the Rights Issue, acquirers for all (or as many as possible) of those New Shares not taken up at a price per New Share which is at least equal to the aggregate of the Issue Price and the expenses of procuring such acquirers (including any applicable brokerage fees and commissions and amounts in respect of value added tax).

Notwithstanding the above, the Underwriters may cease to endeavour to procure any such acquirers if, in their opinion, it is unlikely that any such acquirers can be procured at such a price and by such a time. If and to the extent that acquirers for New Shares cannot be procured on the basis outlined above, the relevant New Shares will be purchased by the Underwriters or sub-underwriters (if any) at the Issue Price pursuant to the terms of the Underwriting Agreement.

Any premium over the aggregate of the Issue Price and the expenses of procuring acquirers (including any applicable brokerage fees and commissions and amounts in respect of value added tax) shall be paid (subject as provided in this paragraph 2.3):

- (i) where the Nil Paid Rights were, at the time they were not taken up, represented by a Provisional Allotment Letter, to the person whose name and address appeared on the Provisional Allotment Letter;
- (ii) where the Nil Paid Rights were, at the time they were not taken up, in uncertificated form, to the person registered as the holder of those Nil Paid Rights at the time of their disablement in CREST; and
- (iii) where an entitlement to New Shares was not taken up by an Overseas Shareholder, to that Overseas Shareholder.

New Shares for which acquirers are procured on this basis will be reallocated to the acquirers and the aggregate of any premiums (being the amount paid by the acquirers after deducting the Issue Price and the expenses of procuring the acquirers, including any applicable brokerage fees and commissions and amounts in respect of value added tax), if any, will be paid (without interest) to those persons entitled (as referred to above) pro rata to the relevant provisional allotments not taken up, save that amounts of less than £5.00 per holding will not be so paid but will be aggregated and will be for the account of the Company. For the avoidance of doubt, no amounts under (i) to (iii) above will be for the account of the Company other than amounts of less than £5.00 per holding as described above. Cheques for the amounts due will be sent by post, at the risk of the person(s) entitled, to their registered addresses (the registered address of the first-named holder in the case of joint holders), provided that, where any entitlement concerned was held in CREST, the amount due will, unless the Company (in its absolute discretion) otherwise determines, be satisfied by the creation of an assured payment obligation in favour of the relevant CREST member's (or CREST sponsored member's) CREST settlement bank in respect of the cash amount concerned in accordance with the CREST payment mechanism.

Any transactions undertaken pursuant to this paragraph 2.3 or paragraph 2.5.1 below shall be deemed to have been undertaken at the request of the persons entitled to the rights not taken up or other entitlements and neither the Company nor the Underwriters nor any other person procuring acquirers shall be responsible for any loss, expense or damage (whether actual or alleged) arising from the terms or timing of any such acquisition, any decision not to endeavour to procure acquirers or the failure to procure acquirers on the basis so described. The Underwriters will be entitled to retain any brokerage fees, commissions or other benefits received in connection with these arrangements.

It is a term of the Rights Issue that all New Shares validly taken up by acquirers under the Rights Issue may be allotted to such acquirers in the event that not all of the New Shares offered for purchase under the Rights Issue are taken up.

### **2.3.2 Withdrawal rights**

Qualifying Shareholders wishing to exercise statutory withdrawal rights after the issue by the Company of a document supplementing this document must do so by sending a written notice of



withdrawal which must include the account number, the full name and address of the person wishing to exercise such right of withdrawal and, if such person is a CREST Member, the participant ID and the member account ID of such CREST Member, in writing to the Receiving Agent at Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom, so as to be received no later than two Business Days after the date on which the supplementary document is published.

Notice of withdrawal given by any other means or which is deposited with or received by the Receiving Agent after expiry of such period will not constitute a valid withdrawal. Furthermore, the exercise of withdrawal rights will not be permitted after payment in full by the relevant person in respect of their New Shares taken up and the allotment of those New Shares to such person becoming unconditional, save as required by statute. In such circumstances, Shareholders are advised to consult their professional advisers. Provisional allotments of entitlements to New Shares which are the subject of a valid withdrawal notice will be deemed to be declined. Such entitlements to New Shares will be subject to the provisions of paragraph 2.3.1 of this Part III as if the entitlement had not been validly taken up.

Following the valid exercise of statutory withdrawal rights, application monies will be returned by post to relevant Qualifying Shareholders at their own risk and without interest to the address set out in the Provisional Allotment Letter and/or the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as applicable within 14 days of such exercise of statutory withdrawal rights. Interest earned on such monies will be retained for the benefit of the Company. The provisions of this paragraph 2.3.2 of this Part III are without prejudice to the statutory rights of Qualifying Shareholders. In such event, Qualifying Shareholders are advised to seek independent legal advice. For further details, Shareholders should refer to the Shareholder Helpline at Equiniti on 0333 207 6530 (+44 121 415 0915 if calling from outside the United Kingdom). Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 8.30 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Equiniti cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

## **2.4 Taxation**

Information on taxation in the United Kingdom and the United States with regard to the Rights Issue is set out in Part VIII – Taxation. The information contained in Part VIII – Taxation of this document is intended only as a general guide to the current tax position in the United Kingdom and the United States and Qualifying Shareholders should consult their own tax advisers regarding the tax treatment of the Rights Issue in light of their own circumstances. Shareholders who are in any doubt as to their tax position or who are subject to tax in any other jurisdiction should consult an appropriate professional adviser immediately.

## **2.5 Overseas Shareholders**

### **2.5.1 General**

**This document has been approved by the FCA, being the competent authority in the United Kingdom. The making or acceptance of the proposed offer of Nil Paid Rights, Fully Paid Rights and/or New Shares to persons who have registered addresses outside the United Kingdom, or who are resident in, or citizens of, countries other than the United Kingdom may be affected by the laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.**

It is also the responsibility of any person (including, without limitation, custodians, nominees and trustees) outside the United Kingdom wishing to take up rights under or otherwise participate in the Rights Issue to satisfy himself or herself as to the full observance of the laws of any relevant territory in connection therewith, including the obtaining of any governmental or other consents which may be required, the compliance with other necessary formalities and the payment of any



issue, transfer or other taxes due in such territories. The comments set out in this paragraph 2.5 are intended as a general guide only and any Overseas Shareholder who is in doubt as to his or her position should consult his or her professional adviser without delay.

Having considered the circumstances, the Directors have formed the view that it is necessary or expedient to restrict the ability of persons in the Excluded Territories, subject to certain exceptions, and the United States, to take up rights to New Shares or otherwise participate in the Rights Issue due to the time and costs involved in the registration of this document and/or compliance with the relevant local legal or regulatory requirements in those jurisdictions.

Receipt of this document and/or a Provisional Allotment Letter or the crediting of Nil Paid Rights to a stock account in CREST will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this document and/or a Provisional Allotment Letter must be treated as sent for information only and should not be copied or redistributed.

New Shares will be provisionally allotted (nil paid) to all Shareholders on the register at the Record Date, including Overseas Shareholders. However, Provisional Allotment Letters will not be sent to, and Nil Paid Rights will not be credited to CREST accounts of, Shareholders with registered addresses in the United States or the Excluded Territories or their agent or intermediary, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

Although Nil Paid Rights will be credited to the CREST accounts of all Qualifying CREST Shareholders, such crediting of Nil Paid Rights does not constitute an offer to Shareholders and, specifically, no offer is being made to Shareholders (i) with a registered address, or resident or located, in any of the Excluded Territories or (ii) in any other jurisdiction in which it is unlawful to make or accept an offer to acquire the Shares. CREST Shareholders will be entitled to take up rights in the Rights Issue only if such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

No person receiving a copy of this document and/or a Provisional Allotment Letter and/or receiving a credit of Nil Paid Rights to a stock account in CREST in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her nor should he or she in any event use the Provisional Allotment Letter or deal in Nil Paid Rights or Fully Paid Rights in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her in respect of the Nil Paid Rights and Fully Paid Rights. In such circumstances, this document and the Provisional Allotment Letter are to be treated as sent for information only and should not be copied or redistributed.

Persons (including, without limitation, custodians, nominees and trustees) receiving a copy of this document and/or a Provisional Allotment Letter or whose stock account is credited with Nil Paid Rights or Fully Paid Rights should not, in connection with the Rights Issue, distribute or send the same or transfer Nil Paid Rights or Fully Paid Rights in or into any jurisdiction where to do so would or might contravene local security laws or regulations. If a Provisional Allotment Letter or a credit of Nil Paid Rights or Fully Paid Rights is received by any person in any such territory, or by his or her agent or nominee, he or she must not seek to take up the rights referred to in the Provisional Allotment Letter or in this document or renounce the Provisional Allotment Letter or transfer the Nil Paid Rights or Fully Paid Rights unless the Company determines that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, nominees and trustees) who does forward this document or a Provisional Allotment Letter or transfer Nil Paid Rights or Fully Paid Rights into any such territories (whether pursuant to a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph 2.5.

Subject to paragraphs 2.5.2 to 2.5.5 below, any person (including, without limitation, agents, nominees and trustees) outside the United Kingdom wishing to take up his or her rights under the Rights Issue must satisfy himself as to full observance of the applicable laws of any relevant territory, including obtaining any requisite governmental or other consents, observing any other

requisite formalities and paying any issue, transfer or other taxes due in such territories. The comments set out in this paragraph 2.5 are intended as a general guide only and any Overseas Shareholders who are in any doubt as to their position should consult their professional advisers without delay.

The Company reserves the right to treat as invalid and will not be bound to allot or issue any New Shares in respect of any acceptance or purported acceptance of the offer of New Shares which:

- (i) appears to the Company or its agents to have been executed, effected or despatched from the United States or an Excluded Territory or any other jurisdiction outside the United Kingdom in which it would be unlawful to execute, effect or despatch such acceptance or purported acceptance unless the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement; or
- (ii) in the case of a Provisional Allotment Letter, provides an address for delivery of the share certificates or other statements of entitlement or advice in an Excluded Territory or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such certificates, statements or advice or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements; or
- (iii) in the case of a credit of New Shares in CREST, to a CREST member or CREST sponsored member whose registered address would be in the United States or an Excluded Territory or any other jurisdiction outside the United Kingdom in which it would be unlawful to make such a credit or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements.

The attention of Overseas Shareholders with registered addresses outside the United Kingdom is drawn to paragraphs 2.5.2 to 2.5.4 below.

The provisions of paragraph 2.3.1 above will apply to Overseas Shareholders who do not take up New Shares provisionally allotted to them or are unable to take up New Shares provisionally allotted to them because such action would result in a contravention of applicable law or regulatory requirements. Accordingly, such Shareholders will be treated as Shareholders that have not taken up their entitlement for the purposes of paragraph 2.3.1 above and the Underwriters will use reasonable endeavours, on behalf of the Overseas Shareholders, to procure acquirers for the relevant New Shares. The net proceeds of such sales (after deduction of expenses) will be paid to the relevant Shareholders pro rata to their holdings of Existing Shares on the Record Date as soon as practicable after receipt, except that (i) individual amounts of less than £5.00 per holding will not be distributed but will be aggregated and will be for the account of the Company and (ii) amounts in respect of fractions will not be distributed but will be retained for the benefit of the Company except Qualifying AML Nominee Service Shareholders who will be paid regardless of value. None of the Company, the Underwriters or any other person shall be responsible or have any liability whatsoever for any loss or damage (actual or alleged) arising from the terms or the timing of the acquisition or the procuring of it or any failure to procure acquirers.

Notwithstanding any other provision of this document or the Provisional Allotment Letter, the Company reserves the right to permit any Shareholder to participate in the Rights Issue on the terms and conditions set out in this document as if it were a Qualifying Shareholder if the Company in its sole and absolute discretion is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions in question. If the Company is so satisfied, the Company will arrange for the relevant Shareholder to be sent a Provisional Allotment Letter if he or she is a Qualifying Non-CREST Shareholder or, if he or she is a Qualifying CREST Shareholder, arrange for Nil Paid Rights to be credited to the relevant CREST stock account.

Those Overseas Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in paragraphs 2.1.2 (Qualifying Non-CREST Shareholders) and 2.2.2 (Qualifying CREST Shareholders) above.

Overseas Shareholders should note that all subscription monies must be paid in pounds sterling by cheque and should be drawn on a bank in the United Kingdom, made payable to "Equiniti Ltd Re AML Rights Issue" and crossed "A/C payee only".

#### 2.5.2 United States of America

The Nil Paid Rights, the Fully Paid Rights, the New Shares and the Provisional Allotment Letters have not been and will not be registered under the Securities Act or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

**Prospective investors are hereby notified that sellers of the Nil Paid Rights, the Fully Paid Rights or the New Shares may be relying on the exemption from registration provisions under Section 5 of the Securities Act provided by Rule 144A thereunder.**

The Company is not extending the offer under the Rights Issue into the United States unless an exemption from the registration requirements of the Securities Act is available and, subject to certain exceptions, none of this document and the Provisional Allotment Letter constitutes or will constitute an offer or an invitation to apply for or an offer or an invitation to acquire any Nil Paid Rights, Fully Paid Rights or New Shares in the United States. Subject to certain exceptions, neither this document nor a Provisional Allotment Letter will be sent to any Shareholder with a registered address in the United States. Subject to certain exceptions, Provisional Allotment Letters or renunciations thereof sent from or post-marked in the United States will be deemed to be invalid and all persons acquiring New Shares and wishing to hold such Shares in registered form must provide an address for registration of the New Shares issued upon exercise thereof outside the United States.

Subject to certain exceptions, any person who acquires New Shares, Nil Paid Rights or Fully Paid Rights will be deemed to have declared, warranted and agreed, by accepting delivery of this document or the Provisional Allotment Letter taking up their entitlement or accepting delivery of the New Shares, the Nil Paid Rights or the Fully Paid Rights, that they are not, and that at the time of acquiring the New Shares, the Nil Paid Rights or the Fully Paid Rights they will not be, in the United States or acting on behalf of, or for the account or benefit of a person on a non-discretionary basis in the United States or any state or other jurisdiction of the United States.

The Company reserves the right to treat as invalid any Provisional Allotment Letter (or renunciation thereof) that appears to the Company or its agents to have been executed in or despatched from the United States, or that provides an address in the United States for the acceptance or renunciation of the Rights Issue, or which does not make the warranty set out in the Provisional Allotment Letter to the effect that the person accepting and/or renouncing the Provisional Allotment Letter does not have a registered address and is not otherwise located in the United States and is not acquiring the Nil Paid Rights, the Fully Paid Rights or the New Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Shares in the United States or where the Company believes acceptance of such Provisional Allotment Letter may infringe applicable legal or regulatory requirements. The Company will not be bound to allot (on a non-provisional basis) or issue any New Shares, Nil Paid Rights, or Fully Paid Rights to any person with an address in, or who is otherwise located in, the United States in whose favour a Provisional Allotment Letter or any Nil Paid Rights, Fully Paid Rights or New Shares may be transferred or renounced. In addition, the Company and the Underwriters reserve the right to reject any MTM instruction sent by or on behalf of any CREST member with a registered address in the United States in respect of the Nil Paid Rights.

Notwithstanding the foregoing, the Company reserves the right to offer and deliver the Nil Paid Rights to, and the Fully Paid Rights and the New Shares may be offered to and acquired by, a limited number of Shareholders in the United States reasonably believed to be QIBs, within the

meaning of Rule 144A, or to other persons in offerings exempt from or in a transaction not subject to, the registration requirements under the Securities Act. The Nil Paid Rights, the Fully Paid Rights and the New Shares being offered outside the United States are being offered in reliance on Regulation S. If you are a QIB located in the United States, in order to exercise your Nil Paid Rights or Fully Paid Rights and/or acquire any New Shares upon exercise thereof, you must sign and deliver an investor letter. If you sign such an investor letter, you will be, amongst other things: representing that you and any account for which you are acquiring the New Shares, the Nil Paid Rights or the Fully Paid Rights are a QIB; and agreeing not to reoffer, sell, pledge or otherwise transfer the New Shares, the Nil Paid Rights, the Fully Paid Rights or the Provisional Allotment Letters, except: in an offshore transaction in accordance with Rule 904 of Regulation S (which, for the avoidance of doubt, includes a sale over the London Stock Exchange), and neither the seller nor any person acting on its behalf knows that the transaction has been pre-arranged with a buyer in the United States; to a QIB in a transaction in accordance with Rule 144A; with respect to the New Shares only, pursuant to Rule 144 under the Securities Act (if available); or in another transaction pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, and, in each case, in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

In addition, until 40 days after the commencement of the Rights Issue, an offer, sale or transfer of the New Shares, the Nil Paid Rights, the Fully Paid Rights or the Provisional Allotment Letters within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the Securities Act.

The provisions of paragraph 2.3 above will apply to any rights not taken up. Accordingly, Shareholders with a registered address in the United States who are not eligible to take up their rights will be treated as unexercising holders and the Underwriters will endeavour to procure acquirers for the New Shares.

#### **2.5.3 Excluded Territories**

Having considered the circumstances, the Directors have formed the view that it is necessary or expedient to restrict the ability of persons in Australia, Canada, Japan, the People's Republic of China and the Republic of South Africa to take up rights to New Shares or otherwise participate in the Rights Issue due to the time and costs involved in the registration of this document and/or compliance with the relevant local legal or regulatory requirements in those jurisdictions. Therefore, subject to certain exceptions, no Provisional Allotment Letters in relation to the New Shares will be sent to Shareholders, and no Nil Paid Rights or Fully Paid Rights will be credited to a stock account in CREST of, persons with registered addresses in Australia, Canada, Japan, the People's Republic of China or the Republic of South Africa, and the Nil Paid Rights to which they are entitled will be sold, if possible, in accordance with the provisions of paragraph 2.3.1 above. Subject to certain exceptions, the Provisional Allotment Letters, the Nil Paid Rights, the Fully Paid Rights and the New Shares may not be transferred or sold to, or renounced or delivered in, Australia, Canada, Japan, the People's Republic of China or the Republic of South Africa. No offer of New Shares is being made by virtue of this document or the Provisional Allotment Letters into Australia, Canada, Japan, the People's Republic of China or the Republic of South Africa.

#### **2.5.4 Overseas territories other than the United States, Australia, Canada, Japan, the People's Republic of China and the Republic of South Africa**

Provisional Allotment Letters will be posted to Overseas Shareholders who are Qualifying Non-CREST Shareholders and Nil Paid Rights will be credited to the CREST stock accounts of Overseas Shareholders who are Qualifying CREST Shareholders. Such Overseas Shareholders may, subject to the laws of the relevant jurisdictions, participate in the Rights Issue in accordance with the instructions set out in this document and, if relevant, the Provisional Allotment Letter. In cases where Overseas Shareholders do not take up Nil Paid Rights, their entitlements will be sold, if possible, in accordance with the provisions of paragraph 2.3.1 above.

**Qualifying Shareholders who have registered addresses in or who are resident in, or who are citizens of, all countries other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.**

*(i) Member States of the European Economic Area (other than the United Kingdom)*

In relation to each member state of the European Economic Area (except the United Kingdom) (each, a **Relevant Member State**), none of the New Shares, the Nil Paid Rights or the Fully Paid Rights may be offered or sold to the public in that Relevant Member State prior to the publication of this document in relation to the New Shares, the Nil Paid Rights and the Fully Paid Rights, which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with Regulation 2017/1129/EU (the **Prospectus Regulation**), other than the offers contemplated in this document in a Relevant Member State after the date of such publication or notification, and except that an offer of such Nil Paid Rights, Fully Paid Rights or New Shares may be made to the public in that Relevant Member State:

- (i) to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (ii) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) per Relevant Member State, subject to obtaining the prior consent of the Joint Global Co-ordinators for any such offer; or
- (iii) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of New Shares, the Nil Paid Rights or the Fully Paid Rights shall require the Company to publish a prospectus pursuant to Article 3 of the Prospectus Regulation and each person who initially acquires any New Shares, Nil Paid Rights or Fully Paid Rights or to whom any offer is made under the Rights Issue will be deemed to have represented, acknowledged, and agreed that it is a “qualified investor” within the meaning of Article 2(e) of the Prospectus Regulation.

For the purposes of this selling restriction, the expression an “offer of New Shares, the Nil Paid Rights or the Fully Paid Rights to the public” in relation to any New Shares, the Nil Paid Rights or the Fully Paid Rights in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the New Shares, the Nil Paid Rights or the Fully Paid Rights to be offered so as to enable an investor to decide to acquire the New Shares, the Nil Paid Rights or the Fully Paid Rights.

In the case of the New Shares, the Nil Paid Rights or the Fully Paid Rights being offered to a financial intermediary, as that term is used in the Prospectus Regulation, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the New Shares, the Nil Paid Rights or the Fully Paid Rights acquired by it have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any New Shares, Nil Paid Rights or Fully Paid Rights to the public other than their offer or resale in a Relevant Member State to “qualified investors” within the meaning of Article 2(e) of the Prospectus Regulation. The Company, the Underwriters and their respective affiliates will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement.

*(ii) Hong Kong*

The Nil Paid Rights, Fully Paid Rights and New Shares may not be offered or sold in Hong Kong, by means of any document, other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) of Hong Kong (the **SFO**) and any rules made under the SFO; or (ii) in other circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding up and Miscellaneous Provisions) Ordinance (Cap.32, Laws of Hong Kong) of Hong Kong (the **C(WUMP)O**) or an invitation to induce an offer by the public to subscribe for or purchase any shares and which do not result in this document or



the Provisional Allotment Letter being a “prospectus” as defined in the C(WUMP)O. No advertisement, invitation or document relating to the Nil Paid Rights, Fully Paid Rights, New Shares, the Provisional Allotment Letters or this document may be issued or may be in the possession of any person for the purpose of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the C(WUMP)O and the SFO) other than with respect to the Nil Paid Rights, Fully Paid Rights and New Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO or in other circumstances which do not constitute an offer or invitation to the public within the meaning of the C(WUMP)O.

The contents of this document and the Provisional Allotment Letter have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document or the Provisional Allotment Letter, you should obtain independent professional advice.

(iii) *Switzerland*

This document is being communicated in or from Switzerland to a small number of selected Shareholders only. Each copy of this document and/or the Provisional Allotment Letters is addressed to a specifically named recipient and may not be copied, reproduced, distributed or passed on to others without the Company’s prior written consent. The Nil Paid Rights, the Fully Paid Rights and the New Shares may not be publicly offered, sold or advertised, directly or indirectly, in or from Switzerland and will not be listed on the SIX Swiss Exchange (**SIX**) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Nil Paid Rights, the Fully Paid Rights and the New Shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the Capital Raise, the Company, the Nil Paid Rights, the Fully Paid Rights and the New Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of Nil Paid Rights, the Fully Paid Rights and the New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA.

#### **2.5.5 Waiver**

The provisions of this paragraph 2.5 and of any other terms of the Rights Issue relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company in its absolute discretion. Subject to this, the provisions of this paragraph 2.5 supersede any terms of the Rights Issue inconsistent herewith. References in this paragraph 2.5 to Shareholders shall include references to the person or persons executing a Provisional Allotment Letter and, in the event of more than one person executing a Provisional Allotment Letter, the provisions of this paragraph 2.5 shall apply to them jointly and to each of them.

#### **2.6 Representations and warranties relating to Shareholders**

(i) *Qualifying Non-CREST Shareholders and Qualifying AML Nominee Service Shareholders*

Any person accepting and/or renouncing a Provisional Allotment Letter or Form of Instruction or requesting registration of the New Shares comprised therein represents and warrants to the Company and the Underwriters that, except where proof has been provided to the Company’s satisfaction that such person’s use of the Provisional Allotment Letter or Form of Instruction will not result in the contravention of any applicable regulatory or legal requirement in any jurisdiction, (a) such person is not accepting and/or renouncing the Provisional Allotment Letter



or Form of Instruction, or requesting registration of the relevant New Shares, from within the United States or the Excluded Territories; (b) such person is not in any territory in which it is unlawful to make or accept an offer to acquire New Shares or to use the Provisional Allotment Letter or Form of Instruction in any manner in which such person has used or will use it; (c) such person is not acting on a non-discretionary basis on behalf of, or for the account or benefit of, a person located within the United States or any Excluded Territory or any territory referred to in (b) above at the time the instruction to accept or renounce was given; and (d) such person is not acquiring Nil Paid Rights, Fully Paid Rights or New Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Shares into the United States or any Excluded Territory or any territory referred to in (b) above. The Company may treat as invalid any acceptance or purported acceptance of the allotment of New Shares comprised in, or renunciation or purported renunciation of, a Provisional Allotment Letter or Form of Instruction if it (a) appears to the Company to have been executed in or despatched from the United States or any Excluded Territory or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it believes the same may violate any applicable legal or regulatory requirement; (b) provides an address in the United States or any Excluded Territory (or any jurisdiction outside the United Kingdom in which it would be unlawful to deliver share certificates or sales advice); or (c) purports to exclude the warranty required by this paragraph 2.6.

*(ii) Qualifying CREST Shareholders*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this Part III represents and warrants to the Company and the Underwriters that, except where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable regulatory or legal requirement in any jurisdiction, (a) he or she is not within the United States or any of the Excluded Territories; (b) he or she is not in any territory in which it is unlawful to make or accept an offer to acquire New Shares; (c) he or she is not accepting on a non-discretionary basis for, on behalf of, or for the account or benefit of, a person located within the United States or any Excluded Territory or any territory referred to in (b) above at the time the instruction to accept was given; and (d) he or she is not acquiring Nil Paid Rights, Fully Paid Rights or New Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Shares into the United States or any Excluded Territory or any territory referred to in (b) above.

## **2.7 Times and dates**

The Company shall, in its discretion and after consultation with its financial and legal advisers, be entitled to amend the dates that Provisional Allotment Letters are despatched or dealings in Nil Paid Rights commence or amend or extend the latest time and date for acceptance under the Rights Issue and all related times and dates set out in this document and in such circumstances shall notify the FCA, and make an announcement via a Regulatory Information Service approved by the FCA.

**In the event such an announcement is made, Qualifying Shareholders may not receive any further written communication in respect of such amendment or extension of the dates included in this document.**

If a supplementary prospectus is issued by the Company two or fewer Business Days prior to the latest time and date for acceptance and payment in full under the Rights Issue specified in this document (or such later date as may be agreed between the Company and the Underwriters), the latest date for acceptance under the Rights Issue shall be extended to the date that is three Business Days after the date of issue of the supplementary prospectus (and the dates and times of principal events due to take place following such date shall be extended accordingly).

## **2.8 Governing law**

The terms and conditions of the Rights Issue as set out in this document and the Provisional Allotment Letter and any non-contractual obligations arising out of or in relation to the Rights Issue shall be governed by, and construed in accordance with, English law.

## **2.9 Jurisdiction**

The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Rights Issue, this document, the Provisional Allotment Letter or the Form of Instruction and any non-contractual obligations arising out of or in connection with them. By accepting rights under the Rights Issue in accordance with the instructions set out in this document and, in the case of Qualifying Non-CREST Shareholders and Qualifying AML Nominee Service Shareholders, the Provisional Allotment Letter and Form of Instruction, respectively, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

## PART IV - BUSINESS OVERVIEW OF THE GROUP

### Overview

Aston Martin is a globally recognised luxury brand and a leader in the high-luxury sports car market. For more than a century, the brand has symbolised exclusivity, elegance, power, beauty, sophistication, innovation, performance and an exceptional standard of styling and design. Its cars sit solely within the HLS car market segment and the Group's market leadership position is supported by award-winning design and engineering capabilities, world-class technology and state-of-the-art facilities, creating distinctive model line-ups.

The Group sells cars worldwide, primarily from its main manufacturing facility and corporate headquarters in Gaydon, England, and is currently ramping up pre-production in its second manufacturing facility in St. Athan, Wales. The Group's current core line-up comprises three models of the new generation of products:

- the grand tourer – DB11;
- the sports car – Vantage; and
- the super grand tourer – DBS Superleggera.

All of the Group's models currently sit under the Aston Martin brand, and some models are available with different options, including engine size and body type (such as coupe and convertible models).

In November 2019, Aston Martin Lagonda unveiled its fourth new core model and first SUV, DBX. Pre-production builds of DBX started as planned in the Group's production facility located in St. Athan, Wales, with launch planned for the second quarter of 2020. The DBX order book has built rapidly, with approximately 1,800 orders from when it opened on 20 November 2019 to 7 January 2020, with approximately 1,200 of those orders being a combination of customer orders and specifications in progress and approximately 600 dealer-specified to maintain the successful launch of DBX including customer test cars, marketing cars and showroom cars. The order book has continued to build, with total orders taken as at the date of this document in excess of the planned DBX retail target for 2020. Geographically, over 60 per cent. of DBX orders are from the Americas and Asia Pacific, and over 50 per cent. are from customers who are new to the Aston Martin brand.

The Group has also confirmed production of its new hypercars, the Aston Martin Valkyrie and Aston Martin Valkyrie AMR Pro, which establishes a mid-engine platform for Aston Martin and which is expected to continue with the unveiling of Valhalla in 2022 and of the Vanquish in 2023. The Group also regularly develops and produces special limited edition models (which will continue to be a focus), alongside a new range of heritage vehicles.

### Second Century Plan and IPO

At the time of the Company's IPO in October 2018 (the **AML IPO**), the Group came to market with a growth story centred on the successful execution of the Second Century Plan. The Second Century Plan was initiated in 2015 with three distinct phases: (i) business stabilisation, (ii) core strengthening, and (iii) expansion of its product portfolio, all aimed at delivering a successful and sustainable luxury business. The Second Century Plan was underpinned by a product strategy to launch seven new core models over seven years, with each model having a seven-year lifecycle. Given the number of product launches taking place in quick succession, the Second Century Plan required an elevated level of capital investment, with an aim to deliver operating leverage in the medium term and to position the Group to capitalise on strong industry tailwinds in the HLS car market.

Phase 1 was completed in 2017, following the introduction of DB11 and the establishment of a clear growth strategy which committed the group to additional investment in manufacturing to realise the future product strategy. Phase 2 was substantially completed in 2018 with the launch of the Vantage and DBS Superleggera, delivering a new range of Aston Martin sports cars. The Group's commitment to its special edition range was significant, including the development of a hypercar, Valkyrie, in collaboration with Red Bull Racing. Phase 3 commenced with the expansion of the Aston Martin portfolio into the SUV market with the Aston Martin DBX.

However, the Second Century Plan ultimately proved to be too ambitious against the unexpectedly large downside risk of underperformance that the business has experienced. The

planned product cadence and requirement for new manufacturing facilities was too demanding on the scale of investment and a balance sheet unable to withstand the Group's trading performance in 2019.

## 2019 Trading

As previously announced, the Group's trading performance diminished throughout 2019, resulting in lower sales, higher selling costs and lower margins versus expectations. The Group started 2019 with elevated levels of company and dealer stocks, partially due to the supply chain disruption at the end of 2018 but also as a result of the lower than expected demand for Vantage and the lead-time required to adjust manufacturing and supply levels.

Consequently, achieving the retail sell through to start to de-stock the dealer network and rebalance the Group's supply levels required more retail and customer financing support than planned, weighing on average selling price. Despite core retail dealer sales increasing by 12 per cent. in 2019 year-on-year, this was not sufficiently high enough to support the Group's expectations of wholesale volumes. As a result of lower than planned wholesales in the first half of 2019, the Group's stock remained elevated at 30 June 2019 and the Group took steps to reduce its outlook for the year accordingly. A further reduction in volumes in the second half of 2019 created an immediate need for liquidity, resulting in the issuance of the \$150m 12.0% Notes due 2022. Pressure on liquidity continued in the fourth quarter as revised targets were not met during the Group's largest selling season.

Whilst dealer stocks at 31 December 2019 were approximately 190 units lower than they were at 31 December 2018, they remain elevated and the Group is focused on repairing the balance between demand and supply, to allow the Group to regain its price positioning.

Finally, costs were higher than planned due to a combination of incremental marketing campaigns in December, particularly in the United States and in support of DBX launch activities, alongside headcount and other selling, general and administrative costs falling short of savings targets.

DB11 and DBS Superleggera have performed comparatively well and have grown market share in recent years but have not been immune to the challenging trading conditions experienced in 2019. Despite gaining share in a declining segment, which was down a double-digit percentage for the year, the Vantage underperformed versus the Group's original expectations, particularly in Europe and the United Kingdom.

The Group's weakening trading performance led to successive downward revisions to the Group's previous 2019 guidance, first in July 2019 and again in January 2020.

As a result of the lower than expected cash generation from operations and considerable investment in both product launches and the additional manufacturing facility at St. Athan, the Group has in parallel experienced a deterioration in its liquidity position since the first quarter of 2019. This led to a requirement for the Group to raise additional debt to maintain liquidity. New debt issuances in 2019 included the \$190m 6.5% Notes due 2022 in April 2019, the \$150m 12.0% Notes due 2022 in October 2019 and a £38.7 million inventory repurchase arrangement (including £6.5 million of VAT) in November 2019. This has resulted in a Net Debt position of £876.2 million and an Adjusted Leverage Ratio of 7.3x as of 31 December 2019.

## Operational and financial review, reset of the business plan and the Yew Tree Consortium investment

The Group conducted a comprehensive review of the business, and longer-term strategic options in light of its 2019 operational and financial performance and a challenging HLS car market. The review has been completed and the Board has agreed a series of actions to reset, stabilise and de-risk the business and position the Group for controlled, long-term, profitable growth in the following ways:

- **Reset:** Control production to prioritise demand over supply and regain price positioning, and delay investment in electric vehicles in the near term.
- **Stabilise:** Focus on successfully delivering key products this year with DBX, which was unveiled in November 2019 with launch planned for the second quarter of 2020, the Vantage Roadster in the spring and the Aston Martin Valkyrie in the second half of the year.
- **De-risk:** Substantially de-lever the business with the Capital Raise and reduce the operating cost base, as described in more detail below.

In order to achieve the above objectives, the reset of the business plan includes the Capital Raise of £500 million, the rebalancing of supply and demand dynamics, reduced capital expenditure and the re-phasing of some future product launches, together with cost-efficiency initiatives.

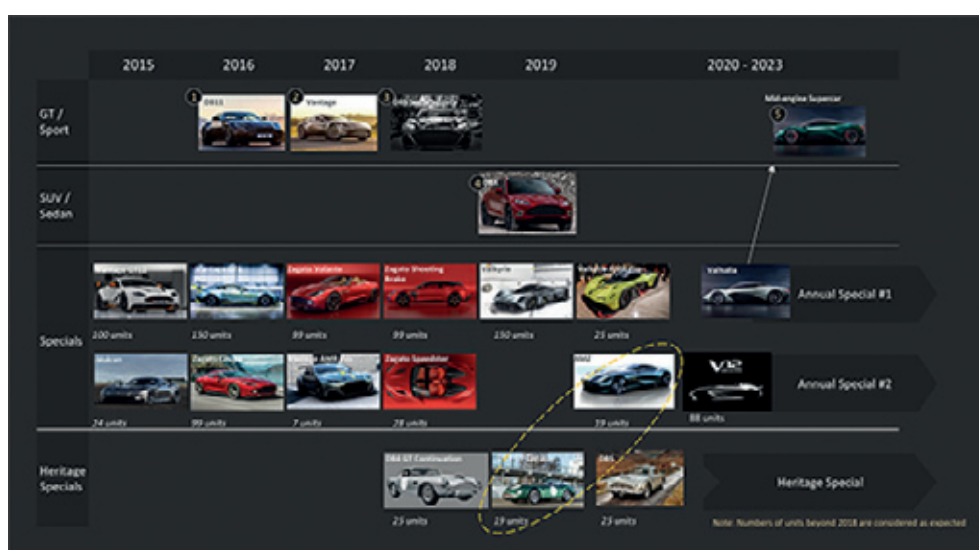
The Group is focused on turning around performance, restoring price positioning and delivering a more efficient operational footprint. The reset of the business plan includes a more conservative view for sports car wholesales for 2020, particularly for Vantage, and in the medium term the Group intends to manage sports car wholesales in order to maintain the appropriate balance between supply and demand to regain a stronger order book and thus pricing power.

The Group has reviewed the timing of future product launches to control medium-term investment requirements, improve cash generation and provide greater financial stability and flexibility. The Group's mid-engined core car (Vanquish) is now expected to be unveiled in 2023, following the unveiling of Valhalla in 2022. Development of a fuel-efficient, modular V6 engine with hybrid and plug-in capabilities continues, which will support the Group's core cars being available as hybrid and plug-in hybrid variants from the mid-2020s. The Lagonda brand will now be relaunched no earlier than 2025 (previously 2022) and while development of Rapide E is substantially complete, the programme has been paused pending a review (previously deliveries had been expected to start in 2020).

Special editions continue to be a key component of the reset of the business plan, as they enhance the Group's brand and have strong financial characteristics. Given their desirability, models are typically fully allocated prior to any significant capital commitment and typically generate higher margins than the core range. The deposits are required on allocation and typically allow special editions to be cash flow positive from design to the end of the product life cycle. The Group expects to meet the following milestones in respect of its special editions:

- production of the Aston Martin Valkyrie is still expected to ramp up through the second half of 2020;
- deliveries of the *Goldfinger* DB5 Continuations are due to start in 2020 as well as the DBS GT Zagatos, which will complete the DBZ Centenary Collection;
- the V12 Speedster will be unveiled in 2020 with deliveries due to start in the first quarter of 2021;
- the Aston Martin Valkyrie AMR Pro is still expected to be revealed in 2021;
- Valhalla is now expected to be unveiled in 2022; and
- new specials that have not yet been revealed will comprise the balance of one heritage special edition and two contemporary special editions each year.

The following graphic shows the Group's recent and planned product launches.



There have also been changes in the management of Sales, Marketing & Communications and Engineering. Moreover, further to the significant reduction in contractors and a voluntary redundancy and early retirement programme actioned in 2019 that led to an approximately 22 per cent. reduction in headcount year-on-year, additional reductions will be made to rebalance the Group's permanent and contractor headcount. At the same time, however, approximately 300 new roles will be created at the St. Athan manufacturing facility in addition to the approximately 300 employees already at that site. The Group's property footprint will also reduce alongside selling, general and administrative cost reductions commensurate with the Group's financial and operational ambitions.

The Directors expect these changes to yield £10 million of annualised savings, with £7 million delivered during 2020 after one-off costs, broadly offsetting expected cost increases due to the opening of the new facility in St. Athan.

#### *The Yew Tree Consortium investment*

Subject to completion of the Capital Raise, Mr. Stroll will join the Board as Executive Chair, effective on 7 April 2020. Mr. Stroll has a great deal of experience and success in building some of the world's most prominent luxury brands such as Tommy Hilfiger and Polo Ralph Lauren, and notably led the IPO of Michael Kors which went on to enjoy further strong growth as a publicly listed company. Mr. Stroll has also been for many years an active investor in the racing and luxury car industry, historically including the Ferrari dealership in Quebec and Circuit Mont-Tremblant and currently the Racing Point Formula 1™ team.

In addition, the Group has entered into an agreement under which the Racing Point F1™ team will become the Aston Martin F1™ team with effect from the 2021 season. This agreement is for a 10-year initial term and the Group will receive an economic interest in the team. The agreement also includes a sponsorship arrangement from 2021 and for the subsequent four years with commercial terms commensurate with the Group's current annual F1™ expenditure, renewable for five years, subject to satisfying certain conditions at the time.

For the 2020 F1™ season the Group will continue with its proud sponsorship of the Red Bull Racing F1™ Team, and the technology partnership between the Group and Red Bull Advanced Technologies will continue until the Aston Martin Valkyrie is delivered.

#### **Strengths**

The Directors believe that the key competitive strengths set out below will help the Group to realise its strategic goals and reinforce its competitive position.

- **A distinctive luxury British brand defined by superior design:** Aston Martin has a long tradition of exceptional design, engineering and manufacturing of HLS sports and GT cars, in addition to a racing pedigree. Aston Martin is known for its elegant and sophisticated British style, from the iconic DB5 seen in the 1964 James Bond film *Goldfinger*, to the newest models, including the award-winning DB11. The quality of the Aston Martin brand has been recognised globally by customers and also commentators, and in 2019 Aston Martin was recognised by Brand Finance amongst the top three most valuable luxury auto brands in the world.
- **Well-positioned with a broad product offering:** The Group is developing a full product portfolio comprised of core models aimed at addressing a diverse global luxury customer base. The Directors believe the breadth of the Group's product offering is one of the key strengths of the Group's business model and enables it to appeal to a broader range of HNWIs than the other HLS manufacturers.
- **World-class design and engineering in state-of-the-art facilities:** The Directors believe that Gaydon and St. Athan are two of Europe's most modern and advanced automotive manufacturing facilities in the HLS car market. With world-class technology, cutting edge engineering capability and state-of-the-art facilities, the Group continually develops and manufactures luxury vehicles that seamlessly combine its customers' demands for technologically advanced cars whilst maintaining the traditional style, beauty and



essence of its brands. The Group's modular architecture is the backbone of its product portfolio and employs a 'Carry Over-Carry Across' principle for key systems and components, to reduce engineering cost and complexity, improve quality and reduce time-to-market for subsequent models.

- **Experienced, passionate team with strategic vision:** The Group's senior management team has extensive experience in the automotive industry and of bringing new technologies to market. The Directors believe that this, together with a shared culture of passion, teamwork and meritocracy throughout the business, will help the Group to implement the next stage of its strategy. Lawrence Stroll, who will be joining as Executive Chair of the Board following the Capital Raise, has a great deal of experience and success in building some of the world's most prominent luxury brands such as Tommy Hilfiger and Polo Ralph Lauren, and notably led the IPO of Michael Kors.

## **Market overview**

Aston Martin Lagonda operates primarily within the high luxury car segment where it is positioned along with other key players such as Bentley, Ferrari, Lamborghini, McLaren and Rolls-Royce. Some Aston Martin models have some key competitors within both the luxury and performance premium market. Combined, these segments are an attractive niche which in 2018 accounted for less than 0.2 per cent. of global car sales.

Compared with the broader passenger car market, the HLS market has historically shown higher and more resilient growth, with demand less affected by global macroeconomic conditions, but rather driven by population wealth and an increasing number of HNWIs. In 2019, the total size of the high luxury and performance premium segment amounted to approximately 123,000 units sold worldwide, compared to 111,000 units in 2018 (11 per cent. year-on-year growth).

Whilst the overall development of the HLS and performance premium market has been positive, demand on a vehicle segment level has seen diverging dynamics. The SUV segment has continued to show the strongest growth momentum in 2019, with global sales reaching an estimated 47,000 units, a 35 per cent. increase compared to 35,000 units sold in 2018, driven by high consumer acceptance and new model launches in the segment including new entries from the high luxury brands in the form of Bentley Bentayga, Lamborghini Urus and Rolls-Royce Cullinan.

The sports market in which Vantage competes contracted in 2019, with the volume of registrations in the segment declining by 13 per cent. compared to prior year. This was, in part, due to macro-economic pressures and resultant trading conditions, particularly in the United Kingdom and Europe. In addition, the introduction of the Worldwide Harmonised Light Vehicle Test Procedure in the United Kingdom and Europe required all registrations to be compliant with the legislation from September 2018. This resulted in increased sales in 2018 negatively impacting 2019 sales potential. Despite the decline in the accessible market for Vantage, market share more than doubled in 2019, compared to prior year.

## **Aston Martin Lagonda cars**

The Group's products include a range of core models, in addition to special edition models. The current model line-up comprises three core models from the new range, including one grand tourer (DB11), one sports car (Vantage) and one super grand tourer (DBS Superleggera). Some of these cars are available in different core models (derivatives), including coupe and convertible models (which are branded as "*Volante*" for models with two front seats and a small backseat and a "*Roadster*" for models with only two front seats). The Group has also recently unveiled an SUV, DBX. Development of a fuel-efficient, modular V6 engine with hybrid and plug-in capabilities continues, which will support the Group's core cars being available as hybrid and plug-in hybrid variants from the mid-2020s.

In addition to the core range, the Group also regularly produces special edition models that are typically sold at a higher price than its standard models. The Group sold 270, 185 and 64 special edition units in 2017, 2018 and 2019, respectively. The special edition models have recently

included Vantage GT12, Vantage GT8, Vanquish Zagato Coupe, Vanquish Zagato Volante, Vanquish Zagato Speedster, DB4 GT Continuation, Aston Martin Vulcan, Vanquish Zagato Shooting Brake, Vantage AMR and forthcoming models include the Aston Martin Valkyrie, the Aston Martin Valkyrie AMR Pro, the Aston Martin Valhalla, the DB4 GT Zagato Continuation, DBS GT Zagato and the *Goldfinger* DB5 Continuation. Special edition models are typically oversubscribed and require a substantial deposit to reserve a car.

In 2019, the Group sold 5,862 cars (including 64 special editions) to its dealers, which produced sale of vehicles revenues of £897.6 million.

### ***Grand tourer – DB11***

The DB11 model range sits within the GT segment and is built at the Group's Gaydon plant. First produced in 2016, DB11 debuted at the Geneva Motor Show in March 2016. DB11 is available with a V12 engine as a two-door coupe and is powered by an all-new twin-turbo V12 engine, making it the first turbocharged series production Aston Martin brand car. In June 2017, the Group announced the introduction of the new DB11 coupe with a 4.0 litre twin-turbo V8 engine, which has a top speed of 187 miles per hour and is the Group's most fuel efficient powertrain currently on offer. This additional derivative, which has the lowest CO2 emissions of the current DB11 range, brings benefits in markets where car taxation policy is structured around engine capacity and environmental cost.

DB11 V8 is also available as a convertible, DB11 Volante, with first deliveries having taken place in the first quarter of 2018. The most recent addition to the DB11 range was DB11 AMR, boasting greater power, increased performance, enhanced driving dynamics and a more characterful exhaust note. The DB11 range introduced an updated advanced modular architecture, which the Group is using as the base for further cycles of core models, and a new electrical architecture and entertainment system, a product of its partnership with Daimler (see "*—Production—Manufacturing facilities and partnerships—Daimler*").

### ***Sports car – Vantage***

The Vantage started production in the second quarter of 2018 and is currently available as a two-door coupe powered by a 4.0 litre twin-turbo charged V8 AMG engine, provided through the Group's partnership with Daimler (see "*—Production—Manufacturing facilities and partnerships—Daimler*"). The Vantage is the first Aston Martin to feature an electronic rear differential, providing superior stability and cornering.

In the fourth quarter of 2019 the Group launched a limited edition Vantage AMR. Production is limited to 200 cars, and it is the first introduction of a manual gearbox into the Vantage. The Group has also unveiled in February 2020 the Vantage Roadster and Vantage Manual, first deliveries of which are expected to take place in the spring of 2020.

### ***Super GT – DBS Superleggera***

The DBS Superleggera, a super grand tourer, is based on the same modular platform as DB11. DBS Superleggera is currently available as a two-door coupe or Volante and is powered by a 5.2 litre twin-turbocharged V12 engine developing 715BHP and 900Nm of torque. The body is made from a combination of aluminium and light carbon composites, enabling a 0-60mph in less than 3.2 seconds and a maximum speed of 211mph.

The Group also sells a DBS Superleggera Volante (convertible), first delivered in the third quarter of 2019.

### ***SUV – DBX***

In 2015, the Group announced the high-luxury DBX, its first SUV, which is being produced at the Group's new St. Athan facility in Wales. The HLS SUV segment is the newest of the HLS car market and the Company estimate that approximately 67 per cent. of Aston Martin owners also own an SUV. DBX will enable the Group to access the expanding SUV segment and address

customers looking for a more versatile, luxurious and comfortable product. The Company anticipates that DBX will widen the appeal of the Aston Martin brand, thereby capturing a more diverse global audience. DBX was unveiled in November 2019, with launch planned for the second quarter of 2020. The DBX order book has built rapidly, with approximately 1,800 orders from when it opened on 20 November 2019 to 7 January 2020, with approximately 1,200 of those orders being a combination of customer orders and specifications in progress and approximately 600 dealer-specified to maintain the successful launch of DBX including customer test cars, marketing cars and showroom cars. The order book has continued to build, with total orders taken as at the date of this document in excess of the planned DBX retail target for 2020. Geographically, over 60 per cent. of DBX orders are from the Americas and Asia Pacific, and over 50 per cent. are from customers who are new to the Aston Martin brand.

### ***Aston Martin Valkyrie***

The Aston Martin Valkyrie is being developed in conjunction with Red Bull Advanced Technologies and is intended to transfer F1™ technology to the road. The Aston Martin Valkyrie is intended to be the first of a lineage of Aston Martin mid-engine cars. The Aston Martin Valkyrie has a 6.5-litre naturally aspirated V12 engine and Michelin Pilot Sport Cup two tyres. The Aston Martin Valkyrie is the Group's first hypercar, of which there will be a road car version and a track-only version. All 150 road car versions have been sold at a manufacturer's suggested retail price of £2,399,940 and significant customer deposits received. The road version was four times oversubscribed. In addition to the road-car model of the Aston Martin Valkyrie, the Group will produce a limited number of Aston Martin Valkyrie AMR Pro derivatives, which will be track-only products.

### ***DBZ Centenary Pair***

The DBZ Centenary Pair comprises a DB4 GT Zagato Continuation, paired exclusively with a contemporary special edition DB5 GT Zagato. Only 19 pairs were offered, and they are the most expensive special edition models ever sold by Aston Martin. Deliveries of the DB4 GT Zagato Continuation commenced ahead of time in the third quarter of 2019, and the DB5 GT Zagato is due to be delivered in 2020. Each pair is sold at a manufacturer's suggested retail price of £6,000,000.

### ***Goldfinger DB5 Continuation***

A series of 25 *Goldfinger* DB5 Continuation editions will be produced for customers by Aston Martin Works and EON Productions. The *Goldfinger* DB5 Continuation will be based on James Bond's legendary car from 1964 and built by Aston Martin Works at Newport Pagnell, which is the original home of the DB5. The cars will be authentic reproductions of the DB5 seen on screen, with some sympathetic modifications to ensure the highest levels of build quality and reliability. This authenticity will extend to include functioning gadgets such as revolving number plates and more, which were made famous in *Goldfinger*. The gadgets will be co-developed with Oscar®-winner Chris Corbould, special effects supervisor from the James Bond films. The Group has the prototype gadget car built, and build of the first full prototype has commenced. A majority of the 25 cars have been sold, and first deliveries are expected in the second half of 2020. The DB5 has a manufacturer's suggested retail price of £2,750,000.

### ***Valhalla and Vanquish***

The Aston Martin Valhalla, a mid-engine car, is expected to be unveiled in 2022, to compete with, for example, Ferrari La Ferrari and McLaren Senna. It is expected to be followed by its mid-engine core model, Vanquish, which is expected to be unveiled in 2023. This mid-engine range will draw on the learnings and technology developed by the Aston Martin Valkyrie. The Group's aim is to attract a new group of customers to the brand and increase its average selling price.

### **Optionality for cars**

#### ***Customisation***

Customers enjoy a degree of customisation within the base car, including colour options for the exterior and the interior. Customers can choose from a wide variety of options, including

different wheel designs, technology upgrades, interior trim and paint colour upgrades. This large range of customisation options means that the Group offers an enhanced service to all its customers (almost all Aston Martin cars sold included some customisation) and also contributes positively to profit margins.

### ***Q by Aston Martin***

Q by Aston Martin is a unique personalisation service that takes the standard customisation offering a step further and is used by customers to create a unique car that truly reflects its driver. Working closely with its award-winning design team, every Q customer has the ability to create a completely customised car. Q by Aston Martin was relaunched at the 2017 Geneva Motor Show, showcasing an enhanced offering in two defined categories:

- (a) ***Q by Aston Martin—Collection*** brings an array of distinctive design touches and exclusive trim and enhancements that can be added to any car at the point of specification and installed and hand-finished at Gaydon headquarters. Going above and beyond the standard options list, Collection includes exclusive paint and upholstery colours, material finishes and craft elements. These range from a unique leather quilt upholstery pattern to tinted wheel finishes that incorporate body-coloured blades to diamond turned spokes, as well as the use of wood and leather interior elements.
- (b) ***Q by Aston Martin—Commission*** is a process that involves a personal collaboration with Aston Martin Lagonda's design team. Customers can select a model and then work with the Group's design team to customise the interior and exterior down to the finest details, leading ultimately to production of a car to the customer's exact specifications. Commission results in a unique car. The Group has a long history of building individual cars, working alongside true enthusiasts who wish to see their vision translated into something unique. Examples of previous commissions include the CC-100 Speedster Concept, created for the Group's centenary in 2013, and the Vantage GT12 Roadster, a one-off open-top version of the extreme 600PS race-bred Vantage GT12 Coupe. More recently, the Vantage V600 was launched as both Coupe and Roadster derivatives, delivered through Q Commission. The Group's global dealership network is also working closely with Commission to create ultra-limited run series with features and design elements that are distinct to their regions and customers. For example, the DBS 59 Edition was designed in collaboration with the dealership Aston Martin Cambridge, and engineered and delivered by the Q by Aston Martin Commission Team.

### **Production**

The Group has made significant investments in its manufacturing facilities (including its new St. Athan facility), which enable it to expand its production capacity to meet its expected unit growth with limited additional investment. In addition, its core cars are based on an advanced aluminium body structure, which utilises lightweight aerospace technologies and allows for flexible and profitable manufacturing at low volumes and easy adaptation to new models, with limited additional investment. The Group also utilises a number of common structures, reducing tooling investment and improving quality for new model production.

The Group also has a flexible employee base, each of whom is trained on most of its production stations and models, which allows the Group to add or reduce personnel as needed to accommodate its production needs, as well as shift employees across different areas of production, to maximise its production capacity. As of 31 December 2019, the Group's manufacturing and quality team comprised 1,220 members of staff, who ensure that its production processes meet the highest standards of quality and engineering sophistication.

The Directors believe that Gaydon and St. Athan are two of Europe's most modern and advanced automotive manufacturing facilities in the HLS car market, where efficiency, versatility and quality control are central and which requires highly skilled employees, as well as suitable training and controls and procedures. The Gaydon facility has an exceptional health and safety record and in 2019 achieved 5 stars in the British Safety Council Five Star Health and Safety Management Systems audit, as it did in 2015, 2016, 2017 and 2018. On this basis, the Group

achieved its eighth consecutive 'Sword of Honour' from the British Safety Council in 2019 in recognition of its commitment to achieving the highest standards of health and safety management. Additionally, the Group was the first ever recipient of the new British Safety Council award for 'Outstanding Practice' for its provision of safety information directly at the point of use on the shop floor.

### ***Manufacturing facilities and partnerships***

#### ***Gaydon***

The Group's primary production facility is located in Gaydon, England. The Gaydon facility, which houses its manufacturing facility, design team and senior management, was tailor-built. Opened in 2003, Gaydon is a modern and highly advanced manufacturing facility and, as of 31 December 2019, over 500 of the Group's production staff are based at this site.

The capacity of Gaydon is 7,000 units per year. If required, the Group can increase and decrease production at the Gaydon facility as needed by adjusting shifts with little impact on capital expenditure. The Group has a stand up/stand down agreement that enables it to accommodate seasonality requirements without the need for additional headcount. For instance, in August 2018, the Group quickly increased its headcount to address a production ramp-up associated with orders for new models in the second half of the year, and more recently the Group has scaled back headcount in order to align with demand.

The Group's engineers and technicians are skilled in a number of areas, which provides the Group with flexibility in production lines. This flexibility enables it to shift all of its employees across its product range and in different areas of production, enabling it to maximise its production rate and capacity as dictated by demand. The Group also maintains flexibility from its employees around shifts, to maximise its production capacity. It operates a well-established production system, derived from the Beyond Lean methodology. Through a mixture of challenging targets and employee engagement, the Group's operations team has delivered year-on-year improvements in productivity and quality.

#### ***St. Athan***

The Group's manufacturing facility in St. Athan, Wales has been prepared for the production of SUVs and began pre-production of DBX, its first SUV, in the first half of 2019, with launch planned for the second quarter of 2020. The manufacturing facility is currently being tested and validated for ramp-up to full production in parallel with the extensive dynamic testing of the pre-production cars.

The St. Athan manufacturing facility uses similar processes to the main plant in Gaydon; however, based on the Group's experience with the main plant in Gaydon, it has enhanced these processes to improve quality and to reduce the hours of production per car. St. Athan is also optimised for the production and manufacture of electric vehicles facilitating the expected future production of Lagonda cars. The Group had 317 staff members at the St. Athan plant, including 139 technicians, as at 31 December 2019. Some of these technicians have been trained at Gaydon to ensure that knowledge that has been built up through development of processes at Gaydon is transferred to the new manufacturing site. The Director of Manufacturing at St. Athan was previously a Director of Manufacturing at the Gaydon plant. A detailed production plan is underway to trial the new facility and to ensure the gradual scaling up of productions at St. Athan. As with the Gaydon facility, optimised capacity at St. Athan is expected to be approximately 7,000 units per year, although actual production is expected to be significantly lower in the near term.

The Group leases the St. Athan facility from a third party under a 30-year lease. Certain of the Group's obligations under the lease agreement are guaranteed by the government of Wales, in exchange for which the Group has agreed to pay the government of Wales a fee. The Revolving Credit Facility Agreement contains a cross-default provision with respect to the Group's payment obligations under the guarantee fee agreement.



### *Special Vehicle Operations, Gaydon and Wellesbourne*

The Group has dedicated facilities at Gaydon and Wellesbourne for the production of special editions, including the Aston Martin Valkyrie. These are flexible, low volume facilities tailored to build special editions in an efficient manner. Special editions, which are based on the platform of core cars, utilise the efficiency of its main production line to build the tub and chassis and have bespoke parts fitted in one of the Group's special projects facilities.

### *Aston Martin Works, Newport Pagnell*

Newport Pagnell is the historic home of Aston Martin with a heritage stretching back to the early 1960s, before the Gaydon site became operational in 2003. The factory still remains the home of the heritage and restoration business, Aston Martin Works, and continues to be a manufacturing site for heritage specials, such as the DB4 GT Continuation.

Aston Martin Works provides a full car servicing offering to customers, including servicing, restoration, assured provenance, sales, body shop repairs, accident repairs, track day works and upgrades. These services are provided on a global basis, with cars shipped back to Newport Pagnell for repair. Experienced mechanics are also sent to conduct works at facilities local to car owners.

### *Ford*

The V12 engines for the Group's new advanced modular architecture-based cars are built by Ford at a dedicated Aston Martin Engine Plant in Germany under a long-term supply agreement with Ford. This agreement expires on 31 December 2021. All pre-existing intellectual property rights associated with the engines and their production are licensed to the Group under a separate agreement with Ford. Any new intellectual property rights generated under the agreement belong to the party responsible for their creation.

In December 2018, the Group gave 36 months' notice to Ford that it does not intend to extend the contract, and the Group subsequently entered into a contract with a new supplier. Under this agreement, V12 engines will be assembled and supplied for the Group from June 2021. This agreement, similar to the Ford contract, is subject to a three-year notice of termination. The Group is also negotiating with this supplier in relation to the supply of V6 engines. See *"Risk Factors—Risks relating to the business and industry of the Group— Aston Martin Lagonda could experience significant disruption to its production capabilities as a result of its dependence on a limited number of key suppliers."*

### *Daimler*

The Group has a technical partnership with Daimler for the provision of electrical architecture and entertainment systems. Daimler, which in 2019 was the Group's largest supplier by spend, also provides the Group with the modified M177 engine, a bespoke V8 powertrain engine for the DB11 V8 variants and the new Vantage. In addition, the DBX SUV electrical architecture is built around Daimler components and networks, delivering infotainment, body electronics, safety systems and Powertrain controls.

The Group's technical and commercial partnership with Daimler began in 2013, when Daimler became one of Aston Martin Holdings (UK) Limited's shareholders. In 2017, the Group started production of the first model incorporating the Daimler 4.0 litre V8 engine for the V8 variant of DB11. The primary supply agreements for this technical partnership and engine supply arrangements are long-term agreements, under which Daimler has agreed to provide bespoke V8 engines and all electrical architecture for the Group's vehicles until 2026 (in the case of GTs and sports cars).

### *Motorsports*

In 2016, the Group became a sponsor of Red Bull's F1™ team and, since the start of 2018, the F1™ team has competed as 'Aston Martin Red Bull Racing'. This sponsorship has allowed the Group to promote the Aston Martin brand and access a very wide audience of car enthusiasts across the world.

In connection with the investment in the Group by the Yew Tree Consortium, the Group has entered into an agreement under which the Racing Point F1™ team will become the Aston Martin F1™ team with effect from the 2021 season. This agreement is for a 10-year initial term and the Group will receive an economic interest in the team. The agreement also includes a sponsorship arrangement from 2021 and for the subsequent four years with commercial terms commensurate with the Group's current annual F1™ expenditure, renewable for five years, subject to satisfying certain conditions at the time.

For the 2020 F1™ season the Group will continue with its proud sponsorship of the Red Bull Racing F1™ Team, and the technology partnership between the Group and Red Bull Advanced Technologies will continue until the Aston Martin Valkyrie is delivered. That technology partnership has allowed the Group and Red Bull Advanced Technologies to share design and technology expertise, drawing on the experiences of both companies.

### ***Manufacturing process***

The manufacturing process at the Gaydon and St. Athan facilities consists of chassis production, body assembly, painting, trimming, assembly and quality processes. These manufacturing operations are underpinned by a high level of real-time visibility and engagement by those running the manufacturing process to ensure that any quality-control issues are identified, contained and resolved quickly.

Most of the Group's cars are based on the modular architecture that is the backbone of its product portfolio. This architecture was significantly updated for DB11 and forms the basis of the Vantage and next generation DBS Superleggera. The architecture is a highly flexible integrated modular structure that employs a 'Carry Over-Carry Across' principle for key systems and components that allows for a high degree of product differentiation and includes the car body structure as well as common systems and components. The application of this flexible architecture enables the Group to produce low volumes of cars and easily adapt to new models, thereby reducing its production and development costs for incremental models, based on the architecture. The aluminium body structure of the Group's cars comprises a number of common structures, which provide flexibility in overall car dimensions, such as wheelbase or front and rear overhangs, with maximum component commonality, minimising its engineering and tooling investment and time to market.

### ***Quality processes***

Each car undergoes a thorough inspection, which involves an inspector making rigorous multi-point checks on each car to ensure the quality of the final product and concludes with the inspector's name being stamped in the engine bay as a mark of quality. Only then are the Aston Martin wings affixed to the car. In addition to all the rigorous inspections and testing that forms part of its manufacturing process, the Group also undertakes regular consumer product audits to help maintain its high standards. The Group's focus on quality and its inspection, checking and testing processes have helped minimise the amount it has been required to spend on warranty claims, as well as increased customer satisfaction.

In addition to the quality controls in place at the production level, the Group is also focused on delivering a high-quality service as part of its post-sale customer offering. To improve global customer support across different time zones as its operations grow, the Group has increased its client services team by 17 people in 2018 and a further 28 in 2019, bringing its client services team to a total of 45 as of 31 December 2019. The facility in Gaydon has a control room dedicated to managing field issues by providing advice in connection with technical requests, coordinating vehicle recoveries and physical support deployments. The Group also launched a new symptom-based diagnostic tool in the beginning of 2019, which assists dealers with guided diagnosis and self-learning, and which enables any issues to be identified and resolved quickly at the dealer level, thereby reducing demand on the post-sale team. Furthermore, the Group operates a new real time dealer workshop monitoring system, which will immediately inform it of cars entering workshops, monitor the location of the car and time spent in repair, and ultimately assist with earlier problem detection.

## Procurement

The Group's production purchasing function strategically controls and has commercial responsibility to manage the whole of its supplier base for the sourcing of raw materials such as aluminium, leather components and facilities. The Group places purchase orders to ensure ownership of all unique tools and fixtures used by its suppliers for the manufacture of its components.

The Group selects suppliers for its core models based on a partner strategy and seeks to ensure a high level of continuity of suppliers across its models. For example, of the 164 suppliers engaged in respect of the new Vantage, only 20 are new and the remaining 144 have been carried over from DB11. Suppliers are sourced early in the product development process to ensure cost, quality and delivery targets are met. Sourcing suppliers across multiple platforms helps to de-risk future models and enables the strategic development of components. By virtue of its in-house leather trimming and assembly capabilities, the Group is able to elect to 'make or buy' a number of interior trimmed components, giving it more leverage when negotiating with potential suppliers.

In 2019, the Group's largest supplier was Daimler, and the Aston Martin Engine Plant (owned and operated by Ford for the production of V12 engines) also represents (and has historically represented) a significant portion of the Group's supplies. Further Tier 1 supplier partnerships with Bosch, Graziano and Multimatic ensure superior quality and substitute expensive in-house development. See also *"Risk factors—Risks relating to the business and industry of the Group—Aston Martin Lagonda could experience significant disruption to its production capabilities as a result of its dependence on a limited number of key suppliers."*

To reduce investment, the Group normally sources each component from a single supplier, although it typically has a number of suppliers for each commodity group so that a competitive tender process can take place. Inbound transportation logistics are handled by a third-party supplier which is contracted to handle transportation from the suppliers' plants to its production location. Suppliers experiencing difficulties with quality or delivery performance are able to obtain on-site support from the Group's current vehicle engineering and supplier development teams.

The Group has a risk management process in place that seeks to manage and reduce the risk of disruption to its supply of materials and components. This includes an initial risk assessment and ongoing risk monitoring of its suppliers, with mitigation plans for what the Group judges to be its highest risk suppliers in each supply area. The Group also seeks to balance sourcing decisions across its model range, to limit its risk and reliance on one supplier.

## Customer sales and marketing

The Group maintains a franchised dealer network, which is the primary means through which it sells its cars to customers. This dealership network has been strengthened through new appointments and upgraded dealerships as part of the Group's focus on continually enhancing and developing the network's viability, profitability and sustainability. The Group's dealer strategy is premised on its belief that the integrity and success of the Aston Martin Lagonda brand is dependent on the responsible and careful selection of dealers. Therefore, the Group develops strategic and stable partnerships with highly professional, carefully selected and customer centric retail partners.

Under its franchise agreements, franchisee dealers purchase the Group's cars and make certain other contractual commitments and in return are permitted to sell its cars and merchandise. The Group's policy is to sell to dealers who provide an in-store experience and who promote the cars in a manner consistent with the Aston Martin Lagonda brand. Non-authorised dealers are not able to sell new or certified pre-owned Aston Martin Lagonda cars. The group's dealer strategy is designed to ensure no capital investment is required in its dealer network, while maintaining a level of control over it.

The Group aims to ensure the sales and service experience at its dealers is fully reflective of the Aston Martin Lagonda brand by delivering a world-class luxury customer experience and consistent brand presentation. It has a dealership design consultancy team that works directly with individual dealers to ensure consistency. This team has developed a focused Aston Martin design to be reflected in the interior and exterior appearance of a dealership. The financing of necessary investment in dealership facilities is provided by the dealers themselves. A specific programme and set of design guidelines have also been put in place for the development of after-sales areas, such as workshops and service areas. In developing its sales outlets in this way, the Group aims to transform the buying process into an exclusive, boutique experience so that the customer is assured a high luxury experience at every touch-point with it and the Aston Martin Lagonda brand.

To maintain the quality of the dealer network, the Group has a rigorous programme in place to educate, develop and monitor dealer owners and managers as to the new model range, brand positioning and required service standards. The Group is also focused on training, in particular for the repair technicians in the dealer network, to guarantee a satisfactory aftermarket experience for Aston Martin owners.

Dealers range from fully independent, brand-dedicated outlets for sales and service, to shared sites (with complementary brands), to a separate department within a larger collection of brands. All dealers provide aftermarket and repair services for the cars and within the United Kingdom there are a further two authorised service centres.

Over the past 19 years, the dealer network has undergone significant expansion, growing from 61 dealerships in 19 countries in 2000, to 168 dealerships in 54 countries as of 31 December 2019. In particular, over the last few years the Group has developed its Asia Pacific dealer network, most notably, its Chinese dealer network, to build on recent success and the further growth opportunities associated with the increasing number of HNWLs in these regions. The Group inspects dealers for financial stability, brand management and selling capability and are able to terminate a dealer's contract if these criteria are not met to its standards. All dealers in the dealer network are independent dealers, with the exception of Aston Martin Works. The Group acquired a 50 per cent. stake in Aston Martin Works, its historic home and the site where its heritage models are still made, in April 2010.

The worldwide distribution of dealerships as of 31 December 2019 is set forth in the following table:

	<b>Number of dealerships as of 31 December 2019</b>
United Kingdom and South Africa .....	22
EMEA (excluding the United Kingdom) .....	56
Americas .....	45
Asia Pacific .....	45
<b>Total</b> .....	<b>168</b>

The Company plans to grow the number of Aston Martin dealerships in the medium term to support the launch of DBX. This will enable the Group to sell to HNWLs in territories where there are currently no Aston Martin dealers. When assessing where to locate new dealerships, the Group uses a multi-dimensional analysis of region and individual markets across all postal areas and data sets. Extensive data analysis is conducted to assess competitor networks, drive times, geographic locations, wealth distribution, purchasing power and current dealer coverage against HLS registration activity. This enables the Group to identify optimum positions for new dealerships.

The proportion of revenues represented by the Group's top five dealer groups has stayed relatively constant over the last five years (with the exception of a reduction in dealers and volume from one such dealership group) and, in 2019, represented approximately 20 per cent. of its total sales volume.

The following table sets out the geographical distribution of the Group's total car sales to dealers in 2017, 2018 and 2019.

Location	2016	2017	2018	2019
United Kingdom and South Africa .....	1,108	1,538	1,798	1,429
EMEA (excluding the United Kingdom) .....	1,044	1,316	1,489	1,074
Americas .....	829	1,277	1,761	2,050
Asia Pacific .....	706	967	1,393	1,309
<b>Total .....</b>	<b>3,687</b>	<b>5,098</b>	<b>6,441</b>	<b>5,862</b>

### ***Dealer pricing and marketing support***

Although the Group provides a manufacturer's suggested retail price for all its cars, individual dealers are permitted to negotiate different prices with customers (within set parameters) and to provide financing to those customers. The majority of customers purchase the cars from dealers in cash, although the Group has relationships with certain banks and financial services companies that its dealers can engage with to provide finance and leasing services to customers, if requested. The Group provides these financial services through licenced third parties operating under the Aston Martin Financial Services brand in certain key markets. The Group operates this business with six partners in 20 markets around the world. The partners use their own capital, have full credit and compliance risk and, depending on the market and finance product, have some or all of the residual value risk. The Group does not contribute any capital or contribute to any operating costs, and the Group is paid a commission by the partners based on volume performances.

The Group may from time to time choose to support the profitable sale of new Aston Martin cars through its franchised dealer network. This is known as "marketing support". The mechanism of support varies according to the local market needs and customs in order to achieve optimum value from such contributions. In 2019, the Group started the year with elevated levels of company and dealer stocks and utilised marketing support to incentivise retail sales to start to de-stock the network. Whilst dealer stocks at 31 December 2019 were approximately 190 units lower than they were at 31 December 2018, they remain elevated and the Group is focused on repairing the balance between demand and supply, to allow the Group to regain its price positioning. The Group also has a Wholesale Finance Facility in place, which may be utilised in connection with sales of its cars and which is backed by credit insurance in the event of dealer default. Where this facility is used, the Group receives the purchase price of a car less a discount rate (calculated in accordance with the Wholesale Finance Facility agreement) upon invoicing the dealer (and subject to satisfaction of certain other requirements). Where it cannot utilise this facility in connection with the sale of a car to a dealer, the dealer is required to pay for the car before delivery, other than in North America where dealers typically have 10 days to pay them.

### ***Production allocation***

The Group closely monitors production relative to demand for its products. While this primarily involves controlling production volumes, the Group also involves managing allocations to specific markets and to individual dealers. Production levels are initially calculated on a regional basis among the United Kingdom and South Africa, Europe, the Americas, Asia Pacific and Middle Eastern and North African markets. These calculations take into account factors such as local market size, order books and historical performance. From the allocation to a specific region, individual dealers are each given an annual maximum allocation, designed to ensure market demand remains ahead of available supply.

### ***Secondary market***

In 2016, the Group launched the Aston Martin global certified pre-owned sports car programme "Timeless". This programme, which is available worldwide, offers customers pre-owned Aston Martin sports cars with high levels of quality, assurance and confidence. The programme covers all Aston Martin models from the last decade, including special edition models such as the V12



Vantage Zagato and the One-77. “*Timeless*” is the Aston Martin-approved used car programme that currently assures the quality of used cars sold via approved dealers in the United Kingdom, EMEA, United States and Asia Pacific (with a roll-out in China planned for 2020). Specifically, this involves the provision of a comprehensive extended warranty and a mandatory multi-point check on all cars sold under the scheme. These efforts, together with the general desirability of the cars, have contributed to supporting the secondary market prices of the Group’s cars.

### **Marketing**

The Group’s marketing expenditure is mainly attributable to F1™ sponsorship, frequent new product launches, key HNWI motoring events, such as Goodwood Festival of Speed and Goodwood Revival, Pebble Beach and the Geneva, Shanghai and Beijing Motor Shows. The Group actively uses product placements, one-on-one regional and dealer marketing events, factory tours and sponsorship arrangements, such as luxury lifestyle/sports events. The Group also benefits from its historic partnership with the James Bond franchise. *No Time to Die*, the next James Bond film due to be released in early April 2020, will feature four Aston Martin cars.

Away from core automotive activities, the Group has also attracted HNWI customers and prospects via its “*Art of Living*” experiential events platform, capitalising on a trend that the target market spends significantly on experiences such as driving breaks and access to exceptional lifestyle experiences that may not always involve driving. In particular, these experiences are an effective way to attract a stronger female following and, in general, bring clients closer to the Aston Martin Lagonda brand and its partners. In addition, investments in digital marketing and tools has led to internal efficiencies and increased online leads, along with a social media audience that currently exceeds 16 million people.

The Group’s marketing has been boosted by frequent new product launches, which attract new customers and include several limited edition special projects that are revealed privately to an exclusive VIP audience, ahead of public announcement. A club exists for the top customers, which forms the group of those who are typically asked to attend VIP events and launches of limited run models. This strategy has resulted in collectable new products being pre-sold ahead of announcement—leading to desirable invitation-only demand for the brand.

### **Motorsports**

The Group’s participation in motorsports has given the Aston Martin brand global exposure, particularly in key growth markets and has enabled the Aston Martin Valkyrie to have its global debut in front of a home crowd at the British Grand Prix in July 2019. This also gives a platform to learn about the extremes of design and engineering and has created the opportunity to share technology and processes with the most advanced form of racing.

The Group’s involvement in motorsports is a highly effective brand building tool, as there are high levels of interest in F1™ among premium and luxury car owners globally. As of 31 December 2019, approximately 80 per cent. of premium and luxury car buyers in the United Kingdom, United States, Germany and Japan had an interest in F1™.

In 2016, the Group became a sponsor of Red Bull’s F1™ team and, since the start of 2018, the F1™ team has competed as ‘*Aston Martin Red Bull Racing*’. For the 2020 F1™ season the Group will continue with its proud sponsorship of the Red Bull Racing F1™ Team.

In connection with the investment in the Group by the Yew Tree Consortium, the Group has entered into an agreement under which the Racing Point F1™ team will become the Aston Martin F1™ team with effect from the 2021 season. This agreement is for a 10-year initial term and the Group will receive an economic interest in the team. The agreement also includes a sponsorship arrangement from 2021 and for the subsequent four years with commercial terms commensurate with the Group’s current annual F1™ expenditure, renewable for five years, subject to satisfying certain conditions at the time.

The Group also markets indirectly through the Aston Martin Racing Programme, which promotes the Aston Martin brand through participating in endurance GT racing events such as Le Mans and

Nürburgring 24 hour races. The Aston Martin Racing Programme brings in sponsorship, which contributes to the programme's funding. In 2016, the Aston Martin Racing team won two world championship titles, in 2017, the team took victory in the GTE Pro Class at the Le Mans 24 hour race and in 2018, the Vantage GTE took its first win in Shanghai on its debut race. As a result, Aston Martin Racing has enabled the credible establishment of the AMR sub-brand.

### **Design and product development**

The Group's product development and design team comprised 830 designers, engineers and technicians as of 31 December 2019, covering almost all aspects of new car planning, design and development. The modular architecture, which employs a 'Carry Over-Carry Across' principle for key systems and components is the backbone of the Group's current product portfolio and is planned to form the basis for a further cycle of new model introductions. Following the Group's investment in its aluminium architecture, engines and shared systems for DB11, Vantage and DBS Superleggera required less product development expenditure than DB11.

Most of the Group's design activities are carried out by its design team at its state-of-the-art design facility in Gaydon and a new facility in Milton Keynes which opened at the end of 2018. This team consists of designers, engineers and technicians, including clay modelers, electronic modelers and other skilled craftsmen. Their processes include sketching and physical and electronic modelling. The design team are also responsible for trim and attention to detail in design, for which the Group has become recognised. The Group has received numerous awards, including recently: What Car 'Car of the year (Coupe more than £50,000)' for DB11 V8 Coupe in 2018 as well as for the DB11 V8 in 2019. In addition, the Group was the winner of "Cool Brands" award in the United Kingdom several times in the last few years and have continuously been elected in the top 10 since 2008.

### **Parts business**

The Group runs a parts and distribution service from its facility at Wolverton Mill, Milton Keynes. This division supplies parts for classic and current models with stocks dating back to 1958. With its annual car sale volumes having increased from the low hundreds during the 1980s and 1990s to 5,862 in 2019, this division is expected to benefit from the increasing number of customer cars currently on the road requiring regular parts and maintenance. The Group sells parts to its authorised dealer network, as well as to approved third-party service centres that are not part of the authorised dealer network. In 2019, the Group's revenues from the parts business was £63.0 million (compared to £61.1 million in 2018).

### **Servicing business**

The Group provides a maintenance and accident repair service, as well as the restoration of its older models, through its servicing business, Aston Martin Works, based in Newport Pagnell. Aston Martin Works represents every facet of the Aston Martin and the Lagonda brands through its activities. It employs highly skilled craftsmen, who can hand manufacture almost all car components.

The Group's Heritage Operations, a division of Aston Martin Works, offer service and repairs to owners. It is recognised as the leader in restoration of its cars, of which around five are completed per year.

The Aston Martin Works business is further enhanced by its ability to build small volume continuation cars. These vehicles are built in sub-30 unit production numbers and usually take 18 months to complete a full product cycle. They are the most profitable vehicles to be produced at Newport Pagnell and some of the highest margin vehicles produced by the Group.

In addition to generating revenue, these activities help protect the Group's heritage, which it believes underpins much of the Aston Martin's brand's appeal and its continued development. In 2019, the Group's revenue from the servicing business was £9.3 million (compared to £14.6 million in 2018).

Servicing and repair services are also available from authorised service centres in franchised Aston Martin Lagonda dealers although, as described above, these are almost entirely independent businesses and therefore do not generate revenue for the Group, except indirectly through its parts business.

Aston Martin Works Limited, which owns the Group's servicing business, is a wholly owned subsidiary of AWMS Limited, whose shares are 50 per cent. owned by AML. See "*Certain Relationships and Related Party Transactions.*"

### **AM Partnerships**

The Group leverages its iconic global luxury brand and its design expertise to create opportunities for it to diversify its business into other luxury goods. AM Partnerships licenses the Aston Martin brand on a highly selective basis to partners that are also at the top of their respective markets in terms of price, performance and design and that share its focus on exclusivity and high luxury. These activities allow the Group to enhance its relationships with existing customers through cross-selling opportunities and increased touch points, as well as to appeal to a new audience of customers with similar characteristics to its existing customer base.

Brand extension activities typically have very limited capital expenditure associated with it and are margin accretive. For example, AM Partnerships is contributing design expertise to a new Aston Martin-branded condominium complex in Miami, Florida, which is due to complete in 2021. AM Partnerships is also involved in a number of other brand extension activities, including "*Art of Living*" Experiences and an exclusive apparel range in collaboration with Hackett.

### **Intellectual property**

The Group's success depends in part on its ability to protect and promote its IP rights as well as its freedom to manufacture, import, export, advertise and sell its products and services globally on a daily basis without risk of infringing or misappropriating the IP of a third party. Protecting its IP and the freedom to use it helps protect, preserve and enhance the uniqueness and identity of the Aston Martin Lagonda products and brands. The Group therefore assigns a high priority to protecting such IP and attempt to safeguard all important new developments and enhancements of its IP appropriately.

### **Patents**

The Group owns a number of patent applications and granted patents, and a significant amount of confidential information and know-how, in relation to technologies used in its products and the manufacturing processes used to create them. It also benefits from licenses from third-party licensors and suppliers to use technologies deployed in its products and in creating and developing them. As part of the sale of Aston Martin Lagonda by Ford in 2007, Ford granted the Group a non-exclusive, worldwide, fully paid license to use, sell and import products falling under certain patent applications and granted patents as well as non-patented IP owned by Ford that was, at the time of the sale, used or planned for use by the business. More recently, and pursuant to the arrangements with Daimler, the Group benefits from various licenses to use certain technology and confidential know-how arising in respect of agreed applications of Daimler technologies in its products. Similar licenses are sought from suppliers of services and components that the Group uses in the creation of its products. The Group has business processes and contractual and security arrangements (including for both its premises and its information technology systems) aimed at ensuring that it protects its confidential information, including in respect of technologies, but also product and business plans and other sensitive confidential information.

### **Designs and copyrights**

The Group has won numerous awards and has achieved widespread recognition for its designs in the territories in which it operates. The design of its products is often identified as an important feature underpinning the success of the Group's brand and is often a "*why buy*" factor for

consumers. The Group invests resources in securing design registration in various key global regions and markets including for both entire new products and various iconic individual design features of those products. The imagery surrounding the products is also often important from a sales perspective, and the Group invests in securing rights to make use of superior digital content (including moving and still images) to represent its products.

### **Trademarks**

The Group owns a significant portfolio of registered and unregistered trademark rights around the world. These rights include, among others and without limitation, a significant portfolio of registered trademark rights in respect of the words "*Aston Martin*" and "*Lagonda*", in its famous "*Aston Martin*" and "*Lagonda*" wings logos, and in a wide range of sub-brands and model names, for example the "*DB*", "*Vantage*" and "*Vanquish*" model names. The Group's front grill design and the configuration of the side vent on its cars are also registered trademarks in certain countries.

In addition to being registered for use in the automotive sector, several of its key trademarks are registered in other sectors, including jewellery, sunglasses, mobile phones, clothing, watches, boats and luxury condominiums.

In respect of automotive applications of its trademarks, the Group, like other OEMs, license the Aston Martin Lagonda brand for use in connection with a franchise network of dealerships spanning many countries across the world.

### **Information technology**

The Group relies on a number of IT systems to support its business. Information technology is managed by in-house teams of IT personnel and through its key support partners who together are responsible for the development and support of IT services. To ensure business continuity, the IT function is spread across various sites. All factory systems are on premises, while customer, dealer and email systems are typically hosted in the cloud.

### **Insurance**

The Group maintains insurance to cover risks associated with the ordinary operation of its business, including general liability, property coverage, product liability (although this does not include claims under warranties) terrorism and workers' compensation insurance. It insures its manufacturing facilities and stock against such hazards as fire, explosion, theft, flood, mischief and accidents. The Group has also taken out credit insurance in respect of dealer default under a Wholesale Finance Facility that it has entered into. All of its policies are underwritten with reputable insurance providers, and it conducts periodic reviews of its insurance coverage, in terms of both coverage limits and deductibles. The Directors believe that the Group's insurance coverage is reasonably adequate for the risks associated with its operations.

### **Regulatory**

The Group manufactures and sells cars around the world and therefore its operations are subject to laws and governmental regulation in many jurisdictions concerning, among other things, vehicle emissions, environmental damage, original spare parts, technical safety, road safety, export and import quotas and other customs regulations; consumer and data protection; the advertisement, promotion and sale of merchandise; the health, safety and working conditions of its employees; and its competitive and marketplace conduct. These laws regulate its cars, including their emissions, fuel consumption and safety, as well as its manufacturing facilities and operations. Certain of these regulations are expected to become more stringent over the coming years and compliance costs for the Group may increase significantly. See "*Risk factors—Risks relating to the business and industry of the Group—New laws, regulations or policies of governmental organisations regarding increased fuel economy requirements, reduced greenhouse gas or pollutant emissions or vehicle safety could give rise to significant costs*".

## ***Greenhouse gas, CO2 and fuel economy legislation***

Legislation is in place in many of the Group's markets to regulate the environmental effect of passenger vehicles. Several jurisdictions, including major markets where the Group is represented, have regulations that limit manufacturers to a specific fleet average for greenhouse gas (**GHG**) emissions. Manufacturer targets can be based on mass or vehicle footprint and measured against a calculated glideslope.

### ***European Union and United Kingdom***

The European Union offers derogations to "*small-volume*" manufacturers. As such, the Group has been granted a small-volume derogation, available only to light-duty vehicle manufacturers that sell fewer than 10,000 new vehicle registrations within the European Union per year, wherein it has agreed bespoke CO2 targets with the European Union.

The United Kingdom may replicate the European Union's CO2 targets in the short-term following the end of the Brexit transition period, but the UK government has indicated that it will set its own targets in the medium-term.

### ***United States***

In the United States, the NHTSA and the US Environmental Protection Agency (the **EPA**) jointly established the "*National Program*", which regulates the fuel economy and aggregate GHG output of passenger vehicles. For model years up to and including 2016, the EPA allowed manufacturers that sell fewer than 5,000 cars in the United States per model year to make use of an offset to the applicable GHG standards for model years 2012-2016. The Group's fleet-wide GHG emissions exceeded the level permitted by the EPA's GHG standard for model years 2012 to 2016. The EPA has deemed the Group to be conditionally exempt from the requirement for 2012 and the Group has negotiated to purchase GHG credits to cover its exceedances for model years 2013 and 2014. 2015 and 2016 became part of an alternative standard application process for the model years 2017 and subsequent.

Since the 2017 model year, manufacturers are no longer eligible for conditional exemptions from the GHG standard and must either comply with the standard or request an alternative fleet average GHG standard for each model year based on capability to reduce their emissions (while also adhering to a notional year-on-year improvement). The Group has petitioned the EPA for an alternative GHG standard in respect of model years commencing from 2017; however, the EPA has not yet granted the Group's requests. The Group can also request that this alternative standard (if granted) be carried back to 2015 and 2016 model years.

The Group's fleet average GHG emissions for the 2017 model year exceeded the GHG standard that would apply if the EPA were to deny the request (and the same is expected to be the case for the 2018 and 2019 model years where alternative standards have also been requested), meaning that, unless the petition is granted, the Group will need to purchase GHG credits in respect of model years 2015 to 2019 or be subject to penalties. Recent activities on the subject between the Group and the EPA indicate that the EPA is in agreement with the alternative standard request and, pending the process of regulatory due diligence, the Group expects a positive outcome. The Directors are confident that, if the alternative standard are not granted by the EPA, any resultant penalties can be accommodated within the Group's business plan.

Under the National Program, the NHTSA regulates fuel economy by setting corporate average fuel economy (**CAFE**) standards for passenger automobiles, but retains the authority to exempt manufacturers that produce fewer than 10,000 passenger automobiles worldwide from those generally applicable CAFE standards. The Group has petitioned NHTSA for alternative CAFE standards for each model year from 2012 to 2022. The NHTSA has not acted on any of these petitions. Although the NHTSA has not taken the position that the Group failed to meet CAFE standards applicable to past model years, a manufacturer is subject to substantial civil penalties if it fails to meet these standards. The NHTSA rules only apply to passenger automobiles such as its sports cars but not to light duty trucks such as DBX. Therefore, the Group will continue to be able



to apply for CAFE alternative standards for its passengers automobile fleet (not including DBX) as long as the annual global production volume of its passengers car fleet remains below the 10,000 unit limit. The Group's light duty truck fleet (DBX) will be subject to the light duty truck CAFE standards, which apply irrespective of annual global volume and civil penalties may be imposed to the extent it does not comply therewith.

### *China*

The China Fuel consumption standards and test methods are aligned with the European Union's Fuel Consumption targets and test methods. Within the Chinese standard, the Group is able to use a small-volume definition (for imported vehicles, fewer than 2,000 per year) that allows a higher fuel consumption to be applied if improvements can be demonstrated against the previous year's performance. Also, within China, manufacturers producing fewer than 30,000 vehicles per annum into China are not required to have a minimum percentage of the fleet being electric vehicles. The Chinese Fuel Economy standard allows a manufacture to purchase CO2 credits to balance a manufacturer's CO2 fleet commitments. The Group anticipates the need to purchase CO2 credit for calendar years 2020 – 2023.

In addition, many other markets in which the Group operates either have or will shortly define similar climate change related standards.

### ***Vehicle exhaust emissions legislation***

As well as regulating emissions relating to climate change, a number of jurisdictions in which the Group operates also regulate other air pollutants such as oxides of nitrogen, carbon monoxide, hydrocarbons and particulates. The European Union, the United States and more recently China lead the implementation of exhaust emissions programs, with other nations and states typically following on by adopting similar regulations.

### *European Union*

The European Union has adopted stringent standards for light-duty vehicles that significantly limit the allowable emissions for several pollutants. Light-duty vehicles are tested in a laboratory environment using the world harmonised light vehicles test cycle procedure, which became mandatory within the European Union in September 2016. Real-world Driving Emissions (**RDE**) tests, intended to complement laboratory testing to measure compliance in a real-world setting, have applied since September 2017 for all new car types and apply to all vehicle types (whether new or existing) since September 2019. In addition to RDE, the European Commission has introduced changes to the Evaporative Emissions test methods. The Group is eligible for a small-volume manufacturer provision within the emissions standard and as such will be required to fully comply with all aspects of the revised standard by January 2021 for all vehicles.

### *United States*

In the United States, the EPA has responsibility for establishing and enforcing emission control standards regulating passenger cars and light trucks. The EPA has adopted increasingly stringent vehicle emission control standards over time. These standards govern: vehicle exhaust emissions, vehicle evaporative emissions, on-board diagnostic systems for monitoring emissions, and emissions during cold temperature operation, among other matters. In 2014, the EPA finalised Tier 3 standards, beginning with model year 2017 and increasing in stringency through to 2025, which will further reduce the allowed levels of exhaust and evaporative emissions and petrol sulphur content. The Group has taken advantage of flexibilities offered to small volume manufacturers which will enable it to meet a defined set of fleet standards extending out to the 2028 model year.

### *China*

In response to severe air quality issues in Beijing and other major Chinese cities, the Chinese government has adopted more stringent emissions standards beginning in 2020, with early adoption of these standards permitted in cities and provinces.

## ***Car safety***

All of the Group's products are compliant in all markets in which they are sold and applicable certification is achieved in each respective country or market. Certification in each of the respective countries is maintained and supported by the Group's conformity of production activities.

Globally, activity on passive safety standards (protection of the occupant in the event of a crash or protection of a pedestrian in the event of being struck by a vehicle) has stabilised recently. The area of greatest regulatory activity, across all territories, has been on Active Safety and Cyber Security.

### ***European Union and United Kingdom***

Vehicles sold within the European Union are subject to vehicle safety regulations established by the European Union. The European Union has continued to develop safety requirements, with a significant update to the General Safety Regulation adopted in 2020. This included new and revised legislation on passive and active safety items, introducing advanced emergency braking and emergency lane-keeping systems on all motor vehicles registered within the European Union. This regulatory activity has also included development of new safety subjects in areas such as cyber security of vehicle electrical systems. As well as safety, the changes to the European Framework Directive have enhanced requirements in market surveillance, conformity of production and consumer awareness of car defects.

The United Kingdom is expected to continue to be aligned with the European regulatory safety requirements for the foreseeable future.

Several other countries, with the notable exception of the United States, recognise and adopt United Nations Economic Commission for Europe (**UNECE**) regulations into their national standards and have either implemented regulations that mirror the UNECE regulations or permit passenger vehicles that are compliant with the UNECE regulations.

### ***United States***

In the United States, the National Traffic and Motor Vehicle Safety Act of 1966 (the **Safety Act**) requires vehicle manufacturers to meet certain safety standards for vehicles sold in the United States, and NHTSA has the authority to investigate complaints into vehicle safety and issue recalls for vehicles that do not comply with applicable standards. The Safety Act prohibits the sale in the United States of any new vehicles or equipment that does not conform to applicable vehicle safety standards established by NHTSA. NHTSA standards are updated frequently to incorporate new technologies and requirements. As well as complying with vehicle safety standards, the Group and other manufacturers are required to notify owners of any defects in vehicle safety and remedy such defects through vehicle recalls. Depending upon the nature of the repair and the number of vehicles affected, the cost of any such recalls could be substantial.

To comply with the US Transportation Recall Enhancement, Accountability and Documentation Act, the Group is required to report claims involving fatalities, whether occurring within or outside the United States, to the NHTSA.

In line with regulatory activity in other regions, the United States has proposed rulemaking on active safety crash avoidance measures and technologies that detect driver distraction. It is intended that such rules will be accommodated through autonomous functionality and the introduction of advanced vehicle-to-vehicle and vehicle-to-infrastructure communication technologies. These requirements would have a significant influence on a vehicle's electrical architecture and the cost and complexity of designing and producing cars and associated equipment.

### ***China***

China continues to develop legislation on passive and active safety regulations, following activity in the United Nations and Europe. In addition to passive and active safety regulation, China has progressed its own standards on safety regulations for electric vehicles.

## PART V - OPERATING AND FINANCIAL REVIEW

*The financial information below has been extracted without material adjustment from the 2018 Financial Statements and the 2019 Financial Statements. You should read the information below in conjunction with the Group's historical financial information contained in Part VI - Financial Information of the Group, alongside the detailed information included in this document in Part IV - Business Overview of the Group, and you should not rely solely on key and summarised information.*

*Some of the information in the review set forth below and elsewhere in this document includes forward-looking statements that involve risks and uncertainties. The Group's actual results may differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this document, including under "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements".*

### FINANCIAL INFORMATION

Unless otherwise indicated, the historical and other financial information presented in this document has been derived from (i) the audited consolidated financial statements of the Company as of and for the year ended 31 December 2019 (the **2019 Financial Statements**) and (ii) the audited consolidated financial statements of the Company as of and for the year ended 31 December 2018 (the **2018 Financial Statements**), each included elsewhere in this document.

On 3 September 2018, the Company obtained control of the entire share capital of Aston Martin Holdings (UK) Limited (**AM Holdings**) by way of a share for share exchange. Although the share for share exchange resulted in a change in legal ownership, in substance the consolidated financial information presented for the periods ended 31 December 2018 and 31 December 2019 represent the continuation of the pre-existing group headed by AM Holdings. Consequently, references in this document to the "Group" or "Aston Martin Lagonda" in the context of historical financial information or other financial information prior to the year ended 31 December 2018 relate to AM Holdings and its subsidiaries and do not include Aston Martin Lagonda Global Holdings plc; and references to the "Group" or "Aston Martin Lagonda" in the context of historical financial information or other financial information from the year ended 31 December 2018 onwards relate to Aston Martin Lagonda Global Holdings plc and its subsidiaries.

The 2018 Financial Statements and the 2019 Financial Statements are presented in pounds sterling and have been prepared in accordance with IFRS as adopted by the European Union.

### OVERVIEW

Aston Martin is a globally recognised luxury brand and a leader in the high-luxury sports car market. For more than a century, the brand has symbolised exclusivity, elegance, power, beauty, sophistication, innovation, performance and an exceptional standard of styling and design. Its cars sit solely within the HLS car market segment and the Group's market leadership position is supported by award-winning design and engineering capabilities, world-class technology and state-of-the-art facilities, creating distinctive model line-ups.

The Group sells cars worldwide, primarily from its main manufacturing facility and corporate headquarters in Gaydon, England, and is currently ramping up pre-production in its second manufacturing facility in St. Athan, Wales. The Group's current core line-up comprises three models of the new generation of products:

- the grand tourer – DB11;
- the sports car – Vantage; and
- the super grand tourer – DBS Superleggera.

All of the Group's models currently sit under the Aston Martin brand, and some models are available with different options, including engine size and body type (such as coupe and convertible models).

In November 2019, Aston Martin Lagonda unveiled its fourth new core model and first SUV, DBX. Pre-production builds of DBX started as planned in the Group's production facility located in St. Athan, Wales, with launch planned for the second quarter of 2020. The DBX order book has built rapidly, with approximately 1,800 orders from when it opened on 20 November 2019 to 7 January 2020, with approximately 1,200 of those orders being a combination of customer orders and specifications in progress and approximately 600 dealer-specified to maintain the successful launch of DBX including customer test cars, marketing cars and showroom cars. The order book has continued to build, with total orders taken as at the date of this document in excess of the planned DBX retail target for 2020. Geographically, over 60 per cent. of DBX orders are from the Americas and Asia Pacific, and over 50 per cent. are from customers who are new to the Aston Martin brand.

The Group has also confirmed production of its new hypercars, the Aston Martin Valkyrie and Aston Martin Valkyrie AMR Pro, which establishes a mid-engine platform for Aston Martin and which is expected to continue with the unveiling of Valhalla in 2022 and of the Vanquish in 2023. The Group also regularly develops and produces special limited edition models (which will continue to be a focus), alongside a new range of heritage vehicles.

### ***Second Century Plan and IPO***

At the time of the Company's IPO in October 2018 (the **AML IPO**), the Group came to market with a growth story centred on the successful execution of the Second Century Plan. The Second Century Plan was initiated in 2015 with three distinct phases: (i) business stabilisation, (ii) core strengthening, and (iii) expansion of its product portfolio, all aimed at delivering a successful and sustainable luxury business. The Second Century Plan was underpinned by a product strategy to launch seven new core models over seven years, with each model having a seven-year lifecycle. Given the number of product launches taking place in quick succession, the Second Century Plan required an elevated level of capital investment, with an aim to deliver operating leverage in the medium term and to position the Group to capitalise on strong industry tailwinds in the HLS car market.

Phase 1 was completed in 2017, following the introduction of DB11 and the establishment of a clear growth strategy which committed the group to additional investment in manufacturing to realise the future product strategy. Phase 2 was substantially completed in 2018 with the launch of the Vantage and DBS Superleggera, delivering a new range of Aston Martin sports cars. The Group's commitment to its special edition range was significant, including the development of a hypercar, Valkyrie, in collaboration with Red Bull Racing. Phase 3 commenced with the expansion of the Aston Martin portfolio into the SUV market with the Aston Martin DBX.

However, the Second Century Plan ultimately proved to be too ambitious against the unexpectedly large downside risk of underperformance that the business has experienced. The planned product cadence and requirement for new manufacturing facilities was too demanding on the scale of investment and a balance sheet unable to withstand the Group's trading performance in 2019.

### ***2019 Trading***

As previously announced, the Group's trading performance diminished throughout 2019, resulting in lower sales, higher selling costs and lower margins versus expectations. The Group started 2019 with elevated levels of company and dealer stocks, partially due to the supply chain disruption at the end of 2018 but also as a result of the lower than expected demand for Vantage and the lead-time required to adjust manufacturing and supply levels.

Consequently, achieving the retail sell through to start to de-stock the dealer network and rebalance the Group's supply levels required more retail and customer financing support than planned, weighing on average selling price. Despite core retail dealer sales increasing by 12 per cent. in 2019 year-on-year, this was not sufficiently high enough to support the Group's

expectations of wholesale volumes. As a result of lower than planned wholesales in the first half of 2019, the Group's stock remained elevated at 30 June 2019 and the Group took steps to reduce its outlook for the year accordingly. A further reduction in volumes in the second half of 2019 created an immediate need for liquidity, resulting in the issuance of the \$150m 12.0% Notes due 2022. Pressure on liquidity continued in the fourth quarter as revised targets were not met during the Group's largest selling season.

Whilst dealer stocks at 31 December 2019 were approximately 190 units lower than they were at 31 December 2018, they remain elevated and the Group is focused on repairing the balance between demand and supply, to allow the Group to regain its price positioning.

Finally, costs were higher than planned due to a combination of incremental marketing campaigns in December, particularly in the United States and in support of DBX launch activities, alongside headcount and other selling, general and administrative costs falling short of savings targets.

DB11 and DBS Superleggera have performed comparatively well and have grown market share in recent years but have not been immune to the challenging trading conditions experienced in 2019. Despite gaining share in a declining segment, which was down a double-digit percentage for the year, the Vantage underperformed versus the Group's original expectations, particularly in Europe and the United Kingdom.

The Group's weakening trading performance led to successive downward revisions to the Group's previous 2019 guidance, first in July 2019 and again in January 2020.

As a result of the lower than expected cash generation from operations and considerable investment in both product launches and the additional manufacturing facility at St. Athan, the Group has in parallel experienced a deterioration in its liquidity position since the first quarter of 2019. This led to a requirement for the Group to raise additional debt to maintain liquidity. New debt issuances in 2019 included the \$190m 6.5% Notes due 2022 in April 2019, the \$150m 12.0% Notes due 2022 in October 2019 and a £38.7 million inventory repurchase arrangement (including £6.5 million of VAT) in November 2019. This has resulted in a Net Debt position of £876.2 million and an Adjusted Leverage Ratio of 7.3x as of 31 December 2019.

#### ***Operational and financial review, reset of the business plan and the Yew Tree Consortium investment***

The Group conducted a comprehensive review of the business, and longer-term strategic options in light of its 2019 operational and financial performance and a challenging HLS car market. The review has been completed and the Board has agreed a series of actions to reset, stabilise and de-risk the business and position the Group for controlled, long-term, profitable growth in the following ways:

- **Reset:** Control production to prioritise demand over supply and regain price positioning, and delay investment in electric vehicles in the near term.
- **Stabilise:** Focus on successfully delivering key products this year with DBX, which was unveiled in November 2019 with launch planned for the second quarter of 2020, the Vantage Roadster in the spring and the Aston Martin Valkyrie in the second half of the year.
- **De-risk:** Substantially de-lever the business with the Capital Raise and reduce the operating cost base, as described in more detail below.

In order to achieve the above objectives, the reset of the business plan includes the Capital Raise of £500 million, the rebalancing of supply and demand dynamics, reduced capital expenditure and the re-phasing of some future product launches, together with cost-efficiency initiatives.

The Group is focused on turning around performance, restoring price positioning and delivering a more efficient operational footprint. The reset of the business plan includes a more conservative view for sports car wholesales for 2020, particularly for Vantage, and in the medium term the Group intends to manage sports car wholesales in order to maintain the appropriate balance between supply and demand to regain a stronger order book and thus pricing power.



The Group has reviewed the timing of future product launches to control medium-term investment requirements, improve cash generation and provide greater financial stability and flexibility. The Group's mid-engined core car (Vanquish) is now expected to be unveiled in 2023, following the unveiling of Valhalla in 2022. Development of a fuel-efficient, modular V6 engine with hybrid and plug-in capabilities continues, which will support the Group's core cars being available as hybrid and plug-in hybrid variants from the mid-2020s. The Lagonda brand will now be relaunched no earlier than 2025 (previously 2022) and while development of Rapide E is substantially complete, the programme has been paused pending a review (previously deliveries had been expected to start in 2020).

Special editions continue to be a key component of the reset of the business plan, as they enhance the Group's brand and have strong financial characteristics. Given their desirability, models are typically fully allocated prior to any significant capital commitment and typically generate higher margins than the core range. The deposits are required on allocation and typically allow special editions to be cash flow positive from design to the end of the product life cycle. The Group expects to meet the following milestones in respect of its special editions:

- production of the Aston Martin Valkyrie is still expected to ramp up through the second half of 2020;
- deliveries of the *Goldfinger* DB5 Continuations are due to start in 2020 as well as the DBS GT Zagatos, which will complete the DBZ Centenary Collection;
- the V12 Speedster will be unveiled in 2020 with deliveries due to start in the first quarter of 2021;
- the Aston Martin Valkyrie AMR Pro is still expected to be revealed in 2021;
- Valhalla is now expected to be unveiled in 2022; and
- new specials that have not yet been revealed will comprise the balance of one heritage special edition and two contemporary special editions each year.

There have also been changes in the management of Sales, Marketing & Communications and Engineering. Moreover, further to the significant reduction in contractors and a voluntary redundancy and early retirement programme actioned in 2019 that led to an approximately 22 per cent. reduction in headcount year-on-year, additional reductions will be made to rebalance the Group's permanent and contractor headcount. At the same time, approximately 300 new roles will be created at the St. Athan manufacturing facility in addition to the approximately 300 employees already at that site. The Group's property footprint will also reduce alongside selling, general and administrative cost reductions commensurate with the Group's financial and operational ambitions.

The Directors expect these changes to yield £10 million of annualised savings, with £7 million delivered during 2020 after one-off costs, broadly offsetting expected cost increases due to the opening of the new facility in St. Athan.

#### *The Yew Tree Consortium investment*

Subject to completion of the Capital Raise, Mr. Stroll will join the Board as Executive Chair, effective on 7 April 2020. Mr. Stroll has a great deal of experience and success in building some of the world's most prominent luxury brands such as Tommy Hilfiger and Polo Ralph Lauren, and notably led the IPO of Michael Kors which went on to enjoy further strong growth as a publicly listed company. Mr. Stroll has also been for many years an active investor in the racing and luxury car industry, historically including the Ferrari dealership in Quebec and Circuit Mont-Tremblant and currently the Racing Point Formula 1™ team.

In addition, the Group has entered into an agreement under which the Racing Point F1™ team will become the Aston Martin F1™ team with effect from the 2021 season. This agreement is for a 10-year initial term and the Group will receive an economic interest in the team. The agreement also includes a sponsorship arrangement from 2021 and for the subsequent four years with commercial terms commensurate with the Group's current annual F1™ expenditure, renewable for five years, subject to satisfying certain conditions at the time.

For the 2020 F1™ season the Group will continue with its proud sponsorship of the Red Bull Racing F1™ Team, and the technology partnership between the Group and Red Bull Advanced Technologies will continue until the Aston Martin Valkyrie is delivered.

## KEY FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS

### **Average selling prices—Core models**

Average selling price is calculated based on retail sales price, taking into account options and then deducting taxes, variable marketing (also referred to as “marketing support”) and dealer margins, all of which have variable elements and, in particular, these elements vary year to year and by region. See also “Description of Key Line Items on the Income Statement – Revenue” in this Part V for a description of the treatment of marketing support within the Group’s revenue line item on its income statement.

The following table sets forth the average selling price for the Group’s core models, which do not include any special editions in the periods indicated.

	2017	2018	2019
		(£ thousands) (unaudited)	
Average core model sale price .....	150	141	135

Whilst the Group has been able to increase the average selling price of its core models (not including special editions) over the long-term from £70,000 in 2007 to £135,000 in 2019, the average selling price in 2018 and 2019 decreased year-on-year.

This decrease was driven primarily by elevated levels of company and dealer stocks, partially due to the supply chain disruption at the end of 2018 but also as a result of the lower than expected demand for Vantage and the lead-time required to adjust manufacturing and supply levels. Consequently, achieving the retail sell through to start to de-stock the dealer network and rebalance the Group’s supply levels required more retail and customer financing support than planned, weighing on average selling price. Whilst dealer stocks at 31 December 2019 were approximately 190 units lower than they were at 31 December 2018, they remain elevated and the Group is focused on repairing the balance between demand and supply, to allow the Group to regain its price positioning.

Average selling price was further adversely impacted by challenging trading conditions in Europe and the United Kingdom, lifecycle decay in volumes across the Asia Pacific region, and the impact of increased sales of lower margin Vantage cars in the mix of core models sold in 2019.

The Group is focused on turning around performance, restoring price positioning and delivering a more efficient operational footprint. The reset of the business plan includes a more conservative view for sports car wholesales for 2020, particularly for Vantage, and in the medium term the Group intends to manage sports car wholesales in order to maintain the appropriate balance between supply and demand to regain a stronger order book and thus pricing power.

### **Introduction of new models and derivatives and associated capital expenditure**

In the Group’s experience, the introduction of new models or derivatives or the redesign of an existing model substantially increases sales in the year of introduction or redesign. The introduction of new models also typically increases the Group’s costs (including capital expenditure) and can affect profitability where the profit contribution from a new model differs significantly from existing models.

For example, the Group had capital expenditure of £310.2 million in 2019 compared with £310.5 million in 2018 and £294.2 million in 2017. In all three years, capital expenditure primarily related to spend on both tangible and intangible assets as the Group continued to invest in new models and replacement of its core models (including, but not limited to, Vantage, DB11 range

(V8 and V12 coupes and volantes), DBS Superleggera, Aston Martin Valkyrie and DBX), including tooling costs associated with new modular architecture, which was an investment for DB11 and future models.

In addition, the Group has a programme of regular product refreshment and enhancement. As a result, the results in prior periods may not be indicative of results in periods of new model introductions and redesigns.

As part of the reset of the business plan, the Group is re-phasing some of its future product launches, together with cost-efficiency initiatives. The Group's mid-engined core car (Vanquish) is now expected to be unveiled in 2023, following the unveiling of Valhalla in 2022. Development of a fuel-efficient, modular V6 engine with hybrid and plug-in capabilities continues, which will support the Group's core cars being available as hybrid and plug-in hybrid variants from the mid-2020s. The Lagonda brand will now be relaunched no earlier than 2025 (previously 2022) and while development of Rapide E is substantially complete, the programme has been paused pending a review (previously deliveries had been expected to start in 2020).

In 2018 and 2019, the Group revealed special projects: the Vanquish Zagato Speedster, the Vanquish Zagato Shooting Brake, the Aston Martin Valkyrie, the Aston Martin Valkyrie AMR Pro, the Vantage AMR, the DBZ Centenary Pair, all of which have been pre-sold and allocated to customers. Special editions continue to be a key component of the reset of the business plan, with the following expected milestones:

- production of the Aston Martin Valkyrie is still expected to ramp up through the second half of 2020;
- deliveries of the *Goldfinger* DB5 Continuations are due to start in 2020 as well as the DBS GT Zagatos, which will complete the DBZ Centenary Collection;
- the V12 Speedster will be unveiled in 2020 with deliveries due to start in the first quarter of 2021;
- the Aston Martin Valkyrie AMR Pro is still expected to be revealed in 2021;
- Valhalla is now expected to be unveiled in 2022; and
- new specials that have not yet been revealed will comprise the balance of one heritage special edition and two contemporary special editions each year.

#### ***HLS car market and general macro-economic conditions***

The Group is exposed to developments in the HLS car market and its performance is impacted by weaknesses in its key markets. Although the luxury and performance premium car market experienced long-term growth through 2017, the upward trend of the previous years did not continue in 2018 and 2019 as various factors continue to weigh on demand. In particular, the market in the United Kingdom and Europe continued to suffer from uncertainties related to Brexit and other political and economic weakness during 2019. Notwithstanding these headwinds, the Group's retail sales volume globally increased by 12 per cent. in 2019 compared to 2018.

The Group's wholesale volumes for 2019 decreased globally by nine per cent. compared to 2018. Including special editions, the Group's wholesale volumes increased by 16 per cent. in the Americas and decreased by six per cent. in Asia Pacific, by 21 per cent. in the United Kingdom and by 28 per cent. in EMEA, compared to 2018. The increase in the United States was driven by the demand for the Vantage and DBS Superleggera, which was in large part due to increased marketing support by the Group in the United States. The decrease in the United Kingdom and EMEA reflects the continued softening of those markets due to current macro-economic conditions, in addition to these markets having been negatively impacted by supply chain disruption in 2018 leading to over-stocked dealers at the start of 2019.

### ***High net worth individuals***

The principal driver of the HLS car market is growth in high-luxury markets as well as in the number of HNWI with the resources available to purchase HLS cars. The pool of HNWI has been boosted by global economic growth and wealth creation, particularly in certain emerging markets such as the Asia Pacific region, which is a growing market for the Group and where the Group currently has low penetration, compared to other regions. The global HNWI population has grown by a CAGR of approximately seven per cent. between 2011 and 2018 to a total of approximately 18 million individuals globally (World Wealth Report, Capgemini, 2019). For example, from 2016 to 2017, the number of HNWI increased globally by 9.5 per cent., and by 12.1 per cent. in the Asia Pacific region (World Wealth Report, Capgemini, 2019). However, growth appears to be slowing with the HNWI population between 2017 and 2018, decreasing by 0.3 per cent. globally and by 1.7 per cent. in the Asia Pacific region (World Wealth Report, Capgemini, 2019).

The increasingly younger age at which individuals are obtaining high net worth status is an important factor, as the HLS car market attracts purchasers with more youthful spending habits. In addition, the increasing number of high net worth women and the higher average household income has also become a driver of the increase in demand in the HLS car market. The Company expects the percentage of the Group's cars sold to women to increase further in the future. The Group has strengthened its marketing and regional teams to ensure it is able to capitalise on the increased number of HNWI in emerging markets.

### ***Demand for luxury and customisation***

The sale of luxury cars is the single biggest segment in the luxury goods sector. The Directors expect demand for luxury and customisation to increase, driven by the greater proliferation of cars in the HLS car market and the increase in the number of HNWI. These factors drive consumers to demand higher specifications and unique or personalised features, such as custom paint and interior trim colours, to distinguish their car from others in the HLS car market. Consequently, the Group launched an expansion of the Q by Aston Martin personalisation service in 2017. As a result, the Q by Aston Martin service produced 342, 707, 813 and 635 customised or personalised cars in 2016, 2017, 2018 and 2019, respectively.

In addition, a significant majority of cars sold include some aspect of customisation. For example, of the approximately 1,800 DBX orders between 20 November 2019 and 7 January 2020, approximately 1,200 were a combination of customer orders and specifications in progress and approximately 600 were dealer specified to maintain the successful launch of DBX including customer test cars, marketing cars and showroom cars. This trend is expected to continue to have a positive effect on revenues and profitability as the Group is able to charge a premium for options and customisation.

Moreover, the Group endeavours to meet the increasing demand for luxury and customisation by offering highly exclusive special edition models such as the DB4 GT Continuation and DB4 GT Zagato Continuation, which were limited to 25 and 19 units respectively. Another example is the Aston Martin Valkyrie hypercar, which had a base manufacturer's recommended sale price of approximately £2.4 million, with the 150 units produced being sold out more than 30 months before the first delivery.

### ***Diversification of unit sales by geography***

The Group has a balanced diversification of wholesale unit sales across the United Kingdom (including South Africa); the Americas region; EMEA, which includes Europe (excluding the United Kingdom), the Middle East and North Africa; and Asia Pacific, which represented 30.2 per cent., 25.0 per cent., 25.8 per cent. and 19.0 per cent., respectively, (including special edition models) for 2017; 27.9 per cent., 27.3 per cent., 23.1 per cent. and 21.6 per cent., respectively, (including special edition models) for 2018; and 24.4 per cent., 35.0 per cent., 18.3 per cent. and 22.3 per cent., respectively, (including special edition models) for 2019.

### ***Timing of product launches and other seasonal factors***

The Group's sales and cash flows are generally driven by the introduction of new models or derivatives, which has typically resulted in the fourth quarter being the Group's strongest. For example, in the second half of 2019, the Group experienced higher sales as a result of the first deliveries of the DB4 GT Zagato Continuation and the launch of the Vantage AMR. As a result, the Group's sales are typically lower in the first and third quarters. This tends to reduce profitability and Adjusted EBITDA margin in the first and third quarters of the financial year since several elements of costs and expenses, including in particular the fixed element of cost of sales, do not reduce in line with sales.

In addition, the Group's sales and cash flows are typically also affected by the bi-annual registration of vehicles in the United Kingdom, when new vehicle registrations take place in March and September, as well as model year changes in the United States and the Middle East when sales generally increase. Furthermore, most markets tend to be impacted by the summer holiday, which results in lower demand, and the Chinese market tends to be affected by the Lunar New Year holiday in either January or February and the PRC National Day holiday in October.

If sales during Aston Martin Lagonda's peak periods are significantly lower than expected, Aston Martin Lagonda may be unable to recover its expenses in time to react to reduced levels of sales. As a result, Aston Martin Lagonda may experience a corresponding fluctuation in cash flow levels. This occurred in the fourth quarter of 2019, where challenging trading performance continued through the peak delivery period of December resulting in lower sales, higher selling costs and lower margins.

### **KEY FACTORS AFFECTING COMPARABILITY**

#### ***Fluctuations in exchange rates***

The Group operates internationally and, as a result, is exposed to changes in various currency exchange rates. Although its reporting currency is pounds sterling, 70 per cent., 69 per cent. and 77 per cent. of sales were denominated in currencies other than pounds sterling in 2017, 2018 and 2019, respectively. The Company has exchange rate exposure to the euro, the Chinese renminbi, the US dollar and the Japanese yen, among others. Over the same periods, 46 per cent., 38 per cent. and 47 per cent. of operating costs (including costs of sales) were denominated in currencies other than the pound sterling. As a consequence, the Group has considerable cash flow, revenue and assets in foreign currencies, primarily euro and US dollar. Its exposure to changes in exchange rates has affected the Group's results of operations and can mainly be described in terms of translation exposure and transaction exposure affecting the comparability of results. See also "*Risk Factors—Risks relating to the business and industry of the Group—Aston Martin Lagonda faces credit and market risks arising from foreign currency exchange rates, commodity prices, interest rates and related hedging activities.*"

#### ***Translation exposure***

Translation exposure describes the risk of impact that exchange rates could have on the value of sales, costs, assets and liabilities reported in pound sterling on the Group's consolidated income statement and balance sheet. For instance, a weakening of the pound sterling against the US dollar will result in an increase in net sales as reported in pounds sterling and, conversely, the strengthening of the pound sterling against the US dollar will result in a decrease in net sales as reported in pounds sterling. As many of the Group's subsidiaries and affiliates operate in markets other than the United Kingdom, these effects may be significant. The Group is primarily subject to translation effects with respect to liabilities denominated in non-sterling currencies and non-sterling revenues. The pound sterling to US dollar exchange rate has been volatile in 2017, 2018 and 2019. Recently in December 2019, the pound sterling rallied against the US dollar, resulting in net sales headwind for the Group. However, this sterling rally was positive at net income level due to the significant amount of the Group's US dollar-denominated debt.



### *Transaction exposure*

A large portion of fixed costs are denominated in pounds sterling, as the majority of the Group's operations are in the United Kingdom, whereas only 30 per cent., 31 per cent. and 23 per cent. of net sales were generated in pounds sterling in 2017, 2018 and 2019, respectively. For the same periods, 6 per cent., 4 per cent. and 9 per cent. of fixed costs, and 29 per cent., 29 per cent. and 31 per cent. of sales, were denominated in US dollars. This has resulted in operating profit being exposed to fluctuations in exchange rates principally between the pound sterling and the US dollar. In addition, the Group has debt service obligations in both US dollars and pounds sterling. The Group estimates that a five per cent. decrease in the US dollar to pound sterling exchange rate, with all other variables held constant and with no hedge contracts in place, would have increased profit after tax by £8.1 million, £12.4 million and £8.6 million in 2017, 2018 and 2019, respectively.

### **IFRS 16**

IFRS 16 (*Leases*) introduces a single, on balance sheet lease accounting model for lessees. IFRS 16 establishes that lessees shall recognise in the consolidated balance sheet a financial liability for the present value of the payments to be made over the remaining life of the lease agreement and a right of use asset for the underlying asset, which is measured based on the amount of the associated liability, to which the initial direct costs incurred are added. Additionally, the recognition criteria for lease expenses has changed. Lease expenses are now recorded as a depreciation charge for the lease asset and as a financial expense for the lease liability. In relation to lessor accounting, the standard has not changed substantially and entities continue to classify the lease as an operating or finance lease based on the extent to which risks and rewards inherent to the ownership of the asset are substantially transferred.

As described in notes 2 and 16 of the 2019 Financial Statements, IFRS 16 became effective for periods beginning on or after 1 January 2019 and replaces the previous accounting standard, IAS 17 (*Leases*), including related interpretations. The 2019 Financial Statements give effect to the entry into force of IFRS 16. The Group has applied exemptions for short-term leases and leases of low value items and chose to adopt the modified retrospective transition approach for IFRS 16 under which, prior to reflecting the impact of lease incentives, the Group evaluated its lease liability using incremental borrowing rates assessed at the date of transition with a right of use asset of equal value. The Group's equity reserves as of 1 January 2019 have been adjusted to reflect the de-recognition of legal and other costs associated with lease agreements previously expensed over the lease term. Whilst qualifying costs of this nature incurred would be included in the value of the associated right of use asset on adoption of IFRS 16, under the transition approach adopted, this treatment is not followed. There have been no IFRS 16 adjustments made to the consolidated income statements for the periods prior to 1 January 2019.

### **Restated 2018 Financial Information**

Certain reclassifications have been made in the statement of financial position in the 2019 Financial Statements regarding the 2018 comparative values, including:

- (i) a reclassification of service plan liabilities from non-current provisions into current and non-current trade and other payables;
- (ii) a reclassification of lease incentives from current trade and other payables to non-current trade and other payables; and
- (iii) an offset of deferred tax assets and deferred tax liabilities where a right of offset exists in certain jurisdictions.

Additional information is presented in note 2 of the 2019 Financial Statements.

The following table sets forth the impact on these reclassifications on the 2018 comparative values in the statement of financial position in the 2019 Financial Statements.

	2018 values as disclosed in the 2018 Financial Statements	(i)	(ii)	(iii)	2018 values as restated in the 2019 Financial Statements
			(£ millions) (unaudited)		
<b>Non-current assets</b>					
Deferred tax assets .....	123.1	-	-	(91.0)	32.1
<b>Current liabilities</b>					
Trade and other payables .....	(696.1)	(5.2)	30.3	-	(671.0)
<b>Non-current liabilities</b>					
Trade and other payables .....	(12.2)	(7.3)	(30.3)	-	(49.8)
Provisions .....	(25.4)	12.5	-	-	(12.9)
Deferred tax liabilities .....	(111.0)	-	-	91.0	(20.0)

### IFRS 15

IFRS 15 (*Revenue from Contracts with Customers*) became effective for periods beginning on or after 1 January 2018. The new standard integrates the various previously existing IFRS requirements and interpretations relating to revenue recognition into a single standard and establishes the principles which an entity needs to apply when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. The Group has applied the new requirements for revenue from contracts with customers in the year ended 31 December 2018 using the “full retrospective” option. As a result, the Group presents, within the audited consolidated financial statements as of and for the year ended 31 December 2018, a restatement of the audited comparative periods (the **Restated 2017 Financial Information**). The Restated 2017 Financial Information is presented in this document and further information in relation to the restatement is included in note 2 of the 2018 Financial Statements.

### Intellectual property sale

During 2018, the Group entered into a contract with its AM Partnerships business to sell intellectual property and assets to a third party car manufacturer. The intellectual property that was sold related to tooling and design drawings for the previous generation Vanquish, as well as ongoing consultancy support for an 18 month period. The consideration for the project was £20.0 million, £19.8 million of which was operating profit. The margin was high on this contract because the net book value of the intellectual property was approximately zero at the time of sale. During 2019, the Group recorded a credit loss allowance of £19 million related to this sale as payments for the contract were overdue and receipt of almost all the receivables under the contract became doubtful.

While the Company expects to develop and refine the Group’s AM Partnerships business, leveraging its design services, intellectual property and know-how to deliver profitable revenue opportunities, the sale of this intellectual property and related assets, and the corresponding recording of a credit loss allowance in 2018 and 2019 are not expected going forward, and the Directors do not expect significant incremental AM Partnerships opportunities to impact the Group’s results going forward.

### Change in methodology of capitalisation policy

The Group adopted new research and product development procedures in 2018, which are targeted at further improving efficiency. Accordingly, investment is spent on concept and platform development to increase the longevity of components, systems and technologies by

creating common archetypes that can be applied across vehicle programmes. As a result, and in accordance with IAS 38 (*Intangible Assets*), from the start of 2018, all application programme spend is capitalised, since the technical feasibility will have been completed as part of the concept and platform development.

The Group's capitalised research and development costs were £213.3 million in 2017 and £202.3 million in 2018. The change of £11.0 million or 5 per cent. was primarily due to a decrease in the capitalised research and development expenditure in 2018 due to the deliveries of the Vantage occurring in the second quarter of 2018, off-set by changes to research and development capitalisation methodology, in line with IAS 38 requirements. Total research and development expenditure was £224.4 million in 2017 and £213.8 million in 2018, a reduction of 5 per cent. primarily due to the timing of programme development. Capitalised research and development expenditure was 95 per cent. of total research and development expenditure in both 2017 and 2018.

### ***Adjusting items***

The Group has identified certain items where the quantum, nature or volatility of such items would otherwise distort the underlying trading performance of the Group as they are not expected to repeat in future periods. These are as follows.

#### ***Impairment***

As part of the resetting of its business plan, the Group has reviewed the timing of future product launches to control medium-term investment requirements, improve cash generation and provide greater stability and flexibility. The Lagonda brand will now be relaunched no earlier than 2025 (previously 2022) and while development of Rapide E is substantially complete, the programme has been paused pending a review (previously deliveries had been expected to start in 2020).

With the aforementioned indications of impairment, a review of the carrying value of Rapide E assets and assets carried across from Rapide E as part of the Group's carry-over-carry-across principle has been completed. As a result of this review, an impairment charge has been recognised in full for Rapide E assets, as detailed in the following table.

	2019 (£ millions) (audited)
Development costs .....	27.7
Plant, machinery, fixture and fittings .....	4.7
Tooling .....	3.7
Inventory .....	2.3
Right-of-use lease assets .....	1.0
<b>Total impairment charge recognised as adjusting in the Group's consolidated income statement .....</b>	<b>39.4</b>

#### ***AML IPO***

On 8 October 2018, the Shares were listed on the London Stock Exchange. In 2018, the Group incurred £74.1 million of costs in relation to the AML IPO, which were recorded as adjusting operating expenses. These costs included £12.9 million of professional fees and £61.2 million of incentives fees payable to the Group's employees and management, including some deferred staff incentives contingent on performance of the Group following the AML IPO. IPO-related bonuses subject to 2019 performance will not be paid as targets were not met, resulting in £4.2 million being credited back to the consolidated income statement in 2019 as an adjusting item in order to remain consistent with the treatment of the initial accrual in 2018. Pre-AML IPO long-term incentive plan costs accounted for £3.6 million, and additional professional fees in relation to the AML IPO accounted for £0.5 million.

As the AML IPO is a one-off event, the costs incurred in relation therewith are adjusting items and not recurring costs of the Group's underlying business.

### *Redemption of Preference Shares*

As part of the AML IPO, the Preference Shares were converted into ordinary shares. In relation to the conversion, a £46.8 million redemption premium and a £15.1 million write-off fee were paid to the holders of the Preference Shares, which were recorded as finance expenses in 2018.

### *Pension credit*

The Group provides retirement benefits to certain of its current and former employees through a number of pension arrangements. These include the UK DB Plan operated by AML Limited. The UK DB Plan closed to new entrants on 31 May 2011 but remains open to future benefit accrual for existing active members. As at 31 December 2019, there were 515 active members in the UK DB Plan. The UK DB Plan ceased final salary accrual from 31 December 2017 and adopted a career average revalued earnings (CARE) benefit structure from 1 January 2018, breaking the link to final salary as at 31 December 2017. Active members' benefits accrued prior to 1 January 2018 instead receive increases in line with CPI (capped at 2.5 or 5 per cent. depending on the date of benefit accrual) for each whole year between 1 January 2018 and the date the member's benefits become payable.

The adoption of a CARE benefit structure and breaking the final salary link improves the Group's statement of financial position and risk outlook by reducing pension liabilities and future scheme volatility. Accordingly, a non-recurring credit of £24.3 million, representing the related lifecycle reduction in the pension scheme deficit, was credited to cost of sales in 2017.

### *Movement on derivatives not qualifying for hedge accounting*

In 2019, a charge of £6.6 million was recognised in relation to fair value movements of derivative financial instruments where there is ineffectiveness in the hedge relationship on foreign exchange forwards taken out as part of cash management for expected future payments.

## **DESCRIPTION OF KEY LINE ITEMS ON THE INCOME STATEMENT**

### ***Revenue***

Revenues are primarily derived from sales of cars to the dealer network and, to a lesser extent, from sales of spare parts from the Group's servicing business. Revenue is recognised when the Group satisfies its performance obligation to supply a product or service to the customer. Revenue is measured at the fair value of the consideration receivable, deducting wholesale and anticipated retail discounts, rebates, variable marketing expenses (also referred to as "marketing support"), VAT and other sales taxes or duty. Revenue also includes revenue from partnerships including brand extension activities, AM Partnerships and motorsport.

### ***Cost of sales***

The Group has split its cost of sales into three categories:

- (i) materials costs—these include the raw materials and components (including engines) used to manufacture cars;
- (ii) direct labour costs—these include the salary and other employment-related costs of employees and contractors engaged by the Group in manufacturing cars; and
- (iii) overheads and other costs of sales—these include logistics costs, warranty costs, parts and service variable costs, custom duties and gains and losses due on conversion of accounts receivable and accounts payable denominated in currencies other than pound sterling.

### ***Gross profit***

Gross profit is revenue less cost of sales, and gross profit margin is gross profit as a percentage of revenue.

***Selling and distribution expense***

Selling and distribution expense consists primarily of marketing costs not related to the sale of a specific car, including salary and associated costs of marketing personnel and the costs of advertising, marketing events and promotions, selling costs (which include overheads associated with regional sales offices and sales personnel costs at such offices and at Gaydon) and costs of overseas operations (United States, Asia Pacific, the Middle East and continental Europe) including other administrative areas, such as the regional office in China. It also includes the fixed costs associated with the sale of parts.

***Administrative and other operating expense***

Administrative and other operating expense consists primarily of salary and associated costs for management, finance, human resources, information technology, procurement and indirect manufacturing costs and fixed manufacturing and quality costs. It also includes impairment of tangible and intangible assets as well as all depreciation and amortisation costs, research and development costs recognised as an expense (which consists primarily of non-model specific costs and includes personnel costs for engineers, third-party fees paid to consultants, prototype development expenses and tooling costs used in the engineering and design process). Outside professional fees are also included in administrative and other operating expenses and include insurance, legal, pension, healthcare and audit fees.

***Operating profit / (loss)***

Operating profit is revenue, less cost of sales, selling and distribution expenses and administrative and other operating expenses plus other income.

***Net finance income / (expense)***

Net finance income / (expense) comprises finance income less finance expense.

Finance income comprises interest receivable on funds invested calculated using the effective interest rate method, net interest income on the net defined benefit (liability) asset, income from sub-leasing of right of use assets (for periods after 31 December 2018) and gains on financial instruments that are recognised in the income statement.

Finance expense comprises interest payable on borrowings calculated using the effective interest rate method, net interest expense on the net defined benefit (liability) asset, interest expense on lease liabilities (for periods after 31 December 2018), losses on financial instruments that are recognised in the income statement, net losses on financial liabilities measured at amortised cost and fair value movements on hedge instruments that do not qualify for hedge accounting. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

***Profit / (loss) before tax***

Profit / (loss) before tax is operating profit less net finance expense.

***Income tax (charge) / credit***

Income tax (charge) / credit primarily comprises accrued charges / credits and payments made pursuant to UK corporation tax liabilities as well as similar tax liabilities in the United States, China, Germany, Japan and Singapore and movements in deferred taxes. The Group has significant net deferred tax assets resulting from tax credit carry forwards and deductible temporary differences that reduce taxable income. Its ability to realise the Group's deferred tax assets depends on its ability to generate sufficient taxable income within the carry back or carry forward periods provided for in the tax law for each applicable tax jurisdiction.



## RESULTS OF OPERATIONS

The following table sets forth the Group's main operating results, extracted from the 2019 Financial Statements and the 2018 Financial Statements, and shows these items as a percentage of total revenue.

	2017 <sup>(1)</sup>		2018		2019	
	(£ millions)	(% of total revenue)	(£ millions)	(% of total revenue)	(£ millions)	(% of total revenue)
			(audited)			
<b>Consolidated Statement of Comprehensive Income Data:</b>						
Revenue .....	876.0	100.0	1,096.5	100.0	997.3	100.0
Cost of sales .....	(496.2)	(56.6)	(660.7)	(60.3)	(642.7)	(64.4)
<b>Gross profit .....</b>	<b>379.8</b>	<b>43.4</b>	<b>435.8</b>	<b>39.7</b>	<b>354.6</b>	<b>35.6</b>
Selling and distribution expenses .....	(60.0)	(6.8)	(89.8)	(8.2)	(95.0)	(9.5)
Administrative and other operating expenses .....	(171.0)	(19.5)	(293.2)	(26.7)	(277.3)	(27.8)
Other income/(expense) .....	–	–	20.0	1.8	(19.0)	(1.9)
<b>Operating profit/(loss) .....</b>	<b>148.8</b>	<b>17.0</b>	<b>72.8</b>	<b>6.6</b>	<b>(36.7)</b>	<b>(3.7)</b>
Finance income .....	35.6	4.1	4.2	0.4	16.3	1.6
Finance expense <sup>(2)</sup> .....	(99.9)	(11.4)	(145.2)	(13.2)	(83.9)	(8.4)
<b>Profit/(loss) before tax .....</b>	<b>84.5</b>	<b>9.6</b>	<b>(68.2)</b>	<b>(6.2)</b>	<b>(104.3)</b>	<b>(10.5)</b>
Income tax (charge)/credit .....	(7.7)	(0.9)	11.1	1.0	(0.1)	0.0
<b>Profit/(loss) for the year .....</b>	<b>76.8</b>	<b>8.8</b>	<b>(57.1)</b>	<b>(5.2)</b>	<b>(104.4)</b>	<b>(10.5)</b>

### Notes:

(1) Restated to reflect the adoption of IFRS 15. See note 2 of the 2018 Financial Statements.

(2) Finance expense includes interest expense with respect to the Preference Shares. The Preference Shares were converted into ordinary shares as part of the AML IPO. Interest expense with respect to the Preference Shares was £37.9 million and £93.9 million (including £32.0 million of interest expense and £61.9 million of costs in relation to the conversion of the Preference Shares as part of the AML IPO) in 2017 and 2018, respectively. The following table presents the above line items from finance expense through to profit/(loss) for the year, as adjusted to exclude the impact of the Preference Shares:

	2017	2018	2019
	(£ millions)		
	(unaudited)	(unaudited)	(audited)
Finance expense, excluding impact of the Preference Shares .....	(62.0)	(51.3)	(83.9)
Profit/(loss) before tax, excluding impact of the Preference Shares .....	122.4	25.7	(104.3)
Income tax (charge)/credit, excluding impact of the Preference Shares <sup>(1)</sup> .....	(7.7)	8.2	(0.1)
Profit/(loss) for the year, excluding impact of the Preference Shares .....	114.7	33.9	(104.4)

### Note:

(1) The estimated reduction in the tax credit attributable to the impact of excluding the Preference Share interest for the year ended 31 December 2018 would be £2.9 million.

## COMPARISON OF RESULTS OF OPERATIONS

### Results of operations for 2019 compared to 2018

#### Revenue

Revenue decreased by £99.2 million, or 9.0 per cent., to £997.3 million in 2019 from £1,096.5 million in 2018. This decrease was primarily due to the lower average selling price of cars sold during 2019 compared to 2018 compounded by lower year-on-year volumes. These drivers were, in large part, due to elevated levels of company and dealer stocks at the start of 2019, which required the Group to increase retail and customer financing support to facilitate de-stocking of the dealer network and rebalancing of the Group's supply levels. Average selling price was further adversely impacted by challenging trading conditions in Europe and the United Kingdom, lifecycle decay in volumes across the Asia Pacific region, and the impact of increased sales of lower margin Vantage cars in the mix of core models sold in 2019. In addition, there were fewer special editions sold year-on-year.

### ***Cost of Sales***

Cost of sales decreased by £18.0 million, or 2.7 per cent., to £642.7 million in December 2019 from £660.7 million in 2018, principally due to lower volumes of cars sold in 2019.

### ***Gross profit***

As a result of the foregoing, gross profit decreased by £81.2 million, or 18.6 per cent., to £354.6 million in 2019 from £435.8 million in 2018.

### ***Selling and distribution expenses***

Selling and distribution expenses increased by £5.2 million, or 5.8 per cent., to £95.0 million in 2019 from £89.8 million in 2018. This increase was primarily due to incremental marketing campaigns in December 2019, particularly in the United States and in support of DBX launch activities, as well as generally higher fixed marketing expenses as part of the Group's efforts to de-stock the dealer network and rebalance the Group's supply levels in 2019.

### ***Administrative and other operating expenses***

Administrative and other operating expenses decreased by £15.9 million, or 5.4 per cent., to £277.3 million in 2019 from £293.2 million in 2018. This decrease was primarily due to a reduction in exceptional costs. In 2019 there were £42.1 million of exceptional costs, predominantly related to the Rapide E impairment and the first phase of a restructuring plan that is expected to complete over the course of 2020. In 2018, exceptional costs amounted to £74.1 million, predominantly related to staff incentives and other costs incurred as part of the AML IPO, including some deferred staff incentives contingent on performance of the Group following the AML IPO. IPO-related bonuses subject to 2019 performance will not be paid as targets were not met, resulting in £4.2 million being credited back to the consolidated income statement in 2019 as an adjusting item in order to remain consistent with the treatment of the initial accrual in 2018.

The decrease in administrative and other operating expenses was partially offset by higher depreciation and amortisation driven by the full year impact of selling New Vantage, DBS Superleggera Coupe and the introduction of the DBS Superleggera Volante, in addition to the impact of IFRS 16, additional marketing spend and increased headcount in relation to the Group's new manufacturing facility in St. Athan.

### ***Operating profit (loss)***

Operating loss in 2019 was £36.7 million, compared to an operating profit of £72.8 million in 2018. This change was principally due to lower revenue (reduced volume and decrease in the average selling price, as discussed above), as well as the pre-production of DBX and the completion of the St. Athan plant. In addition, the Group's operating expenses increased as a result of higher marketing spending across its existing and new products and an increased headcount in relation to the new manufacturing facility in St. Athan.

### ***Net finance expense***

Net finance expense decreased by £73.4 million, or 52.1 per cent., to a net finance expense of £67.6 million in 2019 from a net finance expense of £141.0 million in 2018. Finance expense includes interest expense with respect to the Preference Shares. The Preference Shares were converted into ordinary shares as part of the AML IPO. Interest expense with respect to the Preference Shares was £93.9 million (including £32.0 million of interest expense and £61.9 million of costs in relation to the conversion of the Preference Shares as part of the AML IPO) in 2018.

Excluding the impact of the Preference Shares in 2018, net finance expense increased by £20.5 million, or 43.5 per cent., to £67.6 million in 2019 from £47.1 million in 2018. This increase was primarily related to the Group's incremental interest costs on additional borrowing taken out in 2019, alongside an adjusting £6.6 million charge relating to cross-currency forward exposures not eligible for hedge accounting.

### ***Income tax credit (charge)***

Income tax charge in 2019 was £0.1 million, compared to an income tax credit of £11.1 million in 2018. The tax credit in 2018 related partly to a tax credit taken for tax losses incurred in prior periods for which credit had not previously been taken due to uncertainty over their utilisation.

## **Results of operations for 2018 compared to 2017**

### ***Revenue***

Revenue was £1,096.5 million in 2018 compared to £876.0 million in 2017, an increase of 25.2 per cent. or £220.5 million. Revenue with respect to the sale of vehicles was £1,010.7 million in 2018 compared to £810.1 million in 2017, revenue with respect to the sale of parts was £61.1 million in 2018 compared to £56.0 million in 2017, revenue with respect to the servicing of vehicles was £14.6 million in 2018 and £9.9 million in 2017 and revenue with respect to brands and motorsport was £10.1 million in 2018. The revenue with respect to brands and motorsport was not material in 2017 and reported under the sale of vehicles revenue. The increase in revenue for 2018 was primarily attributable to the increase in wholesale volumes driven by the introduction of the Vantage, DB11 V8 Volante, DB11 V12 AMR and DBS Superleggera. The total average selling price in 2018 of the Group's core models fell slightly to £141,000 compared to £150,000 in 2017, driven by the planned decrease in the average selling price of core vehicles as the model mix shifted as expected towards the Vantage and DB11 V8 variants, and away from the higher priced DB11 V12 derivatives. This reduction of the average selling price was partially off-set by the introduction of the DBS Superleggera in the fourth quarter of 2018, the highest priced model of the core model line-up, alongside the delivery of the higher priced special vehicles.

### ***Cost of sales***

Cost of sales were £660.7 million (or 60.3 per cent. of revenue) in 2018, compared to £496.2 million (or 56.6 per cent. of revenue) in 2017, an increase of 33.2 per cent. or £164.5 million, which was primarily attributable to the higher number of units sold (26 per cent.) compared to 2017, and the change in the product mix towards the lower margin Vantage models.

### ***Gross profit***

Gross profit was £435.8 million, or 39.7 per cent. of revenue, in 2018, compared to £379.8 million, or 43.4 per cent. of revenue, in 2017, an increase of 14.7 per cent. or £56.0 million. The gross profit margin decreased as expected from 43.4 per cent. to 39.7 per cent. due to the planned mix shift into the Vantage, partially off-set by an outperformance in the regions where the Group's average selling prices are higher and the introduction of the DBS Superleggera. Gross profit margin also benefited from the sale of fewer, but higher margin special vehicles.

### ***Selling and distribution expenses***

Selling and distribution expenses were £89.8 million, or 8.2 per cent. of revenue, in 2018, compared to £60.0 million, or 6.8 per cent. of revenue, in 2017, an increase of 49.7 per cent. or £29.8 million. The increase in selling and distribution expenses was primarily due to investment in marketing and associated selling costs supporting new model launches.

### ***Administrative and other operating expenses***

Administrative and other operating expenses amounted to £293.2 million, or 26.7 per cent. of revenue, in 2018, compared to £171.0 million, or 19.5 per cent. of revenue, in 2017, an increase of 71.5 per cent. or £122.2 million. In 2018 there were £74.1 million of exceptional expenses comprising £61.2 million for pre-IPO long-term incentive and remuneration expenses and £12.9 million of professional fees in relation to the AML IPO. There were no exceptional costs in 2017. Excluding the exceptional costs in relation to the AML IPO, administrative and other operating expenses increased by £48.1 million, which was mainly due to the rebalancing of the Group's geographic mix, the additional running costs of the St. Athan facility, additional

headcount to support the growth and focus on different revenue streams for AM Brands after the acquisition thereof in 2017 and higher than expected logistics costs due to supply chain delays in the fourth quarter of 2018.

### ***Operating profit***

Operating profit was £72.8 million in 2018 (or 6.6 per cent. of revenue), compared to £148.8 million in 2017 (or 17.0 per cent. of revenue), a decrease of 51.1 per cent. or £76.0 million due to the increase in administrative and other operating expenses in 2018, compared to the administrative and other operating expenses in 2017 (as described under “—*Administrative and other operating expenses*” above). Excluding exceptional costs (as described under “—*Administrative and other operating expenses*” above), the Adjusted Operating Profit (EBIT) decreased by £1.9 million or 1.3 per cent. to a £146.9 million in 2018 from £148.8 million in 2017 due to higher selling and distribution expenses primarily due to investment in marketing and associated selling costs supporting new model launches and the lower profit margin due to the planned mix shift into the Vantage, partially off-set by an outperformance in the regions where the Group’s average selling prices are higher and the introduction of the DBS Superleggera.

### ***Net finance expense***

Net finance expense was £141.0 million in 2018 compared to a net finance expense of £64.3 million (restated for IFRS 15, see note 2 of the 2018 Financial Statements) in 2017, an increase of £76.7 million. Excluding the impact of the Preference Shares, The Group had net finance expense of £47.1 million in 2018, compared to net finance expense of £26.4 million in 2017, an increase of £20.7 million. Excluding the impact of the Preference Shares, the increase in net finance expense was primarily due to the impact of IFRS 9 on the statement of income. In 2017 the Group recognised £32.5 million of gains relating to financial instruments and non-sterling denominated borrowings in the statement of income, whereas as a result of the application of IFRS 9, any applicable foreign exchange fluctuations are recycled to the hedge reserve and not finance income / expense in the statement of income for 2018 reducing finance income in 2018. The Preference Shares were converted into ordinary shares as part of the AML IPO. Interest on the Preference Shares amounted to £32.0 million and £37.9 million for 2018 and 2017, respectively, and the conversion costs of the Preference Shares as part of the AML IPO amounted to £61.9 million.

### ***Income tax credit (charge)***

Income tax credit in 2018 was £11.1 million, compared to an income tax charge of £7.7 million in 2017. The tax benefit for 2018 related partly to a tax credit taken for tax losses incurred in prior periods for which credit had not previously been taken due to uncertainty over their utilisation.

## **LIQUIDITY AND CAPITAL RESOURCES**

### ***Liquidity***

The Capital Raise is expected to raise approximately £500 million in gross proceeds and approximately £485 million in net proceeds, which the Group expects to use to improve liquidity, finance the ramp-up in production of DBX and deliver the turnaround of the Company’s performance. The Group will also use a portion of the net proceeds of the Placing to refund the £55.5 million of short-term working capital support provided by Yew Tree.

In the normal course of business, the Group’s liquidity requirements arise primarily from its need to fund product development capital expenditure, working capital and to service debt. In addition to the proceeds of the Capital Raise, the Group expects to meet its liquidity requirements through cash generated from its operations and from managing its base, as well as trade finance facilities that are currently in place and new debt securities and loan facilities that may become available in the future.

### ***Cash and cash equivalents balance***

As at 31 December 2019, the Group’s cash and cash equivalents balance was £107.9 million. During 2019, the Group generated £19.4 million from operating activities. Over the same period,

it used £305.2 million in investing activities, in particular for new models (namely, DBX and Valkyrie) and investment in St. Athan. Net cash inflow from financing activities during 2019 was £243.3 million, due primarily to the issuance of the \$190m 6.5% Notes due 2022 in April 2019, the issuance of the \$150m 12.0% Notes due 2022 in October 2019 and short-term inventory financing, partially off-set by interest paid on borrowings.

As of 31 December 2018, the Group's cash and cash equivalents balance was £144.6 million. During 2018, it generated £222.6 million from operating activities. Over the same period, the Group used £306.3 million in investing activities related to, in particular, the continued investment in new models to be launched in future years and the completion of the St. Athan facility, and generated £57.8 million from financing activities related to, in particular, additional funds from a new fixed rate loan to finance the construction of the paint shop at the St. Athan manufacturing facility (£15.8 million), increased back-to-back loan facilities with HSBC Bank plc in China and the United Kingdom (£12.0 million) and a drawdown of the Revolving Credit Facility (£70.0 million) to support the Group's working capital requirements partially off-set by interest paid.

As of 31 December 2017, the Group's cash and cash equivalents balance was £167.8 million. During 2017, it generated £344.0 million from operating activities. Over the same period, it used £346.6 million in investing activities, in particular for the acquisition of AM Brands Limited and continued investment in new models to be launched in future years, and generated £69.9 million from financing activities, in particular additional funds from the £550 million equivalent issuance of secured notes in April 2017 to refinance existing debt and for general corporate purposes. A further £55 million equivalent issuance of secured notes in December 2017 was used to fund the acquisition of AM Brands Limited. The Group's cash and cash equivalents balance was also affected by an operating lease in relation to the facility in St. Athan, which resulted in a cash inflow of £32.6 million and is recognised in the income statement over the life of the lease.

### ***Total borrowings***

As of 31 December 2019, the Group's total borrowings comprised borrowings under secured debt securities, borrowings under the Revolving Credit Facility, various unsecured loans to finance specific projects, a back-to-back loan arrangement whereby Chinese renminbi are deposited in an escrow account in China in exchange for a pound sterling overdraft facility in the United Kingdom and certain overdraft facilities. The book value of total borrowings was £953.9 million as of 31 December 2019 compared to £704.1 million as of 31 December 2018. Net Debt as of 31 December 2019, excluding lease liabilities, was £876.2 million, which was £316.7 million higher than the balance as of 31 December 2018 of £559.5 million. The increase in Net Debt as of 31 December 2019 is primarily attributable to the \$190m 6.5% Notes due 2022 in April 2019, the issuance of the \$150m 12.0% Notes due 2022 in October 2019 and short-term inventory financing.

As of 31 December 2018, the Group's total borrowings comprised borrowings under secured debt securities, borrowings under the Revolving Credit Facility, a fixed rate loan to finance the construction of the paint shop at the St. Athan manufacturing facility, the Inventory Funding Facilities and certain overdraft facilities. The book value of total borrowings was £704.1 million as of 31 December 2018 compared to £840.9 million as of 31 December 2017, £255.9 million of which related to the Preference Shares. Net Debt as of 31 December 2018 was £559.5 million, which was £113.6 million lower than the balance as of 31 December 2017 of £673.1 million. The decrease in Net Debt as of 31 December 2018 is primarily attributable to the conversion of the Preference Shares as part of the AML IPO, off-set by a decrease in cash and cash equivalents due to cash spent on investing activities exceeding that generated from operating activities (primarily due to the continued investment in new models to be launched in future years and the completion of the St. Athan facility), the re-valuation of the US dollar tranche of the Group's financing arrangements (£18.4 million), a new fixed rate loan to finance the construction of the paint shop at the St. Athan manufacturing facility (£15.8 million), increased back-to-back facilities in China (£12.0 million) and a drawdown of the Revolving Credit Facility (£70.0 million) to support working capital requirements.



## Finance expenses

In 2019, the Group incurred gross finance expenses of £83.9 million and net finance expenses of £67.6 million.

In 2018, the Group incurred gross finance expenses of £145.2 million and net finance expenses of £141.0 million. Excluding the impact of the interest payable on the Preference Shares and the cost related to the conversion of the Preference Shares as part of the AML IPO, net finance expense amounted to £47.1 million in 2018.

In 2017, the Group incurred gross finance expenses of £99.9 million and net finance expenses of £64.3 million. Excluding the Preference Shares, net finance expense amounted to £26.4 million in 2017.

Although the gross finance expenses discussed above include the relevant finance expense relating to certain debt securities that were capitalised at the time of redemption and the pound sterling equivalent of the issuance of secured notes in April 2017 and the Preference Shares, the finance expense relating to the capitalised debt securities and the Preference Shares is capitalised and thus not paid in cash until the relevant redemption date.

## Cash flows

The following table sets out the condensed consolidated statement of cash flows for the periods indicated:

	2017 <sup>(1)</sup>	2018 (£ millions) (audited)	2019
Net cash inflow from operating activities . . . . .	344.0	222.6 <sup>(2)</sup>	19.4
Net cash used in investing activities . . . . .	(346.4)	(306.3)	(305.2)
Net cash inflow from financing activities . . . . .	69.9	57.8	243.3
Net increase/(decrease) in cash and cash equivalents . . . . .	67.3	(25.9)	(42.5)
Cash and cash equivalents at the beginning of the year . .	101.7	167.8	144.6
Effect of exchange rates on cash and cash equivalents . . .	(1.2)	2.7	5.8
<b>Cash and cash equivalents at the end of the year . . . . .</b>	<b>167.8</b>	<b>144.6</b>	<b>107.9</b>

Note:

(1) Restated to reflect the adoption of IFRS 15. See note 2 of the 2018 Financial Statements.

(2) A reclassification has been made in the statement of cash flows in the 2019 Financial Statements regarding the 2018 comparative values of £7.2 million cash inflow from Movement in provisions to Decrease in trade and other payables. This had no impact on the cash generated from operations. See note 2 of the 2019 Financial Statements.

## Cash flow from operating activities

The Group generated £19.4 million of net cash from operating activities in 2019 compared to £222.6 million in 2018. The decrease in net cash inflow from operating activities is primarily attributable to the lower average selling price of the cars sold during 2019 compared to 2018 and lower volumes. This was in large part due elevated levels of company and dealer stocks at the start of 2019, which required the Group to increase retail and customer financing support in order to de-stock the dealer network and rebalance the Group's supply levels. Average selling price was also negatively impacted by challenging trading conditions in Europe and the United Kingdom, lifecycle decay in volumes in the Asia Pacific region and the impact of increased sales of lower margin Vantage cars in the mix of core models sold in 2019. The decrease was partially offset by an inflow of £48 million of customer deposits. Deposits on the balance sheet stood at £319 million, with building deposits for Valhalla and DB5 Goldfinger continuations. As deliveries of Aston Martin Valkyrie start, the deposit balance is expected to unwind, although this is expected to be partially offset by building deposits on upcoming special editions.

The Group generated £222.6 million of net cash from operating activities in 2018 compared with £344.0 million in 2017. The decrease in net cash inflow from operating activities is primarily

attributable to a significant increase in working capital, including receivables of approximately £90 million associated with supply chain delays in the fourth quarter of 2018 and the consequential shift of wholesale deliveries to the end of the period.

#### *Cash flow from investing activities*

The Group recorded £305.2 million of net cash used in investing activities in 2019 compared to £306.3 million in 2018. In 2019, this primarily comprised capital expenditure related to the St. Athan manufacturing facility and the ramp-up of DBX and Valkyrie. In 2018, this primarily comprised capital expenditure related to the development of the Vantage and the DBS Superleggera, as well St. Athan and DBX.

The Group recorded £306.3 million of net cash used in investing activities in 2018 compared to £346.4 million in 2017. The decrease in net cash outflow from investing activities is primarily attributable to the acquisition of AM Brands in 2017.

#### *Cash flow from financing activities*

The Group generated £243.3 million of net cash from financing activities in 2019, primarily due to the issuance of the \$190m 6.5% Notes due 2022 in April 2019 and the \$150m 12.0% Notes due 2022 in October 2019, partially off-set by interest paid on borrowings.

The Group generated £57.8 million of net cash from financing activities in 2018, principally due to a drawdown of the Revolving Credit Facility (£70.0 million) to support working capital requirements, partially off-set by interest paid on borrowings.

The Group generated £69.9 million of net cash from financing activities in 2017, primarily consisting of the £550 million equivalent issuance of secured notes in April 2017 and other additional borrowings, net of the amount of debt refinanced and the related transaction costs, less interest paid of £49.8 million.

#### **Research and development expenditure**

In 2019, the Group's capital expenditures were £310.2 million and are expected to be approximately £285 million in 2020, with approximately half of this investment in the first quarter and two-thirds in the first half. Capital expenditures in 2019 primarily related to the preparation and ramp-up to full production of the manufacturing facility in St. Athan for the production of DBX. Capital expenditures in 2020 are expected to be spent primarily on the finalisation of the ramp-up to full production of the St. Athan manufacturing facility and the development of DBX.

The following table sets out the research and development expenditure for the periods indicated.

	<u>2017</u>	<u>2018</u> <i>(£ millions)</i> <i>(audited)</i>	<u>2019</u>
Total research and development expenditure .....	224.4	213.8	226.0
Capitalised research and development .....	<u>(213.3)</u>	<u>(202.3)</u>	<u>(226.0)</u>
<b>Recognised as an expense .....</b>	<b><u>11.1</u></b>	<b><u>11.5</u></b>	<b><u>-</u></b>

Total research and development expenditure increased to £226.0 million in 2019 compared to £213.8 million in 2018, primarily due to continued investment in new core models as part of the Second Century Plan, in particular DBX. During 2018, the methodology applied to the capitalisation of research and development expenditure for new cars was refined to more appropriately reflect the point at which the development phase starts in the current development process. Capitalised research and development expenditure was £202.3 million in 2018 and £226.0 million in 2019, an increase of 11.7 per cent., primarily due to the current positioning of the product development cycle for future models.

Total research and development expenditure decreased to £213.8 million in 2018 compared to £224.4 million in 2017, primarily due to the timing of programme development. During 2018, the methodology applied to the capitalisation of research and development expenditure for new cars was refined to more appropriately reflect the point at which the development phase starts in the current development process. Capitalised research and development expenditure was £213.3 million in 2017 and £202.3 million in 2018, a reduction of 5 per cent., primarily due to the timing of programme development.

The Group capitalises engineering and research and development expenditure and research and development assets that are specific to the development of new models or model derivatives. Over the historical period, the Group capitalised between 95 per cent. and 100 per cent. of total research and development expenditure, in accordance with IFRS.

### **Capital resources**

#### *Short-term resources*

In early February 2020, Yew Tree provided the Group with £55.5 million of short-term working capital support, the financial terms of which are significantly more favourable than the Delayed Draw Notes, in order to improve the liquidity of the Group immediately. It is intended that these funds will be refunded upon completion of the Placing. For more detail, please see paragraph 18.1.6 of Part IX - Additional Information.

As of 31 December 2019, the Group's current borrowings were £114.8 million, which included (i) £70.0 million of borrowings under the Revolving Credit Facility Agreement, (ii) £36.7 million of borrowings under the Group's back-to-back loan arrangements with HSBC Bank plc whereby Chinese renminbi are deposited in an escrow account in China in exchange for a pound sterling overdraft facility in the United Kingdom and (iii) a current element in an amount of £2.9 million under a fixed rate loan to finance the construction of the paint shop at St. Athan. In addition, the Group has current lease liabilities of £14.1 million, including £2.3 million relating to certain plant and machinery in the St. Athan manufacturing facility. In addition, as of 31 December 2019, current trade and other payables amounted to £702.1 million.

In November 2019, £32.2 million of parts for resale, service parts and production stock were sold for £38.7 million (gross of sales tax) and subsequently repurchased. Under the repurchase agreement, the Group will repay £40.0 million gross of indirect tax. As part of this arrangement legal title to the parts was surrendered but control remained with the Group. At 31 December 2019 a repurchase liability of £38.7 million, in addition to accrued interest of £0.2 million, has been recognised in accruals and other payables, and has been included within Net Debt. The terms of this repurchase arrangement require the liability to be fully settled in 2020, although the Group may negotiate with the counterparty to renew the arrangements.

The Group has an inventory funding facility with Standard Chartered Bank that may be utilised by way of cash drawings by the Group in an aggregate amount of up to \$30 million at any time outstanding and was drawn for \$5.8 million as at 31 December 2019. The facility is structured with two tranches, one of which is up to \$30 million (and is intended for cash drawings for a period of up to 45 banking days for vehicles in-transit to North America) and the other of which is up to \$10 million (and is intended for cash drawings for a period of up to 90 banking days for vehicles in-territory in North America). The Group is required to repay outstanding drawings at the end of their term and to pay interest on amounts borrowed under the facility in an amount of 3.85 per cent. per annum over the cost of funds to Standard Chartered Bank (subject to a zero floor on the cost of funds). Standard Chartered Bank's obligations are secured by certain assets of Aston Martin Lagonda of North America, Inc.

#### *Long-term resources*

As of 31 December 2019, the Group's non-current borrowings were £839.1 million, which comprised (i) £829.9 million aggregate liability under the Senior Secured Notes (£843.0 million in aggregate principal amount, net of unamortised debt issuance costs of £13.1 million) and (ii) a

non-current element in an amount of £9.2 million under a fixed rate loan to finance the construction of the paint shop at St. Athan. In addition, the Group has non-current lease liabilities of £97.3 million. In addition, as at 31 December 2019, non-current trade and other payables amounted to £9.4 million.

On 8 October 2019, Aston Martin Capital Holdings Limited issued the \$150m 12.0% Notes due 2022. On or prior to 15 July 2020, Aston Martin Capital Holdings Limited is permitted to issue up to \$100 million in aggregate principal amount of either 12.0 per cent. delayed draw senior secured split coupon notes due 2022 and/or 15.0 per cent. delayed draw senior unsecured split coupon notes due 2022 following the satisfaction of certain conditions (the **Delayed Draw Notes**). The Group does not intend to issue the Delayed Draw Notes. The \$150m 12.0% Notes due 2022 are, and the Delayed Draw Notes, if issued, would be, guaranteed on a senior basis by Aston Martin Investments Limited and certain of its subsidiaries.

The Revolving Credit Facility Agreement provides for borrowings up to an aggregate principal amount of £80 million on a committed basis, of which the Group had drawn £70 million as of 31 December 2019, with the remaining balance being reserved to support existing letter of credit facilities. Borrowings under the Revolving Credit Facility are used to finance general corporate and working capital purposes. The Revolving Credit Facility is available for draw down up to and including 15 December 2021.

The indenture dated 18 April 2017 governing the Senior Secured Notes (the **Indenture**) contains covenants that, among other things, limit the ability of Aston Martin Investments Limited and certain of its subsidiaries (excluding, for example, Aston Martin Works Limited) (the **Restricted Group**) to:

1. incur or guarantee additional indebtedness and issue certain preferred stock;
2. create or incur certain liens;
3. make certain payments, including dividends or other distributions;
4. prepay or redeem subordinated debt or equity;
5. make certain investments;
6. create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to certain members of the Restricted Group;
7. sell, lease or transfer certain assets including stock of certain members of the Restricted Group;
8. engage in certain transactions with affiliates;
9. enter into unrelated businesses or engage in prohibited activities;
10. consolidate or merge with other entities; and
11. impair the security interests given for the benefit of the Senior Secured Notes.

However, each of these covenants is subject to significant exceptions and qualifications.

The Revolving Credit Facility Agreement contains certain of the same incurrence covenants (with certain adjustment) as the Indenture. In addition, the Revolving Credit Facility Agreement also contains certain affirmative and negative covenants, which are subject to customary materiality, actual knowledge or other qualifications, exceptions and baskets.

Further, the Revolving Credit Facility Agreement includes a cross-default provision with respect to payment obligations of AML Limited and Aston Martin Holdings (UK) Limited under the guarantee fee arrangement that was entered into with the government of Wales in respect of the Group's occupation of the St. Athan plant.

For additional detail on the terms of the Senior Secured Notes and the Revolving Credit Facility Agreement, see paragraphs 18.1.2 and 18.1.3 of Part IX - Additional Information.

### **Contractual obligations and contractual commitments**

The following table sets forth a summary of the Group's contractual obligations as of 31 December 2019.

	Less than one year	One to three years	Three to five years (£ millions) (audited)	More than five years	Total
Revolving Credit Facility .....	70.0	-	-	-	70.0
Notes <sup>(1)</sup> .....	-	829.9	-	-	829.9
Lease obligations <sup>(2)</sup> .....	14.1	13.6	12.7	71.0	111.4
Other obligations <sup>(3)</sup> .....	532.2	37.4	-	-	569.6
<b>Total</b> .....	<b>616.3</b>	<b>880.9</b>	<b>12.7</b>	<b>71.0</b>	<b>1,580.9</b>

Notes:

(1) Net of unamortised debt issuance costs of £13.1 million as of 31 December 2019 and excluding items accounted for as part of the effective interest rate.

(2) Lease obligations represent the present value of the lease payments.

(3) Excludes employee benefits which as of 31 December 2019, amounted to £36.8 million. Includes contractually refundable deposits of £78.5 million.

### **Pensions**

The Group provides retirement benefits to certain of its current and former employees through a number of pension arrangements. These include the UK DB Plan operated by AML Limited. The UK DB Plan closed to new entrants on 31 May 2011 but remains open to future benefit accrual for existing active members. As at 31 December 2019, there were 515 active members in the UK DB Plan. The UK DB Plan ceased final salary accrual from 31 December 2017 and adopted a career average revalued earnings (CARE) benefit structure from 1 January 2018, breaking the link to final salary as at 31 December 2017. Active members' benefits accrued prior to 1 January 2018 instead receive increases in line with CPI (capped at 2.5 or 5 per cent. depending on the date of benefit accrual) for each whole year between 1 January 2018 and the date the member's benefits become payable.

The adoption of the CARE benefit structure and breaking the final salary link improves the Group's statement of financial position and risk outlook by reducing pension liabilities and future scheme volatility. Accordingly, a non-recurring credit of £24.3 million, representing the related lifecycle reduction in the pension scheme deficit, was credited to the Groups results of operations in 2017.

The latest actuarial valuation of the UK DB Plan as at 6 April 2017 showed a deficit of £48.6 million on a scheme-specific funding basis. AML Limited agreed a deficit recovery plan with the trustee of the UK DB Plan under which it is required to make contributions to the plan. Under the recovery plan dated 5 July 2018 agreed as part of the 2017 actuarial valuation, AML Limited agreed: (i) to increase the recovery plan contributions from £2.8 million per year to £4.0 million per year until 31 March 2020 and to £7.1 million per year thereafter through to 31 July 2025; and (ii) to share upside performance of the business with the UK DB Plan by making additional payments against the deficit recovery plan equal to 5 per cent. of AML Limited's variable profits which exceed the anticipated variable profit target agreed as part of the plan's 2014 valuation, but capped at £1.75 million per annum in respect of the calendar years 2018 and 2019 and then at £3 million per annum thereafter.

The deficit of the UK DB Plan is dependent on the market value of the assets of that plan and on the value placed on its liabilities. If the market value of the assets declines or the value of the liabilities increases, as at the date of an actuarial funding valuation of the UK DB Plan, AML Limited may be required to increase its contributions to the UK DB Plan. A variety of factors, including factors outside AML Limited's control, may adversely affect the value of the UK DB Plan's assets or liabilities, including interest rates, inflation rates, investment performance and



investment strategy, exchange rates, life expectancy assumptions, actuarial data and adjustments, regulatory changes, and the strength of the employer covenant provided to the plan by the Group. If these or other internal and external factors were to become unfavourable, or more unfavourable than they currently are, AML Limited's required contributions to the UK DB Plan and the costs and net liabilities associated with the UK DB Plan could increase substantially. The UK DB Plan's deficit, calculated by the actuary using the same actuarial methods to set assumptions as used for the scheme-specific funding basis in the plan's 2017 valuation updated to reflect market conditions at 31 December 2019 and benefits accrued to that date, has increased since the plan's 2017 valuation to an estimated £60.6 million as at 31 December 2019 due to a decline in long term real rates of return.

The UK DB Plan's next actuarial valuation will take place with an effective date of 6 April 2020. Discussions have already started between the Group and the trustee in relation to the next actuarial valuation and the funding and security of the UK DB Plan more generally. As part of the valuation there will be discussions about whether (and, if so, to what extent) contributions to the Plan should be increased taking into account the circumstances of the Group (including the Placing and Rights Issue).

As is the case for all formerly contracted-out defined benefit pension plans in the United Kingdom, the liabilities of the UK DB Plan, and so the funding level, could also be impacted by a 2018 High Court decision requiring the impact of unequalised guaranteed minimum pension benefits provided to men and women to be equalised. In addition, as with many defined benefit pension plans in the United Kingdom, the trustee has the power under the UK DB Plan's governing documentation to wind-up the UK DB Plan in certain circumstances, which if exercised could accelerate and increase funding obligations to the plan.

The Group is also discussing with the trustee whether any additional employer covenant protection or support can be provided to the UK DB Plan as part of the 2020 actuarial valuation.

As of 31 December 2019, the total fair value of plan assets was £311.8 million and the present value of obligations was £333.4 million on an IAS19 basis. In addition to an adjustment of £15.2 million to reflect minimum funding requirements, the Group recognised a liability of £36.8 million on the balance sheet as of 31 December 2019.

### ***Off-balance Sheet Arrangements***

#### ***Wholesale Finance Facility***

The Group has a Wholesale Finance Facility to provide additional liquidity under which dealers have individually agreed credit limits with Standard Chartered Bank to an aggregate of £150 million (prior to 1 January 2020 the limit was £200 million). The Wholesale Finance Facility is a global facility, pursuant to which Aston Martin Holdings (UK) Limited and certain subsidiaries offer to Standard Chartered Bank certain receivables owing to them by dealers who have acquired the Group's cars from them on credit terms not exceeding 270 days from the date of dispatch. The Wholesale Finance Facility is treated as an off-balance sheet arrangement. Where this facility is used (i.e. where Standard Chartered Bank purchases the receivables offered to them), the Group receive from Standard Chartered Bank the purchase price of a car less a discount rate (calculated in accordance with the Wholesale Finance Facility) following issuance of an invoice to the dealer (and subject to satisfaction of certain other requirements). The dealer is instructed to make payment of amounts due under that invoice to an account of Standard Chartered Bank and amounts paid to that account are recovered and retained by Standard Chartered Bank. The Group is required to pay Standard Chartered Bank a flat fee for providing the Wholesale Finance Facility on a quarterly basis for the duration of the facility. The Group re-charges all discount rates applied by Standard Chartered Bank or other fees associated with the Wholesale Finance Facility to its dealers from time to time. If the Group cannot utilise this facility in connection with sales to a dealer, the dealer is required to pay for the car prior to delivery, other than in North America where dealers typically have 10 days to pay. The Wholesale Finance Facility is backed by credit insurance as protection if a dealer fails to repay its financing under this scheme. Only if the credit insurance does not cover the cost of such financing does the

Group have direct liability in respect of amounts due by such defaulting dealer to Standard Chartered Bank, subject to an aggregate limit of £200,000 over the period ending 31 August 2020. As of 31 December 2019, the Group had drawn £99.6 million under the Wholesale Finance Facility. This compares to drawings of £159.1 million of 31 December 2018.

### *Chinese Inventory Funding Arrangements*

The Group is party to two inventory funding arrangements in China: one with Ningbo Commerce Bank and one with China Guangfa Bank. The arrangements provided under or in relation to these financings may be utilised by certain Aston Martin dealers in China (who are also parties to these financings) to purchase cars from the Group. The relevant vehicles financed under the inventory funding arrangements are required to be delivered to the relevant dealers within 45 days from funding. These agreements are non-recourse to the Group.

### **Capitalisation and indebtedness**

The following tables set out the Group's capitalisation and indebtedness as at the dates indicated and, as such, do not reflect the impact of the Capital Raise. The capitalisation and indebtedness information has been extracted without adjustment from the Group's financial information included in Part VI - Financial Information of the Group.

The following table sets out the Group's capitalisation as at 31 December 2019.

	<b>As of 31 December 2019</b>
	<i>(£ millions)</i>
	<i>(audited)</i>
<b>Total current debt</b>	
Guarantee <sup>(1)</sup> .....	70.0
Secure <sup>(2)</sup> .....	90.0
Unguaranteed/unsecured <sup>(3)</sup> .....	14.1
<b>Total non-current debt (excluding current portion of long-term debt)</b>	
Guaranteed .....	-
Secure <sup>(4)</sup> .....	841.7
Unguaranteed/unsecured <sup>(5)</sup> .....	97.3
<b>Shareholder's equity</b>	
Share capital .....	2.1
Share premium .....	352.3
Other reserves <sup>(6)</sup> .....	3.9
<b>Total</b> .....	<b>1,471.4</b>

Notes:

(1) Comprises £70.0 million of borrowings under the Revolving Credit Facility Agreement.

(2) Comprises (i) £6.3 million of the financial liability related to the forward currency contracts held at fair value, (ii) £36.7 million of borrowings under the Group's back-to-back loan arrangements with HSBC Bank plc whereby Chinese renminbi are deposited in an escrow account in China in exchange for a pound sterling overdraft facility in the United Kingdom, (iii) a current element in an amount of £2.9 million under a fixed rate loan to finance the construction of the paint shop at St. Athan, (iv) £5.2 million related to the arrangements to finance in-transit finished vehicles and certain finished vehicle inventory and (v) £38.9 million in connection with the inventory repurchase arrangements.

(3) Comprises £14.1 million of current lease liabilities.

(4) Comprises (i) £829.9 million aggregate liability under the Senior Secured Notes (£843.0 million in aggregate principal amount, net of unamortised debt issuance costs of £13.1 million), (ii) a non-current element in an amount of £9.2 million under a fixed rate loan to finance the construction of the paint shop at St. Athan and (iii) £2.6 million of the financial liability related to the forward currency contracts held at fair value.

(5) Comprises £97.3 million of non-current lease liabilities.

(6) Other reserves include (i) £6.6 million of capital reserve, (ii) £(0.4) million of translation reserve and (iii) £(2.3) million of hedge reserves.

The following table sets out the Group's net indebtedness as at 31 December 2019.

	As of 31 December 2019
	(£ millions) (audited)
Cash and cash equivalents <sup>(1)</sup> .....	107.9
Other financial assets <sup>(2)</sup> .....	8.9
<b>Liquidity</b> .....	<b>116.8</b>
Current bank debt <sup>(3)</sup> .....	111.9
Current position of non-current debt <sup>(4)</sup> .....	2.9
Other financial debt <sup>(5)</sup> .....	59.3
<b>Current finance debt</b> .....	<b>174.1</b>
<b>Net current financial indebtedness</b> .....	<b>(57.3)</b>
Non-current bank loans <sup>(6)</sup> .....	9.2
Bond issued <sup>(7)</sup> .....	829.9
Other non-current financial debt <sup>(8)</sup> .....	99.9
<b>Non-current financial indebtedness</b> .....	<b>939.0</b>
<b>Net financial indebtedness</b> .....	<b>(996.3)</b>

Notes:

(1) This balance includes £36.3 million of restricted cash.

(2) Comprises (i) £8.7 million of held in certain local bank accounts in China had been frozen in relation to local arbitration proceedings and £0.2 million of current portion of the financial asset related to the forward currency contracts held at fair value.

(3) Comprises (i) £70.0 million of borrowings under the Revolving Credit Facility Agreement, (ii) £36.7 million of borrowings under the Group's back-to-back loan arrangements with HSBC Bank plc whereby Chinese renminbi are deposited in an escrow account in China in exchange for a pound sterling overdraft facility in the United Kingdom and (iii) £5.2 million related to the arrangements to finance in-transit finished vehicles and certain finished vehicle inventory.

(4) Comprises a current element in an amount of £2.9 million under a fixed rate loan to finance the construction of the paint shop at St. Athan.

(5) Comprises (i) £38.9 million in connection with the inventory repurchase arrangements, (ii) £6.3 million of the financial liability related to the forward currency contracts held at fair value and (iii) £14.1 million of current lease liabilities.

(6) Comprises a non-current element in an amount of £9.2 million under a fixed rate loan to finance the construction of the paint shop at St. Athan.

(7) Comprises (i) £829.9 million aggregate liability under the Senior Secured Notes (£843.0 million in aggregate principal amount, net of unamortised debt issuance costs of £13.1 million).

(8) Comprises £2.6 million of the financial liability related to the forward currency contracts held at fair value and £97.3 million of non-current lease liabilities.

On 15 January 2020 the Group paid interest on the \$150m 12.0% Notes due 2022, including the portion of such interest to be paid in kind. As a result, the principal amount of such notes has increased by \$2,425,000. In early February 2020, Yew Tree provided the Group with £55.5 million of short-term working capital support, the financial terms of which are significantly more favourable than the Delayed Draw Notes, in order to improve the liquidity of the Group immediately. It is intended that these funds will be refunded upon completion of the Placing. For more detail, please see paragraph 18.1.6 of Part IV - Additional Information. There has otherwise been no material change in the Company's capitalisation and indebtedness position since 31 December 2019.

### Indirect and contingent indebtedness

Capital expenditure contracts to the value of £74.4 million (2018: £94.2 million) have been committed but not provided for as at 31 December 2019.

### Qualitative and quantitative disclosures about market risk

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, currency risk and liquidity risk as explained below. The Board has overall responsibility for the

establishment and oversight of the Group's risk management framework. The Group's risk policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risk and adherence to limits.

The Board oversees how management monitors compliance with the Group risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

For further information on the risks discussed below, please see note 23 of the 2019 Financial Statements.

### ***Credit risk***

The Group sells cars through its dealer network. Dealers outside of North America are required to pay for cars in advance of their despatch or use the wholesale financing scheme with Standard Chartered Bank plc. Dealers within North America are allowed 10-day credit terms from the date of invoice or can use the wholesale financing scheme. Standard Chartered Bank plc has substantially all the risk associated with the wholesale financing scheme and in addition all car sales on the wholesale financing scheme are covered by credit risk insurance, which means that a third party bears substantially all the credit risk associated with dealers using the wholesale financing scheme. In exceptional circumstances, after thorough consideration of the credit history of an individual dealer, the Group may sell cars to the dealer outside of the credit risk insurance policy or on deferred payment terms. Parts sales, which represent a smaller element of total revenue, are made to dealers on 30-day credit terms. Service receivables are due for payment on collection of the car.

### ***Interest rate risk***

The Group's overdraft and borrowing facilities are predominantly at fixed rates of interest. The Group's financing arrangements and the fixed rate loan to finance the construction of a paint shop at the facility in St. Athan are at fixed rates of interest. The rate of interest on the Revolving Credit Facility and inventory financing are determined at the date the borrowing commences and are based on a formula provided in the agreements. Amounts advanced by Standard Chartered Bank plc on the wholesale finance scheme are at rates based on LIBOR at the commencement of the loan. Therefore, the only interest rate risk relates to the back-to-back loan arrangements with HSBC Bank plc, whereby, as of 31 December 2019, Chinese renminbi is deposited in an escrow account with HSBC in China in exchange for a pound sterling overdraft facility with HSBC Bank plc in the United Kingdom. As of 31 December 2019, £36.7 million was outstanding under the overdraft facility. The interest rate charged on the overdraft facility is based on 3-month LIBOR. LIBOR and other "benchmark" interest rates are currently the subject of recent and ongoing national, international and other regulatory guidance and proposals for reform, which may cause such "benchmarks" to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could result in an increase of the interest payable on any of the Group's debt linked to such a "benchmark."

### ***Foreign currency risk***

The Group is also exposed to risk from changes in foreign currency exchange rates, which could affect operating results as well as the Group's financial condition and cash flows. In addition, the Group will continue to have debt service obligations in both US dollar and pound sterling. Management monitors the Group's exposures to these currency risks and generally employs operating and financing activities to off-set these exposures where appropriate. If it does not have operating or financing activities to sufficiently off-set these exposures, from time to time, the Group may employ derivative financial instruments such as swaps, collars, forwards, options or other instruments to limit the volatility to earnings and cash flows generated by these exposures.

The Group's primary foreign currency exposure relates to the pound sterling to US dollar exchange rate due to a significant proportion of its sales being to US dollar denominated

markets. However, the foreign currency exposures also relate, but are not limited to, the euro, Australian dollar, Canadian dollar, Chinese renminbi and Japanese yen. While the Group incurred 53 per cent. of its operating costs in pound sterling in 2019, it is also subject to cost based currency exposure in relation to the euro due to a significant portion of its costs sustained in this currency in 2019. As of 31 December 2019, 56 per cent. and 44 per cent. of the Group's gross debt was denominated in US dollar and pound sterling, respectively.

It is the Group's policy that significant transaction exposures are hedged. Accordingly, management identifies and measures the Group's exposure from transactions denominated in other than its own functional currency. Management calculates net exposure on a cash flow basis considering anticipated revenues and expenses. Foreign currency exposures, up to a maximum period of five years, are progressively hedged using forward contracts.

### Liquidity risk

The Group seeks to manage liquidity to manage liquidity risk to ensure sufficient liquidity is available to meet foreseeable needs and to allow investment cash assets safely and profitably. The following table sets forth the Groups maturity profile as of 31 December 2019 based on contractual undiscounted payments.

	On demand	Less than three months	Three to twelve months	One to five years	More than five years	Total
			(£ millions) (audited)			
<b>Non derivative financial liabilities</b>						
Bank loans and overdrafts .....	-	94.6	24.4	6.7	-	125.7
Senior secured notes .....	-	1.8	45.4	937.1	-	984.3
Trade and other payables .....	-	333.0	57.3	9.6	-	399.9
Refundable customer deposits and advances .....	78.5	-	-	-	-	78.5
<b>Derivative financial liabilities</b>						
Forward exchange contracts .....	-	0.9	5.4	2.6	-	8.9
<b>Total .....</b>	<b>78.5</b>	<b>430.3</b>	<b>132.5</b>	<b>956.0</b>	<b>-</b>	<b>1,597.3</b>

Notes:

Included in this table are interest-bearing loans and borrowings at a carrying value of £953.9 million.

The Group's ability to make scheduled payments or to refinance its debt obligations depends on its financial and operating performance, which is subject to prevailing economic and competitive conditions. For more detail, see *"Risk Factors—Risks relating to the business and industry of the Group—Aston Martin Lagonda's significant leverage may make it difficult for the Group to operate its business"* and *"Risk Factors—Risks Relating to the business and industry of the Group—Aston Martin Lagonda's business model assumes the Wholesale Finance Facility is available on an ongoing basis, which involves certain liquidity risks, and the loss of the Group's ability to draw under this or a similar facility or its credit insurance backing could adversely affect its liquidity and therefore have a material adverse effect on its business."*

### CRITICAL ACCOUNTING POLICIES

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the period. The nature of estimation means that actual outcomes could differ from those estimates.

In the process of applying the Group's accounting policies, management has made certain estimates. 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 financial year are:

- impairment of indefinite life intangible assets (including goodwill);



- impairment of finite life intangible assets; and
- the measurement of defined benefit pension assets and obligations.

#### ***Impairment of indefinite and finite life intangible assets***

The Group determines whether indefinite life intangible assets are impaired on an annual basis, or more frequently when there is an indication that the asset is impaired. This requires an estimation of the value-in-use derived from the estimation of future cash flows utilising a suitable discount rate.

The Group has determined that for goodwill and other intangibles with indefinite lives, there is one cash-generating unit. This is on the basis that there are no smaller groups of assets that can be identified with certainty which generate specific cash flows that are independent of the inflows generated by other assets or groups of assets.

For intangible assets that have a finite life, the recoverable amount is estimated when there is an indication that the asset is impaired.

The result of the calculation of the value-in-use is sensitive to the assumptions made and is a subjective estimate.

#### ***Measurement of pension assets and obligations***

There are a range of assumptions that could be made, and the measurement of defined benefit pension assets and obligations is very sensitive to these.

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

## PART VI - FINANCIAL INFORMATION OF THE GROUP

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASTON MARTIN LAGONDA GLOBAL HOLDINGS PLC

#### Opinion

In our opinion:

- Aston Martin Lagonda Global Holdings plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Aston Martin Lagonda Global Holdings plc which comprise:

Group	Parent company
Consolidated statement of financial position as at 31 December 2019	Statement of financial position as at 31 December 2019
Consolidated statement of comprehensive income for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 6 to the financial statements including a summary of significant accounting policies
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 34 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the ability of the Group and Company to continue as a going concern is subject to material uncertainty. On 31 January 2020, the Company announced its intention to raise £500 million by way of a strategic investment of £182.4 million by a consortium led by Lawrence Stroll and a rights issue of £317.6 million ('The Capital Raise'). The Capital Raise is required for the Group to continue operating as a going concern, to facilitate the successful execution of the reset of the business plan and to provide a platform for the future success of the Group. The completion of the Capital Raise is dependent on approval from the shareholders of the Company, which at the time of issuing these financial statements has not yet been obtained. As a result, a material uncertainty exists that may cast significant doubt on the group and company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

We draw attention to the Viability Statement in the annual report, which indicates that an assumption to the statement of viability is that the Capital Raise completes. The Directors consider that the material uncertainty referred to in respect of going concern may cast significant doubt over the future viability of the group and company should the Capital Raise not complete. Our opinion is not modified in respect of this matter.

## Conclusions relating to principal risks, going concern and viability statement

Aside from the impact of the matters disclosed in the material uncertainty related to going concern section, we have nothing to report in respect of the following information in the annual report, in relation to which the ISAs(UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out in the Strategic Risk section of the annual report that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out in the Viability Statement in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- whether the directors' statements in relation to going concern and their assessment of the prospects of the company required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out in the Viability Statement in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

## Overview of our audit approach

Key audit matters	<ul style="list-style-type: none"><li>• Revenue recognition, specifically;<ul style="list-style-type: none"><li>◦ There is a risk that revenue is overstated due to errors in cut-off, including bill and hold arrangements; and</li><li>◦ There is also a risk of overstatement of revenue through inappropriate manual journal entries.</li></ul></li><li>• Capitalisation and amortisation of development costs</li><li>• Impairment of capitalised development costs</li></ul>
Audit scope	<ul style="list-style-type: none"><li>• We performed an audit of the complete financial information of three components and audit procedures on specific balances for a further two components.</li><li>• The components where we performed full or specific audit procedures accounted for 100% of Adjusted EBITDA, 100% of Revenue and 100% of Total assets.</li></ul>
Materiality	<ul style="list-style-type: none"><li>• Overall Group materiality of £2.6m which represents 1.9% of Adjusted EBITDA.</li></ul>

## Key audit matters

In addition to the material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Revenue Recognition (£997.3m, 2018: £1,096.5m)</b></p> <p><i>Refer to the Audit Committee Report; Accounting policies; and Note 3 of the Consolidated Financial Statements</i></p> <p>There is a risk that revenue is overstated due to errors in cut-off, including bill and hold arrangements whereby revenue is recognised on a completed vehicle before delivery is made to the customer based on the customers request.</p> <p>There is also a risk of overstatement of revenue through inappropriate manual journal entries.</p>	<p>We confirmed the existence and the design effectiveness of controls within the sales process, paying particular attention to those around cut-off and bill and hold transactions.</p> <p>We considered the terms per the contract and delivery to ensure revenue has been recognised in accordance with IFRS 15 and is recorded in the correct period.</p> <p>For a sample of bill and hold sales we have confirmed the vehicle was completed before year end by obtaining the signed quality check documentation. For that sample we also confirmed the transfer of control had occurred by obtaining the customer requests to hold the vehicles on their behalf.</p> <p>We performed physical verification on the finished vehicles and agreed these to either the inventory or the bill and hold listings. We ensured the manufacturing process was complete for each vehicle and that the vehicle was not double counted in revenue and inventory.</p> <p>We performed cut-off testing by tracing a sample of transactions around the period end to third party delivery note documentation.</p> <p>We performed data analytical procedures of the double entries in the general ledger to test the postings from Revenue to Cash, correlating the cash conversion of sales. We investigated and obtained evidence for unusual items identified.</p> <p>We performed journal testing procedures to identify unusual journal entry postings. We obtained audit evidence for unusual and/or material revenue journals.</p> <p>We performed full and specific scope audit procedures over this risk area in 5 locations, which covered 100% of the risk amount.</p>	<p>Our audit procedures did not identify evidence of material misstatements in revenue recognition arising from the risk of cut-off, bill and hold or management override through journal entries.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Capitalisation and amortisation of development costs (£769.5m, 2018: £653.2m)</b></p> <p>Refer to the Audit Committee Report; Accounting policies; and Note 13 of the Consolidated Financial Statements</p> <p>There is a risk that costs are capitalised which do not meet the criteria set out within IAS 38 or that the amortisation period is inappropriate.</p> <p>There is also a risk of overstatement of capitalised development costs through inappropriate manual journal entries.</p>	<p>We confirmed the existence and the design effectiveness of controls around the intangibles process and in particular around the approval of capitalised development expenditure.</p> <p>For a sample of costs capitalised we confirmed that the costs incurred were; capitalised against the correct project; measured correctly; eligible for capitalisation, and the timing of the expense capitalisation was appropriate.</p> <p>For a sample of projects we compared the actual spend against the budgeted spend to ensure the projects continue to meet the IAS 38 criteria for capitalisation and remain commercially viable.</p> <p>For capitalised development costs we confirmed the amortisation period was aligned to the period over which commercial benefits are expected to be received.</p> <p>We challenged the amount/percentage of costs which are transferred between models as a result of the carry over carry across principle ('COCA').</p> <p>We recalculated the amortisation recognised to confirm this was in line with expectations.</p> <p>We performed journal testing procedures to identify unusual journal entry postings. We obtained audit evidence for unusual and/or material journals related to capitalised development costs.</p> <p>We performed full and specific scope audit procedures over this risk area in two locations, which covered 100% of the risk amount.</p>	<p>Our audit procedures did not identify evidence of material misstatement in the amounts of development costs capitalised in the period or through inappropriate manual journal entries.</p>
<p><b>Impairment of capitalised development costs (£769.5m, 2018: £653.2m).</b></p> <p>Refer to the Audit Committee Report; Accounting policies; and Note 14 of the Consolidated Financial Statements</p> <p>There is a risk that the value of development costs is not supported by the future forecast cashflows from the sale of vehicles to which the costs relate.</p>	<p>We have examined management's methodology and impairment models for assessing the recoverability of the capitalised development costs to understand the composition of management's future cash flow forecasts, and the process undertaken to prepare them. This includes confirming the underlying cash flows are consistent with the Board approved business plan.</p> <p>We have re-performed the calculations in the model to test the mathematical integrity.</p> <p>We have assessed the discount rate used by obtaining the underlying data used</p>	<p>Our year end audit procedures did not identify evidence of material misstatement regarding the carrying value of capitalised development costs or the impairment charge recognised in the year.</p>



Risk	Our response to the risk	Key observations communicated to the Audit Committee
	<p>in the calculation and benchmarking it against comparable organisations and market data with the support of our valuation specialists.</p> <p>We have analysed the historical accuracy of budgets to actual results to determine whether forecast cash flows are reliable based on past experience.</p> <p>We calculated the degree to which the key assumptions would need to fluctuate before an impairment was triggered and considered the likelihood of this occurring.</p> <p>We have audited the disclosures in respect of impairment of capitalised development costs with reference to the requirements of IAS 36 and confirmed their consistency with the audited impairment models.</p> <p>We performed full and specific scope audit procedures over this risk area in two locations, which covered 100% of the risk amount.</p>	

Impairment of goodwill and other intangible assets was considered a significant risk, but has not been included in the table above as a key audit matter as it was not an area of greatest audit effort.

## **An overview of the scope of our audit**

### ***Tailoring the scope***

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls when assessing the level of work to be performed at each entity.

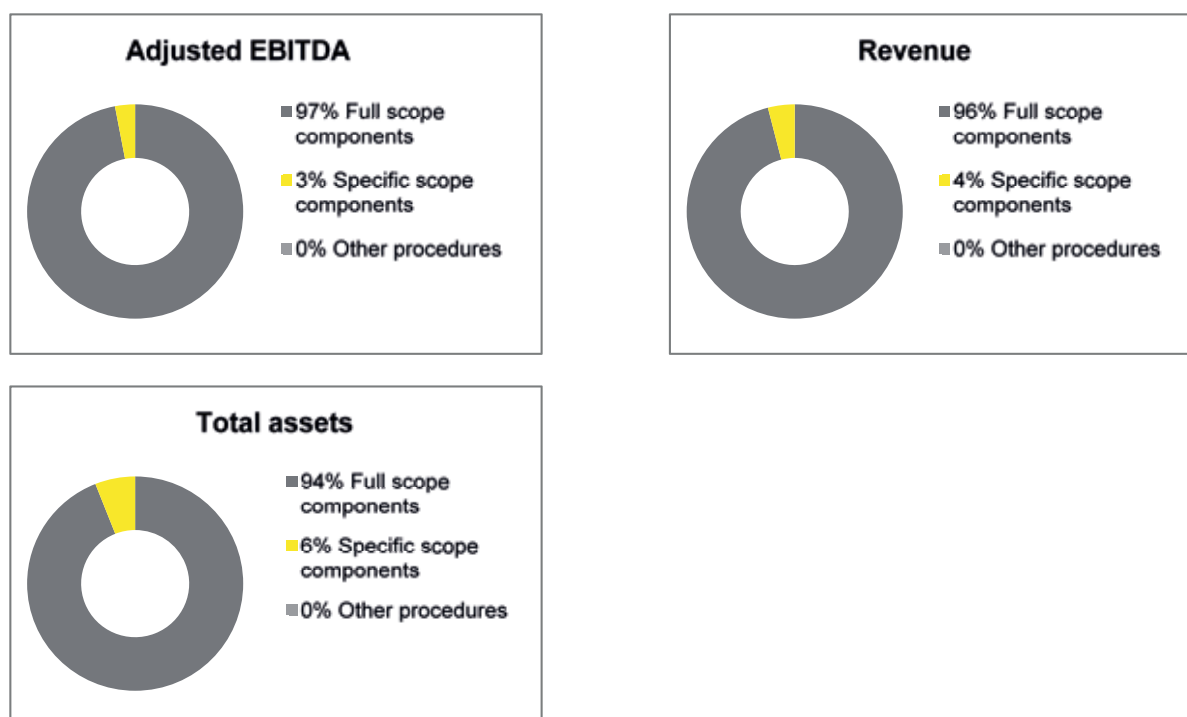
In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 7 reporting components of the Group, we selected 6 components covering components within the UK, America, Japan and China, which represent the principal business units within the Group.

Of the 6 components selected, we performed an audit of the complete financial information of four components ("full scope components") which were selected based on their size or risk characteristics. For the remaining two components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 100% of the Group's Adjusted EBITDA, 100% of the Group's Revenue and 100% of the Group's Total Assets. For the current year, the full scope components contributed 97% of the Group's Adjusted EBITDA, 96% of the Group's Revenue and 94% of the Group's Total Assets. The specific scope component contributed 3% of the Group's Adjusted EBITDA, 4% of the Group's Revenue and 6% of the Group's Total Assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant tested for the Group.

The remaining one component represents 0% of the Group's adjusted EBITDA, Revenue and Total Assets. For this component, we performed other procedures, including analytical review to respond to any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.



#### Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the three full scope components, audit procedures were performed on two of these directly by the primary audit team. For the two specific scope components, audit procedures were performed on one of these directly by the primary audit team. For the components not audited by the primary audit team we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The Group audit team planned visits that were designed to ensure that the Senior Statutory Auditor or his designate visits all full and specific scope components. During the current year's audit cycle, visits were undertaken by the primary audit team to the component team in the UK. These visits involved discussing the audit approach with the component team and any issues arising from their work, meeting with local management, attending closing meetings and reviewing key audit working papers on risk areas. For the component team in China, as result of the recent outbreak of the 2019 Novel Coronavirus, significant travel restrictions have been put in place meaning it was not possible for the primary audit team to visit China. In response, the primary audit team performed alternate procedures to obtain the required information from the component team on the procedures performed over significant balances. In addition, the primary team held extensive discussions with the component team discussing the audit approach and any issues arising from their work.

The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

## Our application of materiality

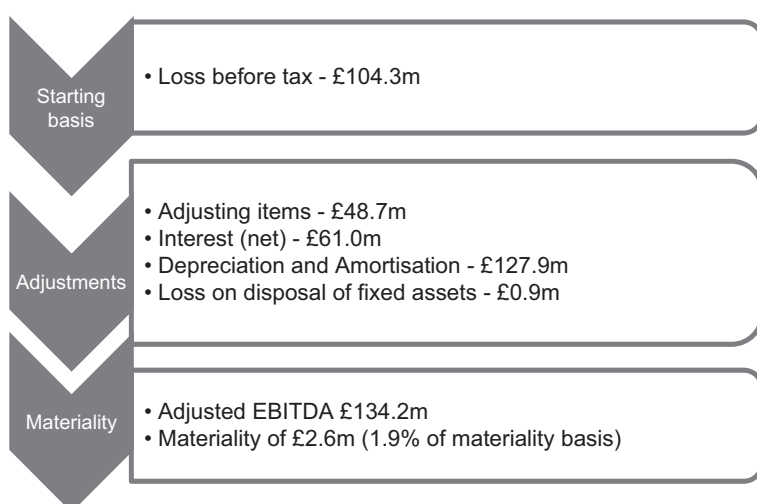
We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

### Materiality

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined materiality for the Group to be £2.6 million, which is 1.9% of Adjusted EBITDA. We believe that Adjusted EBITDA provides us with an appropriate basis for materiality. Adjusted EBITDA is a key metric used by management and investors.

We determined materiality for the Parent Company to be £5.5 million, which is 1% of Equity. The materiality is higher than the Group due to the fact the entity is a holding company and does not trade. For balances relevant to the Group financial statements we have reduced our materiality to be in-line with the Group.



During the course of our audit, we reassessed initial materiality and updated this for actual results.

### Performance materiality

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely £1.3m. We have set performance materiality at this percentage due to the fact we are performing a first year audit as well as the level of adjustments identified in the prior period.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.26m to £1.30m

## Reporting threshold

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.13m, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

## Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs(UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are frameworks which are directly relevant



to specific assertions in the financial statements are those that relate to the reporting framework (IFRS, FRS 101, the Companies Act 2006 and UK Corporate Governance Code). In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Listing Rules of the UK Listing Authority, and those laws and regulations relating to health and safety and employee matters.

- We understood how Aston Martin Lagonda Global Holdings plc is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of board minutes, papers provided to the Audit Committee and correspondence received from regulatory bodies.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management and internal audit to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual consolidation journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of legal counsel, Group management, internal audit, and full and specific scope management; and focused testing, as referred to in the key audit matters section above.
- Component teams reported any non-compliance with laws and regulations through their audit deliverables based on the procedures detailed in the previous paragraph. Further, the Group team communicated any instances of non-compliance with laws and regulations to component teams through regular interactions with local EY teams. There were no significant instances of non-compliance with laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### **Other matters we are required to address**

- We were appointed by the company on 24 July 2019 to audit the financial statements for the year ending 31 December 2019 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is one year, covering the year ending 2019.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

#### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report

and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Simon O'Neill (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Birmingham  
26 February 2020

Notes:

1. The maintenance and integrity of the Aston Martin Lagonda Global Holdings plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Consolidated statement of comprehensive income for the year ended 31 December 2019

		2019				2018	
	Notes	Adjusted	Adjusting items*	Total	Adjusted	Adjusting items*	Total
		£m	£m	£m	£m	£m	£m
Revenue	3	997.3	—	997.3	1,096.5	—	1,096.5
Cost of sales		(642.7)	—	(642.7)	(660.7)	—	(660.7)
Gross profit		354.6	—	354.6	435.8	—	435.8
Selling and distribution expenses		(95.0)	—	(95.0)	(89.8)	—	(89.8)
Administrative and other operating expenses		(235.2)	(42.1)	(277.3)	(219.1)	(74.1)	(293.2)
Other (expense)/income	5	(19.0)	—	(19.0)	20.0	—	20.0
Operating profit/(loss)	4	5.4	(42.1)	(36.7)	146.9	(74.1)	72.8
Finance income	8	16.3	—	16.3	4.2	—	4.2
Finance expense	9	(77.3)	(6.6)	(83.9)	(83.3)	(61.9)	(145.2)
(Loss)/profit before tax		(55.6)	(48.7)	(104.3)	67.8	(136.0)	(68.2)
Income tax (charge)/credit	10	(8.9)	8.8	(0.1)	0.6	10.5	11.1
(Loss)/profit for the year		(64.5)	(39.9)	(104.4)	68.4	(125.5)	(57.1)
(Loss)/profit attributable to:							
Owners of the Group				(113.2)			(62.7)
Non-controlling interests				8.8			5.6
				(104.4)			(57.1)
Other comprehensive income							
Items that will never be reclassified to the Income Statement							
Remeasurement of defined benefit liability	26			(1.4)			5.4
Taxation on items that will never be reclassified to the Income Statement	10			0.2			(0.9)
Items that are or may be reclassified to the Income Statement							
Foreign exchange translation differences				(2.7)			0.7
Fair value adjustment – cash flow hedges	23			9.0			(30.5)
Amounts reclassified to the Income Statement – cash flow hedges	23			15.6			3.5
Taxation on items that may be reclassified to the Income Statement	10			(3.4)			3.5
Other comprehensive income/(loss) for the year, net of income tax				17.3			(18.3)
Total comprehensive loss for the year				(87.1)			(75.4)
Total comprehensive (loss)/income for the year attributable to:							
Owners of the Group				(95.9)			(81.0)
Non-controlling interests				8.8			5.6
				(87.1)			(75.4)
Earnings per ordinary share							
Basic loss per share	12			(49.6p)			(31.0p)
Diluted loss per share	12			(49.6p)			(31.0p)

All operations of the Group are continuing.

\* Adjusting items are defined in note 2 with further detail shown in notes 6.

The notes on the following pages form an integral part of the financial statements.

## Consolidated statement of changes in equity

Group	Share Capital	Share Premium	Capital Reserve	Translation Reserve	Hedge Reserves	Retained Earnings	Non- controlling Interest	Total Equity
	£m	£m	£m	£m	£m	£m	£m	£m
<b>At 1 January 2019</b> .....	<b>2.1</b>	<b>352.3</b>	<b>6.6</b>	<b>2.3</b>	<b>(23.5)</b>	<b>99.4</b>	<b>10.2</b>	<b>449.4</b>
Adjustment on adoption of IFRS 16 (note 16) .....	—	—	—	—	—	(2.2)	—	(2.2)
<b>At 1 January 2019 adjusted</b> .....	<b>2.1</b>	<b>352.3</b>	<b>6.6</b>	<b>2.3</b>	<b>(23.5)</b>	<b>97.2</b>	<b>10.2</b>	<b>447.2</b>
<b>Total comprehensive loss for the year</b> (Loss)/profit for the year .....	—	—	—	—	—	(113.2)	8.8	(104.4)
<b>Other comprehensive income</b>								
Foreign currency translation differences ...	—	—	—	(2.7)	—	—	—	(2.7)
Fair value movement - cash flow hedges (note 23) .....	—	—	—	—	9.0	—	—	9.0
Amounts reclassified to the Income								
Statement cash flow hedges (note 23) ...	—	—	—	—	15.6	—	—	15.6
Remeasurement of defined benefit liability (note 26) .....	—	—	—	—	—	(1.4)	—	(1.4)
Tax on other comprehensive income (note 10) .....	—	—	—	—	(3.4)	0.2	—	(3.2)
<b>Total other comprehensive (loss)/income</b> .....	—	—	—	(2.7)	21.2	(1.2)	—	17.3
<b>Total comprehensive (loss)/income for the year</b> .....	—	—	—	(2.7)	21.2	(114.4)	8.8	(87.1)
<b>Transactions with owners, recorded directly in equity</b>								
Credit for the year under equity settled share-based payments (note 29) .....	—	—	—	—	—	3.7	—	3.7
Dividend paid to non-controlling interest (note 11) .....	—	—	—	—	—	—	(4.9)	(4.9)
Tax on items credited to equity (note 10) .....	—	—	—	—	—	—	—	—
<b>Total transactions with owners</b> .....	—	—	—	—	—	3.7	(4.9)	(1.2)
<b>At 31 December 2019</b> .....	<b>2.1</b>	<b>352.3</b>	<b>6.6</b>	<b>(0.4)</b>	<b>(2.3)</b>	<b>(13.5)</b>	<b>14.1</b>	<b>358.9</b>

Group	Share Capital	Share Premium	Share Warrants	Capital Reserve	Translation Reserve	Hedge Reserves	Retained Earnings	Non- controlling Interest	Total Equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>At 1 January 2018</b> .....	—	353.7	18.5	94.1	1.6	—	(339.4)	7.6	136.1
<b>Total comprehensive loss for the year</b>									
(Loss)/profit for the year .....	—	—	—	—	—	—	(62.7)	5.6	(57.1)
<b>Other comprehensive income</b>									
Foreign currency translation differences .....	—	—	—	—	0.7	—	—	—	0.7
Fair value adjustment on cash flow hedges (note 23) .....	—	—	—	—	—	(30.5)	—	—	(30.5)
Amounts reclassified to the Income Statement cash flow hedges (note 23) .....	—	—	—	—	—	3.5	—	—	3.5
Remeasurement of defined benefit liability (note 26) .....	—	—	—	—	—	—	5.4	—	5.4
Tax on other comprehensive income (note 10) .....	—	—	—	—	—	3.5	(0.9)	—	2.6
<b>Total other comprehensive income/(loss)</b> .....	—	—	—	—	0.7	(23.5)	4.5	—	(18.3)
<b>Total comprehensive income/(loss) for the year</b> .....	—	—	—	—	0.7	(23.5)	(58.2)	5.6	(75.4)
<b>Transactions with owners, recorded directly in equity</b>									
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	—	—
Credit for the year under equity settled share-based payments (note 29) .....	—	—	—	—	—	—	24.1	—	24.1
Dividend paid to non-controlling interest (note 11)* .....	—	—	—	—	—	—	—	(3.0)	(3.0)
Tax on items credited to equity (note 10) .....	—	—	—	—	—	—	13.3	—	13.3
<b>Total transactions with owners</b> .....	2.1	(1.4)	(18.5)	(87.5)	—	—	497.0	(3.0)	388.7
<b>At 31 December 2018</b> .....	2.1	352.3	—	6.6	2.3	(23.5)	99.4	10.2	449.4

\* Further detail on the restatement is disclosed in note 2



## Consolidated statement of financial position at 31 December 2019

	Notes	2019 £m	2018 restated* £m
<b>Non-current assets</b>			
Intangible assets	13	1,183.6	1,071.7
Property, plant and equipment	15	350.5	313.0
Right-of-use lease assets	16	81.8	—
Trade and other receivables	18	1.8	1.8
Other financial assets	20	0.2	—
Deferred tax asset	10	45.7	32.1
		<b>1,663.6</b>	<b>1,418.6</b>
<b>Current assets</b>			
Inventories	17	200.7	165.3
Trade and other receivables	18	249.7	240.8
Income tax receivable		0.3	0.8
Other financial assets	20	8.9	0.1
Cash and cash equivalents	19	107.9	144.6
		<b>567.5</b>	<b>551.6</b>
<b>Total assets</b>		<b>2,231.1</b>	<b>1,970.2</b>
<b>Current liabilities</b>			
Borrowings	23	114.8	99.4
Trade and other payables	21	702.1	671.0
Income tax payable		8.9	4.9
Other financial liabilities	22	6.3	4.2
Lease liabilities	16	14.1	—
Provisions	25	12.0	10.8
		<b>858.2</b>	<b>790.3</b>
<b>Non-current liabilities</b>			
Borrowings	23	839.1	604.7
Trade and other payables	21	9.4	49.8
Other financial liabilities	22	2.6	4.4
Lease liabilities	16	97.3	—
Provisions	25	16.2	12.9
Employee benefits	26	36.8	38.7
Deferred tax liabilities	10	12.6	20.0
		<b>1,014.0</b>	<b>730.5</b>
<b>Total liabilities</b>		<b>1,872.2</b>	<b>1,520.8</b>
<b>Net assets</b>		<b>358.9</b>	<b>449.4</b>
<b>Capital and reserves</b>			
Share capital	27	2.1	2.1
Share premium		352.3	352.3
Capital reserve		6.6	6.6
Translation reserve		(0.4)	2.3
Hedge reserves	23	(2.3)	(23.5)
Retained earnings		(13.5)	99.4
<b>Equity attributable to owners of the group</b>		<b>344.8</b>	<b>439.2</b>
Non-controlling interests		14.1	10.2
<b>Total shareholders' equity</b>		<b>358.9</b>	<b>449.4</b>

\* Further detail on the restatement of the comparative period is disclosed in note 2

The financial statements were approved by the board of directors on February 26 2020 and were signed on its behalf by:

**Dr Andrew Palmer**  
President and Chief Executive Officer

**Mark Wilson**  
Executive Vice President and Chief Financial Officer

Company Number: 11488166

## Consolidated statement of cash flows for the year ended 31 December 2019

	Notes	2019 £m	2018 <i>restated*</i> £m
<b>Operating activities</b>			
Loss for the year		(104.4)	(57.1)
<i>Adjustments to reconcile loss for the year to net cash inflow from operating activities</i>			
Tax charge/(credit) on continuing operations	10	(0.1)	(11.1)
Net finance costs		67.6	141.0
Other non-cash movements		(4.4)	13.3
Loss on sale of property, plant and equipment	4	0.9	0.4
Depreciation and impairment of property, plant and equipment	4	38.8	32.4
Depreciation and impairment of right-of-use lease assets	4	13.3	–
Amortisation and impairment of intangible assets	4	112.4	67.6
Difference between pension contributions paid and amounts recognised in Income Statement		(4.4)	(3.8)
Increase in inventories		(33.3)	(37.5)
Increase in trade and other receivables		(28.9)	(122.4)
(Decrease)/increase in trade and other payables		(70.0)	136.1
Increase in advances and customer deposits	21	48.4	68.8
Movement in provisions		4.5	2.8
Cash generated from operations		40.6	230.5
Increase in cash held not available for short-term use	20	(8.7)	–
Income taxes paid	10	(12.5)	(7.9)
<b>Net cash inflow from operating activities</b>		<b>19.4</b>	<b>222.6</b>
<b>Cash flows from investing activities</b>			
Interest received	8	5.0	4.2
Payments to acquire property, plant and equipment	15	(82.2)	(101.9)
Payments to acquire intangible assets	13	(228.0)	(208.6)
<b>Net cash used in investing activities</b>		<b>(305.2)</b>	<b>(306.3)</b>
<b>Cash flows from financing activities</b>			
Interest paid	28	(52.0)	(42.2)
Proceeds from equity share issue		–	4.6
Dividend paid to non-controlling interest in subsidiaries	11	–	(3.0)
Principal element of lease payments	28	(10.9)	–
Repayment of existing borrowings	28	(91.5)	–
Proceeds from existing borrowings	28	102.3	0.3
Proceeds from inventory repurchase arrangement	21	38.7	–
New borrowings	28	260.8	98.1
Transaction fees paid on new borrowings	28	(4.1)	–
<b>Net cash inflow from financing activities</b>		<b>243.3</b>	<b>57.8</b>
<b>Net decrease in cash and cash equivalents</b>	24	<b>(42.5)</b>	<b>(25.9)</b>
Cash and cash equivalents at the beginning of the year		144.6	167.8
Effect of exchange rates on cash and cash equivalents		5.8	2.7
<b>Cash and cash equivalents at the end of the year</b>		<b>107.9</b>	<b>144.6</b>

\* Further detail on the restatement of the comparative period is disclosed in note 2

# Notes to the financial statements for the year ended 31 December 2019

## 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 Group Financial Statements have been prepared under the historical cost convention except where the measurement of balances at fair value is required as explained below. The Financial Statements are prepared in millions to one decimal place, and in Sterling which is the Company’s functional currency.

An overview of the business activities of Aston Martin Lagonda, including a review of the key business risks that the Group faces, is given in the Strategic Report. The debt facilities available to the Group and the maturity profile of this debt is shown in note 23 of these Consolidated Financial Statements.

### Going concern

The Group meets its day-to-day working capital requirements and medium term funding requirements through a mixture of Senior Secured Notes (\$400m and \$190m 6.5%, \$150m 12%, £230m and £55m at 5.75% which all mature in April 2022), a revolving credit facility (£80m) which matures January 2022, facilities to finance inventory, a number of back-to-back loans and a vehicle wholesale financing facility (as described in note 18). The amounts outstanding on all the borrowings are shown in note 23 to the financial statements.

As explained in the letter from the Chair and in the CEO Q&A, 2019 was a challenging year for the Group and, following an operational and financial review, on 31 January 2020 the Group announced its intention to raise £500m by way of a placing of shares totalling £182m to a consortium led by Lawrence Stroll, and a rights issue of £318m. Receipt of the £500m is dependent upon sufficient shareholders voting in favour of the placing and rights issue at a General Meeting of the Company scheduled for 16 March 2020. At the date of approving these financial statements, the Company had irrevocable support from the major shareholders for the placing and rights issue but this was below the 75% needed for the proposals to be approved. Assuming the relevant resolutions are passed, and other formalities are consequently met, the rights issue is fully underwritten and committed.

Based on the reset business plan described in the Strategic Report the Directors have prepared trading and cash flow forecasts for the 12-month period from the date of approval of these financial statements. These forecasts assume that the £500m placing and rights issue funding is received in March and April 2020 and show that the Group has sufficient financial resources to meet its obligations as they fall due for the period of at least 12 months from the date of these financial statements. The forecasts make assumptions in respect of future market conditions and, wholesale volumes, average selling price, the launch of new models including DBX and Valkyrie and the potential impact of Coronavirus on sales in China and the supply of components needed for production. The nature of the Group’s business is 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. The forecasts take into account these factors to an extent which the directors consider represent their best estimate of the future based on the information that is available to them at the time of approval of these financial statements.

The Directors have also prepared a downside forecast which incorporates certain adverse sensitivities representing those key risks disclosed in the Strategic Report which the directors

# Notes to the financial statements for the year ended 31 December 2019 — (Continued)

consider most likely to impact cash flows over the period of the forecast, including lower wholesale volumes as a result of trading or supply chain disruption, product launch delays and the non-renewal of financing facilities that mature in the period. In the event that these downsides materialise the Directors have considered the mitigating actions that could be taken including renewals of current financing, access to other financing and deferral of capital expenditure. If the Placing and Rights Issue were not to happen this downside could not be mitigated by other actions. As the Placing and Rights Issue is not guaranteed as it is subject to shareholder approval and is critical to the funding requirements of the Group, the directors consider this matter represents a material uncertainty which could cast significant doubt on the Group's ability to continue as a going concern.

Despite the material uncertainty noted, the Directors are of the view that there is a reasonable expectation that the Rights Issue and Placing will proceed and that they can therefore conclude that they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and they can continue to adopt the going concern basis in preparing the financial statements. Therefore, these financial statements do not include any adjustments that would result if the going concern basis of preparation was inappropriate.

## 2 Accounting policies

### **Basis of consolidation**

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. The equity balance as of 1 January 2018 reflects the equity of Aston Martin Holdings (UK) Limited. The share capital of £2.1m as of 31 December 2018 and 31 December 2019 reflects the share capital of the Company.

Although the share for share exchange in 2018 resulted in a change in legal ownership, the comparative results presented reflect the continuation of the pre-existing group headed by Aston Martin Holdings (UK) Limited. The transaction was accounted for as a reverse acquisition in line with IFRS 3. The Consolidated Statement of Changes in Equity for the year ended 31 December 2018 explains the impact of these transactions in more detail.

### ***Subsidiaries***

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The Financial Statements of subsidiaries are included in the Group Financial Statements from the date that control commences until the date that control ceases. The Financial Statements of subsidiaries used in the preparation of the Consolidated Financial Statements are prepared for the same reporting year as the Company and are based on consistent accounting policies. All intercompany balances and transactions, including unrealised profits arising from them, are eliminated.

### **Foreign currency translation**

Transactions in foreign currencies are initially recorded in the functional currency of the operation by applying the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the Income Statement except for the translational differences on monetary items that form part of designated hedge relationships.

## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

The assets and liabilities of foreign operations are translated into sterling at the rate of exchange ruling at the reporting date. Income and expenses are translated at average exchange rates for the period. The resulting exchange differences are taken through Other Comprehensive Income to the translation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in the translation reserve relating to the foreign operation is recognised in the Income Statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

### **Revenue recognition**

Revenue is recognised when the Group satisfies its performance obligation to supply a product or service to the customer. Revenue is measured at the fair value of the consideration receivable, deducting dealer incentives, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised.

#### ***Sale of vehicles***

Revenue from the sale of vehicles is recognised when control of the vehicle is passed to the dealer or individual, thus evidencing the satisfaction of the associated performance obligation under that contract. Control is passed when the buyer can direct the use of and obtain substantially all of the benefits of the vehicle which is typically at the point of despatch. When despatch is deferred at the formal request of the buyer and a written request to hold the vehicle until a specified delivery date has been received, revenue is recognised when the vehicle is ready for despatch and the Group can no longer use or direct the vehicle to an alternative buyer.

The Group estimates the consideration to which it will be entitled in exchange for satisfaction of the performance obligation as part of the sale of a vehicle. Dealer incentives relating to the sale of the vehicles are provided for at the time of the sale.

Warranties are issued on new vehicles sold with no separate purchase option available to the customer and, on this basis, are accounted for in accordance with IAS 37. Service packages sold as part of the supply of a vehicle are accounted for as a separate performance obligation with the revenue deferred, based on the term of the package, at the original point of sale. The deferred revenue is released to the Income Statement over the shorter of, the period that the service package covers or the number of vehicle services that the end user is entitled to.

Where a sale of a vehicle(s) includes multiple performance obligations, the Group determines the allocation of the total transaction price by reference to their relative standalone selling prices.

#### **Sales of parts**

Revenue from the sale of parts is recognised upon transfer of control to the customer, generally when the parts are released to the carrier responsible for transporting them. Where the dealer is Aston Martin Works Limited, an indirect subsidiary of the Company, revenue is recognised upon despatch to a customer outside of the Group.

#### **Servicing and restoration of vehicles**

Revenue is recognised upon completion of the service/restoration typically when the service or restoration is completed in accordance with the customers' requirements.

#### ***Brands and motorsport***

Revenue from brands and motorsport is recognised when the performance obligations, principally use of the Aston Martin brand name or supply of a motorsport vehicle, are satisfied. Revenue is recognised either at a point in time or over a period of time in line with IFRS 15 according to the terms of the contract.

# Notes to the financial statements for the year ended 31 December 2019 — (Continued)

## Customer advanced payments

The Group receives advance cash payments from customers to secure their allocation of a vehicle produced in limited quantities, typically with a lead time of greater than 12 months. The value of the deposit, both contractually refundable or non-refundable, is held as a contract liability in the Statement of Financial Position. Upon satisfaction of the performance obligation, the liability is released to revenue in the Income statement. If the deposit is returned to the customer prior to satisfaction of the performance obligation, the contract liability is derecognised.

Where a significant financing component exists, the contract liability is increased over the same period of time as the contract liability is held to account for the time value of money. A corresponding charge is recognised in the Consolidated Income Statement within finance expenses. Upon satisfaction of the linked performance obligation, the liability is released to revenue.

The Group applies a practical expedient for short-term advances received from customers whereby the advanced payment is not adjusted for the effects of a significant financing component.

## Other income

Other income relates to transactions undertaken as part of recurring business operations, but where the quantum or nature is concluded material enough to be presented separately on the face of the Income Statement. Credit losses or related costs associated with transactions originally recorded in Other Income are classified on a consistent basis.

## Finance income

Finance income comprises interest receivable on invested funds calculated using the effective interest rate method, interest income and currency gains arising on foreign currency denominated borrowings (not designated under a hedge relationship) that are recognised in the Income Statement.

## Finance expense

Finance expense comprises interest payable on borrowings calculated using the effective interest rate method, interest expense on the net defined benefit pension liability, losses on financial instruments that are recognised at fair value through the Income Statement and foreign exchange losses on foreign currency denominated financial liabilities.

Interest incurred on lease liabilities accounted for under IFRS 16 and interest charged in relation to significant financing components on customer advance payments are both recognised within finance expenses.

## Current/non-current classification

Current assets include assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised in, or intended for sale or consumption as part of the Group's normal identifiable operating cycle. All other assets are classified as non-current assets.

Current liabilities include liabilities held primarily for trading purposes in line with the Group's identifiable normal operating cycle. These liabilities are expected to be settled as part of the Group's normal course of business. All other liabilities are classified as non-current liabilities.

## Goodwill

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus



## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

For the purpose of impairment testing, goodwill is allocated to the related cash-generating unit. The only cash generating unit of the Group is that of Aston Martin Lagonda Group as there are no smaller groups of assets that can be identified with certainty which generate specific cash flows independent of the inflows generated by other assets or groups of assets. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the Income Statement.

### **Intangible assets**

Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination is recognised outside of goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Fair value adjustments are considered to be provisional at the first-year end date after the acquisition to allow the maximum time to elapse for management to make a reliable estimate.

### **Business combinations**

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

### ***Purchased intellectual property***

Purchased intellectual property that is not integral to an item of property, plant and equipment is recognised separately as an intangible asset stated at cost less accumulated depreciation.

### ***Brands***

An acquired brand is only recognised in the Statement of Financial Position as an intangible asset where it is supported by a registered trademark, is established in the market place, the brand could be sold separately from the rest of the business and where the brand achieves earnings in excess of those achieved by unbranded products. The value of an acquired brand is determined by allocating the purchase price consideration of an acquired business between the underlying fair values of the tangible assets, goodwill, brands and other intangible assets acquired, using an income approach following the multi-period excess earnings methodology.

Acquired brands have an indefinite life when there is no foreseeable limit to the period over which the asset is expected to generate cash inflows.

### **Development costs**

Expenditure on internally developed intangible assets, excluding development costs, is taken to the Income Statement in the year in which it is incurred. Clearly defined and identifiable development costs are capitalised under *IAS 38 – Intangible Assets* after the following criteria has been met:

- the project's technical feasibility and commercial viability, based on an estimate of future cashflows, can be demonstrated when the project has reached a defined milestone according to the Group's established product development model;
- technical and financial resources are available for the project;
- an intention to complete the project has been confirmed; and
- the correlation between development costs and future revenues has been established.

# Notes to the financial statements for the year ended 31 December 2019 — (Continued)

## **Technology**

Patented and unpatented technology acquired in business combinations is valued using the cost approach. The obsolete element is determined by reference to the proportion of the product life cycle that had expired at the acquisition date. Technology acquired from third parties is included at fair value.

## **Dealer network**

Save for certain direct sales of some special edition and buyer commissioned vehicles, the Group sells its vehicles exclusively through a network of dealers. All dealers in the dealer network are independent dealers with the exception of Aston Martin Works Limited. To the extent that the Group benefits from the network the dealer network has been valued based on costs incurred by the Group.

## **Amortisation**

Following initial recognition, the historic cost model is applied, with intangible assets being carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation of these capitalised costs begins when the asset is available for use. Intangible assets with a finite life have no residual value and are amortised on a straight-line basis over their expected useful lives as follows:

	Years
Purchased intellectual property .....	5
Development costs .....	1 to 10
Technology .....	10
Software and other .....	3 to 10
Dealer network .....	20

The useful lives and residual values of capitalised development costs are determined at the time of capitalisation and are reviewed annually for appropriateness and recoverability.

Amortisation of special vehicle development costs are spread evenly across the limited quantity of vehicles produced and charged to the Income Statement at the point of sale for each vehicle.

## **Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid, and the fair value of any other consideration given to acquire the asset including directly attributable costs to make the asset capable of operation. Borrowing costs directly attributable to assets under construction are capitalised.

Depreciation is provided on all property, plant and equipment, other than land, on a straight-line basis to its residual value over its expected useful life as follows:

	Years
Freehold buildings .....	30
Plant, machinery, fixtures and fittings .....	3 to 30
Tooling .....	1 to 15
Motor vehicles .....	5 to 9

Tooling is depreciated over the life of the project. Assets in the course of construction are included in their respective category but are not depreciated until available for use. The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

An item of property, plant and equipment is derecognised upon disposal. Any gain or loss arising on the derecognition of the asset is included in the Income Statement in the period of derecognition.

### **Government grants**

Government grants are recognised in the Income Statement, either on a systematic basis when the Group recognises the related costs that the grants are intended to compensate for, or immediately if the costs have already been incurred.

Government grants are recognised when there is reasonable assurance that the Group will comply with the relevant conditions and the grant will be received. Government grants related to assets are deducted from the cost of the asset and amortised over the useful life of the asset.

### **Right of use assets and lease liabilities – IFRS 16 (Post 1 January 2019)**

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

Transition disclosures and elections are disclosed in note 16.

### ***Leases under which the Group acts as lessee***

The Group is a party to lease contracts for buildings, plant and machinery and IT equipment. The Group recognises a right of use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets useful life. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Moreover, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, an estimate of the Group's incremental borrowing rate at that point in time.

The Group estimates the incremental borrowing rate by taking a credit risk adjusted risk-free rate in addition to making other specific adjustments to account for certain characteristics in the lease such as geography, type of asset and security pledged.

Lease payments included in the measurement of the lease liability comprise either fixed lease payments or lease payments subject to periodic fixed increases. The lease liability is measured at amortised cost using the effective interest rate method. Lease payments are allocated between principal and interest cost with the interest costs charged to the Income Statement over the lease period.

The liability is remeasured when there is an increase/decrease in future lease payments arising from a change in an index or rate specified.

### ***Short-term leases and leases of low-value assets***

The Group does not recognise right of use assets and lease liabilities for short-term leases that have a lease term of less than twelve months and leases of low-value assets. The Group

## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

recognises the lease payments associated with these leases as an expense on a straight-line basis in the Income Statement over the lease term.

### ***Leases under which the Group acts as lessor***

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to the lease of the underlying right-of-use asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease period forms a major part of the economic life of the asset.

The Group recognises lease payments received under operating leases on a straight-line basis over the lease term in the Income Statement. The accounting policies applicable to the Group as a lessor in the comparative period were not different under IFRS 16.

The Group has no sub-leases that qualify as finance leases.

### **Operating lease payments — IAS 17 (Pre 1 January 2019)**

Payments made under operating leases are recognised in the Income Statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Income Statement as an integral part of the total lease expense.

### **Impairment of assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset, or cash-generating unit's, fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses on continuing operations are recognised in the Income Statement.

For goodwill, brands and other intangible assets that have an indefinite life, the recoverable amount is estimated annually or more frequently when there is an indication that the asset is impaired.

For intangible assets, property, plant and equipment, and right of use lease assets that have a finite life, the recoverable amount is estimated when there is an indication that the asset is impaired.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised in the Income Statement as income immediately.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. For service and restoration projects, net realisable value is the price at which the project can be invoiced in the normal course of business after allowing for the costs of realisation. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, service parts and spare parts — purchase cost on a first-in, first-out basis;

Work in progress and finished vehicles — cost of direct materials and labour plus attributable overheads based on a normalised level of activity, excluding borrowing costs.

## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

Provisions are made, on a specific basis, for obsolete, slow moving and defective stocks and if the cost of the service or restoration project cannot be fully recovered. Inventories held under financing arrangements are recognised when control is transferred to the Group.

### Cash and cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at banks, cash in hand and short-term deposits with an original maturity of three months or less, subject to insignificant changes in value and readily convertible to known amounts.

### Derivative financial instruments

Derivative financial assets and liabilities are recognised on the Statement of Financial Position at fair value when the Group becomes a party to the contractual provisions of the instrument. The Group uses derivative instruments to manage its exposure to foreign exchange risk arising from operating activities. Movements in the fair value of foreign exchange derivatives not qualifying for hedge accounting are recognised in finance income or expense. The accounting policy on derivatives that are designated as hedging instruments in hedging relationships is detailed in the hedge accounting policies. A financial asset or liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

### Financial assets and liabilities

Financial assets are cash or a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or liabilities with another entity under conditions that are potentially favourable to the entity. In addition, contracts that result in another entity delivering a variable number of its own equity instruments are financial assets.

Other than derivative financial instruments held at fair value all financial liabilities are held at amortised costs.

### Trade and other receivables

Trade and other receivables are carried at the lower of their original invoiced value and recoverable amount. A trade receivable loss allowance is measured at an amount equal to the lifetime expected credit loss at initial recognition and throughout the life of the receivable. Receivables are not discounted as the time value of money is not considered to be material.

### Trade and other payables

Trade and other payables are recognised and carried at their original invoiced value. Trade payables are not discounted to consider the time value of money as the impact is immaterial.

Refundable and non-refundable customer deposits are held as contract liabilities within current trade and other payables.

Inventory sale and repurchase arrangements, which are in substance financing transactions, are included in other payables. The difference between the sale and repurchase value is accounted for as part of the effective interest calculation. The effective interest is charged to the Income Statement over the period from sale to repayment.

### Hedge accounting

The Group uses derivative financial instruments in the form of forward currency contracts, and certain of its existing US dollar denominated borrowings, to hedge the foreign currency risk of sales (including inter-group sales) of finished vehicles and external purchases of component parts. For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cashflows is either attributable to a particular risk associated with a recognised asset or liability, or a highly probably forecast transaction, or the foreign currency risk of an unrecognised firm commitment.

At the inception of the hedge relationship, the Group formally designates and documents the hedge relationship and the risk management objectives and strategy for undertaking the hedge.

## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess hedge effectiveness. A hedging relationship qualifies for hedge accounting if it meets all the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes resulting from that economic relationship; and
- The theoretical hedge ratio of the hedging relationship is the same as practically occurs.

### ***Derivative financial instruments***

The effective portion of the gain or loss on the hedging instrument is recognised in Other Comprehensive Income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the Income Statement. The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in Other Comprehensive Income and accumulated in a separate component of equity under cost of hedging reserve.

### ***Financial Liability as a hedge***

Foreign currency differences arising on the retranslation of a financial liability designated as a cash flow hedge are recognised directly in Other Comprehensive Income to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognised in the Income Statement.

### ***Subsequent accounting***

The amounts accumulated in both the cash flow hedge reserve and the cost of hedging reserve are accounted for depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in the Hedge Reserve is removed and included in the initial cost of the hedge item. For any other cash flow hedges, the amount accumulated in the Hedge Reserve is reclassified to the Income Statement as a reclassification adjustment in the same period or periods during which the hedged cashflow affects profit or loss.

If hedge accounting is discontinued, the amount that has been accumulated in the Hedge Reserve must remain in equity if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the Income Statement as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in the Hedge Reserve is accounted for depending on the nature of the underlying transaction.

### ***Borrowings***

Borrowings 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 the Income Statement as a finance expense over the period of the borrowings on an effective interest basis.

### ***Pensions***

The Group operates a defined contribution pension plan under which the Group pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Income Statement in the periods during which services are rendered by employees.



## **Notes to the financial statements for the year ended 31 December 2019 — (Continued)**

The Group operates a defined benefit pension plan, which is contracted out of the state scheme. The Group's net obligation in respect of defined benefit plans is calculated for the plan by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

When the calculation results in a deficit for the Group, the recognised liability is adjusted for the discounted value of future deficit reduction contributions in excess of the calculated deficit.

Remeasurements of the net defined benefit asset or liability, which comprise actuarial gains and losses, the interest on plan assets, and the effect of the asset ceiling or minimum funding requirements, are recognised immediately in Other Comprehensive Income. The Group determines the net interest expense (income) on the net defined benefit asset or liability, considering any changes in the net defined asset or liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the Income Statement.

When the benefits of the plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service cost or the gain or loss on curtailment is recognised immediately in the Income Statement. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

### **Share-based payment transactions**

The fair value of equity-classified share-based awards with both market and non-market-based performance conditions is recognised as an expense within administrative and other expenses in the Income Statement, with a corresponding increase in equity over the period that the employees become unconditionally entitled to the shares.

The amount recognised as an expense is adjusted to reflect both non-market-based conditions, such as continued employment and profit related metrics, in addition to market-based conditions driven by an estimation of the quantum of awards expected to vest at the date of grant.

### **Warranty provision**

The Group provides product warranties on all new vehicle sales. Provisions are recognised when vehicles are sold or when new warranty programs are initiated. Based on historical warranty claim experience, assumptions are made on the type and extent of future warranty claims including non-contractual warranty claims as well as on possible recall campaigns. These assessments are based on the frequency and extent of vehicle faults and defects in the past. In addition, the estimates include assumptions on the potential repair costs per vehicle and the effects of possible time or mileage limits. The provisions are regularly adjusted to reflect new information.

### **Income taxes**

Tax on the profit or loss for the period represents the sum of the tax currently payable and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity or Other Comprehensive Income whereby the tax treatment follows that of the underlying item.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the reporting date.

## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised, or liability is settled. Deferred tax assets and liabilities are disclosed on a net basis where a right of offset exists.

### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs. Dividends and distributions relating to equity instruments are debited direct to equity.

### 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 as they are not expected to repeat in future periods. The tax effect is also included.

Details in respect of adjusting items recognised in the current and prior year are set out in note 6 in the Financial Statements.

### Critical accounting assumptions and key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the period. The nature of estimation means that actual outcomes could differ from those estimates.

In the process of applying the Group's accounting policies, which are described in this note, management has made estimates. Other than in respect of the measurement of defined benefit pension assets and obligations, variations in the remaining estimates are not considered to give rise to a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year are.

The Group consider it appropriate to identify the nature of the estimates used in preparing the financial statements and the main sources of estimation uncertainties are:

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

### *Impairment of indefinite and finite life intangible assets*

The Group determines whether indefinite life intangible assets are impaired on an annual basis, or more frequently when there is an indication that the asset is impaired. This requires an estimation of the value-in-use derived from the estimation of future cash flows utilising a suitable discount rate (see note 14).

## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

The Group has determined that for goodwill and other intangibles with indefinite lives, there is one cash-generating unit. This is on the basis that there are no smaller groups of assets that can be identified with certainty which generate specific cash flows that are independent of the inflows generated by other assets or groups of assets.

For intangible assets that have a finite life, the recoverable amount is estimated when there is an indication that the asset is impaired.

The result of the calculation of the value-in-use is sensitive to the assumptions made and is a subjective estimate.

### ***Measurement of pension assets and obligations***

There are a range of assumptions that could be made, and the measurement of defined benefit pension assets and obligations is very sensitive to these. Note 26 provides information on these assumptions and the inherent sensitivities.

Measurement of defined benefit pension obligations requires estimation of future changes in salaries and inflation, mortality rates, the expected return on assets and suitable discount rates (see note 26).

### **New accounting standards**

In 2019 the following standard were endorsed by the EU, became effective and adopted by the Group:

- ***IFRS 16 Leases***

See note 16 for further detail including transition disclosures and elections taken.

- ***Interpretation 23 Uncertainty over Income Tax Treatments***

The interpretation addresses the accounting for income taxes when tax treatment involve uncertainty that affects the application of IAS 12 *Income Taxes*.

The Group assessed any uncertainties over income tax treatments. Since the Group operates in a multinational environment, it evaluated whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The subsidiaries' filings in different tax jurisdictions may lead to challenges from the local tax authorities related to transfer pricing.

This interpretation has not had a material impact on the Group's reported financial performance or position.

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

- Definition of material — amendments to IAS 1 and IAS 8 (effective 1 January 2020).
- Interest rate benchmark reform — amendments to IFRS 9, IAS 39 and IFRS 7.

None of these amendments above are expected to have a material impact on the Group.

### **Prior year restatement**

The following reclassifications have been made in the Statement of Financial Position regarding the 2018 comparative values:

- i) Following a review of the nature of the service plan liability, it has been reclassified from non-current provisions into current and non-current trade and other payables and additional disclosures as a contract liability have been presented within note 21. The provision balance presented within these financial statements relates solely to expected future warranty costs provided for at the point of revenue recognised on a new vehicle sale.

## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

- ii) The nature of certain trade and other payables have been revisited resulting in the reclassification of lease incentives from current trade and other payables to non-current trade and other payables, as a large portion of the balance relates to periods greater than 12 months in the future. From 1 January 2019 lease incentives have been accounted for under IFRS 16 and offset against the right of use assets.
- iii) Deferred tax assets and deferred tax liabilities, where a right of offset exists in certain jurisdictions, have been offset in the Statement of Financial Position as at 31 December 2018.

The impact on the Consolidated Statement of Financial Position for the year ended 31 December 2018 is:

As at 31 December 2018	As disclosed 2018 Annual Report	(i)	(ii)	(iii)	As restated 2019 Annual Report
	£m	£m	£m	£m	£m
<i>Non-current assets</i>					
Deferred tax assets .....	123.1	—	—	(91.0)	32.1
<i>Current liabilities</i>					
Trade and other payables .....	(696.1)	(5.2)	30.3	—	(671.0)
<i>Non-current liabilities</i>					
Trade and other payables .....	(12.2)	(7.3)	(30.3)	—	(49.8)
Provisions .....	(25.4)	12.5	—	—	(12.9)
Deferred tax liabilities .....	(111.0)	—	—	91.0	(20.0)

Point i) has resulted in a reclassification of a £7.2m cash inflow from *Movement in provisions* to *Decrease in trade and other payables* with no impact on the cash generated from operations.

There is no impact on the Group's Consolidated Income Statement, earnings per share, retained earnings or net assets for the year ended 31 December 2018 as a result of these restatements. The transactions which gave rise to points ii) and iii) occurred in 2018 and therefore a restated opening statement of Financial Position has not been presented for the comparative period as the impact at that date was not material.

The Statement of Changes in Equity for the year-ended 31 December 2018 has been restated to reclassify the £3.0m dividend paid to non-controlling interest from *Total Comprehensive income/ (loss) for the year* to *Transactions with owners, recorded directly in equity*.

Where the notes included in these Financial Statements provide additional analysis in respect of the above restatements, the comparative values presented have been re-analysed on a consistent basis.

# Notes to the financial statements for the year ended 31 December 2019 — (Continued)

## 3 Segmental reporting

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 has only one operating segment, the automotive segment, and therefore no separate segmental report is disclosed. The automotive segment includes all activities relating to design, development, manufacture and marketing of vehicles including consulting services; as well as the sale of parts, servicing and automotive brand activities from which the Group derives its revenues.

Revenue	2019	2018
	£m	£m
<b>Analysis by category</b>		
Sale of vehicles	897.6	1,010.7
Sale of parts	63.0	61.1
Servicing of vehicles	9.3	14.6
Brands and motorsport	27.4	10.1
	<b>997.3</b>	<b>1,096.5</b>

Revenue	2019	2018
	£m	£m
<b>Analysis by geographic location</b>		
United Kingdom	229.6	255.4
The Americas	295.3	305.7
Rest of Europe, Middle East & Africa	231.2	247.1
Asia Pacific	241.2	288.3
	<b>997.3</b>	<b>1,096.5</b>

### Non-current assets other than financial instruments and deferred tax assets by geographic location

As at 31 December 2019	Right-of-use lease asset	Property, plant, equipment	Goodwill	Intangible assets	Other receivables	Total
	£m	£m	£m	£m	£m	£m
United Kingdom	69.1	285.0	85.4	1,081.3	—	1,520.8
The Americas	0.2	0.5	—	—	—	0.7
Rest of Europe	2.5	65.0	—	16.9	1.8	86.2
Asia Pacific	10.0	—	—	—	—	10.0
	<b>81.8</b>	<b>350.5</b>	<b>85.4</b>	<b>1,098.2</b>	<b>1.8</b>	<b>1,617.7</b>

As at 31 December 2018	Property, plant, equipment	Goodwill	Intangible assets	Other receivables	Total
	£m	£m	£m	£m	£m
United Kingdom	258.1	84.8	967.9	—	1,310.8
The Americas	0.5	—	—	—	0.5
Rest of Europe	54.3	—	19.0	1.8	75.1
Asia Pacific	0.1	—	—	—	0.1
	<b>313.0</b>	<b>84.8</b>	<b>986.9</b>	<b>1.8</b>	<b>1,386.5</b>

## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

### 4 Operating profit/(loss)

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

	2019	2018
	£m	£m
Depreciation and impairment of property, plant and equipment (note 15) . . . . .	41.8	32.4
Depreciation absorbed into inventory under standard costing . . . . .	(3.0)	—
Depreciation and impairment of right-of-use assets (note 16) . . . . .	13.3	—
Amortisation and impairment of intangible assets (note 13) . . . . .	116.1	67.6
Amortisation absorbed into inventory under standard costing . . . . .	(3.2)	—
Loss on sale of property, plant and equipment . . . . .	0.9	0.4
Depreciation, amortisation and impairment charges included in Administrative and other operating expenses . . . . .	165.9	100.4
Increase in trade receivable loss allowance — Other Expenses (notes 5 and 23) . . . .	19.0	—
Increase in trade receivable loss allowance — Administrative and other operating expenses (note 23) . . . . .	1.0	0.1
Net foreign currency differences . . . . .	8.6	1.7
Cost of inventories recognised as an expense . . . . .	538.2	552.9
Impairment of inventories held (note 14) . . . . .	2.3	—
Write-down of inventories to net realisable value . . . . .	2.5	1.1
Expenditure related grant income* . . . . .	(0.2)	(0.3)
Operating lease payments (gross of sub-lease receipts)		
• Land and buildings . . . . .	—	7.5
• Plant, machinery and IT equipment** . . . . .	1.2	2.2
Sub-lease receipts	(0.3)	(0.3)
Auditor's remuneration***:		
• Audit of these financial statements . . . . .	0.2	0.2
• Audit of financial statements of subsidiaries pursuant to legislation . . . . .	0.3	0.3
• Taxation compliance . . . . .	—	0.3
• Taxation advisory services . . . . .	—	0.6
• Other corporate finance services . . . . .	—	1.0
• All other services . . . . .	0.1	0.2
Research and development expenditure recognised as an expense . . . . .	—	11.5

	2019	2018
	£m	£m
Total research and development expenditure . . . . .	226.0	213.8
Capitalised research and development expenditure (note 13) . . . . .	(226.0)	(202.3)
Research and development expenditure recognised as an expense . . . . .	—	11.5

\* Government grant income has been offset against the qualifying employee expenditure within the Consolidated Income Statement.

\*\* Election taken by the Group to not recognise right-of-use lease assets and equivalent lease liabilities for short-term and low-value leases.

\*\*\* The auditors remuneration for year ended 31 December 2018 relates to services provided by the Group's former incumbent auditors.

### 5 Other (expense)/income

	2019	2018
	£m	£m
Sale of intellectual property . . . . .	—	20.0
Loss allowance recognised in relation to the sale of intellectual property . . . . .	(19.0)	—
	(19.0)	20.0



## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

Other income from the ordinary course of business of £20.0m was recognised from the sale of certain legacy intellectual property during the year ended 31 December 2018. During the year ended 31 December 2019 the recoverability of the outstanding receivable was assessed as doubtful resulting in a loss allowance of £19.0m recognised as a charge to the Consolidated Income Statement.

### 6 Adjusting items

	2019	2018
	£m	£m
<i>Adjusting operating expenses:</i>		
Impairment of assets (note 14):		
Development costs (note 13) .....	(27.7)	—
Plant, machinery, fixtures and fittings (note 15) .....	(4.7)	—
Tooling (note 15) .....	(3.7)	—
Inventory .....	(2.3)	—
Right-of-use lease assets (note 16) .....	(1.0)	—
	(39.4)	—
Restructuring costs .....	(2.8)	—
Initial Public Offering costs:		
Staff incentives .....	0.6	(61.2)
Professional fees .....	(0.5)	(12.9)
	(42.1)	(74.1)
<i>Adjusting finance expenses:</i>		
Movement on derivatives not qualifying for hedge accounting (note 9) .....	(6.6)	—
Premium paid on the redemption of preference shares .....	—	(46.8)
Preference share fee write-off .....	—	(15.1)
	(6.6)	(61.9)
Total adjusting items before tax .....	(48.7)	(136.0)
Tax credit on adjusting items .....	8.8	10.5
Adjusting items after tax .....	(39.9)	(125.5)

The Lagonda brand is expected to be relaunched no earlier than 2025 (previously 2022) and while development of Rapide E is substantially complete, the programme has been paused pending further review. An assessment of the carrying value of Rapide E assets, and assets carried across from Rapide as part of the Group's carry-over-carry-across ("COCA") principle, has resulted in an impairment charge of £39.4m — see note 14 for further details.

In 2019 the Group incurred employee redundancy costs of £2.8m (31 December 2018: £nil) as part of the first phase of a restructuring plan that is expected to conclude in 2020.

During the year ended 31 December 2018 staff incentive and other costs were incurred as part of the Initial Public Offering ("IPO"). These costs included accrued staff incentives due for payment in 2019. In the context of the continuing challenging trading conditions during 2019, the executive team no longer believed that it was appropriate to receive their 2018 IPO related bonus payments and, following further discussion with the Remuneration Committee, agreed to waive their unpaid bonus in full. This resulted in £4.2m being credited back to the Consolidated Income Statement in 2019 as an adjusting item to remain consistent with the treatment of the initial accrual in 2018.

The Legacy LTIP share option charge for the year ended 31 December 2019 related to the IPO was £3.6m and is included in Staff incentives (2018: £24.1m).

In the year-ended 31 December 2019 a charge of £6.6m was recognised in relation to fair value movements of derivative financial instruments held to hedge future foreign currency cashflows, but where the necessary criteria for hedge accounting had not been met. Once the criteria for

## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

hedge accounting had been met, all movements in the fair value of these derivative financial instruments are recorded either in Other Comprehensive Income or in arriving at adjusted operating profit/(loss) in the Consolidated Income Statement.

### 7 Staff costs and directors' emoluments

	2019	2018
	£m	£m
(a) Staff costs (including directors)		
Wages and salaries <sup>1</sup> .....	126.9	164.6
Social security costs <sup>1</sup> .....	13.6	32.3
Expenses related to post-employment defined benefit plan .....	6.9	8.2
Contributions to defined contribution plans .....	9.3	6.3
	<b>156.7</b>	<b>211.4</b>

1. The value presented for the year ended 31 December 2019 includes the release of accrued staff incentives totalling £4.2m offset by the legacy LTIP charge of £3.6m, both of which are presented as adjusting items — see note 6 for further detail. The comparative disclosed includes £61.2m of Initial Public Offering related staff incentive costs incurred during the year ended 31 December 2018 presented as an adjusting item.

The average monthly number of employees during the year were:

By activity	2019 Number	2018 Number
Production .....	1,118	1,024
Selling and distribution .....	348	265
Administration .....	1,099	974
	<b>2,565</b>	<b>2,263</b>
	<b>2019</b>	<b>2018</b>
	£m	£m

#### (b) Directors' emoluments and transactions

Directors' emoluments .....	2.9	3.5
Company contributions to pension schemes .....	0.2	0.1
Gains on the exercise of share options (Legacy LTIP) .....	—	40.8

All directors benefited from qualifying third-party indemnity provisions. Further information relating to directors' remuneration is set out in the Directors' Remuneration Report.

	2019	2018
	£m	£m
(c) Compensation of key management personnel (including executive directors)		
Short-term employee benefits .....	4.3	8.0
Share related awards .....	—	28.6
Post-employment benefits .....	0.5	0.3
	<b>4.8</b>	<b>36.9</b>

No compensation for loss of office payments were paid in either the current or prior year to key management personnel.

# Notes to the financial statements for the year ended 31 December 2019 — (Continued)

## 8 Finance income

	2019	2018
	£m	£m
Bank deposit and other interest income .....	5.0	4.2
Foreign exchange gain on borrowings not designated as part of a hedging relationship .....	11.3	—
Total finance income .....	16.3	4.2

## 9 Finance expense

	2019	2018
	£m	£m
Bank loans, overdrafts and secured notes .....	55.3	44.3
Other interest .....	7.5	0.3
Interest on lease liabilities (note 16) .....	4.6	—
Net interest expense on the net defined benefit liability (note 26) .....	1.1	1.1
Interest on preference shares classified as financial liabilities .....	—	32.0
Interest on contract liabilities held (note 21) .....	8.8	5.6
Finance expense before adjusting items .....	77.3	83.3
<i>Adjusting finance expense items:</i>		
Premium paid on the redemption of preference shares .....	—	46.8
Preference share fee write-off .....	—	15.1
Movements on derivatives not qualifying for hedge accounting .....	6.6	—
Total Adjusting Finance Expense .....	6.6	61.9
Total finance expense .....	83.9	145.2

During the year ended 31 December 2019 no directly attributable borrowing costs relating to the construction of an asset, that has taken a substantial length of time to get ready for its intended use, have been capitalised (2018: £nil).

## 10 Taxation

Current tax credit	2019	2018
	£m	£m
UK corporation tax on losses .....	(1.3)	1.3
Overseas tax .....	13.2	6.4
Prior period movement .....	2.0	0.9
Total current income tax charge .....	13.9	8.6
<i>Deferred tax credit</i>		
Origination and reversal of temporary differences .....	(13.0)	(13.5)
Prior period movement .....	(0.8)	(6.2)
Total deferred tax credit .....	(13.8)	(19.7)
Total income tax charge/(credit) in the Income Statement .....	0.1	(11.1)
<i>Tax relating to items charged/(credited) to other comprehensive income</i>		
<i>Deferred tax</i>		
Actuarial movement on defined benefit pension plan .....	(0.2)	0.9
Fair value adjustment on cash flow hedges .....	0.1	(3.5)
Current tax .....	3.3	—
Fair value adjustment on cash flow hedges .....	3.2	(2.6)
<i>Tax relating to items charged in equity — deferred tax</i>		
Share based payments .....	—	(13.3)

## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

### (a) Reconciliation of the total income tax charge/(credit)

The tax charge/(credit) in the Consolidated Statement of Comprehensive Income for the year is lower (2018: lower) than the standard rate of corporation tax in the UK of 19.0% (2018: 19.0%). The differences are reconciled below:

	2019	2018
	£m	£m
Loss from operations before taxation .....	<b>(104.3)</b>	(68.2)
Loss on operations before taxation multiplied by standard rate of corporation tax in the UK of 19.0% (2018: 19.0%) .....	<b>(19.8)</b>	(13.0)
Difference to current tax credit due to effects of:		
Expenses not deductible for tax purposes .....	<b>0.2</b>	21.3
Recognition of previously unrecognised deferred tax asset .....	<b>(6.3)</b>	(18.9)
Movement in unprovided deferred tax .....	<b>10.5</b>	—
Derecognition of deferred tax asset of interest deductible in future periods ..	<b>8.0</b>	—
Irrecoverable overseas withholding taxes .....	<b>1.2</b>	—
Adjustments in respect of prior periods .....	<b>1.2</b>	(5.3)
Effect of lower rates applied to deferred tax .....	<b>2.2</b>	(0.1)
Difference in overseas tax rates .....	<b>1.5</b>	1.5
Other .....	<b>1.4</b>	3.4
Total income tax charge/(credit) .....	<b>0.1</b>	(11.1)

### (b) Tax paid

Total net tax paid during the year of £12.5m (2018: £7.9m).

### (c) Factors affecting future tax charges

A reduction in the UK corporation tax rate to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Group's future current tax charge accordingly.

### (d) Deferred tax

#### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2019	Assets 2018 restated	Liabilities 2019	Liabilities 2018 restated
	£m	£m	£m	£m
Property, plant and equipment .....	<b>(54.2)</b>	(49.3)	—	—
Intangible assets .....	—	—	<b>117.3</b>	111.0
Employee benefits .....	<b>(6.3)</b>	(6.6)	—	—
Provisions .....	<b>(13.7)</b>	(0.6)	—	—
Interest deductible in future periods .....	—	(7.6)	—	—
RDEC credit .....	<b>(7.0)</b>	—	—	—
Losses .....	<b>(56.6)</b>	(45.7)	—	—
Share based payments .....	<b>(13.3)</b>	13.3	—	—
Other .....	—	—	<b>0.7</b>	—
Deferred tax (assets)/liabilities .....	<b>(151.1)</b>	(123.1)	118.0	111.0
Set off of tax liabilities/(assets) .....	<b>105.4</b>	91.0	<b>(105.4)</b>	(91.0)
Total deferred tax (assets)/liabilities .....	<b>(45.7)</b>	(32.1)	<b>12.6</b>	20.0

Where the right to off-set exists in certain jurisdictions, deferred tax assets and liabilities have been netted down.

## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

### Movement in deferred tax in 2019

	1 January 2019	Gross tax recognised in Income and OCI	Gross tax recognised in Equity	Other movement	31 December 2019
	£m	£m	£m	£m	£m
Property, plant and equipment . . . . .	(49.3)	(4.9)	—	—	(54.2)
Intangible assets . . . . .	111.0	6.3	—	—	117.3
Employee benefits . . . . .	(6.6)	0.3	—	—	(6.3)
Provisions . . . . .	(0.6)	(13.0)	—	(0.1)	(13.7)
Interest deductible in future periods . . . . .	(7.6)	7.6	—	—	—
RDEC credit . . . . .	—	—	—	(7.0)	(7.0)
Losses . . . . .	(45.7)	(10.9)	—	—	(56.6)
Share based payments . . . . .	(13.3)	—	—	—	(13.3)
Other . . . . .	—	0.7	—	—	0.7
	(12.1)	(13.9)	—	(7.1)	(33.1)

### Movement in deferred tax in 2018

	1 January 2018	Recognised in Income and OCI	Recognised in Equity	Less amounts unrecognised	31 December 2018
	£m	£m	£m	£m	£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)	—	—	(45.7)
Share based payments . . . . .	—	—	(13.3)	—	(13.3)
	23.5	(22.3)	(13.3)	—	(12.1)

Other movements reflect the reclassification of RDEC credits from trade and other receivables to deferred tax and foreign exchange differences.

The Group believes that it is appropriate to recognise a Deferred Tax Asset in respect of historic tax losses due to the future forecast profitability of the Group as demonstrated by the reset business plan.

In addition to the deferred tax recognised above, the Group has a £18.5m (2018: £nil) unrecognised net deferred tax assets in respect of interest deductions deductible in future periods when the likelihood of the recoverability is not considered to support recognition of the asset.

The aggregate amount of temporary differences associated with investment in subsidiaries and branches, for which deferred tax liabilities have not been recognised is £32.5m for the year ended 31 December 2019 (2018: £34.5m).

## 11 Dividends

No dividends were declared or paid by the Company in the year-ended 31 December 2019 (2018: £nil).

During the year ended 31 December 2019 a dividend of £9.8m was declared by Aston Martin Works Limited (2018: £6.0m), of which the Group holds 50% of the voting rights and share

## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

capital. The terms of the 2019 dividend required the element due to the non-controlling interest to be fully offset with balances owed to subsidiaries of the Group.

### 12 Earnings per ordinary share

Basic earnings per ordinary share is calculated by dividing the loss for the year available for equity holders by the weighted average number of ordinary shares in issue during 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. The weighted average number of dilutive ordinary share awards outstanding during the year are excluded when including them would be anti-dilutive to the earnings per share value.

Continuing and total operations	2019	2018
<b>Basic earnings per ordinary share</b>		
Loss available for equity holders (£m) .....	(113.2)	(62.7)
Basic weighted average number of ordinary shares (million) .....	228.0	202.1
Basic loss per ordinary share (pence) .....	(49.6p)	(31.0p)
<b>Diluted earnings per ordinary share</b>		
Loss available for equity holders (£m) .....	(113.2)	(62.7)
Diluted weighted average number of ordinary shares (million) .....	228.0	202.1
Diluted loss per ordinary share (pence) .....	(49.6p)	(31.0p)
	<b>2019 Number</b>	<b>2018 Number</b>
Diluted weighted average number of ordinary shares is calculated as:		
Basic weighted average number of ordinary shares <sup>(1)</sup> (million) .....	228.0	202.1
Adjustments for calculation of diluted earnings per share <sup>(2)</sup> :		
Legacy long-term incentive plan .....	—	—
2019 long-term incentive plan .....	—	—
Weighted average number of diluted ordinary shares (million) .....	228.0	202.1

1. Additional ordinary shares issued as a result of the share split conducted in 2018, have been incorporated in the 2018 earnings per share calculation in full without any time apportionment.

2. The number of ordinary shares issued as part of the Legacy long-term incentive plan, and the potential number of ordinary shares issued as part of the 2019 Long-term incentive plan, have been excluded from the weighted average number of diluted ordinary shares as including them is anti-dilutive to diluted earnings per share.

Adjusted earnings per share is disclosed in note 34 to show performance undistorted by adjusting items and give a more meaningful comparison of the Group's performance.



## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

### 13 Intangible assets

	Goodwill	Brands	Technology	Capitalised Development Cost	Dealer Network	Software and other	Total
	£m	£m	£m	£m	£m	£m	£m
<b>Cost</b>							
Balance at 1 January 2018 . . . .	85.4	297.6	21.2	829.8	15.4	52.6	1,302.0
Additions . . . . .	—	—	—	202.3	—	6.3	208.6
Balance at 31 December 2018 . . . . .	85.4	297.6	21.2	1,032.1	15.4	58.9	1,510.6
Balance at 1 January 2019 . . . .	85.4	297.6	21.2	1,032.1	15.4	58.9	1,510.6
Additions . . . . .	—	—	—	226.0	—	2.0	228.0
Balance at 31 December 2019 . . . . .	85.4	297.6	21.2	1,258.1	15.4	60.9	1,738.6
<b>Amortisation</b>							
Balance at 1 January 2018 . . . .	0.6	—	2.4	318.3	7.7	42.3	371.3
Change for the year . . . . .	—	—	1.9	60.6	0.8	4.3	67.6
Balance at 31 December 2018 . . . . .	0.6	—	4.3	378.9	8.5	46.6	438.9
Balance at 1 January 2019 . . . .	0.6	—	4.3	378.9	8.5	46.6	438.9
Change for the year . . . . .	—	—	1.9	82.0	0.8	4.3	89.0
Adjustment . . . . .	(0.6)	—	—	—	—	—	(0.6)
Impairment (note 14) . . . . .	—	—	—	27.7	—	—	27.7
Balance at 31 December 2019 . . . . .	—	—	6.2	488.6	9.3	50.9	555.0
<b>Net book value</b>							
At 1 January 2018 . . . . .	84.8	297.6	18.8	511.5	7.7	10.3	930.7
At 31 December 2018 . . . . .	84.8	297.6	16.9	653.2	6.9	12.3	1,071.7
At 1 January 2019 . . . . .	84.8	297.6	16.9	653.2	6.9	12.3	1,071.7
At 31 December 2019 . . . . .	85.4	297.6	15.0	769.5	6.1	10.0	1,183.6

Goodwill primarily arose on the acquisition of Aston Martin Lagonda Group Limited by Aston Martin Holdings (UK) Limited in 2007.

During the year-ended 31 December 2019 the Group received £3.3m of grants relating to qualifying development expenditure (2018: £8.2m). There are no unfulfilled conditions or other contingencies attached, with amounts received deducted from the carrying value of capitalised development costs.

### 14 Impairment testing

#### Indefinite useful life non-current assets

Goodwill and brands acquired through business combinations have been allocated for impairment testing purposes to one cash-generating unit — the Aston Martin Lagonda Group business. This represents the lowest level within the Group at which goodwill and brands are monitored for internal purposes.

The Group tests the carrying value of goodwill and brands at the cash-generating unit level for impairment annually or more frequently if there are indicators that goodwill or brands might be impaired. At the year-end reporting date, a review was undertaken on a value in use basis, assessing whether the carrying values of goodwill and brands were supported by the net present value of future cash flows derived from those assets.

# Notes to the financial statements for the year ended 31 December 2019 — (Continued)

## Key assumptions used in value in use calculations

The calculation of value in use for the cash-generating unit is most sensitive to the following assumptions:

- Cash flows were projected based on actual operating results and the reset five-year business plan. Beyond this, cash flows were extrapolated using a constant growth rate of 2.0% per annum. Key assumptions such as revenue, gross margin and fixed costs within the forecasts are based on past experience and the reset business plan;
- Discount rates are calculated using a weighted average cost of capital approach. They reflect the individual nature and specific risks relating to the business and the market in which the Group operates. The pre-tax discount rate used was 9.0% (2018: 10.2%<sup>1</sup>); and
- An exchange rate of \$1.33/£ has been used for 2020, with \$1.40/£ used for 2021 into perpetuity.

## Sensitivity analysis

- the pre-tax discount rate would need to increase to 16.2% for the assets to become impaired; or
- the growth rate of 2.0% per annum beyond the five-year plan would need to be -11.8% for the assets to become impaired; or
- the USD exchange rate would need to increase to \$1.97/£ (with all other currencies moving against the £ in line with the \$) for the assets to become impaired.

1. Restated — the post-tax discount rate was incorrectly disclosed in the 31 December 2018 Consolidated Financial Statements.

## Finite useful life non-current assets

Recoverability of non-current assets with finite useful lives include property, plant and equipment, right-of-use lease assets and certain intangible assets. Intangible assets with finite useful lives mainly consist of capitalized development costs.

The Group reviews the carrying amount of non-current assets with finite useful lives when events and circumstances indicate that an asset may be impaired. Impairment tests are performed by comparing the carrying amount and the recoverable amount of the cash-generating unit ("CGU"). The recoverable amount is the higher of the CGU's fair value less costs of disposal and its value in use.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks.

## Impairment

At 31 December 2019 the Group was engaged in early stage discussions with strategic investors in relation to building longer term relationships. The impact on current project lifecycles and the cadence of future model launches was under review.

On 31 January 2020, the Group announced its intention to strengthen its financial position in order to immediately improve liquidity and reduce leverage. A proposed placing of newly issued ordinary shares of the Company to a Consortium, and a subsequent underwritten rights issue, was proposed for completion following the publication of the 2019 Annual Report and Accounts. The Group and ventures affiliated to the Consortium agreed, as part of the reset business plan, to control medium-term investment requirements providing greater financial stability and flexibility. The Lagonda brand is now expected to be relaunched no earlier than 2025 (previously 2022) and while development of Rapide E is substantially complete, the programme has been paused pending further review.

With the aforementioned indicators of impairment, a review of the carrying value of Rapide E assets and assets carried across from Rapide as part of the Group's carry-over-carry-across

## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

("COCA") principle has been completed. As a result of this review an impairment charge has been recognised in full for the Rapide E assets:

	2019
	£m
Development costs (note 13) .....	27.7
Plant, machinery, fixtures and fittings (note 15) .....	4.7
Tooling (note 15) .....	3.7
Inventory .....	2.3
Right-of-use lease assets (note 16) .....	1.0
<b>Total impairment charge recognised as adjusting in the Consolidated Income Statement (note 6) .....</b>	<b>39.4</b>

### 15 property, plant and equipment

	Freehold land and Buildings	Tooling	Plant, machinery, fixtures and fittings	Motor Vehicles	Total
	£m	£m	£m	£m	£m
<b>Cost</b>					
Balance at 1 January 2018 .....	68.6	368.4	120.4	0.7	558.1
Additions .....	0.1	49.4	52.3	0.1	101.9
Disposals .....	—	—	(0.6)	(0.1)	(0.7)
Effect of movements in exchange rates ....	—	—	0.1	—	0.1
Balance at 31 December 2018 .....	68.7	417.8	172.2	0.7	659.4
<b>Balance at 1 January 2019 .....</b>	<b>68.7</b>	<b>417.8</b>	<b>172.2</b>	<b>0.7</b>	<b>659.4</b>
<b>Additions .....</b>	<b>—</b>	<b>46.6</b>	<b>37.0</b>	<b>—</b>	<b>83.6</b>
<b>Transfer to right-of-use lease assets (note 16) .....</b>	<b>—</b>	<b>—</b>	<b>(3.3)</b>	<b>—</b>	<b>(3.3)</b>
<b>Disposals .....</b>	<b>—</b>	<b>(1.2)</b>	<b>—</b>	<b>—</b>	<b>(1.2)</b>
<b>Effect of movements in exchange rates ....</b>	<b>(0.2)</b>	<b>—</b>	<b>(0.1)</b>	<b>—</b>	<b>(0.3)</b>
<b>Balance at 31 December 2019 .....</b>	<b>68.5</b>	<b>463.2</b>	<b>205.8</b>	<b>0.7</b>	<b>738.2</b>
<b>Depreciation</b>					
Balance at 1 January 2018 .....	23.0	249.1	41.9	0.2	314.2
Charge for the year .....	2.3	21.4	8.7	—	32.4
Disposals .....	—	—	(0.3)	—	(0.3)
Effect of movements in exchange rates ....	—	—	0.1	—	0.1
Balance at 31 December 2018 .....	25.3	270.5	50.4	0.2	346.4
<b>Balance at 1 January 2019 .....</b>	<b>25.3</b>	<b>270.5</b>	<b>50.4</b>	<b>0.2</b>	<b>346.4</b>
<b>Charge for the year .....</b>	<b>2.3</b>	<b>21.2</b>	<b>9.9</b>	<b>—</b>	<b>33.4</b>
<b>Disposals .....</b>	<b>—</b>	<b>(0.3)</b>	<b>—</b>	<b>—</b>	<b>(0.3)</b>
<b>Impairment (note 14) .....</b>	<b>—</b>	<b>3.7</b>	<b>4.7</b>	<b>—</b>	<b>8.4</b>
<b>Effect of movements in exchange rates ....</b>	<b>(0.1)</b>	<b>—</b>	<b>(0.1)</b>	<b>—</b>	<b>(0.2)</b>
<b>Balance at 31 December 2019 .....</b>	<b>27.5</b>	<b>295.1</b>	<b>64.9</b>	<b>0.2</b>	<b>387.7</b>
<b>Net book value</b>					
At 1 January 2018 .....	45.6	119.3	78.5	0.5	243.9
At 31 December 2018 .....	43.4	147.3	121.8	0.5	313.0
<b>At 1 January 2019 .....</b>	<b>43.4</b>	<b>147.3</b>	<b>121.8</b>	<b>0.5</b>	<b>313.0</b>
<b>At 31 December 2019 .....</b>	<b>41.0</b>	<b>168.1</b>	<b>140.9</b>	<b>0.5</b>	<b>350.5</b>

## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

Property, plant and equipment provides security for a fixed and floating charge in favour of the holders of the Senior Secured Notes.

Assets in the course of construction at a cost of £126.1m (2018: £51.1m) are not depreciated until available for use and are included within tooling, plant and machinery. The gross value of freehold land and buildings includes freehold land of £6.1m (2018: £6.1m) which is not depreciated. Capital commitments are disclosed in note 30. In 2019 the Group received £2.3m of government grants relating to qualifying tooling expenditure (2018: £2.6m). There are no unfulfilled conditions or other contingencies attached, with amounts received deducted from the tooling carrying value.

The tables below analyse the net book value of the Group's property, plant and equipment by geographic location.

At 31 December 2019	United Kingdom	Rest of Europe	The Americas	Asia Pacific	Total
	£m	£m	£m	£m	£m
Freehold land and buildings . . . . .	38.9	2.1	—	—	41.0
Tooling . . . . .	105.3	62.6	0.2	—	168.1
Plant, machinery, fixtures and fittings, and motor vehicles . . . .	140.8	0.3	0.3	—	141.4
	285.0	65.0	0.5	—	350.5

At 31 December 2018	United Kingdom	Rest of Europe	The Americas	Asia Pacific	Total
	£m	£m	£m	£m	£m
Freehold land and buildings . . . . .	41.0	2.4	—	—	43.4
Tooling . . . . .	95.3	51.6	0.4	—	147.3
Plant, machinery, fixtures and fittings, and motor vehicles . . . .	121.8	0.3	0.1	0.1	122.3
	258.1	54.3	0.5	0.1	313.0

### 16 Leases

The Group holds lease contracts for buildings, plant and machinery and IT equipment.

The application of IFRS 16 required the Group to make estimates that affect the valuation of lease liabilities and right-of-use lease assets. These predominantly include determining the contracts that fall under IFRS 16, the contract term and the interest rate used for the discounting of future cash flows.

The lease term determined by the Group comprises a non-cancellable period, periods covered by an option to extend if the Group is reasonably certain to exercise the option and periods covered by an option to terminate if the Group is reasonably certain not to exercise that option. The same period is applied to determine the useful economic life and therefore the depreciation rate of the right-of-use lease assets.

The modified retrospective transition approach was chosen under which, prior to reflecting the impact of lease incentives, deposits and dilapidation provisions, the Group evaluated its lease liability on transition using incremental borrowing rates assessed at the date of transition with a right-of-use assets of equal value.

The Group has elected, under IFRS 16, not to recognise right-of-use lease assets and lease liabilities for short-term and low value leases. It continues to recognise these lease costs on a straight-line basis over the lease term within Administrative and other operating expenses in the Consolidated Income Statement.

The equity reserves of the Group at 1 January 2019 have been reduced by £2.2m to reflect the derecognition of legal and other costs associated with lease agreements previously expensed

## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

over the lease term. Whilst qualifying costs of this nature incurred would be included in the value of the associated right-of-use asset following adoption of IFRS 16, under the transition approach adopted this treatment is not followed.

	£m
<b>Operating lease commitment disclosed at 31 December 2018</b> .....	<b>124.3</b>
Exemption applied .....	(2.0)
Embedded leases .....	5.3
Lease incentives and other .....	43.2
<b>Gross lease liabilities at 1 January 2019</b> .....	<b>170.8</b>
Discounting .....	(54.3)
<b>Lease liabilities upon adoption of IFRS 16 at 1 January 2019</b> .....	<b>116.5</b>

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

### a) Right-of-use lease assets

The Group is party to property leases with terms of 1 to 30 years, in addition to plant, machinery and IT equipment leases of between 1 to 5 years.

	Properties £m	Plant and machinery £m	IT equipment £m	Total £m
<b>Cost</b>				
<b>Introduced on adoption of IFRS 16 at 1 January 2019</b>	<b>72.7</b>	<b>4.6</b>	<b>5.2</b>	<b>82.5</b>
Additions .....	3.3	5.3	1.2	9.8
Modifications .....	(0.3)	—	—	(0.3)
Transfer from tangible fixed assets (note 15) .....	—	3.3	—	3.3
Effect of movements in exchange rates .....	(0.4)	—	—	(0.4)
<b>Balance at 31 December 2019</b> .....	<b>75.3</b>	<b>13.2</b>	<b>6.4</b>	<b>94.9</b>
<b>Depreciation</b>				
Introduced on adoption of IFRS 16 at 1 January 2019 .....	—	—	—	—
Charge for the year .....	7.7	2.1	2.5	12.3
Impairment (note 14) .....	1.0	—	—	1.0
Effect of movements in exchange rates .....	(0.2)	—	—	(0.2)
<b>Balance at 31 December 2019</b> .....	<b>8.5</b>	<b>2.1</b>	<b>2.5</b>	<b>13.1</b>
<b>Carrying value</b>				
Introduced on adoption of IFRS 16 at 1 January 2019 .....	72.7	4.6	5.2	82.5
<b>At 31 December 2019</b> .....	<b>66.8</b>	<b>11.1</b>	<b>3.9</b>	<b>81.8</b>

Income from the sub-leasing of right-of-use assets in the year 31 December 2019 was £0.3m (2018: £0.3m). The Group recognises the lease payments received on a straight-line basis over the lease term within Administrative and other operating expenses in the Consolidated Income Statement.

## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

### b) Obligations under leases

Future gross minimum rentals payable accounted for under IAS 17 as at 31 December 2018 were:

	2018
	£m
Not later than one year .....	0.2
After one year but not more than five years .....	12.6
More than five years .....	111.5
	<u>124.3</u>

The weighted average of the incremental borrowing rate applied to the lease liabilities recognised in the Statement of Financial Position at 1 January 2019 was 4.04%.

The maturity profile of undiscounted lease cash flows accounted for under IFRS 16 as at 31 December 2019 are:

	2019
	£m
Less than one year .....	14.8
One to five years .....	30.4
More than five years .....	126.4
	<u>171.6</u>

	2019
	£m
Less than one year .....	14.1
One to five year .....	26.3
More than five years .....	71.0
	<u>111.4</u>
Analysed as:	
Current .....	14.1
Non-current .....	97.3
	<u>111.4</u>

A reconciliation of the lease liability from 1 January 2019 to 31 December 2019 is disclosed within note 28.

The total lease interest expense for the year ended 31 December 2019 was £4.6m. Total cash outflow for leases accounted for under IFRS 16 for the current year was £15.5m.

Expenses charged to the Consolidated Income Statement for short-term and low-value leases for the year-ended 31 December 2019 were £1.0m and £0.2m respectively. The portfolio of short-term leases at 31 December 2019 is representative of the expected annual short-term lease expense in future years.



## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

The impact of IFRS 16 on the Consolidated Income Statement excluding tax, for the year-end 31 December 2019 is:

	As Reported 31 December 2019 £m	Add back IFRS 16 interest charge £m	Add back IFRS 16 depreciation charge £m	Less Amortisation of Legal fees £m	Less Lease incentives £m	Less IAS 17 lease cost £m	Excluding impact of IFRS 16 31 December 2019 £m
Revenue .....	997.3						997.3
Cost of sales .....	(642.7)						(642.7)
<b>Gross profit</b> .....	<b>354.6</b>	—	—	—	—	—	354.6
Selling and distribution expenses .....	(95.0)						(95.0)
Administrative and other operating expenses ....	(277.3)	—	12.3	(0.2)	1.2	(15.5)	(279.5)
Other (expense)/income ..	(19.0)						(19.0)
<b>Operating profit/(loss)</b> ....	<b>(36.7)</b>	—	12.3	(0.2)	1.2	(15.5)	<b>(38.9)</b>
Finance income .....	16.3						16.3
Finance expense .....	(83.9)	4.6	—	—	—	—	(79.3)
<b>(Loss)/profit before tax</b> ...	<b>(104.3)</b>	4.6	12.3	(0.2)	1.2	(15.5)	<b>(101.9)</b>
<b>Adjusted EBITDA</b> (note 34) .....	<b>134.2</b>	—	—	(0.2)	1.2	(15.5)	<b>119.7</b>

The above disclosure has been included to facilitate the understanding of the impact of adopting IFRS 16 on the Group.

### 17 Inventories

	2019 £m	2018 £m
Parts for resale, service parts and production stock .....	68.8	86.5
Work in progress .....	32.1	15.5
Finished vehicles .....	99.8	63.3
	<b>200.7</b>	<b>165.3</b>

Finished vehicles includes Group owned service cars at a net realisable value of £23.4m (31 December 2018: £30.3m).

During the year ended 31 December 2019 an inventory repurchase arrangement was entered for certain parts for resale, service parts and production stock. These inventories were sold and subsequently repurchased in November 2019 — see note 21 for further details.

## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

### 18 Trade and other receivables

	2019	2018
	£m	£m
<b>Amounts included in current assets</b>		
Trade receivables .....	173.3	191.5
Other receivables .....	52.0	29.0
Prepayments .....	24.4	20.3
	<b>249.7</b>	<b>240.8</b>

#### Amounts included in non-current assets

Trade receivables .....	1.8	1.8
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Trade and other receivables are non-interest bearing and generally have terms of less than 60 days. Due to their short maturities, the fair value of trade and other receivables approximates to their book value.

Credit risk is discussed further in note 23.

The carrying amount of trade and other receivables at 31 December, converted into Sterling at the year-end exchange rates, are denominated in the following currencies (excluding prepayments):

	2019	2018
	£m	£m
Sterling .....	111.3	115.7
Chinese Renminbi .....	18.4	13.2
Euro .....	20.5	42.1
US Dollar .....	75.1	41.4
Other .....	1.8	9.9
	<b>227.1</b>	<b>222.3</b>

### Wholesale finance facility

All financed vehicle sales are made directly to third-party Aston Martin franchised dealers with a large proportion financed through a £150m wholesale finance facility (2018: £200m facility) with Standard Chartered Bank plc supported by a credit insurance policy. The utilisation of the facility at 31 December 2019 is £99.6m (2018: £159.1m) and, due to the off-balance sheet treatment, is not recorded in trade receivables in the Group's Statement of Financial Position.

Vehicles financed through this facility have a maximum term of 45 days from invoice date to be funded under the facility to allow for any timing delays in despatching a vehicle and processing. Under the trade finance facility, Standard Chartered Bank plc advance to the Group the sales value of vehicles which have been despatched upon receipt of certain documentation. Standard Chartered Bank plc have substantially all of the risks associated with the wholesale financing scheme and hence they bear substantially all of the credit risk associated with dealers purchasing vehicles through the wholesale finance scheme. Taking into consideration the Group's exposure to variability in cash flows both before and after the transfer, the financing arrangement is treated as off-balance sheet.

The Group incurs a finance charge on vehicles financed through the scheme based on each currency LIBOR at the commencement of each invoice funded.

## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

### 19 Cash and cash equivalents

	2019	2018
	£m	£m
Cash at bank and in hand .....	107.9	144.6

Cash at bank when placed on deposit earns interest at floating rates based on daily bank deposit rates. The book value of cash and cash equivalents approximates to their fair value.

Cash is held in the following currencies; those held in currencies other than Sterling have been converted into Sterling at year end exchange rates:

	2019	2018
	£m	£m
Sterling .....	14.3	28.0
Chinese Renminbi .....	46.5	59.6
Euro .....	12.1	18.0
US Dollar .....	29.6	36.5
Other .....	5.4	2.5
	107.9	144.6

*Included within the above:*

Restricted cash .....	36.3	25.7
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The Group has a series of one-year back-to-back loan arrangements with HSBC Bank plc ("HSBC"), whereby Chinese Renminbi to a value at the time of £36.7m (31 December 2018: £25.5m) has been deposited in a restricted account with HSBC in China in exchange for a Sterling overdraft facility with HSBC Bank plc in the United Kingdom. The restricted cash has been revalued at 31 December 2019 to £36.3m (31 December 2018: £25.7m) and is shown in the cash and cash equivalents value above.

### 20 Other financial assets

	2019	2018
	£m	£m
Forward currency contracts held at fair values .....	0.4	0.1
Cash held not available for short-term use .....	8.7	—
	9.1	0.1
Analysed as:		
Current .....	8.9	0.1
Non-current .....	0.2	—
	9.1	0.1

The Group uses forward currency contracts to partly manage the risk associated with fluctuations in exchange rates when converting foreign currencies to Sterling. At the reporting date these cash flow hedges are marked-to-market and any assets are shown as other financial assets in the Statement of Financial Position.

In 2019 £8.7m held in certain local bank accounts had been frozen in relation to local arbitration proceedings (2018: nil). At 31 December 2019 the cash held in these accounts did not meet the definition of cash and cash equivalents and therefore has been classified as an other financial asset.

# Notes to the financial statements for the year ended 31 December 2019 — (Continued)

## 21 Trade and other payables

### Current trade and other payables

	2019	2018 restated
	£m	£m
Trade payables	138.5	167.7
Customer deposits and advances	319.3	270.9
Accruals and other payables	240.0	226.1
Deferred income — service packages	3.7	5.2
Due to related parties (note 31)	0.6	1.1
	<b>702.1</b>	<b>671.0</b>

Trade payables are non-interest bearing and it is the Group's policy to settle the liability within 90 days.

At 31 December 2019 a repurchase liability of £38.9m, including to accrued interest of £0.2m, has been recognised in accruals and other payables and Net Debt (see note 24). In November 2019, £32.2m of parts for resale, service parts and production stock were sold for £38.7m (gross of indirect tax) and subsequently repurchased. Under the repurchase agreement, the Group will repay for £40.0m gross of indirect tax. As part of this arrangement legal title to the parts was surrendered however control remained with the Group. The terms of this repurchase arrangement require the liability to be fully settled in 2020.

Changes in the Group's contract liabilities during the year are summarised as follows:

£m	At 1 January 2019	Additional amounts arising during the period	Amounts recognised within revenue	Significant financing component for which an interest charge is recognised	Amounts returned and other changes	At 31 December 2019
Customer deposits and advances	270.9	116.1	(55.3)	8.8	(21.2)	319.3
Deferred income — service packages	12.5	7.6	(7.0)	—	—	13.1

£m	At 1 January 2018	Additional amounts arising during the period	Amounts recognised within revenue	Significant financing component for which an interest charge is recognised	Amounts returned and other changes	At 31 December 2018
Customer deposits and advances	205.5	75.4	(9.0)	5.6	(6.6)	270.9
Deferred income — service packages	5.9	6.6	—	—	—	12.5

Customer deposits and advances are recognised in revenue when the performance obligation, principally the supply of a limited-edition vehicle or service of a vehicle, is met by the Group. As part of the normal operating cycle of special vehicle projects, for which these customer deposits primarily relate to, the Group expects to derecognise a significant proportion over the next 3 years with approximately £90.0m expected to be recognised in 2020.

In the year ended 31 December 2019, a finance expense of £8.8m (see note 9) was recognised as a significant financing component on contract liabilities held for greater than 12 months (2018: £5.6m). Upon satisfaction of the linked performance obligation, the liability is released to revenue so that the total amount taken to the Consolidated Income Statement reflects the sales price the customer would have paid for the vehicle at that point in time.

## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

The Group applies a practical expedient for short-term advances received from customers whereby the advanced payment is not adjusted for the effects of a significant financing component. According to the individual terms of the special vehicle contract and the position of the customer in the staged deposit and vehicle specification process, some deposits are contractually refundable. At 31 December 2019 the Group held £65.1m of contractually refundable deposits (before the impact of significant financing components) (2018: £50.1m). The special vehicle programs are typically oversubscribed and, in the event that a customer requests reimbursement of their advanced payment, the newly created allocation is then given to an alternative customer whom is required to make an equivalent advanced payment. Further liquidity risk considerations are disclosed in note 23.

Deferred service package income is recognised in revenue over the service package period.

### Non-current trade and other payables

	2019	2018 restated
	£m	£m
Deferred income — service packages .....	9.4	7.3
Lease incentives and other .....	—	42.5

Included within non-current trade and other payables for the year ended 31 December 2018 are long-term lease incentives as restated (see note 2). Upon transition to IFRS 16 on 1 January 2019 these lease incentives were reclassified as part of establishing the right-of-use lease assets, within non-current assets — see note 16.

### 22 Other financial liabilities

	2019	2018
	£m	£m
Forward currency contracts held at fair value .....	8.9	8.6
Analysed as:		
Current .....	6.3	4.2
Non-current .....	2.6	4.4
	8.9	8.6

### 23 Financial instruments

#### Group

The Group's principal financial instruments comprise Senior Secured Notes, a Revolving Credit Facility, a finished vehicle financing facility, a loan to finance the construction of the paint shop at St. Athan, back-to-back loans and forward currency contracts. Additionally, the Group has trade payables and trade receivables which arise directly from its operations. Included in trade and other payables is a liability relating to an inventory repurchase arrangement. These short-term assets and liabilities are included in the currency risk disclosure.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, currency risk and liquidity risk. The Board of Directors have overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and monitor adherence to limits.

The Board of Directors oversee how management monitor compliance with the Group risk management policies and procedures and reviews the adequacy of the risk management framework in relation to specific risks faced by the Group.

## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

### Credit risk

The Group sells vehicles through a dedicated dealer network. Dealers outside of North America are required to pay for vehicles in advance of their despatch or use the wholesale financing scheme with Standard Chartered Bank plc (see note 18). Dealers within North America are allowed 10-day credit terms from the date of invoice or use of the wholesale financing scheme. In certain circumstances, after thorough consideration of the credit history of an individual dealer, the Group may sell vehicles outside of the credit risk insurance policy or on deferred payment terms. Parts sales, which represent a smaller element of total revenue, are made to dealers on 30-day credit terms. Service receivables are due for payment on collection of the vehicle.

Trade and other receivables are only written off when the Group has exhausted all options to recover the amounts due and provided for in full when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of the debtor to engage in a repayment plan with the Group and a failure to make contractual payments. An expected credit loss provision is then calculated on the remaining trade and other receivables.

In generating the expected credit loss provision, historical credit loss rates for the preceding 5 years are calculated, including consideration given to factors that may affect the ability of customers to settle receivables, and applied to the trade and other receivable aging buckets at the year-end. The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Group has no material contract assets.

In presenting the loss allowance summary below, the specific loss allowance and original receivables balance of £19.0m disclosed in note 5 has been excluded so as to not distort the expected loss rate. The trade receivable loss allowance as at 31 December is as follows:

	As at 31 December 2019			As at 31 December 2018		
	Expected Loss Rate	Gross Carrying Amount	Loss Allowance	Expected Loss Rate	Gross Carrying Amount	Loss Allowance
	%	£m	£m	%	£m	£m
Current .....	*	117.8	—	*	177.4	—
1 – 30 days past due .....	*	30.2	—	*	4.4	—
31 – 60 days past due .....	*	10.6	—	*	4.0	—
61+ days past due .....	6.8%	17.7	1.2	2.6%	7.7	0.2
		176.3	1.2		193.5	0.2

\* The expected loss rates for these specific ageing categories are not disclosed as no material loss allowance is generated when applied against the gross carrying value.

The closing loss allowances for trade receivables, including the specific loss allowance disclosed in note 5 of £19.0m, reconciles to the opening loss allowance as follows:

	2019	2018
	£m	£m
<b>Opening loss allowance as at 1 January .....</b>	<b>0.2</b>	<b>0.3</b>
Increase in loss allowance recognised in the Income Statement — Other expense (note 5) .....	19.0	—
Increase in loss allowance recognised in the Income Statement — Administrative and other operating expenses .....	1.0	0.1
Receivables written-off during the year as uncollectible .....	—	(0.2)
<b>At 31 December .....</b>	<b>20.2</b>	<b>0.2</b>



# Notes to the financial statements for the year ended 31 December 2019 — (Continued)

## Borrowings

The following table analyses Group borrowings:

	2019	2018
	£m	£m
<b>Current</b>		
Bank loans and overdrafts	114.8	99.4
<b>Non-current</b>		
Senior Secured Notes	829.9	590.9
Bank loans	9.2	12.4
Unsecured Loan	—	1.4
<b>Total non-current borrowings</b>	<b>839.1</b>	<b>604.7</b>
<b>Total borrowings</b>	<b>953.9</b>	<b>704.1</b>

Total borrowings are denominated in the following currencies, in sterling at the year-end exchange rates:

	2019	2018
	£m	£m
Sterling	403.0	388.5
US Dollar	550.9	314.2
Japanese Yen	—	1.4
<b>Total borrowings</b>	<b>953.9</b>	<b>704.1</b>

## Current Borrowings

At 31 December 2019 £70.0m of the £80.0m Revolving Credit Facility was drawn (31 December 2018: £70.0m).

The Group holds a series of one-year back-to-back loan arrangements with HSBC Bank plc, whereby Chinese Renminbi to a value at the time of £36.7m (2018: £25.5m) have been deposited in a restricted account with HSBC in China in exchange for a Sterling overdraft facility with HSBC Bank plc in the United Kingdom. The restricted cash has been revalued at 31 December 2019 to £36.3m (31 December 2018: £25.7m) and is shown in cash and cash equivalents. The overdraft of £36.7m (31 December 2018: £25.3m) is shown within Borrowings in Current Liabilities on the Statement of Financial Position.

In 2018 the Group entered into a fixed rate loan to finance the construction of the paint shop at the new St Athan manufacturing facility which matures on 31 March 2022. The loan is secured against the paint shop assets, with the final payment on 31 March 2022 including a capital payment of £6.3m accounted for as part of the effective interest rate over the term of the loan. At 31 December 2019 the amount included in current borrowings was £2.9m (31 December 2018: £2.7m).

The Group has separate arrangements to finance in-transit finished vehicles and certain finished vehicle inventory. Total borrowings on these facilities at 31 December 2019 were £4.4m (2018: £nil) and £0.8m (2018: £1.4m) respectively.

## Non-Current Borrowings

On 1 April 2019 the Group issued \$190m 6.5% Senior secured Notes at a discount of 5% to the par redemption value. The discount is charged to finance expenses within the Consolidated Income Statement over the term of the notes based on the effective interest rate method.

On 8 October 2019 the Group issued \$150m 12% (6% Payment in Kind ("PIK"), 6% cash interest) Senior Secured Notes with a 6% premium on redemption. This premium is accounted for as part of the effective interest rate and charged to finance expenses within the Consolidated Income Statement over the term of these notes.

## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

The new Senior Secured Notes issued in 2019 mature in April 2022. Transaction costs capitalised during the year ended 31 December 2019 amounted to £5.4m (2018: £nil).

The Group has the option for an additional \$100m of Delayed Draw Notes linked to those Senior Secured Notes issued on 8 October 2019. The Delayed Draw Notes (“DDNs”) may be drawn, subject to certain conditions, on the same terms as other senior secured obligations of the Group at an interest rate of 12% per annum. If these conditions are not met, the DDNs may be drawn as unsecured obligations at an interest rate of 15% per annum. Interest will accrue at the rate of 6% per annum as cash interest plus either 6% per annum (if secured) or 9% per annum (if unsecured) paid in kind.

The Group has \$400m 6.5% Senior Secured Notes and £285m 5.75% Senior Secured Notes both of which mature in April 2022.

The movement in carrying value of the Senior Secured Notes from 2018 to 2019 includes £2.4m (2018: £2.3m) amortisation of capitalised transaction costs.

The combined sterling equivalent carrying value of the Senior Secured Notes at 31 December 2019 is £829.9m (2018: £590.9m) and they are secured by fixed and floating charges over certain assets of the Group.

The non-current element of the fixed rate loan to finance the construction of the paint shop at the new St Athan manufacturing facility was £9.2m at 31 December 2019 (31 December 2018: £12.4m).

### Interest rate risk

The only interest rate risk that the Group is exposed to is on the back-to-back loan arrangement with HSBC Bank plc, whereby Chinese Renminbi have been deposited in a restricted account with HSBC in China in exchange for a Sterling overdraft facility with HSBC Bank plc in the United Kingdom. The interest rate charged on the overdraft facility is based on 3-month LIBOR.

### Profile

At 31 December the interest rate profile of the Group’s interest-bearing financial instruments was:

	2019	2018
	£m	£m
<b>Fixed rate instruments</b>		
Financial liabilities .....	917.2	678.8
<b>Variable rate instruments</b>		
Financial liabilities .....	36.7	25.3

Borrowings, including the Senior Secured Notes and the loan to finance the paint shop in St Athan, are at fixed interest rates. The rate of interest on the Revolving Credit Facility, which is attached to the Senior Secured Notes, is based on LIBOR plus a percentage spread and is predetermined at the date of the drawdown of the Revolving Credit Facility so is considered to be fixed rate for the analysis above.

The interest rate charged on both the in-transit and certain finished vehicle facilities are based on the lender’s cost of funds at the point of the borrowing.

In 2019 the Group has entered into an inventory repurchase arrangement (not included within the financial liabilities noted above). The interest charged on this arrangement is determined as the difference between the sales and repurchase value and is therefore fixed at the time of entering into the arrangement. The repayment terms of this arrangement are not in excess of 180 days.

Surplus cash funds, when appropriate, are placed on deposit and attract interest at a variable rate derived from LIBOR.

## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

### Interest rate risks — sensitivity

The following table demonstrates the sensitivity, with all other variables held constant, of the Group's profit after tax to a reasonably possible change in interest rates on the back-to-back loan arrangements with HSBC Bank plc.

		2019	2018
	(Increase)/ decrease in interest rate	Effect on profit after tax	Effect on profit after tax
		£m	£m
3-month LIBOR .....	1.00%	0.3	0.2

### Foreign currency exposure

The Group's exposure to the risk of changes in foreign currency exchange relates primarily to US Dollar sales (including inter-group sales), Chinese Renmibi sales and Euro denominated purchases.

At 31 December 2019 the Group hedged 80%, 68% and 34% for 2020, 2021 and 2022 respectively, of its US dollar denominated highly probable inter-company sales, and 38%, 12% and 2% of its Euro denominated purchases for 2020, 2021 and 2022. These foreign currency risks are hedged by using foreign currency forward contracts and the \$400m Senior Secured Notes.

The Group's sterling equivalents of financial assets and liabilities (excluding borrowings analyzed by currency above) denominated in foreign currencies at 31 December were:

#### At 31 December 2019

	Euros £m	US Dollars £m	Chinese Renminbi £m	Other £m	Total £m
<b>Financial assets</b>					
Trade and other receivables .....	20.5	75.1	18.4	1.8	115.8
Foreign exchange contracts .....	—	—	—	0.4	0.4
Cash held not available for short-term use ....	—	—	8.7	—	8.7
Cash balances .....	12.1	29.6	46.5	5.4	93.6
	32.6	104.7	73.6	7.6	218.5
<b>Financial liabilities</b>					
Trade and other payables .....	(116.5)	(45.1)	(11.4)	(6.4)	(179.4)
Lease liabilities .....	(2.2)	(0.2)	(0.5)	(8.1)	(11.0)
Customer deposits and advances .....	(0.2)	(15.8)	(7.9)	—	(23.9)
Foreign exchange contracts .....	—	(8.6)	—	(0.3)	(8.9)
	(118.9)	(69.7)	(19.8)	(14.8)	(223.2)
<b>Net balance sheet exposure .....</b>	<b>(86.3)</b>	<b>35.0</b>	<b>53.8</b>	<b>(7.2)</b>	<b>(4.7)</b>

## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

At 31 December 2018

	Euros £m	US Dollars £m	Chinese Renminbi £m	Other £m	Total £m
<b>Financial assets</b>					
Trade and other receivables	42.1	41.4	13.2	9.9	106.6
Foreign exchange contracts	—	0.1	—	—	0.1
Cash balances	18.0	36.5	59.6	2.5	116.6
	60.1	78.0	72.8	12.4	223.3
<b>Financial liabilities</b>					
Trade and other payables	(149.3)	(43.3)	(17.2)	(4.7)	(214.5)
Customer deposits and advances	—	(12.2)	(11.9)	—	(24.1)
Foreign exchange contracts	—	(5.1)	—	(3.5)	(8.6)
	(149.3)	(60.6)	(29.1)	(8.2)	(247.2)
<b>Net balance sheet exposure</b>	(89.2)	17.4	43.7	4.2	(23.9)

The following significant exchange rates applied:

	Average Rate 2019	Average Rate 2018	Closing Rate 2019	Closing Rate 2018
Euro	1.13	1.13	1.18	1.10
Chinese Renminbi	8.74	8.83	9.23	8.76
US Dollar	1.27	1.34	1.33	1.27

### Currency risk — sensitivity

The following table demonstrates the sensitivity to a change in the US Dollar, Euro and Chinese Renminbi exchange rates with all other variables held constant, of the Group's profit after tax (due to changes in the fair value of monetary assets and liabilities) assuming that none of the US Dollar or Euro exposures are used as hedging instruments.

	(Increase)/ decrease in rate	Effect on profit after tax 2019 £m	Effect on profit after tax 2018 £m
US Dollar	(5%)	(7.7)	(11.2)
US Dollar	5%	8.6	12.4
Euro	(5%)	12.3	8.8
Euro	5%	(13.6)	(9.7)
Chinese Renminbi	(5%)	(2.3)	(2.1)
Chinese Renminbi	5%	2.5	2.3

### \$190m and \$150m Senior Secured Notes

The Group took out an additional US dollar denominated SSN in 2019 totalling \$340m. The Group chose not to hedge these borrowings due to the relative weakness of sterling and general economic uncertainties. Foreign currency gains/(losses) on these SSNs due to exchange rate movements between the US dollar and sterling, are charged to the Consolidated Income Statement within finance income(expenses). A corresponding change in the translated sterling value of the SSNs is reflected in the Consolidated Statement of Financial Position.

# Notes to the financial statements for the year ended 31 December 2019 — (Continued)

## Hedge accounting

The Group is primarily exposed to US Dollar currency variations on the sale of vehicles and parts, and Euro currency variations on the purchase of raw material parts and services. As part of its risk management policy, the Group uses derivative financial instruments in the form of currency forward contracts to manage the cash flow risk resulting from these exchange rate movements. The Group has also designated the foreign exchange movement on the \$400m Senior Secured Notes ("SSNs") as part of a cash flow hedging relationship to manage the exchange rate risk resulting from forecast US dollar inter-company sales. Together these are referred to as cash flow hedges. The cash flow hedges give forecast certainty over the transactional values to be recognised in the Consolidated Income Statement, and in the case of the forward contracts, certainty around the value of cash flows arising as foreign currencies are exchanged at predetermined rates.

The Group hedges significant foreign currency exposures as follows:

- Firstly, with currency forward contracts on a reducing basis with the highest coverage in the year immediately following the year-end date. When practicable, the Group places additional hedges on a regular basis so that the percentage of the foreign currency exposure hedged increases as the time to maturity of the foreign currency exposure reduces.
- Secondly, the Group has designated \$400m of Senior Secured Notes as a hedging instrument in respect of \$400m of highly probable forecast US Dollar sales that are not already hedged with forward contracts.

The Group currently has no cash flow hedges beyond 2022. The Group does not mitigate all transactional foreign currency exposures, with the unhedged proportion converted at exchange rates prevailing on the date of the transaction.

## Derivative financial instruments

Derivative financial instruments are recorded at fair value. The hedging instruments for the forward foreign exchange contracts are the spot elements of the entire forward foreign exchange contracts. The hedged items are highly probable forecast net sales or purchases. The value of hedging instrument matches the value of the hedge item in a 1:1 hedging ratio. Movements in the fair value attributable to the spot element are considered as an effective hedge and recognised through Other Comprehensive Income into the hedge reserve. The balance of the fair value movement related to these contracts is recorded in the cost of hedging reserve.

Certain forward foreign exchange contracts were designated as hedges with effect from 1 July 2019. Prior to this all movements in the fair value had been recorded within finance expenses as an adjusting item (see note 9) reflecting the non-recurring nature of the absence of a designated hedge relationship for such instruments. Subsequent to 1 July 2019, in respect of these forward foreign exchange contracts only, the movement in fair value not attributable to the spot element considered to be an effective hedge, is recorded within cost of sales in the Consolidated Income Statement.

## \$400m Senior Secured Notes

The \$400m SSNs are recorded at amortised cost translated into sterling at the year-end closing rate with movements in the carrying value offset by movements in the value of the highly confidently forecast sales from US Dollars to Sterling. The hedge ratio is 1:1 as the value of the hedging instrument matches the value of the hedged item. The change in the carrying value of these SSNs, arising as a result of exchange differences, is recognised through Other Comprehensive Income into the Hedge Reserve, instead of within finance income/(expense).

The amounts recorded within the Hedge Reserve, including the Cost of Hedging Reserve, are recycled to the Consolidated Income Statement when the hedged item effects the Consolidated Income Statement. Due to the nature of the hedged items, all amounts recycled to the Income Statement are recorded in cost of sales (2018: all cost of sales).

## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

### Main sources of hedge ineffectiveness

Other than as previously described, in relation only to forward contracts designated as a hedge, the main sources of potential hedge ineffectiveness relate to potential differences in the nominal value of hedged items and the hedging instrument should they occur.

The impact of hedging instruments on the Statement of Financial Position is as follows:

	31 December 2019			31 December 2018		
	Notional value	Carrying value	Change in fair value used for measuring ineffectiveness	Notional value	Carrying value	Change in fair value used for measuring ineffectiveness
	£m	£m	£m	£m	£m	£m
Foreign exchange forward contracts — other financial assets . . . . .	34.9	0.4	0.4	50.3	0.1	0.1
Foreign exchange forward contracts — other financial liabilities . . . . .	220.0	(8.9)	(10.3)	407.8	(8.6)	(9.4)
\$400m Senior Secured Notes — hedge instrument . . . . .	301.6	301.6	12.6	314.2	314.2	(18.5)

The impact of hedged items on the Statement of Financial Position is as follows:

	31 December 2019			31 December 2018		
	Cash flow	Hedge Reserve	Cost of Hedging Reserve	Cash flow	Hedge Reserve	Cost of Hedging Reserve
	£m	£m	£m	£m	£m	£m
Foreign exchange forward contracts . . . . .	0.1	(2.0)	(3.5)	(5.0)		
\$400m Senior Secured Notes — hedge instrument . . . . .	(0.8)	—	(18.5)	—		
Tax on fair value movements recognised in OCI . . . . .	0.1	0.3	3.5	—		

The effect of the cash flow hedge in the Consolidated Income Statement and Other Comprehensive Income is:

Year-ended 31 December 2019	Total hedging gain/(loss) recognised in OCI	Ineffectiveness recognised in the Income Statement	Income Statement line item	Fair value movement on cash flow hedges	Amount reclassified from OCI to the Income Statement	Income Statement line item
	£m	£m		£m	£m	
Foreign exchange forward contracts . . . . .	(1.4)	6.6	Finance Expense	—	1.4	Cost of Sales
Foreign exchange forward contracts . . . . .	5.5	4.9	Cost of Sales	(3.7)	9.2	Cost of Sales
\$400m Senior Secured Notes — hedge instrument . . . . .	17.7	—	—	12.7	5.0	Cost of Sales
Tax on fair value movements recognised in OCI . . . . .	(3.4)	—	—	(1.6)	(1.8)	Cost of Sales



## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

Hedge ineffectiveness recognised within the Consolidated Income Statement relates to those forward exchange contracts which were only designated as a hedge with effect from 1 July 2019 and relates to the element which is not attributable to the movement in the spot rate of those instruments since that date.

Year-ended 31 December 2018	Total hedging gain/(loss) recognised in OCI	Ineffectiveness recognised in the Income Statement	Income Statement line item	Cost of hedging recognised in OCI	Amount reclassified from OCI to the Income Statement	Income Statement line item
	£m	£m		£m	£m	
Foreign exchange forward contracts .....	(8.5)	—	—	(12.0)	3.5	Cost of Sales
\$400m Senior Secured Notes — hedge instrument .....	(18.5)	—	—	(18.5)	—	—
Tax on fair value movements recognised in OCI .....	3.5	—	—	3.5	—	—

At 31 December 2019 there are no balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer required (2018: no balances).

### Liquidity risk

The Group seeks to manage liquidity risk to ensure sufficient liquidity is available to meet foreseeable needs and, when appropriate, allow placement of cash on deposit safely and profitably.

The Group has a number of one-year back-to-back loan arrangements with HSBC Bank plc, whereby Chinese Renminbi were deposited in a restricted account with HSBC in China in exchange for a Sterling overdraft facility with HSBC Bank plc in the United Kingdom. The restricted cash has been revalued to £36.3m at 31 December 2019 (31 December 2018: £25.7m) and is shown in the total of cash and cash equivalents. The overdraft of £36.7m (31 December 2018: £25.3m) is shown in Borrowings in Current Liabilities on the Statement of Financial Position. At 31 December 2019 the Group had cash and cash equivalents of £107.9m (2018: £144.6m).

At 31 December 2019 the Group holds £829.9m (2018: £590.9m) of Senior Secured Notes (“SSNs”). The in-year increase is attributable to the Group issuing \$190m of 6.5% SSNs in April 2019 and \$150m of 12% (6% PIK and 6% cash interest) SSNs issued in October 2019, in addition to foreign currency movements on US Dollar denominated borrowings and the amortisation of transaction costs on borrowings through the effective interest rate. All of the SSNs mature in April 2022. Attached to the SSNs is an £80m Revolving Credit Facility of which £70.0m was drawn at 31 December 2019 (31 December 2018: £70.0m).

As part of the normal operating cycle of the Group, customers make advanced payments to secure their allocation of special vehicles produced in limited numbers. The cash from these advance payments is primarily used to fund upfront costs of the special vehicle project including raw materials and components required in manufacture. In certain circumstances, according to the individual terms of the special vehicle contract and the position of the customer in the staged deposit and vehicle specification process, the advanced payments are contractually refundable. At 31 December 2019 the Group held refundable deposits of £78.5m (2018: £50.1m). The special vehicle programs are typically oversubscribed and, in the event that a customer requests reimbursement of their advanced payment, the newly created allocation is then given to an alternative customer whom is required to make an equivalent advanced payment.

The maturity profile of the Group’s financial liabilities at 31 December 2019 based on contractual undiscounted payments is as follows.

## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Contractual Cash Flows Total
	£m	£m	£m	£m	£m	£m
<b><i>Non-derivative financial liabilities</i></b>						
Bank loans and overdrafts .....	—	94.6	24.4	6.7	—	125.7
Senior Secured Notes .....	—	1.8	45.4	937.1	—	984.3
Trade and other payables .....	—	333.0	57.3	9.6	—	399.9
Refundable customer deposits and advances ..	65.1	—	—	—	—	65.1
<b><i>Derivative financial liabilities</i></b>						
Forward exchange contracts .....	—	0.9	5.4	2.6	—	8.9
	<b>65.1</b>	<b>430.3</b>	<b>132.5</b>	<b>956.0</b>	<b>—</b>	<b>1,583.9</b>

Included in the table above are interest bearing loans and borrowings at a carrying value of £953.9m.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2018 based on contractual undiscounted payments.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Contractual Cash Flows Total
	£m	£m	£m	£m	£m	£m
<b><i>Non-derivative financial liabilities</i></b>						
Bank loans and overdrafts .....	—	7.2	94.4	13.1	—	114.7
Senior Secured Notes .....	—	—	76.1	781.3	—	857.4
Unsecured Loan .....	—	—	0.1	1.4	—	1.5
Trade and other payables .....	—	392.0	—	12.2	—	404.2
Refundable customer deposits and advances .....	50.1	—	—	—	—	50.1
<b><i>Derivative financial liabilities</i></b>						
Forward exchange contracts .....	—	1.0	3.2	4.4	—	8.6
	<b>50.1</b>	<b>400.2</b>	<b>173.8</b>	<b>812.4</b>	<b>—</b>	<b>1,436.5</b>

Included in the table above are interest bearing loans and borrowings at a carrying value of £704.1m.

### Estimation of fair values

Trade and other receivables, and trade and other payables are deemed to have the same fair value as their book value and as such, the table presented only includes assets held at fair value and borrowings.

## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

The forward currency contracts are carried at fair value based on pricing models and discounted cash flow techniques derived from assumptions provided by third party banks. The Sterling Senior Secured Notes are all valued at amortised cost. The fair value of these Senior Secured Notes at the current and comparative period ends are determined by reference to the quoted price on The International Stock Exchange Authority in St. Peter Port, Guernsey. For all other receivables and payables, the carrying amount is deemed to reflect the fair value.

	As at 31 December 2019			As at 31 December 2018		
	Nominal value	Book value	Fair value	Nominal value	Book value	Fair value
	£m	£m	£m	£m	£m	£m
<b>Included in assets</b>						
<i>Level 2</i>						
Forward foreign exchange contracts . . . . .	—	0.4	0.4	—	0.1	0.1
	—	0.4	0.4	—	0.1	0.1
<b>Included in liabilities</b>						
<i>Level 1</i>						
£285m 5.75% Sterling Senior secured Notes . . .	285.0	279.0	273.6	285.0	276.6	278.1
\$400m 6.5% US Dollar Senior secured Notes . . .	301.6	301.6	288.0	314.2	314.3	300.7
\$190m 6.5% US Dollar Senior secured Notes . . .	143.3	137.2	133.8	—	—	—
\$150m 12.0% US Dollar Senior secured Notes . .	113.1	112.1	122.1	—	—	—
<i>Level 2</i>						
Forward exchange contracts . . . . .	—	8.9	8.9	—	8.6	8.6
	843.0	838.8	826.4	599.2	599.5	587.4

Under IFRS 7, such assets and liabilities are classified by the way in which their fair value is calculated. The interest-bearing loans and borrowings are considered to be level 1 liabilities with forward exchange contracts being level 2 assets and liabilities.

### Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain the future development of the business. Given this, the objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The capital structure of the Group consists of debt which includes the borrowings disclosed in this note, cash and cash equivalents and equity attributable to equity holders of the parent, comprising share capital and reserves as disclosed in the Consolidated Statements of Changes in Equity.

Subsequent to 31 December 2019 the Board approved the reset business plan aimed at rebalancing the debt to equity ratio of the Group and improving liquidity through the issuance of new ordinary shares totalling £500m. Further detail is discussed in the Strategic Report.

## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

### 24 Net debt

The Group defines Net Debt as current and non-current borrowings in addition to inventory repurchase arrangements, less cash and cash equivalents including cash held not available for short-term use. Lease liabilities accounted for under IFRS 16 are excluded from Net Debt.

	2019	2018
	£m	£m
Cash and cash equivalents	107.9	144.6
Cash held not available for short-term use	8.7	—
Inventory repurchase arrangement	(38.9)	—
Loans and other borrowings — current	(114.8)	(99.4)
Loans and other borrowings — non-current	(839.1)	(604.7)
Net debt	(876.2)	(559.5)
<b>Movement in net debt</b>		
Net decrease in cash and cash equivalents	(42.5)	(25.9)
Add back cash flows in respect of other components of net debt:		
New borrowings	(260.8)	(98.1)
Proceeds from inventory repurchase arrangement	(38.7)	—
Proceeds from existing borrowings	(102.3)	(0.3)
Repayment of existing borrowings	91.5	—
Movement in cash held not available for short-term use	8.7	—
Transaction fees	4.1	—
Increase in net debt arising from cash flows	(340.0)	(124.3)
Non-cash movements:		
Conversion of preference shares to ordinary shares	—	302.9
Foreign exchange gain/(loss) on secured loan	23.7	(18.4)
Interest added to debt	(1.1)	(49.3)
Unpaid transaction fees	(2.0)	—
Foreign exchange gain and other	2.7	2.7
(Increase)/decrease in net debt	(316.7)	113.6
Net debt at beginning of the year	(559.5)	(673.1)
<b>Net debt at the end of the year</b>	(876.2)	(559.5)

### 25 Provisions

	2019	2018 restated*
	£m	£m
At the beginning of the year	23.7	20.9
Charge for the year	27.9	19.6
Utilisation	(23.5)	(17.1)
Effect of movements in exchange rates	0.1	0.3
At the end of the year	28.2	23.7
Analysed as:		
Current	12.0	10.8
Non-current	16.2	12.9
	28.2	23.7

\*Further details of the restatement is disclosed in note 2.

The provision represents costs provided in respect of the Group's warranty scheme. The warranty provision is calculated based on the level of historic claims and is expected to be substantially utilised within the next three years.

# Notes to the financial statements for the year ended 31 December 2019 — (Continued)

## 26 Pension obligations

### Defined contribution scheme

The Group opened a defined contribution scheme in June 2011. The total expense relating to this scheme was £8.6m (2018: £5.7m). Outstanding contributions at the year-end were £0.6m (2018: £0.5m).

### Defined benefit scheme

The Group operates a defined benefit pension scheme. During 2017 it was agreed and communicated to its members that the scheme's benefits would be amended from a final pensionable salary basis to a career average revalued earnings (CARE) basis with effect from 1 January 2018. The scheme was closed to new entrants on 31 May 2011. The benefits of the existing members were not affected by the closure of the scheme. The assets of the scheme are held separately from those of the Group.

In constructing the investment strategy for the scheme, the Trustees take due account of the liability profile of the scheme along with the level of disclosed surplus or deficit. The investment strategy is reviewed on a regular basis and, at a minimum, on a triennial basis to coincide with actuarial valuations. The primary objectives are to provide security for all beneficiaries and to achieve long term growth sufficient to finance any pension increases and ensure the residual cost is held at a reasonable level.

The pension scheme operates under the regulatory framework of the Pensions Act 2004.

The Trustee has the primary responsibility for governance of the Scheme. Benefit payments are from Trustee-administered funds and scheme assets are held in a Trust which is governed by UK regulation. The Trustee is comprised of representatives of the Group and members of the scheme and an independent, professional Trustee has been appointed during the year.

The pension scheme exposes the Group to the following risks:

*Asset volatility* — the scheme's Statement of Investment Principles targets 55% return-enhancing assets and 45% risk-reducing assets. The Trustee monitors the appropriateness of the scheme's investment strategy, in consultation with the Group, on an on-going basis.

*Inflation risk* — the majority of benefits are linked to inflation and so increases in inflation will lead to higher liabilities (although in most cases there are caps in place which protect against extreme inflation).

*Longevity* — increases in life expectancy will increase the period over which benefits are expected to be payable, which increases the value placed on the scheme's liabilities.

There have been no curtailment events in the years ended 31 December 2019 or 31 December 2018. The projected unit method has been used to determine the liabilities.

The pension cost is assessed in accordance with the advice of an independent qualified actuary. The latest actuarial valuation of the scheme had an effective date of 6 April 2017. The assumptions that make the most significant effect on the valuation are those relating to the rate of return on investments, the rate of increase in salaries and pensions and expected longevity. It was assumed that the pre-retirement investment return would be 3.4% per annum and the post retirement return 2.25% per annum and that salary increases would average 3.0% per annum for the period to 31 March 2021 and 3.55% thereafter.

At the 6 April 2017 actuarial valuation, the actuarial value of the scheme assets was £265.4m, sufficient to cover 85% of the benefits which had accrued to members, after allowing for the expected future increases in earnings. Following this latest actuarial valuation of the scheme contributions increased from 22.5% to 23.7% for the Group where the active member does not participate in the salary sacrifice scheme. For active members participating in the salary sacrifice scheme, employees make no contributions and the Group contribution is 30.2% or 34.7% depending on whether the member opted for benefits of 1/80 or 1/70 of pensionable salary.

## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

The actuarial valuation on 6 April 2017 showed a deficit in the scheme of £48.6m. On 5 July 2018, the Group agreed to increase the recovery plan contributions from £2.8m per annum to £4.0m per annum through to 31 March 2020 and £7.1m thereafter through to 31 July 2025.

Estimated contributions for the year ending 31 December 2020 are £12.8m.

A full actuarial valuation was carried out at 6 April 2017 by a qualified independent actuary. This valuation has been updated by an independent qualified actuary to both 31 December 2018 and 31 December 2019 in accordance with IAS 19R. The next triennial valuation as at 6 April 2020 is due to be completed by June 2021 in line with the scheme specific funding requirements of the Pensions Act 2004. As part of that valuation the Trustee and the Group will review the adequacy of the contributions being paid into the Scheme.

### Assumptions

The principal assumptions used by the actuary were:

	31 December 2019	31 December 2018
Discount rate .....	2.20%	3.15%
Rate of increase in salaries .....	2.90%	3.20%
Rate of revaluation in deferment .....	1.90%	2.20%
Rate of increase in pensions in payment attracting LPI .....	2.85%	3.10%
Expected return on scheme assets .....	2.20%	3.15%
RPI Inflation assumption .....	2.90%	3.20%
CPI Inflation assumption .....	1.90%	2.20%

The Group's inflation assumption reflects its long-term expectations and has not been amended for short-term variability. The post mortality assumptions allow for expected increases in longevity. The 'current' disclosures below relate to assumptions based on the longevity (in years) following retirement at each reporting date, with 'future' being that relating to an employee retiring in 2039 (2019 assumptions) or 2038 (2018 assumptions).

### Projected life expectancy from age 65

	Future Currently aged 45 2019	Current Currently aged 65 2019	Future Currently aged 45 2018	Current Currently aged 65 2018
Male .....	23.2	21.8	23.1	21.7
Female .....	25.5	23.9	25.4	23.8

	Years
Duration of the liabilities in years as at 31 December 2019 .....	25
Duration of the liabilities in years as at 31 December 2018 .....	25



## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

The following table provides information on the composition and fair value of the assets of the Scheme:

	31 December 2019 Quoted	31 December 2019 Unquoted	31 December 2019 Total	31 December 2018 Quoted	31 December 2018 Unquoted	31 December 2018 Total
	£m	£m	£m	£m	£m	£m
<b>Asset Class</b>						
UK Equities . . . . .	43.4	—	43.4	37.9	—	37.9
Overseas Equities . . . . .	48.6	—	48.6	43.3	—	43.3
Property . . . . .	—	28.5	28.5	—	27.8	27.8
Private debt . . . . .	—	20.4	20.4	—	—	—
Index linked gilts . . . . .	—	—	—	56.9	—	56.9
Liability driven investment . . . . .	42.8	19.3	62.1	—	—	—
Corporate bonds . . . . .	—	—	—	—	53.7	53.7
Absolute return bonds . . . . .	—	73.9	73.9	—	—	—
Diversified alternatives . . . . .	—	27.0	27.0	—	26.0	26.0
High yield bonds . . . . .	—	—	—	—	12.6	12.6
Cash . . . . .	2.5	—	2.5	6.5	—	6.5
Insurance policies . . . . .	—	5.4	5.4	—	4.1	4.1
<b>Total . . . . .</b>	<b>137.3</b>	<b>174.5</b>	<b>311.8</b>	<b>144.6</b>	<b>124.2</b>	<b>268.8</b>

The scheme assets and funded obligations at 31 December are summarised below:

	2019	2018
	£m	£m
Total fair value of scheme assets . . . . .	311.8	268.8
Present value of funded obligations . . . . .	(333.4)	(275.2)
Funded status at the end of the year . . . . .	(21.6)	(6.4)
Adjustment to reflect minimum funding requirements . . . . .	(15.2)	(32.3)
<b>Liability recognised in the Statement of Financial Position . . . . .</b>	<b>(36.8)</b>	<b>(38.7)</b>

The adjustment to reflect minimum funding requirements represents the excess of the present value of contractual future recovery plan contributions, discounted using the assumed scheme discount rate, over the funding status established through the actuarial valuation.

Amounts recognised in the Consolidated Income Statement during the year ending 31 December were as follows:

	2019	2018
	£m	£m
<b>Amounts charged to operating (loss)/profit:</b>		
Current service cost . . . . .	(6.9)	(8.1)
Past service cost . . . . .	—	(0.1)
	<b>(6.9)</b>	<b>(8.2)</b>
<b>Amounts charged to finance expense:</b>		
Net interest expense on the net defined benefit liability . . . . .	—	(1.0)
Interest expense on the adjustment to reflect minimum funding requirements . . . . .	(1.1)	—
<b>Total expense recognised in the Income Statement . . . . .</b>	<b>(8.0)</b>	<b>(9.2)</b>

## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

Changes in present value of the defined benefit pensions obligations are analysed as follows:

	2019	2018
	£m	£m
At the beginning of the year	(275.2)	(318.4)
Current service cost	(6.9)	(8.1)
Past service cost	—	(0.1)
Interest cost	(8.5)	(7.8)
Experience losses	(0.1)	(1.6)
Actuarial (losses)/gains arising from changes in financial assumptions	(52.3)	48.7
Distributions	9.9	7.2
Actuarial (losses)/gains arising from changes in demographic assumptions	(0.3)	4.9
Obligation at the end of the year	(333.4)	(275.2)

Changes in the fair value of plan assets are analysed below:

	2019	2018
	£m	£m
At the beginning of the year	268.8	271.5
Interest on assets	8.5	6.8
Employer contributions	11.3	12.0
Return on scheme assets excluding interest income	33.1	(14.3)
Distributions	(9.9)	(7.2)
Fair value at the end of the year	311.8	268.8

	2019	2018
	£m	£m
Actual return on scheme assets	41.6	(7.5)

Analysis of amounts recognised in the Statement of Financial Position:

	2019	2018
	£m	£m
Liability at the beginning of the year	(38.7)	(46.9)
Net expense recognised in the Income Statement	(8.0)	(9.2)
Employer contributions	11.3	12.0
(Loss)/gain recognised in Other Comprehensive Income	(1.4)	5.4
Liability recognised in the Statement of Financial Position at the end of the year	(36.8)	(38.7)

Analysis of amount taken to Other Comprehensive Income:

	2019	2018
	£m	£m
Return on scheme assets excluding interest income	33.1	(14.3)
Experience losses arising on funded obligations	(0.1)	(1.5)
(Losses)/gains arising due to changes in financial assumptions underlying the present value of funded obligations	(52.3)	48.6
Gains/(losses) arising as a result of adjustment made to reflect minimum funding requirements	18.2	(32.3)
(Losses)/gains arising due to changes in demographic assumptions	(0.3)	4.9
Amount recognised in Other Comprehensive Income	(1.4)	5.4

## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

### Sensitivity analysis of the principal assumptions used to measure scheme liabilities

At 31 December 2019 the present value of the benefit obligation is £333.4m (2018: £275.2m) and its sensitivity to changes in key assumptions are:

	Change in assumption	Present value of benefit obligations at 31 December 2019 £m	Present value of benefit obligations at 31 December 2018 £m
Discount rate .....	Decrease by 0.25%	355.1	292.7
Rate of inflation* .....	Increase by 0.25%	352.2	290.0
Life expectancy increased by approximately 1 year .....	Increase by one year	348.1	284.6

\* Applies to the Retail Prices Index and the Consumer Prices index inflation assumptions. The assumption is that the salary increase assumption would also increase by 0.2% per annum after (2020/21).

Funding levels are monitored on a regular basis by the Trustee and the Group to ensure the security of member's benefits. The next triennial valuation as at 6 April 2020 is due to be completed by June 2021 in line with the scheme specific funding requirements of the Pensions Act 2004. As part of that valuation the Trustee and the Group will review the adequacy of the contributions being paid into the Scheme.

	2019 £m	2018 £m
<b>Expected future benefit payments</b>		
Year 1 (2020 / 2019) .....	2.6	2.8
Year 2 (2021 / 2020) .....	3.0	2.6
Year 3 (2022 / 2021) .....	3.6	3.0
Year 4 (2023 / 2022) .....	4.6	3.6
Year 5 (2024 / 2023) .....	4.9	4.7
Years 6 to 10 (2024 to 2029) .....	38.8	34.9

### History of scheme experience

	2019	2018
Present value of the scheme liabilities (£m) .....	(333.4)	(275.2)
Fair value of the scheme assets (£m) .....	311.8	268.8
Deficit in the scheme before to adjusting to reflect minimum funding requirements .....	(21.6)	(6.4)
Experience gains/(losses) on scheme assets excluding interest income (£m) .....	33.1	(14.3)
Percentage of scheme assets .....	10.6%	(5.3%)
Experience losses on scheme liabilities (£m) .....	(0.1)	(1.5)
Percentage of the present value of the scheme liabilities .....	0.0%	(0.5%)
Total amount recognised in Other Comprehensive Income (£m) .....	(1.4)	5.4
Percentage of the present value of the scheme liabilities .....	(0.4%)	2.0%

# Notes to the financial statements for the year ended 31 December 2019 — (Continued)

## 27 Share capital and other reserves

	2019	2018
	£m	£m
Allotted, called up and fully paid		
228,002,890 ordinary shares of 0.00904p each (2018: 228,002,890) .....	2.1	2.1
Shares classified as shareholders' funds .....	2.1	2.1

In 2018 the Group, formally headed by Aston Martin Holdings (UK) Limited, undertook a capital restructuring exercise. As part of this exercise, Aston Martin Lagonda Global Holdings Limited was incorporated on 27 July 2018 and on 3 September 2018 acquired the entire share capital of Aston Martin Holdings (UK) Limited by way of a share for share exchange. This transaction was accounted for as a reverse acquisition in line with IFRS 3.

On 7 September 2018, Aston Martin Global Holdings Limited re-registered as a public limited company under the name Aston Martin Lagonda Global Holdings plc and subsequently on 3 October 2018 the Company's shares were admitted to the London Stock Exchange.

Further details of the capital restructuring are disclosed in the Consolidated Statement of Changes in Equity for the year ended 31 December 2018. Included within Capital Reserve is £5.5m relating to a capital contribution made by existing shareholders as part of the acquisition of the Group in 2007, in addition to £1.1m relating to the 50% interest in the share capital of AMWS Limited, the parent company of Aston Martin Works Limited.

Subject to shareholder approval, on 31 January 2020 the Group announced plans to raise £182m through the issuance of 45.6m new ordinary shares. Subsequent to this a rights issue is to be launched to raise a further £318m through the issuance of additional new ordinary shares with the quantity to be determined after the approval of these Consolidated Financial Statements.

# Notes to the financial statements for the year ended 31 December 2019 — (Continued)

## 28 Additional cash flow information

### Reconciliation of movements of select liabilities to cash flows arising from financing activities

The tables below reconcile the reconciliation of movements of certain liabilities to cash flows arising from financing activities for the years ending 31 December.

Liabilities	Borrowings and inventory arrangements	Lease liability	Unsecured Loans	\$150m 12.0% SSN	\$190m 6.5% SSN	£285m 5.75% SSN	\$400m 6.5% SSN	TOTAL
	£m	£m	£m	£m	£m	£m	£m	£m
<b>At 1 January</b>								
<b>2019</b> .....	<b>111.8</b>	<b>116.5</b>	<b>1.4</b>	<b>—</b>	<b>—</b>	<b>276.5</b>	<b>314.4</b>	<b>820.6</b>
<i>Changes from financing cash flows</i>								
Interest paid ....	(3.7)	(4.6)	(0.5)	—	(5.3)	(16.4)	(21.5)	(52.0)
Principal lease payment .....	—	(10.9)	—	—	—	—	—	(10.9)
Repayment of existing borrowings ...	(90.0)	—	(1.5)	—	—	—	—	(91.5)
Proceeds from existing borrowings ...	102.3	—	—	—	—	—	—	102.3
Inventory repurchase arrangement ..	38.7	—	—	—	—	—	—	38.7
New borrowings ...	—	—	—	122.2	138.6	—	—	260.8
Transaction costs paid .....	(0.7)	—	—	(2.8)	(0.6)	—	—	(4.1)
Total changes from financing cash flows ....	46.6	(15.5)	(2.0)	119.4	132.7	(16.4)	(21.5)	243.3
Effect of changes in exchange rates .....	—	(0.5)	0.1	(9.1)	(2.0)	—	(12.6)	(24.1)
New leases under IFRS 16 .....	—	9.8	—	—	—	—	—	9.8
Modifications to existing leases .....	—	(3.5)	—	—	—	—	—	(3.5)
Unpaid transaction costs .....	—	—	—	(1.2)	(0.8)	—	—	(2.0)
Interest expense .....	4.3	4.6	0.5	2.9	7.3	18.9	21.4	59.9
<b>Balance at 31 December</b>								
<b>2019</b> .....	<b>162.7</b>	<b>111.4</b>	<b>—</b>	<b>112.0</b>	<b>137.2</b>	<b>279.0</b>	<b>301.7</b>	<b>1,104.0</b>

## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

Liabilities	Loans and Borrowings	Unsecured Loans	£285m 5.75% SSN	\$400m 6.5% SSN	Preference Shares	TOTAL
	£m	£m	£m	£m	£m	£m
At 1 January 2018 .....	13.5	1.3	274.3	295.9	255.9	840.9
Changes from financing cash flows						
Interest paid .....	(6.6)	—	(16.4)	(19.2)	—	(42.2)
Movement in borrowings ....	0.3	—	—	—	—	0.3
New borrowings .....	98.1	—	—	—	—	98.1
Total changes from financing cash flows .....	91.8	—	(16.4)	(19.2)	—	56.2
Effect of changes in exchange rates .....	—	0.1	—	18.5	—	18.6
Conversion of preference shares .....	—	—	—	—	(349.8)	(349.8)
Interest expense .....	6.5	—	18.6	19.2	93.9	138.2
Balance at 31 December 2018 .....	111.8	1.4	276.5	314.4	—	704.1

### 29 Share based payments

#### Long-term incentive scheme

On 27 June 2019 Executive Directors and certain other employees were granted conditional share awards under the Company's Long-Term Incentive Plan ("LTIP"). In respect of this arrangement total charges to the Consolidated Income Statement were £0.1m (2018: not present). The Directors consider this not material and hence further detailed disclosures have been omitted.

#### Legacy executive long-term incentive scheme

The fair value of options granted is based on a Monte Carlo Simulation due to the vesting being based on market conditions. Enterprise values have been used as the basis for determining the fair value of the Legacy LTIP awards.

	2018 grant of 2014 Legacy LTIP	2018 grant of 2017 Legacy LTIP	2018 grant of 2018 Legacy LTIP
Aggregate fair value at measurement date (£m) ..	4.8	25.5	1.2
Exercise price (p) .....	—	—	—
Expected volatility (%) .....	30	22	23
Dividend yield (%) .....	0	0	0
Risk free interest rate (%) .....	1.70	0.14	0.65

The expected volatility is wholly based on the historical volatility of listed automotive peers over a period commensurate with the terms of each award.

The total expense recognised for both the LTIP and Legacy LTIP in the period arising from equity-settled share-based payments is as follows:

	2019	2018
	£m	£m
LTIP share option charge .....	0.1	—
Legacy LTIP share option charge (note 6) .....	3.6	24.1
	<b>3.7</b>	<b>24.1</b>



# Notes to the financial statements for the year ended 31 December 2019 — (Continued)

## 30 Capital commitments

Capital expenditure contracts to the value of £74.4m (2018: £94.2m) have been committed but not provided for as at 31 December 2019.

## 31 Related party transactions

Transactions between Group undertakings, which are related parties, have been eliminated on consolidation and accordingly are not disclosed. The Group has entered into transactions, in the ordinary course of business, with entities with significant influence over the Group. Transactions entered into, and trading balances outstanding at each year end with entities with significant influence over the Group are as follows:

<i>Related party — Group</i>	Sales to related party	Purchases from related party	Amounts owed by related party	Amounts owed to related party
	£m	£m	£m	£m
<b>Entities with significant influence over the Group . . . . 31 December 2019</b>	<b>1.1</b>	<b>4.0</b>	<b>0.2</b>	<b>0.6</b>
Entities with significant influence over the Group . . . . 31 December 2018	1.4	2.4	—	1.1

During the year ended 31 December 2019 no payments (2018: £9.5m) were made to existing shareholders.

### Transactions with directors

In the year ended 31 December 2019 no cars were sold to any directors (2018: one car sold to Dr Andrew Palmer for £0.1m excluding value added tax). No amounts were outstanding at either year end.

### Terms and conditions of transactions with related parties

Sales and purchases between related parties are made at normal market prices. Outstanding balances with entities other than subsidiaries are unsecured, interest free and cash settlement is expected within 60 days of invoice. Terms and conditions for transactions with subsidiaries are the same, with the exception that balances are placed on intercompany accounts. The Group has not provided or benefited from any guarantees for any related party receivables or payables.

## 32 Post balance sheet events

On 31 January 2020 the Group announced plans to raise £500m through the issuance of new ordinary shares to a consortium of investors in addition to a subsequent rights issue — see the Strategic Report for further detail.

## 33 Group companies

In accordance with Section 409 of the Companies Act 2006 a full list of entities in which the Group has an interest of greater than or equal to 20%, the registered office and effective percentage of equity owned as at 31 December 2019 are disclosed below.

# Notes to the financial statements for the year ended 31 December 2019 — (Continued)

## Investments in subsidiary undertakings

Subsidiary undertakings	Holding	Proportion of voting rights and shares held	Nature of Business
Aston Martin Holdings (UK) Limited*	Ordinary	100%	Dormant company
Aston Martin Capital Holdings Limited** ◇	Ordinary	100%	Financing company holding the Senior Secured Notes
Aston Martin Investments Limited**	Ordinary	100%	Holding company
Aston Martin Capital Limited** ◇	Ordinary	100%	Dormant company — formerly the financing company that held the previous Senior Secured Notes that were repaid in 2017
Aston Martin Lagonda Group Limited**	Ordinary	100%	Holding company
Aston Martin Lagonda of North America Incorporated** ^	Ordinary	100%	Luxury sports car distributor
Lagonda Properties Limited**	Ordinary	100%	Dormant company
Aston Martin Lagonda Pension Trustees Limited**	Ordinary	100%	Trustee of the Aston Martin Lagonda Limited Pension Scheme
Aston Martin Lagonda Limited**	Ordinary	100%	Manufacture and sale of luxury sports cars, the sale of parts and motorsport activities
AM Brands Limited** ◇	Ordinary	100%	Grants licences to third parties for the use of the Aston Martin brand for products worldwide
Aston Martin Lagonda of Europe GmbH** >	Ordinary	100%	Provision of engineering and sales and marketing services
AML Overseas Services Limited**	Ordinary	100%	Dormant company
Aston Martin Italy S.r.l.** <	Ordinary	100%	Dormant company
Aston Martin Lagonda (China) Automobile Distribution Co., Ltd** √	Ordinary	100%	Luxury sports car distributor
AM Nurburgring Racing Limited**	Ordinary	100%	Dormant company
Aston Martin Japan GK** <<	Ordinary	100%	Operator of the sales office in Japan and certain other countries in the Asia Pacific region
Aston Martin Lagonda — Asia Pacific PTE Limited** >>	Ordinary	100%	Operator of the sales office in Singapore and certain other countries in the Asia Pacific region
AMWS Limited** ◇	Ordinary	50%***	Holding company
Aston Martin Works Limited**	Ordinary	50%***	Sale, servicing and restoration of Aston Martin cars, and manufacture of Continuation vehicles.

All subsidiaries are incorporated in England and Wales unless otherwise stated.

◇ incorporated in Jersey (tax resident in the United Kingdom)

^ incorporated in the United States of America

> incorporated in Germany

< incorporated in Italy

<< incorporated in Japan

>> incorporated in Singapore

√ incorporated in the People's Republic of China

\* Held directly by Aston Martin Lagonda Global Holdings plc

\*\* Held indirectly by Aston Martin Lagonda Global Holdings plc

\*\*\* The Group exercises management control of these legal entities and therefore the results, assets and liabilities have been wholly included in the Consolidated Financial Statements. The individual results, aggregate assets and aggregate liabilities included within the Consolidated Financial Statements are summarised here in.

## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

On 18 December 2019 AML Italy S.r.l was liquidated and ceased to be a subsidiary of the Group as of this date.

	Aston Martin Works Limited 2019	AMWS Limited 2019	Aston Martin Works Limited 2018	AMWS Limited 2018
	£m	£m	£m	£m
Total assets .....	41.0	—	28.0	—
Total liabilities .....	(12.8)	—	(5.2)	—
<b>Net assets</b> .....	<b>28.2</b>	<b>—</b>	<b>22.8</b>	<b>—</b>
Revenue .....	74.0	—	74.3	—
Profit after tax .....	17.6	—	11.2	—
Group's share of profit .....	8.8	—	5.6	—

### Registered addresses

Aston Martin Holdings (UK) Limited .....	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
Aston Martin Capital Holdings Limited .....	Le Gallais Building, 54 Bath Street, St Helier, Jersey, JE1 8SB
Aston Martin Investments Limited .....	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
Aston Martin Capital Limited .....	Le Gallais Building, 54 Bath Street, St Helier, Jersey, JE1 8SB
Aston Martin Lagonda Group Limited .....	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
Aston Martin Lagonda of North America Incorporated .....	9920 Irvine Center Drive, Irvine, CA 92618, United States of America
Lagonda Properties Limited .....	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
Aston Martin Lagonda Pension Trustees Limited .....	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
Aston Martin Lagonda Limited .....	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
AM Brands Limited .....	Le Gallais Building, 54 Bath Street, St Helier, Jersey, JE1 8SB
Aston Martin Lagonda of Europe GmbH .....	Gottlieb-Daimler-Strasse 30, 53520 Meuspath, Germany
AML Overseas Services Limited .....	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
Aston Martin Italy S.r.l .....	Corso Magenta 84, Milano, Italy.
Aston Martin Lagonda (China) Automobile Distribution Co., Ltd .....	Unit 2901, Raffles City Office Tower, No. 268 Xi Zang Middle Road, Huangpu District, Shanghai, China 200001
AM Nurburgring Racing Limited .....	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
Aston Martin Japan GK .....	1-2-3 Kita-Aoyama, Minato-ku, Tokyo 107-0061, Japan
Aston Martin Lagonda — Asia Pacific PTE Limited .....	8 Marina View, # 41-05, Asia Square Tower 1, Singapore 018960
AMWS Limited .....	Le Gallais Building, 54 Bath Street, St Helier, Jersey, JE1 8SB
Aston Martin Works Limited .....	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB

# Notes to the financial statements for the year ended 31 December 2019 — (Continued)

## 34 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.

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

- i) Adjusted EBT is the (loss)/profit before tax and adjusting items as shown in the Consolidated Income Statement.
- ii) Adjusted EBIT is (loss)/profit from operating activities before adjusting items.
- iii) Adjusted EBITDA removes depreciation, loss on sale of fixed assets and amortisation from adjusted EBIT.
- iv) Adjusted Earnings Per Share is loss after 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 after 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 in addition to inventory repurchase arrangements, less cash and cash equivalents and cash held not available for short-term use but excluding lease liabilities recognised following the adoption of IFRS 16, as shown in the Consolidated Statement of Financial Position.
- vii) Adjusted leverage is represented by the ratio of Net Debt to the last twelve months ('LTM') Adjusted EBITDA, excluding the impact of IFRS 16.
- viii) Adjusted Return on Invested Capital represents adjusted operating profit after adjusted tax divided by the sum of gross debt, including inventory repurchase arrangements whilst excluding lease liabilities, and equity.

### Income statement

	2019	2018
	£m	£m
<b>Loss before tax</b> . . . . .	<b>(104.3)</b>	(68.2)
Adjusting operating expenses (note 6) . . . . .	42.1	74.1
Adjusting finance expenses (note 9) . . . . .	6.6	61.9
<b>Adjusted (loss)/profit before tax (EBT)</b> . . . . .	<b>(55.6)</b>	67.8
Adjusted finance income . . . . .	(16.3)	(4.2)
Adjusted finance expense . . . . .	77.3	83.3
<b>Adjusted Operating Profit (EBIT)</b> . . . . .	<b>5.4</b>	146.9
Reported depreciation . . . . .	42.7	32.4
Reported amortisation . . . . .	85.2	67.6
Loss on disposal of fixed assets . . . . .	0.9	0.4
<b>Adjusted EBITDA</b> . . . . .	<b>134.2</b>	247.3

## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

### Earnings per share

	2019	2018
	£m	£m
<b>Adjusted earnings per ordinary share</b>		
Loss available for equity holders (£m) .....	(113.2)	(62.7)
Adjusting items (note 6)		
Adjusting items before tax (£m) .....	48.7	136.0
Tax on adjusting items (£m) .....	(8.8)	(10.5)
Adjusted (loss)/earnings (£m) .....	(73.3)	62.8
Basic weighted average number of ordinary shares <sup>1</sup> (million) .....	228.0	202.1
Adjusted (loss)/earnings per ordinary share (pence) .....	(32.1p)	31.1p
<b>Adjusted diluted earnings per ordinary share</b>		
Adjusted (loss)/earnings (£m) .....	(73.3)	62.8
Diluted weighted average number of ordinary shares <sup>1</sup> (million) .....	228.0	202.1
Adjusted diluted earnings per ordinary share (pence) .....	(32.1p)	31.1p
	2019	2018
	£m	£m
<b>Normalised adjusted earnings per ordinary share</b>		
Adjusted (loss)/earnings (£m) .....	(73.3)	62.8
Basic number of ordinary shares as at 31 December <sup>2</sup> (million) .....	228.0	228.0
Normalised adjusted (loss)/earnings per ordinary share (pence) .....	(32.1p)	27.5p
<b>Normalised adjusted diluted earnings per ordinary share</b>		
Adjusted (loss)/earnings (£m) .....	(73.3)	62.8
Diluted number of ordinary shares as at 31 December <sup>2</sup> (million) .....	228.0	228.0
Normalised adjusted diluted (loss)/earnings per ordinary share (pence) .....	(32.1p)	27.5p

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 (see note 27) 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. No adjustment is made for the potential number of ordinary shares issued as part of the 2019 Long-term incentive plan as including them in anti-dilutive.

### Net debt

	2019	2018
	£m	£m
<b>Opening cash and cash equivalents</b> .....	144.6	167.8
Cash inflow from operating activities .....	19.4	222.6
Cash outflow from investing activities .....	(305.2)	(306.3)
Cash inflow from financing activities .....	243.3	57.8
Effect of exchange rates on cash and cash equivalents .....	5.8	2.7
<b>Cash and cash equivalents at 31 December</b> .....	107.9	144.6
Cash held not available for short-term use .....	8.7	—
Borrowings .....	(953.9)	(704.1)
Inventory repurchase arrangement .....	(38.9)	—
<b>Net Debt</b> .....	(876.2)	(559.5)
Adjusted EBITDA .....	134.2	247.3
<b>Impact of IFRS 16 or adjusted EBITDA</b> .....	14.5	—
<b>Adjusted EBITDA (excluding the impact of IFRS 16 – note 16)</b> .....	119.7	247.3
<b>Adjusted leverage</b> .....	7.3x	2.3x

## Notes to the financial statements for the year ended 31 December 2019 — (Continued)

### Adjusted Return on invested capital

	2019	2018
	£m	£m
Adjusted operating profit (EBIT) .....	5.4	146.9
Tax (charge)/credit .....	(8.9)	0.6
Adjusted operating loss/(profit) after tax .....	(3.5)	147.5
Senior Secured Notes .....	829.9	590.9
Unsecured loans .....	—	1.4
Inventory repurchase arrangement .....	38.9	—
Loans and borrowings .....	124.0	111.8
Gross Debt .....	992.8	704.1
Total Shareholders' equity .....	358.9	449.4
	1,351.7	1,153.5
Adjusted Return on Invested Capital .....	(0.3%)	12.8%



## Independent auditor's report

To the members of Aston Martin Lagonda Global Holdings plc

### 1. Our opinion is unmodified

We have audited the financial statements of Aston Martin Lagonda Global Holdings plc ("*the Company*") for the year ended 31 December 2018 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Parent Company Statement of Financial Position, Parent Company Statement of Changes in Equity, and the related notes, including the accounting policies in note 2.

#### In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2018 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("*ISAs (UK)*") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the directors for the year ended 31 December 2007, prior to the company becoming a public interest entity. The period of total uninterrupted engagement is for the 1 financial year ended 31 December 2018 as a public-interest entity and 12 years in total. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including in respect of the period since the company became a public interest entity the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

#### Overview

##### Materiality:

Group financial statements as a whole	£3m (2017: £3m) 4.4% (2017: 4.1%) of normalised group profit before tax
Coverage	99% (2017: 95%) of Group loss before tax

Key audit matters		vs 2017
Recurring risks .....	Recognition of capitalised development costs	◄
	Impairment of capitalised development costs	▲
	Revenue recognition around the year end and bill and hold sales	◄
	Recoverability of parent company investment in subsidiaries	◄
Brexit driven .....	Brexit	▲
	Going concern	▲

## 2. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
<b>The impact of uncertainties due to the UK exiting the European Union on our audit</b> Refer to pages 92 and 95 (Risk and Viability Report)	<p><b>Unprecedented levels of uncertainty:</b></p> <p>All audits assess and challenge the reasonableness of estimates, in particular as described in recognition of capitalised development costs, impairment of capitalised development costs and recoverability of parent company investment in subsidiaries below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see below). All of these depend on assessments of the future economic environment and the Group's future prospects and performance.</p> <p>In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the directors' statement that</p>	<p>We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included:</p> <ul style="list-style-type: none"> <li>• <b>Our Brexit knowledge:</b> We considered the directors' assessment of Brexit-related sources of risk for the group's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks.</li> <li>• <b>Sensitivity analysis:</b> When addressing recognition of capitalised development costs and impairment of capitalised development costs and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably</li> </ul>

	The risk	Our response
<p>Subjective assessment of timing for meeting capitalisation criteria (£653 million; 2017: £511 million) Refer to pages 93 and 95 (Risk and Viability Report), page 113 (Audit and Risk Committee Report), page 165</p>	<p>the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.</p>	<p>possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty.</p>
	<p>Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.</p>	<ul style="list-style-type: none"> <li>• <b>Assessing transparency:</b> As well as assessing individual disclosures as part of our procedures on recognition of capitalised development costs, impairment of capitalised development costs and recoverability of parent company investment in subsidiaries, we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks.</li> </ul> <p><b>Our results</b></p> <ul style="list-style-type: none"> <li>• As reported under recognition of capitalised development costs, impairment of capitalised development costs and recoverability of parent company investment in subsidiaries, we found the resulting estimates and related disclosures of intangibles, investments and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.</li> </ul> <p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• <b>Accounting analysis:</b> Assessing the Group's policy for the capitalisation of development costs against criteria in relevant accounting standards to assess whether the timing of</li> </ul>

	The risk	Our response
(accounting policy) and page 178 (financial disclosures).		capitalisation of costs is appropriate.
		<ul style="list-style-type: none"> <li>• <b>Testing application:</b> We select a sample of capitalised costs and agree to supporting documentation such as time recording records and purchase invoices to obtain confirmation that the cost is properly recorded from the point at which capitalisation is allowable in the standard.</li> </ul>
		<b>Our results</b>
		<ul style="list-style-type: none"> <li>• We found the level of capitalised development costs to be acceptable.</li> </ul>
<b>Impairment of capitalised development costs due to unprofitable projects</b> (£nil; 2017: £nil) Refer to page 93 (Risk and Viability Report), page 113 (Audit and Risk Committee Report), page 166 (accounting policy) and page 179 (financial disclosures).	<b>Forecast-based valuation:</b> <p>The value of development costs is supported by the future profitability of the vehicles to which they are attributed.</p> <p>An impairment assessment is carried out annually and when there is an indicator of impairment.</p> <p>The valuation assessment uses a net present value of forecast cash flows for each vehicle to which the capitalised costs relate.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• <b>Our sector experience:</b> Assessing through consideration of our business understanding and assessment of specific projects and the associated cash flows, whether any trigger events have arisen which would indicate a possible impairment.</li> <li>• <b>Benchmarking assumptions:</b> Challenging the Group's valuation assumptions by comparing to externally derived data in relation to key inputs such as projected economic growth, discount rates. In addition to this, we looked at the level of competition in the luxury car market to assess whether the assumptions used appeared reasonable.</li> <li>• <b>Assessing transparency:</b> Assessing whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflects the risks inherent in the valuation.</li> </ul>

The risk	Our response
<p><b>Revenue recognition around the year end and bill and hold sales</b> (£1,097 million; 2017: £876 million) Refer to page 164 (accounting policy) and page 172 (financial disclosures).</p> <p><b>2018 year end sales:</b></p> <p>There may be pressure on management to increase revenue as this is a key performance indicator of the Group and could be subject to internal and external targets which increases the risk of fraudulently recording fictitious revenues.</p> <p>Vehicles may be sold on a 'bill and hold' basis whereby revenue is recognised before delivery to the customer, and therefore there is a risk that revenue is not recognised in line with the inco terms of the dealership agreement, thus resulting in a potential cut off misstatement (whether caused by fraud error).</p>	<p><b>Our results</b></p> <ul style="list-style-type: none"> <li>• We found the resulting estimate of the recoverable amount of capitalised development costs to be acceptable.</li> </ul> <p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• <b>Controls testing:</b> Reviewing the process for identifying completeness of sales made on a bill and hold basis.</li> <li>• <b>Tests of detail:</b> Testing, on a sample basis, whether specific revenue transactions around the year end have been recognised in the appropriate period by assessing whether the significant risks and rewards of ownership and control have passed, with reference to the nature of the products, the terms of sale within the associated contracts and the status of acceptance of the product.</li> <li>• <b>Tests of detail:</b> Considering whether a sample of credit notes issued after the year end should reduce revenue in the period and challenging those that do not by obtaining evidence that they relate to 2019 revenue items.</li> <li>• <b>Tests of detail:</b> Where vehicles have been sold using a bill and hold agreement, inspecting the supporting documentation and agreeing that this is signed by the customer and appropriately sets out that the vehicle was ready for sale, that control had passed and that the vehicle was in a saleable condition.</li> <li>• <b>Tests of detail:</b> Agreeing manual journals impacting the revenue financial statement caption to supporting documentation, in order to understand whether the transaction is</li> </ul>

	The risk	Our response
		genuine and appropriately recognised.
		<b>Our results</b>
		<ul style="list-style-type: none"> <li>• We found the recognition of revenue to be acceptable.</li> </ul>
<b>Going concern</b>	<b>Disclosure quality:</b>	Our procedures included:
Refer to pages 94 and 95 (Risk and Viability Report), page 163 (accounting policy).	The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and parent company.	<ul style="list-style-type: none"> <li>• <b>Historical comparisons:</b> We compared management's forecasts for the financial year against actuals to understand how well management had budgeted.</li> </ul>
Refer to pages 94 and 95 (Risk and Viability Report), page 163 (accounting policy).	That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements.	<ul style="list-style-type: none"> <li>• <b>Sensitivity analysis:</b> We considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively. This included stress testing the facilities in place to assess the level of headroom available in the Group and the mitigating actions management could take in the event of a reduction in the financial resources of the Group. We considered whether the mitigating actions were reasonable and within the control of management.</li> </ul>
	The risk most likely to adversely affect the Group's and Company's available financial resources over this period was the impact of Brexit on the Group's supply chain.	
	The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.	<ul style="list-style-type: none"> <li>• <b>Assessing transparency:</b> Assessing the completeness and accuracy of the matters covered in the going concern disclosures in the financial statements.</li> </ul>
		<b>Our results</b>
		We found the application of the going concern basis and disclosures to be acceptable.
<b>Recoverability of parent company investment in subsidiaries</b> (£815 million) Refer to page 208 (accounting policy) and page 209 (financial disclosures).	<b>Forecast-based valuation:</b>	Our procedures included:
	The carrying amount of the parent company's investments in subsidiaries represents 100% of the company's total assets. Their recoverability is not at a high risk of significant	<ul style="list-style-type: none"> <li>• <b>Tests of detail:</b> Comparing the carrying amount of the investments with the relevant subsidiaries' draft balance sheet to identify whether their net assets,</li> </ul>



The risk	Our response
misstatement or subject to significant judgement due to the value of the Group and the headroom in the Group impairment calculations. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	<p>being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit- making.</p> <ul style="list-style-type: none"> <li>• <b>Tests of detail:</b> Reviewing the market capitalisation of the group against the value of the parent company investment in the group to understand if there are any indications of impairment.</li> <li>• <b>Tests of detail:</b> Reviewing the value in use calculation performed by management against the value of the parent company investment in the group to understand if there are any indications of impairment.</li> </ul> <p><b>Our results</b></p> <ul style="list-style-type: none"> <li>• We found the resulting estimate of the recoverable amount of the parent company's investment in subsidiaries to be acceptable.</li> </ul>

We continue to perform procedures over the valuation of defined benefit scheme obligations. However, following our revised risk assessment, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

### 3. Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £3m (2017: £3m), determined with reference to a benchmark of Group profit before tax (of which it represents 4.4% (2017: 4.1%) normalised to exclude significant non-recurring items being £61m in relation to management/staff incentive costs, £62m in relation to preferential share costs, and £13m of bank/advisor fees related to the IPO, as disclosed in note 6. Last years profit before tax figure was normalised to exclude significant non- recurring items being £24 million gain on transition of pension scheme to CARE basis, and £13 million of costs in relation to bond issue. The group team performed procedures on the items excluded from normalised Group profit before tax.

Materiality for the parent company financial statements as a whole was set at £2.4m, determined with reference to a benchmark of company total assets, of which it represents 0.5%.

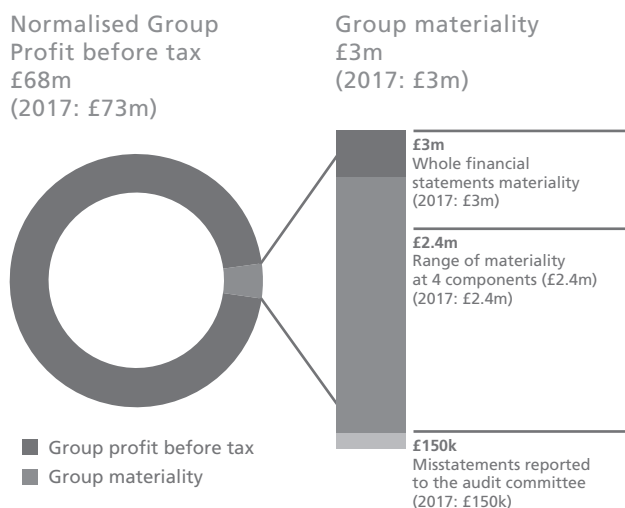
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £150,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 12 (2017: 11) reporting components, we subjected 7 (2017: 6) to full scope audits for group purposes and 1 (2017: 0) to specified risk-focused audit procedures over revenue. The latter were not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed. We conducted reviews of financial information (including enquiry) at a further 4 non-significant components to obtain an understanding of the activity in the year.

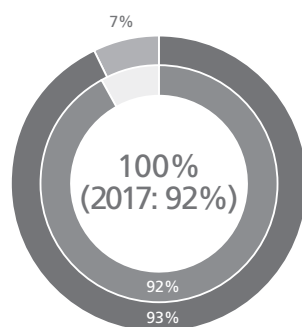
The components within the scope of our work accounted for the percentages illustrated opposite.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materiality, which was set at £2.4m for all components, having regard to the mix of size and risk profile of the Group across the components. The Group team visited 1 (2017: 1) component location in China (2017: China). Telephone conference meetings were also held with these component auditors. At these visits and meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

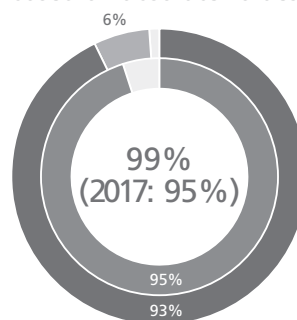
The work on 1 of the 3 components (2017: 1 of the 3 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team.



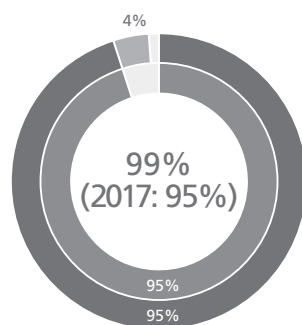
Group revenue



Group profit before tax based on absolute values



Group total assets



- Full scope for Group audit purposes 2018
- Specified risk-focused audit procedures 2018
- Full scope for Group audit purposes 2017
- Residual components

#### **4. We have nothing to report on going concern**

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements (*"the going concern period"*).

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model, including the impact of Brexit, and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- if the same statement is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

#### **5. We have nothing to report on the other information in the annual report**

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

##### **Strategic report and directors' report**

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

##### **Directors' remuneration report**

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

### **Disclosures of principal risks and longer-term viability**

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement on page 95 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

### **Corporate governance disclosures**

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- a corporate governance statement has not been prepared by the company.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

Based solely on our work on the other information described above:

- with respect to the Corporate Governance Statement disclosures about internal control and risk management systems in relation to financial reporting processes and about share capital structures:
  - we have not identified material misstatements therein; and
  - the information therein is consistent with the financial statements; and
- in our opinion, the Corporate Governance Statement has been prepared in accordance with relevant rules of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

## **6. We have nothing to report on the other matters on which we are required to report by exception**

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

## **7. Respective responsibilities**

### **Directors' responsibilities**

As explained more fully in their statement set out on page 148, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **Irregularities — ability to detect**

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to component audit teams of relevant laws and regulations identified at group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Group is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures

required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

## **8. The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Greg Watts (Senior Statutory Auditor)**

for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

27 February 2019



## Financial statements

### Consolidated statement of comprehensive income for the year ended 31 December 2018

	Notes	2018			2017 (restated **)		
		Adjusted	Adjusting items*	Total	Adjusted	Adjusting items*	Total
		£m	£m	£m	£m	£m	£m
Revenue .....	3	1,096.5	—	1,096.5	876.0	—	876.0
Cost of sales .....		(660.7)	—	(660.7)	(496.2)	—	(496.2)
<b>Gross profit</b> .....		<b>435.8</b>	<b>—</b>	<b>435.8</b>	<b>379.8</b>	<b>—</b>	<b>379.8</b>
Selling and distribution expenses .....		(89.8)	—	(89.8)	(60.0)	—	(60.0)
Administrative and other expenses .....	6	(219.1)	(74.1)	(293.2)	(195.3)	24.3	(171.0)
Other income .....	5	20.0	—	20.0	—	—	—
<b>Operating profit</b> .....	4,6	<b>146.9</b>	<b>(74.1)</b>	<b>72.8</b>	<b>124.5</b>	<b>24.3</b>	<b>148.8</b>
Finance income .....	8	4.2	—	4.2	35.6	—	35.6
Finance expense .....	9	(83.3)	(61.9)	(145.2)	(87.0)	(12.9)	(99.9)
<b>(Loss)/profit before tax</b> .....		<b>67.8</b>	<b>(136.0)</b>	<b>(68.2)</b>	<b>73.1</b>	<b>11.4</b>	<b>84.5</b>
Income tax credit/(charge) .....	10	0.6	10.5	11.1	(3.6)	(4.1)	(7.7)
<b>(Loss)/profit for the year</b> .....		<b>68.4</b>	<b>(125.5)</b>	<b>(57.1)</b>	<b>69.5</b>	<b>7.3</b>	<b>76.8</b>
<b>Earnings per ordinary share</b>							
Basic .....	12			(31.0p)			38.3p
Diluted .....	12			(31.0p)			36.5p
<b>(Loss)/profit attributable to:</b>							
Owners of the group .....				(62.7)			74.2
Non-controlling interests .....				5.6			2.6
				(57.1)			76.8
<b>Other comprehensive income</b>							
<b>Items that will never be reclassified to the Income Statement</b>							
Remeasurement of defined benefit liability .....	27			5.4			2.9
Related income tax .....	10			(0.9)			(0.5)
<b>Items that are or may be reclassified to the Income Statement</b>							
Foreign exchange translation differences .....				0.7			(0.7)
Fair value adjustment on cash flow hedges and secured loan, net of tax ..				(23.5)			—
<b>Other comprehensive income for the period, net of income tax</b> .....				<b>(18.3)</b>			<b>1.7</b>
<b>Total comprehensive income for the period</b> .....				<b>(75.4)</b>			<b>78.5</b>
<b>Total comprehensive income for the period attributable to:</b>							
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 2 with further detail shown in notes 6 and 9.

\*\* The 2017 comparative period has been restated to reflect the adoption of IFRS 15 — see note 2.

The notes on pages 163 to 205 form an integral part of the financial statements.

## Consolidated statement of changes in equity

Group	Share Capital	Share Premium	Share Warrants	Capital Reserve	Non- controlling Interest	Translation Reserve	Hedge Reserve	Retained Earnings	Total Equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>At 1 January 2018 (restated — note 2)</b> .....	—	353.7	18.5	94.1	7.6	1.6	—	(339.4)	136.1
<b>Total comprehensive income for the period</b>									
(Loss)/profit for the year .....	—	—	—	—	5.6	—	—	(62.7)	(57.1)
<b>Other comprehensive income</b>									
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 (note 27) .....	—	—	—	—	—	—	—	5.4	5.4
Dividend paid to non-controlling interest .....	—	—	—	—	(3.0)	—	—	—	(3.0)
Income tax on other comprehensive income (note 10) .....	—	—	—	—	—	—	—	(0.9)	(0.9)
<b>Total other comprehensive income</b> .....	—	—	—	—	(3.0)	0.7	(23.5)	4.5	(21.3)
<b>Total comprehensive income for the period</b> .....	—	—	—	—	2.6	0.7	(23.5)	(58.2)	(78.4)
<b>Transactions with owners, recorded directly in equity</b>									
Shares issued during the year ....	2.1	—	—	—	—	—	—	—	2.1
Share premium on shares issued .....	—	352.2	—	—	—	—	—	—	352.2
Capital reduction (note 28) .....	—	(353.6)	—	(87.5)	—	—	—	441.1	—
Exercise of share warrants (note 28) .....	—	—	(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
<b>Total transactions with owners</b> .....	2.1	(1.4)	(18.5)	(87.5)	—	—	—	497.0	391.7
<b>At 31 December 2018</b> .....	2.1	352.3	—	6.6	10.2	2.3	(23.5)	99.4	449.4

Group	Share Capital	Share Premium	Share Warrants	Capital Reserve	Non- controlling Interest	Translation Reserve	Hedge Reserve	Retained Earnings	Total Equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>At 1 January 2017</b> .....	—	368.8	18.5	94.1	5.0	2.3	—	(416.0)	72.7
Prior period adjustment (note 2) .....	—	(15.1)	—	—	—	—	—	—	(15.1)
<b>At 1 January 2017 (restated)</b> .....	—	353.7	18.5	94.1	5.0	2.3	—	(416.0)	57.6
<b>Total comprehensive income for the period</b>									
Profit for the year (restated) .....	—	—	—	—	2.6	—	—	74.2	76.8
<b>Other comprehensive income</b>									
Foreign currency translation differences .....	—	—	—	—	—	(0.7)	—	—	(0.7)
Remeasurement of defined benefit liability (note 27) .....	—	—	—	—	—	—	—	2.9	2.9
Income tax on other comprehensive income (note 10) .....	—	—	—	—	—	—	—	(0.5)	(0.5)
<b>Total other comprehensive income</b> .....	—	—	—	—	—	(0.7)	—	2.4	1.7
<b>Total comprehensive income for the period</b> .....	—	—	—	—	2.6	(0.7)	—	76.6	78.5
<b>Transactions with owners, recorded directly in equity (Prior period adjustment — note 2)</b> .....	—	—	—	—	—	—	—	—	—
<b>At 31 December 2017</b> .....	—	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 £m	2017 <i>restated</i> £m
<b>Non-current assets</b>			
Intangible assets	13	1,071.7	930.7
Property, plant and equipment	15	313.0	243.9
Other receivables	19	1.8	2.1
Deferred tax asset	10	123.1	37.1
		<b>1,509.6</b>	<b>1,213.8</b>
<b>Current assets</b>			
Inventories	17	165.3	127.8
Trade and other receivables	19	241.6	115.7
Other financial assets	18	0.1	7.0
Cash and cash equivalents	20	144.6	167.8
		<b>551.6</b>	<b>418.3</b>
<b>Total assets</b>		<b>2,061.2</b>	<b>1,632.1</b>
<b>Current liabilities</b>			
Borrowings	23	99.4	13.5
Trade and other payables	21	696.1	483.1
Income tax payable		4.9	2.7
Other financial liabilities	22	4.2	18.2
Provisions	26	10.8	12.0
		<b>815.4</b>	<b>529.5</b>
<b>Non-current liabilities</b>			
Borrowings	23	604.7	827.4
Trade and other payables	21	12.2	17.7
Other financial liabilities	22	4.4	—
Employee benefits	27	38.7	46.9
Provisions	26	25.4	13.9
Deferred tax liabilities	10	111.0	60.6
		<b>796.4</b>	<b>966.5</b>
<b>Total liabilities</b>		<b>1,611.8</b>	<b>1,496.0</b>
<b>Net assets</b>		<b>449.4</b>	<b>136.1</b>
<b>Capital and reserves</b>			
Share capital	28	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)
<b>Equity attributable to owners of the group</b>		<b>439.2</b>	<b>128.5</b>
Non-controlling interests		10.2	7.6
<b>Total shareholders' equity</b>		<b>449.4</b>	<b>136.1</b>

The financial statements were approved by the board of directors on 27 February 2019 and were signed on its behalf by:

**Dr Andrew Palmer**  
President and Chief Executive Officer

**Mark Wilson**  
Executive Vice President and Chief Financial Officer

Company Number: 11488166

## Consolidated statement of cash flows for the year ended 31 December 2018

	Notes	2018 £m	2017 <i>restated</i> £m
<b>Operating activities</b>			
(Loss)/profit for the year		(57.1)	76.8
<i>Adjustments to reconcile (loss)/profit for the year to net cash inflow from operating activities</i>			
Tax on continuing operations	10	(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	4	0.4	(0.1)
Depreciation and impairment of property, plant and equipment	4,15	32.4	27.4
Amortisation and impairment of intangible assets	4,13	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	26	10.0	12.5
Cash generated from operations		230.5	344.7
Income taxes paid	10	(7.9)	(0.7)
<b>Net cash inflow from operating activities</b>		222.6	344.0
<b>Cash flows from investing activities</b>			
Interest received	8	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	16	—	(50.1)
Payments to acquire property, plant and equipment		(101.9)	(75.0)
Payments to acquire intangible assets		(208.6)	(219.2)
<b>Net cash used in investing activities</b>		(306.3)	(346.6)
<b>Cash flows from financing activities</b>			
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	23,24	0.3	(474.3)
New borrowings	23,24	98.1	606.1
Transaction fees on new borrowings	24	—	(12.1)
<b>Net cash inflow from financing activities</b>		57.8	69.9
<b>Net (decrease)/increase in cash and cash equivalents</b>	24	(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	24	2.7	(1.2)
<b>Cash and cash equivalents at the end of the year</b>		144.6	167.8

# Notes to the financial statements for the year ended 31 December 2018

## 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*”). In preparing the Parent Company Financial Statements the Company has applied the s408 of the Companies Act 2006 exemption allowing it to not present an individual Income Statement and related notes.

The Group Financial Statements have been prepared under the historical cost convention except where the measurement of balances at fair value is required as explained below. The financial statements are prepared in Sterling which is the Company’s functional currency.

An overview of the business activities of Aston Martin Lagonda, including a review of the key business risks that the Group faces, is given in the Strategic Report on pages 26 to 57. The debt facilities available to the Group and the maturity profile of this debt is shown in note 23 of the financial statements.

The Group meets its day-to-day working capital requirements and medium term funding requirements through a mixture of Senior Secured Notes (\$400m 6.5%, £230m and £55m at 5.75%) which mature in April 2022, a revolving credit facility (£80m) of which £10m was undrawn at 31 December 2018 which matures January 2022, facilities to finance inventory, back-to-back loans and a wholesale vehicle financing facility.

The amounts outstanding on all the borrowings are shown in note 23 to the financial statements.

The Directors have prepared trading and cash flow forecasts for the period to 2023 from the date of approval of these financial statements. These forecasts show that the Group has sufficient financial resources to meet its obligations as they fall due for the period of at least 12 months from the date that these financial statements were approved.

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 represent their best estimate of future events, based on the information that is available to them at the time of approval of these financial statements.

The Group plans to make continued investment for growth in the next 12 months, accordingly funds generated through operations are expected to be reinvested in the business mainly through new model development and other capital expenditure. To a certain extent such expenditure is discretionary and in the event of risks occurring which could have a particularly severe effect on the Group, for instance, an extreme ‘Brexit’ scenario, actions such as constraining capital spending would be taken to safeguard its financial position.

The Directors have also prepared downside forecasts which incorporate certain adverse sensitivities which while not expected, still represent reasonably possible scenarios. In these forecasts the Group still has sufficient financial resources to meet its obligations as they fall due for the period of at least 12 months from the date these financial statements are approved. The Directors have taken into account reasonably foreseeable ‘Brexit’ scenarios in concluding on the adequacy of the funds available to them in the forecast period.

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.



# Notes to the financial statements for the year ended 31 December 2018 — (Continued)

## 2 Accounting policies

### Basis of consolidation

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 (see note 28).

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 these 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.

### Subsidiaries

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. The financial statements of subsidiaries used in the preparation of the Consolidated Financial Statements are prepared for the same reporting year as the Company and are based on consistent accounting policies. All intercompany balances and transactions, including unrealised profits arising from them, are eliminated.

### Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency of the operation by applying the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the Income Statement, except for differences on monetary assets and liabilities that form part of the Group's net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in other comprehensive income.

The assets and liabilities of foreign operations are translated into sterling at the rate of exchange ruling at the reporting date. Income and expenses are translated at average exchange rates for the period. The resulting exchange differences are taken directly to other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in other comprehensive income relating to the foreign operation is recognised in the Income Statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

### Revenue recognition

Revenue is recognised when the Group satisfies its performance obligation to supply a product or service to the customer. Revenue is measured at the fair value of the consideration receivable,

## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

deducting wholesale and any anticipated retail discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised.

### ***Sale of vehicles***

Revenue from the sale of vehicles is recognised when control of the vehicle is passed to the buyer, which is normally considered to be at the point of despatch to the dealer, distributor or any other party or when the vehicles are adopted by the dealer, distributor or other party. Control of a vehicle allows the buyer to direct the use of and obtain substantially all of the remaining benefits typically at the point of despatch. When despatch is deferred at the formal request of the buyer, revenue is recognised when the vehicle is ready for despatch and a written request to hold the vehicle until a specified delivery date has been received.

Where deposits have been taken for vehicles and the expected sale will take place in excess of one year from the deposit being taken, an imputed interest expense is calculated on the vehicle deposit to reflect the time value of money and held as a liability in the Statement of Financial Position. When the vehicles are sold, the liability is released and the revenue relating to these vehicle sales is credited to the Income Statement. Warranties are issued on new vehicles sold with no separate purchase option available to the customer. On this basis warranties are accounted for in accordance with IAS 37.

### ***Sales of parts***

Revenue from the sale of parts is generally recognised upon despatch to the dealer or any other party. Where the dealer is Aston Martin Works Limited or Aston Martin Italy S.r.l, both indirect subsidiaries of the Company, revenue is recognised at the point of despatch to a buyer outside of the Group.

### ***Servicing and restoration of vehicles and bodyshop sales***

Income from servicing and restoration of vehicles and bodyshop sales is recognised as the services are completed.

### ***Brands and motorsport***

Income from brands and motorsport is recognised when the performance obligations under the contract have been fulfilled. Revenue in relation to these contracts is recognised either at a point in time or over a period of time in line with IFRS 15 according to the terms and performance obligations of the contract.

### ***Other income***

Other income consists of income not directly related to the main activities of the Group.

### ***Finance income***

Finance income comprises interest receivable on funds invested calculated using the effective interest rate method, net interest income on the net defined benefit liability or asset and gains on financial instruments that are recognised in the Income Statement.

### ***Finance expense***

Finance expense comprises interest payable on borrowings calculated using the effective interest rate method, net interest expense on the net defined benefit liability or asset, losses on financial instruments that are recognised in the Income Statement and net losses on financial liabilities measured at amortised cost.

### ***Current/non-current classification***

Current assets include assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised in, or intended for sale or consumption in the Group's ordinary

## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

course of business. Current assets also include assets classified as held for sale. All other assets are classified as non-current assets.

Current liabilities include liabilities held primarily for trading purposes, liabilities expected to be settled as part of the Group's normal course of business and those liabilities due within one year from the reporting date. All other liabilities are classified as non-current liabilities.

### **Goodwill**

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

For the purpose of impairment testing, goodwill is allocated to the related cash-generating unit. The only cash generating unit of the Group is that of Aston Martin Lagonda Group Limited as there are no smaller groups of assets that can be identified with certainty which generate specific cash flows that are independent of the inflows generated by other assets or groups of assets. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the Income Statement.

### **Intangible assets**

Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Fair value adjustments are considered to be provisional at the first year end date after the acquisition to allow the maximum time to elapse for management to make a reliable estimate.

### **Business combinations**

All business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

### ***Purchased intellectual property***

Purchased intellectual property that is not integral to an item of property, plant and equipment is recognised separately as an intangible asset. It is stated at cost less accumulated depreciation.

### ***Brands***

An acquired brand is only recognised in the Statement of Financial Position as an intangible asset where it is supported by a registered trademark, is established in the market place, the brand could be sold separately from the rest of the business and where the brand achieves earnings in excess of those achieved by unbranded products. The value of an acquired brand is determined by allocating the purchase price consideration of an acquired business between the underlying fair values of the tangible assets, goodwill, brands and other intangible assets acquired, using an income approach following the multi-period excess earnings methodology.

# Notes to the financial statements for the year ended 31 December 2018 — (Continued)

## Development costs

Expenditure on internally developed intangible assets, excluding development costs, is taken to the Income Statement in the year in which it is incurred. Clearly defined and identifiable development costs are capitalised under *IAS 38 — Intangible Assets* after all of the following criteria have been met:

- The project's technical feasibility and commercial viability, based on management judgement derived from estimated future cashflows, can be demonstrated when the project has reached a defined milestone according to the Group's established product development model;
- the availability of adequate technical and financial resources for the project;
- an intention to complete the project has been confirmed; and
- the correlation between development costs and future revenues has been established.

See note 13 for further detail.

## Technology

Patented and unpatented technology acquired in business combinations is valued using the cost approach. The value is determined using the substitution principle by adjusting the actual costs incurred by the loss due to obsolescence at the date of acquisition of Aston Martin Lagonda Group Limited. The obsolete element is determined by reference to the proportion of the product life cycle that had expired at the acquisition date.

Technology acquired from third parties is included at fair value.

## Dealer network

Save for certain direct sales of some special edition and Q Commissions, the Group sells its vehicles exclusively through a network of dealers. All dealers in the dealer network are independent dealers, with the exception of Aston Martin Works Limited or Aston Martin Italy S.r.l. To the extent that the Group benefits from the network as its only means of distribution, the dealer network has been valued based on costs incurred by the Group.

## Amortisation

Following initial recognition, the historic cost model is applied, with intangible assets being carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation of these capitalised costs begins when the asset is available for use. Intangible assets with a finite life have no residual value and are amortised on a straight line basis over their expected useful lives with charges included in the Income Statement as follows:

	Years
Purchased intellectual property .....	5
Brands .....	Indefinite life
Development costs .....	1 to 10
Technology .....	10
Dealer network .....	20

The useful lives and residual values of capitalised development costs are determined by management at the time of capitalisation and are reviewed annually for appropriateness and recoverability. The lives are based on historic similar assets as well as anticipated future events which may have an impact on their useful life.

## Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other

## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

consideration given to acquire the asset and includes directly attributable costs to make the asset capable of operation. Borrowing costs directly attributable to assets under construction are capitalised.

Depreciation is provided on all property, plant and equipment, other than land, on a straight-line basis to its residual value over its expected useful life as follows:

	Years
Freehold buildings .....	30
Plant, machinery, fixtures, fittings and tooling .....	3 to 30
Motor vehicles .....	5 to 9

Tooling is depreciated over the life of the project.

Assets in the course of construction are included in their respective category but are not depreciated until available for use.

No depreciation is provided on freehold land.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the Income Statement in the period of derecognition.

### Investments in subsidiaries

The Company recognises investments in subsidiaries at cost in its individual Financial Statements. Income is recognised from these investments only in relation to distributions received from post-acquisition profits. Distributions received in excess of post-acquisition profits are deducted from the cost of investment.

### Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset, or cash-generating unit's, fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses on continuing operations are recognised in the Income Statement in a category appropriate to the function.

For goodwill and brands that have an indefinite life, and capitalised development costs not yet available for use, recoverable amount is estimated annually or more frequently when there is an indication that the asset is impaired.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised in the Income Statement as income immediately.

Impairment losses recognised on goodwill cannot be reversed.

# Notes to the financial statements for the year ended 31 December 2018 — (Continued)

## **Inventories**

Inventories are stated at the lower of cost and net realisable value. For service and restoration projects, net realisable value is the price at which the project can be invoiced in the normal course of business after allowing for the costs of realisation. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

- Raw materials, service parts and spare parts — purchase cost on a first-in, first-out basis;
- Work in progress and finished vehicles — cost of direct materials and labour plus attributable overheads based on a normalised level of activity, excluding borrowing costs.

Provisions are made, on a specific basis, for obsolete, slow moving and defective stocks and if the cost of the service or restoration project cannot be fully recovered.

## **Leases**

### ***Operating lease payments***

Payments made under operating leases are recognised in the Income Statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Income Statement as an integral part of the total lease expense.

## **Cash and cash equivalent**

Cash and short-term deposits in the Statement of Financial Position comprise cash at banks, in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Where consignment and deposit monies have been received from customers or dealers, these are included in trade and other payables and released to the Income Statement on completion of the sale. The financial liability on deposits is derecognised when the entity does not have any obligation with respect to these deposits.

## **Derivative financial instruments**

Derivative financial assets and liabilities are recognised on the Statement of Financial Position at fair value when the Group becomes a party to the contractual provisions of the instrument. The Group uses derivative instruments to manage its exposure to foreign exchange risk arising from operating and financing activities. Movements in the fair value of foreign exchange derivatives are recognised in finance income or expense and realised gains and losses in cost of sales in the Income Statement, with movements in the fair value of interest rate derivatives taken through finance income or finance expense, as appropriate. A financial asset or liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

## **Financial assets and liabilities**

Financial assets are cash or a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or liabilities with another entity under conditions that are potentially favourable to the entity. In addition, contracts that result in another entity delivering a variable number of its own equity instruments are financial assets.

## **Trade and other receivables**

Trade and other receivables are carried at the lower of their original invoiced value and recoverable amount. A trade receivable loss allowance is measured at an amount equal to the lifetime expected credit loss at initial recognition and throughout the life of the receivable. Receivables are not discounted as the time value of money is not considered to be material.



# Notes to the financial statements for the year ended 31 December 2018 — (Continued)

## **Derivative financial assets**

A derivative financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A derivative financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

## **Trade and other payables**

Trade and other payables are recognised and carried at their original invoiced value. Payables are not discounted to take into account the time value of money, as the effect is immaterial.

## **Hedge accounting**

### ***Cash flow hedge***

Where a derivative is designated and qualifies as a hedge of a foreign transaction, any effective portion of the change in fair value is recognised in equity. Any ineffective portion is recognised in the Income Statement. Amounts accumulated in equity are recycled to the Income Statement in the period when the hedged item affects the Income Statement.

### ***Financial Liability as a hedge***

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognised in the Income Statement.

## **Preference shares**

Preference shares are initially recognised at fair value at the date of issue and thereafter carried at amortised cost.

The classification of preference shares between debt and equity is based on an assessment of the substance of their contractual arrangements and the definition of a financial liability and an equity instrument.

Preference shares that exhibit characteristics of a liability are recognised as a liability in the Statement of Financial Position, net of transaction costs. The corresponding dividends on those shares are charged as interest expense in the Income Statement.

## **Borrowings**

Borrowings 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 the Income Statement over the period of the borrowings on an effective interest basis.

## **Pensions**

The Group operates a defined contribution pension plan under which the Group pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Income Statement in the periods during which services are rendered by employees.

The Group operates a defined benefit pension plan, which is contracted out of the state scheme. The Group's net obligation in respect of defined benefit plans is calculated for the plan by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any minimum funding requirements.

Remeasurements of the net defined benefit asset or liability, which comprise actuarial gains and losses, the interest on plan assets, and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in Other Comprehensive Income. The Group determines the net interest expense (income) on the net defined benefit asset or liability, taking into account any changes in the net defined asset or liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the Income Statement.

When the benefits of the plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service cost or the gain or loss on curtailment is recognised immediately in the Income Statement. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

### Share-based payment transactions

The fair value of share-based awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the shares. The amount recognised as an expense is adjusted to reflect the actual number of shares awarded when the related service and non-market vesting conditions are met.

### Warranty and service plan provision

The Group provides product warranties on all new vehicle sales and service plans on certain new vehicle sales. Provisions are generally recognised when vehicles are sold or when new warranty programs are initiated. Based on historical warranty claim experience, assumptions are made on the type and extent of future warranty claims and customer goodwill, as well as on possible recall campaigns. These assessments are based on experience of the frequency and extent of vehicle faults and defects in the past. In addition, the estimates include assumptions on the potential repair costs per vehicle and the effects of possible time or mileage limits. The provisions are regularly adjusted to reflect new information.

### Income taxes

Tax on the profit or loss for the period represents the sum of the tax currently payable and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in Other Comprehensive Income.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the reporting date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and

## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the reporting date.

### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs. Dividends and distributions relating to equity instruments are debited direct to equity.

### 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 adjusting items recognised in the current and prior year are set out in notes 6 and 9 to the Financial Statements.

### Critical accounting assumptions and key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the period. The nature of estimation means that actual outcomes could differ from those estimates.

In the process of applying the Group's accounting policies, which are described in this note, 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; and
- the recognition of deferred tax assets.

Management apply judgement in determining the point in the vehicle development life cycle that the criteria under IAS 38 are satisfied.

Based on future profit forecasts management have exercised judgement and determined that all tax losses and other timing differences will reverse in the foreseeable future crystallising the benefit of the deferred tax 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 financial year are as follows:

- the measurement and impairment of indefinite life intangible assets (including goodwill); 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 which includes the estimation of future cash flows and choosing a suitable discount rate (see note 14). The result of the calculation of the value in use is sensitive to the assumptions made and is a subjective estimate.

The Group has determined that there is one cash-generating unit. This is on the basis that there are no smaller groups of assets that can be identified with certainty which generate specific cash flows that are independent of the inflows generated by other assets or groups of assets.

## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

There are a range of assumptions that could be made and the measurement of defined benefit pension assets and obligations is very sensitive to these. Note 27 provides information on these assumptions and the inherent sensitivities.

Measurement of defined benefit pension obligations requires estimation of future changes in salaries and inflation, mortality rates, the expected return on assets and suitable discount rates (see note 27).

### 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
	<u>5.6</u>
Other financial liabilities before correction .....	(3.1)
Other financial liabilities as restated in the Consolidated Statement of Financial Position and note 22 .....	(18.2)
	<u>(15.1)</u>
<b>Impact on Net assets .....</b>	<b>(9.5)</b>
Share premium before correction .....	368.8
Share premium as restated in the Consolidated Statement of Financial Position .....	353.7
	<u>(15.1)</u>
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 .....	—
	<u>5.6</u>
<b>Impact on equity attributable to owners of the Group .....</b>	<b>(9.5)</b>

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

### New accounting standards

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)

# Notes to the financial statements for the year ended 31 December 2018 — (Continued)

## 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 (note 21) . . . . .	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 9) . . . . .	(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)

## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

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 (note 21) . . . . .	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 9) . . . . .	(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 IFRS 9.

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.



## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

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 hedge 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 (see note 23).

### ***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 were endorsed but not effective at 31 December 2018 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.

# Notes to the financial statements for the year ended 31 December 2018 — (Continued)

## 3 Segmental reporting

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	2017
	£m	£m
<b>Analysis by category</b>		
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	—
	<b>1,096.5</b>	<b>876.0</b>

Revenue	2018	2017
	£m	£m
<b>Analysis by geographic location</b>		
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
	<b>1,096.5</b>	<b>876.0</b>

### Non-current assets other than financial instruments and deferred tax assets by geographic location

As at 31 December 2018	Property, Plant and equipment	Goodwill	Intangible Assets	Other Receivables	Total
	£m	£m	£m	£m	£m
United Kingdom .....	310.1	84.8	967.9	—	1,362.8
The Americas .....	0.1	—	—	—	0.1
Rest of Europe .....	2.7	—	19.0	1.8	23.5
Asia Pacific .....	0.1	—	—	—	0.1
	<b>313.0</b>	<b>84.8</b>	<b>986.9</b>	<b>1.8</b>	<b>1,386.5</b>

As at 31 December 2017	Property, Plant and equipment	Goodwill	Intangible Assets	Other Receivables	Total
	£m	£m	£m	£m	£m
United Kingdom .....	240.4	84.8	825.1	—	1,150.3
The Americas .....	0.1	—	—	—	0.1
Rest of Europe .....	2.8	—	20.8	2.1	25.7
Asia Pacific .....	0.6	—	—	—	0.6
	<b>243.9</b>	<b>84.8</b>	<b>845.9</b>	<b>2.1</b>	<b>1,176.7</b>

## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

### 4 Operating profit

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

	2018	2017
	£m	£m
Depreciation and impairment of property, plant and equipment (note 15) . . . . .	32.4	27.4
Amortisation and impairment of intangible assets (note 13) . . . . .	67.6	54.7
Loss/(profit) on sale of property, plant and equipment . . . . .	0.4	(0.1)
Provision for the impairment of trade receivables (note 23) . . . . .	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	(0.3)	(0.3)
Auditor's remuneration:		
• Audit of these financial statements . . . . .	0.2	—
• Audit of financial statements of subsidiaries pursuant to legislation . . . . .	0.3	0.2
• Taxation compliance . . . . .	0.3	0.4
• Taxation advisory services . . . . .	0.6	—
• Other corporate finance services . . . . .	1.0	—
• All other services . . . . .	0.2	0.6
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 (note 13) . . . . .	(202.3)	(213.3)
Research and development expenditure recognised as an expense . . . . .	11.5	11.1

### 5 Other income

	2018	2017
	£m	£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.

### 6 Adjusting items

	2018	2017
	£m	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

## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

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.

### 7 Staff costs and directors' emoluments

	2018	2017
	£m	£m
(a) Staff costs (including directors)		
Wages and salaries <sup>1</sup>	164.6	93.8
Social security costs <sup>1</sup>	32.3	9.9
Expenses related to post-employment defined benefit plan	8.2	12.4
Contributions to defined contribution plans	6.3	3.7
	<b>211.4</b>	<b>119.8</b>

1. Includes £61.2m of Initial Public Offering related staff incentive costs incurred during the year ended 31 December 2018.

The average monthly number of employees during the years ended 31 December 2018 and 31 December 2017 were:

By activity	2018 Number	2017 Number
Production	1,024	827
Selling and distribution	265	227
Administration	974	699
	<b>2,263</b>	<b>1,753</b>

	2018	2017
	£m	£m
(b) Directors' emoluments and transactions		
Directors' emoluments	3.5	—
Company contributions to pension schemes	0.1	—
Gains on the exercise of share options (legacy LTIP) <sup>2</sup>	40.8	—

2. This amount comprises the figures disclosed in the Legacy LTIP section of the Directors' Remuneration Report on page 136 relating to those shares exercised in the period not the shares subject to lock up arrangements, as follows. Dr Palmer received 3,273,830 shares (1.4% of the issued share capital) of which 1,538,701 were sold immediately upon Admission (at £19 per share, £29,235,319 in aggregate) to settle tax and national insurance due. Of the remaining shares, Dr Palmer was permitted to sell 347,024 shares (20%) and retain the proceeds (being £6,593,456). The balance of 1,388,105 shares (having an aggregate value at the IPO share price of £19 per share, of £26,373,995) are subject to lock-up arrangements (see below). Mr Wilson received 458,336 shares (0.2% of the issued share capital) of which 215,418 were sold immediately upon Admission (at £19 per share, £4,092,942 in aggregate) to settle tax and national insurance due. Of the remaining shares, Mr Wilson was permitted to sell 48,583 shares (20%) and retain the proceeds (being £923,077). The balance of 194,335 shares (having an aggregate value at the IPO share price of £19 per share, of £3,692,365) are subject to lock-up arrangements.

As the company was incorporated on 27 July 2018 there are no comparative figures for 2017.

Further information relating to directors' remuneration is set out in the Directors' Remuneration Report on pages 118 to 143.

	2018	2017
	£m	£m
(c) Compensation of key management personnel (including directors)		
Short-term employee benefits	8.0	7.5
Share related awards	28.6	—
Post-employment benefits	0.3	0.4
	<b>36.9</b>	<b>7.9</b>

## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

Compensation for loss of office payments included above amounted to £nil (2017: £nil).

All of the directors benefited from qualifying third party indemnity provisions.

### 8 Finance income

	2018	2017
	£m	£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
<b>Total finance income .....</b>	<b>4.2</b>	<b>35.6</b>

### 9 Finance expense

	2018	2017 restated
	£m	£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
Interest on long-term deposits held (note 2) .....	5.6	2.2
<b>Finance expense before adjusting items .....</b>	<b>83.3</b>	<b>87.0</b>
<i>Adjusted finance expense items:</i>		
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
<b>Total finance expense .....</b>	<b>145.2</b>	<b>99.9</b>

## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

### 10 Tax expense on continuing operations

Current tax (credit)/charge	2018	2017
	£m	£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
<b>Tax relating to items charged in other comprehensive income</b>		
<i>Deferred tax</i>		
Actuarial gains on defined benefit pension plan	0.9	0.5
Fair value adjustment on cash flow hedges	(3.5)	—
	(2.6)	0.5
<b>Tax relating to items charged in equity</b>		
<i>Deferred tax</i>		
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		2017 restated
	£m		£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.



## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

### (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	2017
	£m	£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	Assets 2017	Liabilities 2018	Liabilities 2017
	£m	£m	£m	£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	Recognised in income and OCI	Recognised in equity	Acquisition of subsidiary	31 December 2018
	£m	£m	£m	£m	£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)

## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

### Movement in deferred tax in 2017

	1 January 2017	Recognised in income and OCI	Recognised in equity	Acquisition of subsidiary	31 December 2017
	£m	£m	£m	£m	£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	2017
	£m	£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.

### 11 Dividends

No dividends have been paid or proposed during either the year ended 31 December 2018 or the year ended 31 December 2017.

### 12 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. See note 28 for detail on the ordinary share movements as part of the initial public offering process during the year ended 31 December 2018.

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 34.

	2018	2017 restated
<b>Continuing and total operations</b>		
<b>Basic earnings per ordinary share</b>		
(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
<b>Diluted earnings per ordinary share</b>		
(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

## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

	2018 Number	2017 Number
Diluted weighted average number of ordinary shares is calculated as:		
Basic weighted average number of ordinary shares <sup>1</sup> (million) . . . . .	202.1	193.8
Adjustments for calculation of diluted earnings per share <sup>2</sup> :		
Options <sup>3</sup> . . . . .	—	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 (see note 28), 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 considered probable in accordance with IFRS 2.

Adjusted earnings per share is disclosed in note 34 to show performance undistorted by adjusting items and give a more meaningful comparison of the Group's performance.

### 13 Intangible assets

	Brands	Technology	Dealer Network and Other	Deferred Development Cost	Goodwill	Total
	£m	£m	£m	£m	£m	£m
<b>Cost</b>						
Balance at 1 January 2017 . . . . .	242.6	21.2	59.2	616.5	85.4	1,024.9
Additions . . . . .	—	—	5.9	213.3	—	219.2
Acquisitions (note 16) . . . . .	55.0	—	4.4	—	—	59.4
Disposals . . . . .	—	—	(1.5)	—	—	(1.5)
Balance at 31 December 2017 . . . . .	297.6	21.2	68.0	829.8	85.4	1,302.0
<b>Balance at 1 January 2018 . . . . .</b>	<b>297.6</b>	<b>21.2</b>	<b>68.0</b>	<b>829.8</b>	<b>85.4</b>	<b>1,302.0</b>
<b>Additions . . . . .</b>	<b>—</b>	<b>—</b>	<b>6.3</b>	<b>202.3</b>	<b>—</b>	<b>208.6</b>
<b>Balance at 31 December 2018 . . . . .</b>	<b>297.6</b>	<b>21.2</b>	<b>74.3</b>	<b>1,032.1</b>	<b>85.4</b>	<b>1,510.6</b>
<b>Amortisation</b>						
Balance at 1 January 2017 . . . . .	—	0.5	47.9	269.2	0.5	318.1
Amortisation for the year . . . . .	—	1.9	3.6	49.1	0.1	54.7
Disposals . . . . .	—	—	(1.5)	—	—	(1.5)
Balance at 31 December 2017 . . . . .	—	2.4	50.0	318.3	0.6	371.3
<b>Balance at 1 January 2018 . . . . .</b>	<b>—</b>	<b>2.4</b>	<b>50.0</b>	<b>318.3</b>	<b>0.6</b>	<b>371.3</b>
<b>Amortisation for the year . . . . .</b>	<b>—</b>	<b>1.9</b>	<b>5.1</b>	<b>60.6</b>	<b>—</b>	<b>67.6</b>
<b>Balance at 31 December 2018 . . . . .</b>	<b>—</b>	<b>4.3</b>	<b>55.1</b>	<b>378.9</b>	<b>0.6</b>	<b>438.9</b>
<b>Net book value</b>						
At 1 January 2017 . . . . .	242.6	20.7	11.3	347.3	84.9	706.8
At 31 December 2017 . . . . .	297.6	18.8	18.0	511.5	84.8	930.7
<b>At 1 January 2018 . . . . .</b>	<b>297.6</b>	<b>18.8</b>	<b>18.0</b>	<b>511.5</b>	<b>84.8</b>	<b>930.7</b>
<b>At 31 December 2018 . . . . .</b>	<b>297.6</b>	<b>16.9</b>	<b>19.2</b>	<b>653.2</b>	<b>84.8</b>	<b>1,071.7</b>

The automotive Brand identified above and valued through the acquisition of Aston Martin Lagonda Group Limited at £242.6m has been identified as having an indefinite life due to the long history and wide recognition of the brand.

## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

The fair value of the remaining rights to the brand acquired in December 2017 was £59.4m (see note 16).

Dealer Network and Other intangible assets of £19.2m (2017: £18.0m) include £6.7m (2017: £7.2m) relating to the dealer network, £6.6m relating to software development (2017: £4.3m), £4.0m relating to the right of use of a trade mark "*Aston Martin*" for automotive activities (2017: £4.3m) and £1.9m relating to other items (2017: £2.2m).

Goodwill of £85.4m (2017: £85.4m) relates to the following: £84.1m (2017: £84.1m) arose on the acquisition of Aston Martin Lagonda Group Limited by Aston Martin Holdings (UK) Limited (via Aston Martin Investments Limited) in 2007. £0.4m (2017: £0.4m) results from the acquisition of AMWS Limited, the parent company of Aston Martin Works Limited in 2014. £0.9m (2017: £0.9m) results from a transfer-in when Aston Martin Works Limited became part of the Group in 2014.

### 14 Impairment testing of goodwill and other intangible fixed assets with indefinite useful lives

Goodwill and brands acquired through business combinations have been allocated for impairment testing purposes to one cash generating unit — the Aston Martin Lagonda Group Limited business. This represents the lowest level within the Group at which goodwill and brands are monitored for internal purposes. Furthermore, there are no smaller groups of assets that can be identified with certainty which generate specific cash flows that are independent of the inflows generated by other assets or groups of assets.

The Group tests the carrying value of goodwill and brands at the cash-generating unit level for impairment annually or more frequently if there are indications that goodwill or brands might be impaired. At the year end reporting date, a review was undertaken on a value-in-use basis, assessing whether the carrying values of goodwill and brands were supported by the net present value of future cash flows derived from those assets.

#### Key assumptions used in value-in-use calculations

The calculation of value-in-use for the cash-generating unit is most sensitive to the following assumptions:

Cash flows were projected based on actual operating results and the five-year business plan. Beyond this, cash flows were extrapolated using a constant growth rate of 2% per annum. Key assumptions such as revenue, gross margin and fixed costs within the forecasts are based on past experience and current business strategy.

Discount rates are calculated using a weighted average cost of capital approach. They reflect the individual nature and specific risks relating to the business and the market in which it operates. The post-tax discount rate used was 8.8% (2017: 12.3%)<sup>1</sup>. An exchange rate of \$1.40/£ has been used in the forecast.

#### Sensitivity analysis

- the post-tax discount rate would need to increase to 16.7% in order for the assets to become impaired
- the rate of growth of 2% per annum beyond the five-year plan would need to be a decline of 13.0% in order for the assets to become impaired
- the exchange rate would need to increase to \$1.88/£ (with all other currencies moving against the £ in line with the \$) in order for the assets to become impaired.

1. The post-tax discount rate used for the period ended 31 December 2018 reflects the capital structure of the Group post initial public offering.

## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

### 15 Property, plant and equipment

	Freehold land and Buildings	Plant, machinery, fixtures, fittings and tooling	Motor Vehicles	Total
	£m	£m	£m	£m
<b>Cost</b>				
Balance at 1 January 2017 .....	68.5	413.8	0.7	483.0
Additions .....	—	74.9	0.1	75.0
Disposals .....	—	—	(0.1)	(0.1)
Effect of movements in exchange rates .....	0.1	0.1	—	0.2
Balance at 31 December 2017 .....	68.6	488.8	0.7	558.1
<b>Balance at 1 January 2018 .....</b>	<b>68.6</b>	<b>488.8</b>	<b>0.7</b>	<b>558.1</b>
<b>Additions .....</b>	<b>0.1</b>	<b>101.7</b>	<b>0.1</b>	<b>101.9</b>
<b>Disposals .....</b>	<b>—</b>	<b>(0.6)</b>	<b>(0.1)</b>	<b>(0.7)</b>
<b>Effect of movements in exchange rates .....</b>	<b>—</b>	<b>0.1</b>	<b>—</b>	<b>0.1</b>
<b>Balance at 31 December 2018 .....</b>	<b>68.7</b>	<b>590.0</b>	<b>0.7</b>	<b>659.4</b>
<b>Depreciation</b>				
Balance at 1 January 2017 .....	20.6	265.9	0.2	286.7
Charge for the year .....	2.3	25.1	—	27.4
Disposals .....	—	—	—	—
Effect of movements in exchange rates .....	0.1	—	—	0.1
Balance at 31 December 2017 .....	23.0	291.0	0.2	314.2
<b>Balance at 1 January 2018 .....</b>	<b>23.0</b>	<b>291.0</b>	<b>0.2</b>	<b>314.2</b>
<b>Charge for the year .....</b>	<b>2.3</b>	<b>30.1</b>	<b>—</b>	<b>32.4</b>
<b>Disposals .....</b>	<b>—</b>	<b>(0.3)</b>	<b>—</b>	<b>(0.3)</b>
<b>Effect of movements in exchange rates .....</b>	<b>—</b>	<b>0.1</b>	<b>—</b>	<b>0.1</b>
<b>Balance at 31 December 2018 .....</b>	<b>25.3</b>	<b>320.9</b>	<b>0.2</b>	<b>346.4</b>
<b>Net book value</b>				
At 1 January 2017 .....	47.9	147.9	0.5	196.3
At 31 December 2017 .....	45.6	197.8	0.5	243.9
<b>At 1 January 2018 .....</b>	<b>45.6</b>	<b>197.8</b>	<b>0.5</b>	<b>243.9</b>
<b>At 31 December 2018 .....</b>	<b>43.4</b>	<b>269.1</b>	<b>0.5</b>	<b>313.0</b>

Property, plant and equipment above provides security for a fixed and floating charge in favour of the holders of the Senior Secured Notes.

Assets in the course of construction at a cost of £nil (2017: £nil) are included within land and buildings. Assets in the course of construction at a cost of £51.1m (2017: £52.9m) are included within plant and machinery.

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

The carrying value of property, plant and equipment held under finance leases at 31 December 2018 was £nil (2017: £nil).

## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

The table below analyses the net book value of the Group's property, plant and equipment by geographic location at 31 December 2018.

	United Kingdom	Rest of Europe	The Americas	Asia Pacific	Total
	£m	£m	£m	£m	£m
Land and buildings . . . . .	41.0	2.4	—	—	43.4
Fixtures, fittings and equipment . . .	268.6	0.3	0.1	0.1	269.1
	309.6	2.7	0.1	0.1	312.5

The table below analyses the net book value of the Group's property, plant and equipment by geographic location at 31 December 2017

	United Kingdom	Rest of Europe	The Americas	Asia Pacific	Total
	£m	£m	£m	£m	£m
Land and buildings . . . . .	43.2	2.4	—	—	45.6
Fixtures, fittings and equipment . . .	196.7	0.4	0.1	0.6	197.8
	239.9	2.8	0.1	0.6	243.4

### 16 Business combinations

In December 2017 the group acquired 100% of the voting shares of AM Brands Limited, a company incorporated in Jersey, for a consideration of £57.8m settled in cash.

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

	Book value	Fair value adjustments	Fair value to group
	£m	£m	£m
Intangible assets . . . . .	4.4	55.0	59.4
Trade and other receivables . . . . .	0.8	—	0.8
Cash at bank . . . . .	7.7	—	7.7
Trade and other payables . . . . .	(0.7)	—	(0.7)
Deferred tax . . . . .	—	(9.4)	(9.4)
Net assets . . . . .	12.2	45.6	57.8
Cash consideration . . . . .			57.8
Cash acquired . . . . .			(7.7)
Net cash outflow from acquisition . . . . .			50.1

### 17 Inventories

	2018	2017
	£m	£m
Service parts, spares and production stock . . . . .	86.5	49.6
Work in progress . . . . .	15.5	17.5
Finished cars and parts for resale . . . . .	63.3	60.7
	165.3	127.8

Finished cars and parts for resale includes Group owned service vehicles at a net realisable value of £30.3m (31 December 2017: £25.0m). These are vehicles used by employees of the Group and are not retained by the Group for periods in excess of one year.



# Notes to the financial statements for the year ended 31 December 2018 — (Continued)

## 18 Other financial assets

	2018	2017 restated
	£m	£m
Cash flow hedge contracts .....	0.1	1.4
Amount due from shareholder .....	—	5.6
	<b>0.1</b>	<b>7.0</b>
Analysed as:		
Current .....	0.1	7.0
Non-current .....	—	—
	<b>0.1</b>	<b>7.0</b>

The amount due from shareholder at 31 December 2017 represents initial payment under the pension deficit adjustment as discussed in note 2.

The Group uses cash flow hedges to partly manage the risk associated with fluctuations in exchange rates when converting foreign currencies to Sterling or other foreign currencies. At the reporting date the hedges are marked-to-market and any assets are shown as other financial assets in the Statement of Financial Position.

## 19 Trade and other receivables

	2018	2017
	£m	£m
<b>Amounts included in current assets</b>		
Trade receivables .....	191.5	72.0
Other receivables including taxation .....	29.8	22.7
Prepayments .....	20.3	21.0
	<b>241.6</b>	<b>115.7</b>
<b>Amounts included in non-current assets</b>		
Trade receivables .....	1.8	2.1

Trade receivables and other receivables are non-interest bearing and generally have terms between 10 and 30 days, with amounts financed through the trade finance facility with Standard Chartered Bank plc (see below) having terms between 30 and 60 days. Due to their short maturities, the fair value of trade and other receivables approximates to their book value.

The majority of the Group's receivables are derived from sales to franchised dealers who are appointed by the Group. The receivables are supported by credit risk insurance up to a credit limit for each franchised dealer as set by the Insurance company in consultation with the Group. Credit risk is discussed further in note 23.

All financed vehicle sales are made directly to third-party Aston Martin franchised dealers, and a large proportion are financed through a £200m trade finance facility with Standard Chartered Bank plc with an associated credit insurance policy. Under the trade finance facility Standard Chartered Bank plc advance to the Group the sales value of vehicles which have been despatched upon receipt of transportation documentation. Substantially all of the risks of the associated receivables reside with Standard Chartered Bank plc and taking into consideration the Group's exposure to variability in cash flows both before and after the transfer, the financing arrangement is treated as off-balance sheet. The utilisation of the facility at 31 December 2018 is £159.1m (2017: £147.0m).

## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

The carrying amount of trade and other receivables (excluding prepayments) are denominated in the following currencies:

	2018	2017
	£m	£m
Sterling .....	116.5	59.5
Chinese Renminbi .....	13.2	4.6
Euro .....	42.1	7.5
US Dollar .....	41.4	22.0
Other .....	9.9	3.2
	<b>223.1</b>	<b>96.8</b>

### 20 Cash and cash equivalents

	2018	2017
	£m	£m
Cash at bank and in hand .....	144.6	167.8

Cash at bank when placed on deposit earns interest at floating rates based on daily bank deposit rates. The book value of cash and cash equivalents approximates to their fair value.

Cash is held in the following currencies; those held in currencies other than Sterling have been converted into Sterling at year end exchange rates:

	2018	2017
	£m	£m
Sterling .....	28.0	65.0
Chinese Renminbi .....	59.6	52.1
Euro .....	18.0	4.9
US Dollar .....	36.5	38.4
Other .....	2.5	7.4
	<b>144.6</b>	<b>167.8</b>
Restricted cash .....	25.7	13.7

The Group has entered into a series of one year back-to-back loan arrangements with HSBC Bank plc, whereby Chinese Renminbi to the value of £25.5m have been deposited in a restricted account with HSBC in China in exchange for a Sterling overdraft facility with HSBC Bank plc in the United Kingdom. The restricted cash has been revalued at 31 December 2018 to £25.7m (31 December 2017: £13.7m) and is shown in the total of cash and cash equivalents above.

### 21 Trade and other payables

#### Current trade and other payables

	2018	2017 restated
	£m	£m
Trade payables .....	167.7	54.8
Due to related parties (note 32) .....	1.1	0.6
Accruals and other payables .....	527.3	427.7
	<b>696.1</b>	<b>483.1</b>

Trade payables are non-interest bearing and it is the Group's policy to pay within the stated terms which vary from 14 to 60 days.

Trade payables are expected to mature within 12 months of the year end.

## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

### Non-current trade and other payables

	2018	2017
	£m	£m
Accruals and other payables .....	12.2	17.7

### 22 Other financial liabilities

	2018	2017 restated
	£m	£m
Financial liabilities held for trading .....	8.6	3.1
Amount due to shareholder .....	—	15.1
	8.6	18.2
Analysed as:		
Current .....	4.2	18.2
Non-current .....	4.4	—
	8.6	18.2

The amount due to shareholder at 31 December 2017 represents a liability under the pension deficit adjustment as discussed in note 2.

The Group uses cash flow hedges to partly manage the risk associated with fluctuations in exchange rates when converting foreign currencies to Sterling or other foreign currencies. At the reporting date the hedges are marked-to-market and any liabilities are shown as other financial liabilities in the Statement of Financial Position.

### 23 Financial instruments

#### Group

The Group's principal financial instruments comprise Senior Secured Notes, Preference Shares, a Revolving Credit Facility, inventory financing facilities, a back-to-back loan and forward currency contracts. The Group also has trade payables and trade receivables, which arise directly from its operations. These short-term assets and liabilities are included in the currency risk disclosure.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, currency risk and liquidity risk as shown in this note. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risk and adherence to limits.

The Board of Directors oversees how management monitor compliance with the Group risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

#### Credit risk

The Group sells vehicles through a dedicated dealer network. Dealers outside of North America are required to pay for vehicles in advance of their despatch or use the wholesale financing scheme with Standard Chartered Bank plc (see Liquidity risk). Dealers within North America are allowed 10 day credit terms from the date of invoice or can use the wholesale financing scheme. Standard Chartered Bank plc has substantially all of the risk associated with the wholesale financing scheme and in addition all vehicle sales on the wholesale financing scheme are covered by credit risk insurance, which means that a third party bears substantially all the credit risk associated with dealers using the wholesale finance scheme. In exceptional circumstances, after thorough consideration of the credit history of an individual dealer, the Group may sell vehicles to the dealer outside of the credit risk insurance policy or on deferred payment terms. Parts sales,

## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

which represent a smaller element of total revenue, are made to dealers on 30 day credit terms. Service receivables are due for payment on collection of the vehicle.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of the debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than 120 days past due.

To measure the expected credit losses, historical loss rates for the preceding 5 years have been reviewed and adjusted to reflect factors that may affect the ability of customers to settle receivables. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Group has no material contract assets.

The loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined as follows for trade receivables:

	As at 31 December 2018			As at 31 December 2017		
	Expected Loss Rate	Gross Carrying Amount	Loss Allowance	Expected Loss Rate	Gross Carrying Amount	Loss Allowance
	%	£m	£m	%	£m	£m
Current .....	*	177.4	—	*	55.6	—
1 – 30 days past due .....	*	4.4	—	*	5.5	—
31 – 60 days past due .....	*	4.0	—	*	8.3	—
61+ days past due .....	2.6%	7.7	0.2	6.0%	5.0	0.3
		193.5	0.2		74.4	0.3

\* The expected loss rates for these specific ageing categories are not disclosed as no material loss allowance is generated when applied against the gross carrying value.

The closing loss allowances for trade receivables as at 31 December 2018 reconcile to the opening loss allowance as follows:

	2018	2017
	£m	£m
<b>At 31 December — calculated under IAS 39</b> .....	<b>0.3</b>	<b>0.1</b>
Amounts restated through opening retained earnings .....	—	—
<b>Opening loss allowance as at 1 January 2018 — calculated under IFRS 9</b> .....	<b>0.3</b>	<b>0.1</b>
Increase in loss allowance recognised in the Income Statement in the year .....	<b>0.1</b>	—
Receivables written-off during the year as uncollectible .....	<b>(0.2)</b>	—
Transfer in on the acquisition of AM Brands Limited .....	—	0.2
<b>At 31 December</b> .....	<b>0.2</b>	<b>0.3</b>

### Interest rate risk

#### Profile

At 31 December the interest rate profile of the Group's interest-bearing financial instruments was:

	2018	2017
	£m	£m
<b>Fixed rate instruments</b>		
Financial liabilities .....	<b>678.8</b>	827.4
<b>Variable rate instruments</b>		
Financial liabilities .....	<b>25.3</b>	13.5

## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

Borrowings, including the Senior Secured Notes, the unsecured loan to finance the construction of a brand centre in Tokyo and a fixed rate loan to finance the construction of a paint shop at the new manufacturing facility in St Athan are at fixed interest rates. The rate of interest on the Revolving Credit Facility, which is attached to the Senior Secured Notes, is based on LIBOR plus a percentage spread and is predetermined at the date of the drawdown of the Revolving Credit Facility. The interest rate on the redeemable cumulative preference Shares which were converted to ordinary shares in 2018 was also fixed at 15%.

The Group uses a wholesale financing scheme to fund certain vehicle receivables. The Group also places surplus cash funds on deposit. Both of these arrangements attract interest at a rate that varies depending on LIBOR.

The Group has entered into a series of one year back-to-back loan arrangements with HSBC Bank plc, whereby Chinese Renminbi to the value of £25.5m have been deposited in a restricted account with HSBC in China in exchange for a Sterling overdraft facility with HSBC Bank plc in the United Kingdom. The restricted cash has been revalued at 31 December 2018 to £25.7m (31 December 2017: £13.7m) and is shown in cash and cash equivalents. The overdraft of £25.3m (31 December 2017: £13.5m), including accrued interest, is shown within Borrowings in Current Liabilities in the Statement of Financial Position.

The Group has entered into an arrangement to finance certain elements of Group inventory. The interest rate charged on this facility is determined when the borrowings are made. The borrowings are made for periods not in excess of six months. The interest rates charged on the inventory financing are based on the lender's cost of funds at the point of inception.

### Borrowings

The following table analyses Group borrowings:

	2018	2017
	£m	£m
<b>Current</b>		
Bank loans and overdrafts .....	99.4	13.5
<b>Non-current</b>		
Senior Secured Notes .....	590.9	570.2
Bank loans and overdrafts .....	12.4	—
Unsecured Loan .....	1.4	1.3
Preference Shares .....	—	255.9
<b>Total non-current borrowings</b> .....	604.7	827.4
<b>Total borrowings</b> .....	704.1	840.9

The total borrowings in the table above are denominated in the following currencies:

	2018	2017
	£m	£m
Sterling .....	388.5	543.7
US Dollar .....	314.2	295.9
Japanese Yen .....	1.4	1.3
<b>Total borrowings</b> .....	704.1	840.9

### Current Borrowings

Attached to the Senior Secured Notes (see Non-Current Borrowings) is an £80.0m Revolving Credit Facility. At 31 December 2018 £70.0m of the Revolving Credit Facility was drawn (31 December 2017: £nil).

## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

The Group has entered into a series of one year back-to-back loan arrangements with HSBC Bank plc, whereby Chinese Renminbi to the value of £25.5m have been deposited in a restricted account with HSBC in China in exchange for a Sterling overdraft facility with HSBC Bank plc in the United Kingdom. The restricted cash has been revalued at 31 December 2018 to £25.7m (31 December 2017: £13.7m) and is shown in cash and cash equivalents. The overdraft of £25.3m (31 December 2017: £13.5m), including accrued interest, is shown within Borrowings in Current Liabilities on the Statement of Financial Position.

In 2018 the Group entered into a fixed rate loan to finance the construction of the paint shop at the new St Athan manufacturing facility. The loan matures on 31 March 2022. The quarterly repayments on the loan include an element of capital repayment and interest charge. The final payment on 31 March 2022 includes an increased capital repayment of £6.3m. At 31 December 2018 the amount included in current borrowings is £2.7m.

The Group has entered into an arrangement to finance certain elements of Group inventory. Total borrowings on this facility at 31 December 2018 were £1.4m (2017: £nil).

### **Non-Current Borrowings**

In June 2011, the Group issued £304m 9.25% Senior Secured Notes repayable in July 2018. These notes were repaid in April 2017 when the Group issued \$400m 6.5% Senior Secured Notes and £230m 5.75% Senior Secured Notes, both of which mature in April 2022. In December 2017 the Group issued a further £55m of 5.75% Senior Secured Notes which also mature in April 2022.

The movement in carrying value of the Senior Secured Notes from 2017 to 2018 includes £2.3m (2017: £2.0m) amortisation of previously capitalised professional fees.

The combined sterling equivalent value of the Senior Secured Notes at 31 December 2018 is £590.9m (2017: £570.2m).

As described in accounting policies (see note 2), borrowings are initially recognised at fair value less attributable transaction costs. Subject to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of Comprehensive Income over the period of the borrowings on an effective interest basis.

The Senior Secured Notes above are secured by fixed and floating charges over certain assets of the Group.

In March 2014 the Group issued \$165m of 10.25% Senior Subordinated PIK Notes which were repayable in July 2018. These notes were repaid in April 2017.

In 2018 the Group entered into a fixed rate loan to finance the construction of the paint shop at the new St Athan manufacturing facility. The loan matures on 31 March 2022. The quarterly repayments on the loan include an element of capital repayment and interest charge. The final payment on 31 March 2022 includes an increased capital repayment of £6.3m. At 31 December 2018 the amount included in non-current borrowings is £12.4m.

In February 2017 the Group obtained a 5% unsecured loan of Yen 200m which is repayable in January 2020 to finance the construction of a brand centre in Tokyo. At the closing exchange rate the loan is valued at £1.4m (31 December 2017: £1.3m).

In both April 2015 and April 2016, the Group issued £100.0m of Preference Shares which were redeemable in April 2025. As part of the listing of the Company's ordinary shares on the London Stock Exchange, on 3 October 2018, the preference shares, together with the share warrants attached to them, were converted into ordinary shares of 0.00904p each. See note 28 for details of the capital reorganisation completed in 2018.

No borrowing costs have been capitalised during the year ended 31 December 2018 (31 December 2017: £12.1m). The borrowing costs capitalised in 2017 relate to the \$400m of 6.5% Senior Secured Notes and £285m of 5.75% Senior Secured Notes raised in 2017.



# Notes to the financial statements for the year ended 31 December 2018 — (Continued)

## Interest rate risks — Sensitivity

The Group's overdraft and borrowing facilities are predominantly at fixed rates of interest. The Senior Secured Notes, the fixed rate loan to finance the construction of the paint shop at the new St Athan manufacturing facility, the unsecured loan to finance the construction of the brand centre in Tokyo and the redeemable cumulative Preference Shares (which were converted to ordinary shares in 2018) were all at fixed rates of interest.

The Senior Secured Notes and the Senior Subordinated PIK notes which were due to be repaid in July 2018 were repaid in April 2017. Both of these were subject to fixed interest rates.

The interest rates on the Revolving Credit Facility and inventory financing are also at fixed rates of interest which are determined at the date the borrowing commences. Amounts advanced by Standard Chartered Bank plc on the wholesale finance scheme are at rates based on each currency LIBOR at the commencement of the loan. Therefore, the only interest rate risk relates to the back-to-back loan arrangement with HSBC Bank plc, whereby Chinese Renminbi have been deposited in a restricted account with HSBC in China in exchange for a Sterling overdraft facility with HSBC Bank plc in the United Kingdom. The interest rate charged on the overdraft facility is based on 3 month LIBOR.

The following table demonstrates the sensitivity, with all other variables held constant, of the Group's profit after tax to a reasonably possible change in interest rates.

	(Increase)/ decrease in interest rate	Effect on profit after tax 2018	Effect on profit after tax 2017
		£m	£m
3 month LIBOR .....	1.00%	0.2	0.1

## Hedge accounting

The Group, as part of its risk management policy, uses derivative financial instruments (cash flow hedges) to manage significant cash flow risk resulting from exchange rate movements of foreign currencies.

The Group covers significant annual foreign currency exposures on a reducing basis with the highest coverage in the year immediately following the balance sheet date. The Group places additional hedges on a regular basis so that the percentage of the foreign currency exposure hedged increases as the time to maturity of the foreign currency exposure reduces. The Group currently has no cash flow hedges beyond 2021.

The forward contract cash flow hedges give the Group more certainty over cash flow as it can exchange foreign currency for Sterling or other foreign currencies at predetermined rates. The Group does not cover all of its foreign currency net exposure with forward contracts. The uncovered proportion is converted (as necessary) at the spot exchange rates prevailing on the date of the transaction.

The Group has designated the \$400m Senior Secured Notes as a hedging instrument. The hedged item is \$400m of highly confidently forecasted US Dollar sales that are not already hedged with forward contracts. The hedge has no impact on cash flow. Changes in the value of the \$400m Senior Secured Notes on translation at the reporting date are included in the Hedge reserve.

Following adoption of IFRS 9 on 1 January 2018, changes in the fair value of Financial Assets and Liabilities are included in Other Comprehensive Income and the Hedge reserve whereas previously they were included in finance income or expense within the Income Statement.

For the forward foreign exchange contracts, the hedging instrument is the spot element of the entire forward foreign exchange contract. The hedged item is the forecast net sales. As the amounts in the hedging instrument match the amounts of the hedge item the hedge ratio is 1:1.

## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

Movements in the value of the Senior Secured Notes on translation are offset by movements in the value of the highly confidently forecast sales from US Dollars to Sterling. The hedge ratio is 1:1 as the value of the hedging instrument matches the value of the hedged item.

Main sources of hedge ineffectiveness

- Differences in the value of hedged item and the hedging instrument should they occur.

The amounts at the reporting date including deferred taxation relating to items designated as hedged items were as follows.

	Cashflow hedge reserve	
	2018 £m	2017 £m
<b>Foreign currency risk</b>		
Sales, receivables and borrowings .....	(8.6)	—
\$400m Senior Secured Notes designated as a hedge instrument .....	(15.0)	—
	<b>(23.6)</b>	—

There are no balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer required.

	Sales, receivables and borrowings		Cost of hedging reserve	
	2018 £m	2017 £m	2018 £m	2017 £m
Carrying amount — asset .....	0.1	—	—	—
Carrying amount — liability .....	(18.6)	—	(5.0)	—
Changes in the value of the hedging instrument recognised in OCI .....	23.5	—	—	—
Amount reclassified from hedging reserve to Income Statement .....	—	—	—	—

The amounts relating to items designated as hedge instruments as shown in the table below.

All items relate to foreign currency risk and are either foreign exchange forward contracts or US Dollar Senior Secured Notes. There is no hedge ineffectiveness. The difference between the forward element and the spot element of forward exchange contracts are recognised in a separate cost of hedging reserve.

The forward exchange contracts are included in other financial assets and liabilities in the Statement of Financial Position. The \$400m Senior Secured Notes are included in non-current borrowings.

The following table provides a reconciliation by risk category of the hedging reserve and analysis of OCI items, net of tax, resulting from cash flow hedge accounting.

	2018 £m	2017 £m
<b>Balance at 1 January</b> .....	—	—
Change in fair value:		
Foreign currency risk — cash flow hedges .....	(8.6)	—
\$400m Senior Secured Notes designated as a hedge instrument .....	(18.4)	—
Amounts reclassified to the Income Statement .....	—	—
Amounts included in the cost of non-financial items .....	—	—
Tax on movements on reserves during the year .....	3.5	—
<b>Balance at 31 December</b> .....	<b>(23.5)</b>	—

## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

### Foreign currency exposure

The Group's sterling equivalents of financial assets and liabilities denominated in foreign currencies at 31 December 2018 and 31 December 2017 were:

#### At 31 December 2018

	Euros £m	US Dollars £m	Chinese Renminbi £m	Other £m	Total £m
<b>Financial assets</b>					
Trade and other receivables .....	42.1	41.4	13.2	9.9	106.6
Foreign exchange contracts .....	—	0.1	—	—	0.1
Cash balances .....	18.0	36.5	59.6	2.5	116.6
	60.1	78.0	72.8	12.4	223.3
<b>Financial liabilities</b>					
Trade and other payables .....	(149.3)	(55.5)	(29.1)	(4.7)	(238.6)
Foreign exchange contracts .....	—	(5.1)	—	(3.5)	(8.6)
	(149.3)	(60.6)	(29.1)	(8.2)	(247.2)
<b>Net balance sheet exposure .....</b>	<b>(89.2)</b>	<b>17.4</b>	<b>43.7</b>	<b>4.2</b>	<b>(23.9)</b>

#### At 31 December 2017

	Euros £m	US Dollars £m	Chinese Renminbi £m	Other £m	Total £m
<b>Financial assets</b>					
Trade and other receivables .....	7.5	21.9	4.6	3.3	37.3
Foreign exchange contracts .....	—	0.6	—	0.8	1.4
Cash balances .....	4.9	38.4	52.1	7.4	102.8
	12.4	60.9	56.7	11.5	141.5
<b>Financial liabilities</b>					
Trade and other payables .....	(67.9)	(22.3)	(21.5)	(3.3)	(115.0)
Foreign exchange contracts .....	—	(3.0)	—	(0.1)	(3.1)
	(67.9)	(25.3)	(21.5)	(3.4)	(118.1)
<b>Net balance sheet exposure .....</b>	<b>(55.5)</b>	<b>35.6</b>	<b>35.2</b>	<b>8.1</b>	<b>23.4</b>

The following significant exchange rates applied:

	Average Rate 2018	Average Rate 2017	Closing Rate 2018	Closing Rate 2017
Euro .....	1.13	1.15	1.10	1.12
Chinese Renminbi .....	8.83	8.73	8.76	8.78
US Dollar .....	1.34	1.28	1.27	1.35

## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

### Currency risk — Sensitivity

The following table demonstrates the sensitivity to a change in the US Dollar and Euro exchange rates with all other variables held constant, of the Group's profit after tax (due to changes in the fair value of monetary assets and liabilities) assuming that none of the US Dollar or Euro exposures are hedged.

	(Increase)/ decrease in rate	Effect on profit after tax 2018	Effect on profit after tax 2017
		£m	£m
US Dollar .....	(5%)	(11.2)	(7.4)
US Dollar .....	5%	12.4	8.1
Euro .....	(5%)	8.8	7.3
Euro .....	5%	(9.7)	(8.1)

### Liquidity risk

The Group seeks to manage liquidity risk to ensure sufficient liquidity is available to meet foreseeable needs and to allow investment of cash assets safely and profitably.

The Group uses a wholesale financing scheme to finance certain vehicle sales on despatch of the vehicle. The utilisation of this £200m facility (2017: £150m facility) at 31 December 2018 is £159.1m (2017: £147.0m); received against sales invoices. The wholesale finance scheme and the credit insurance supporting the facility have been renegotiated and run to August 2020.

The Group entered into a series of one year back-to-back loan arrangements with HSBC Bank plc, whereby Chinese Renminbi were deposited in a restricted account with HSBC in China in exchange for a Sterling overdraft facility with HSBC Bank plc in the United Kingdom. The restricted cash has been revalued to £25.1m at 31 December 2018 (31 December 2017: £13.7m) and is shown in the total of cash and cash equivalents. The overdraft of £25.3m (31 December 2017: £13.5m) is shown in Borrowings in Current Liabilities on the Statement of Financial Position. At 31 December 2018 the Group had cash and cash equivalents of £144.6m (2017: £167.8m).

On 18 April 2017 the Group issued \$400m 6.5% Senior secured Notes and £230m 5.75% Senior secured Notes both of which mature in April 2022. In December 2017 the Group issued a further £55m of 5.75% Senior Secured Notes which also mature in April 2022. Attached to the Senior Secured Notes is an £80m Revolving Credit Facility which was £70m drawn at 31 December 2018 (31 December 2017: undrawn). In both April 2015 and April 2016, the Group issued £100.0m of Preference Shares which were redeemable in April 2025. As part of the listing of the Company's ordinary shares on the London Stock Exchange, on 3 October 2018, the preference shares, together with the share warrants attached to them, were converted into ordinary shares of 0.00904p each. Full details of the capital reorganisation is given in note 28 of the accounts.

## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

The maturity profile of the Group's financial liabilities at 31 December 2018 based on contractual undiscounted payments is as follows.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Contractual Cash Flows Total
	£m	£m	£m	£m	£m	£m
<b>Non-derivative financial liabilities</b>						
Bank loans and overdrafts .....	—	7.2	94.4	13.1	—	114.7
Senior Secured Notes .....	—	—	76.1	781.3	—	857.4
Unsecured Loan .....	—	—	0.1	1.4	—	1.5
Preference Shares .....	—	—	—	—	—	—
Trade and other payables .....	—	696.1	—	12.2	—	708.3
<b>Derivative financial liabilities</b>						
Forward exchange contracts .....	—	1.0	3.2	4.4	—	8.6
	—	704.3	173.8	812.4	—	1,690.5

Included in the table above in respect of the Group are interest bearing loans and borrowings at a carrying value of £704.1m.

The table below (*restated*) summarises the maturity profile of the Group's financial liabilities at 31 December 2017 based on contractual undiscounted payments.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Contractual Cash Flows Total
	£m	£m	£m	£m	£m	£m
<b>Non-derivative financial liabilities</b>						
Bank loans and overdrafts .....	—	—	13.5	—	—	13.5
Senior Secured Notes .....	—	—	71.2	830.2	—	901.4
Unsecured loan .....	—	—	0.1	1.4	—	1.5
Preference Shares .....	—	—	—	—	756.3	756.3
Trade and other payables .....	—	483.1	—	17.7	—	500.8
Amount due to shareholders .....	15.1	—	—	—	—	15.1
<b>Derivative financial liabilities</b>						
Forward exchange contracts .....	—	1.8	1.3	—	—	3.1
	15.1	484.9	86.1	849.3	756.3	2,191.7

Included in the table above in respect of the Group are interest bearing loans and borrowings at a carrying value of £840.9m.

### Estimation of fair values

Forward currency contracts are carried at fair value. These are valued using pricing models and discounted cash flow techniques based on the assumptions provided by Standard Chartered Bank plc and J.P. Morgan Securities plc.

## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

The 5.75% Sterling Senior Secured Notes and 6.5% US Dollar Senior Secured Notes, which were issued in 2017, are valued at amortised cost. The fair value of these Senior Secured Notes is determined by reference to the quoted price at 31 December. Both Senior Secured Notes are quoted on The International Stock Exchange Authority in St. Peter Port, Guernsey. On 31 December 2018 the fair value of the 5.75% Sterling Senior Secured Notes was £278.1m (31 December 2017: £300.5m) and the fair value of the 6.5% US Dollar Senior Secured Notes was £300.7m (31 December 2017: £312.0m). These notes replaced the 9.25% Sterling Senior Secured Notes that were redeemed in April 2017. At 31 December 2017 the effective interest rate on the Senior Secured Notes is 6.73% (2017: 6.73%).

For all other receivables and payables, the carrying amount is deemed to reflect the fair value.

Under IFRS 7, such assets and liabilities are classified by the way in which their fair value is calculated. The interest bearing loans and borrowings are considered to be level 1 liabilities. All remaining financial assets and liabilities are considered to be level 2 assets and liabilities. IFRS 7 defines level 2 assets and liabilities as “*inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)*”. There have been no changes in classification during the current or prior year.

### Capital management

The Board’s policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain the future development of the business. Given this, the objective of the Group’s capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The capital structure of the Group consists of debt which includes the borrowings disclosed in this note, cash and cash equivalents and equity attributable to equity holders of the parent, comprising share capital and reserves as disclosed in note 28 and the Consolidated Statements of Changes in Equity. No changes were made in the objectives, policies or processes during either year.

### 24 Net debt

	2018	2017
	£m	£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)
<b>Net debt . . . . .</b>	<b>(559.5)</b>	<b>(673.1)</b>
<b>Movement in net debt</b>		
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)
<b>Net debt at the end of the year . . . . .</b>	<b>(559.5)</b>	<b>(673.1)</b>



## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities  
The table below shows the reconciliation of movements of liabilities to cash flows arising from financing activities for the year ended 31 December 2018.

Liabilities	Borrowings	Unsecured Loans	9.25% Senior Secured notes	5.75% Senior Secured notes	6.5% Senior Secured notes	Subordinated PIK notes	Preference Shares
	£m	£m	£m	£m	£m	£m	£m
<b>At 1 January 2018</b> . . . . .	<b>13.5</b>	<b>1.3</b>	<b>—</b>	<b>274.3</b>	<b>295.9</b>	<b>—</b>	<b>255.9</b>
Changes from financing cash flows							
Interest paid . . . . .	(6.6)	—	—	(16.4)	(19.2)	—	—
Movement in borrowings . . . . .	0.3	—	—	—	—	—	—
New borrowings . . . . .	98.1	—	—	—	—	—	—
Total changes from financing cash flows . . . .	91.8	—	—	(16.4)	(19.2)	—	—
Effect of changes in exchange rates . . . . .	—	0.1	—	—	18.5	—	—
Conversion of preference shares . . . . .	—	—	—	—	—	—	(349.8)
Interest expense . . . . .	6.5	—	—	18.6	19.2	—	93.9
<b>Balance at 31 December 2018</b> . . . . .	<b>111.8</b>	<b>1.4</b>	<b>—</b>	<b>276.5</b>	<b>314.4</b>	<b>—</b>	<b>—</b>

Equity	Share Capital	Share Premium	Non-controlling interest
	£m	£m	£m
<b>At 1 January 2018 (restated)</b> . . . . .	<b>—</b>	<b>353.7</b>	<b>7.6</b>
Proceeds from equity share issue . . . . .	0.1	4.5	—
Dividend paid to non-controlling interest . . . . .	—	—	(3.0)
Total changes from financing cash flows . . . . .	0.1	4.5	(3.0)
Conversion of preference shares . . . . .	2.0	347.7	—
Capital reduction . . . . .	—	(353.6)	—
Share of profit . . . . .	—	—	5.6
<b>Balance at 31 December 2018</b> . . . . .	<b>2.1</b>	<b>352.3</b>	<b>10.2</b>

## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

The table below shows the reconciliation of movements of liabilities to cash flows arising from financing activities for the year ended 31 December 2017.

Liabilities	Borrowings	Unsecured Loans	9.25% Senior Secured notes	5.75% Senior Secured notes	6.5% Senior Secured notes	Subordinated PIK notes	Preference Shares
	£m	£m	£m	£m	£m	£m	£m
<b>At 1 January 2017</b> .....	5.2	—	301.7	—	—	176.4	218.0
Changes from financing cash flows							
Interest paid .....	(5.6)	—	(28.7)	(5.8)	(9.7)	—	—
Movement in borrowings .....	8.5	—	(304.0)	—	—	(178.8)	—
New borrowings .....	—	1.3	—	285.0	319.9	—	—
Transaction fees on borrowings .....	—	—	—	(12.1)	—	—	—
Total changes from financing cash flows ...	2.9	1.3	(332.7)	267.1	310.2	(178.8)	—
Effect of changes in exchange rates .....	(0.2)	—	—	—	—	—	—
Exchange gain in finance income .....	—	—	—	—	(24.0)	—	—
Interest expense .....	5.6	—	31.0	7.2	9.7	2.4	37.9
<b>Balance at 31 December 2017</b> .....	13.5	1.3	—	274.3	295.9	—	255.9

Equity	Share Capital	Share Premium	Non-controlling interest
	£m	£m	£m
At 1 January 2017 (restated — see note 2) .....	—	353.7	5.0
Share of profit .....	—	—	2.6
<b>Balance at 31 December 2017</b> .....	—	353.7	7.6

### 25 Obligations under leases

The Group has entered into commercial leases on certain properties and items of machinery. The leases have a duration of between 1 and 29 years.

Future gross minimum rentals payable under non-cancellable operating leases are as follows:

	2018	2017
	£m	£m
Not later than one year .....	0.2	0.6
After one year but not more than five years .....	12.6	6.6
More than five years .....	111.5	109.6
	<b>124.3</b>	<b>116.8</b>

Rental payments to be received under sublease agreements are as follows:

	2018	2017
	£m	£m
More than five years .....	<b>(4.7)</b>	<b>(4.8)</b>

Some of the leases contain contingent rents which are dependent on increases in the retail prices index.

# Notes to the financial statements for the year ended 31 December 2018 — (Continued)

## 26 Provisions for liabilities and charges

	Warranty and Service Plans 2018
	£m
At the beginning of the year .....	25.9
Charge for the year .....	30.9
Utilisation .....	(20.9)
Effect of movements in exchange rates .....	0.3
At the end of the year .....	36.2
Analysed as:	
Current .....	10.8
Non-current .....	25.4
	36.2

The warranty and service plan provision represents costs provided in respect of the Group's warranty scheme. A provision of £36.2m (2017: £25.9m) has been recognised for expected claims based on past experience of the level of actual warranty claims received and is expected to be substantially utilised within the next three years.

## 27 Pension obligations

### Defined contribution scheme

The Group opened a defined contribution scheme in June 2011. The total expense relating to this scheme in the current year was £5.7m (2017: £3.7m). Outstanding contributions at the year end were £0.5m (2017: £nil).

### Defined benefit scheme

The Group operates a defined benefit pension scheme. During 2017 it was agreed and communicated to its members that the scheme's benefits would be amended from a final pensionable salary basis to a career average revalued earnings (CARE) basis with effect from 1 January 2018. The effect of this change in benefits in the year ended 31 December 2017 was a past service pension benefit of £24.3m which has been shown as an adjusting credit in the Consolidated Statement of Comprehensive Income. The scheme was closed to new entrants on 31 May 2011. The benefits of the existing members were not affected by the closure of the scheme. The scheme assets are invested with Standard Life Pension Limited, Legal & General Assurance, MFS International (UK) Limited, Eaton Vance Management (International) Limited, Morgan Stanley Investment Management Limited and Majedie Asset Management and the scheme is administered by Buck Consultants (Administration & Investment) Limited. The assets of the scheme are held separately from those of the Group.

The pension scheme operates under the regulatory framework of the Pensions Act 2004.

The Trustee has the primary responsibility for governance of the Scheme. Benefit payments are from Trustee-administered funds and scheme assets are held in a Trust which is governed by UK regulation. Responsibility for governance of the scheme lies mainly with the Trustee. The Trustee is comprised of representatives of the Group and members of the scheme.

The pension scheme exposes the Group to the following risks:

*Asset volatility* — the scheme's Statement of Investment Principles targets 55% return-enhancing assets and 45% risk-reducing assets. The Trustee monitors the appropriateness of the scheme's investment strategy, in consultation with the Group, on an on-going basis.

*Inflation risk* — the majority of benefits are linked to inflation and so increases in inflation will lead to higher liabilities (although in most cases there are caps in place which protect against extreme inflation).

## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

*Longevity* — increases in life expectancy will increase the period over which benefits are expected to be payable, which increases the value placed on the scheme's liabilities.

There have been no curtailment events in the years ended 31 December 2018 or 31 December 2017.

The projected unit method has been used to determine the liabilities.

The pension cost is assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The latest actuarial valuation of the scheme had an effective date of 6 April 2017. The assumptions that make the most significant effect on the valuation are those relating to the rate of return on investments, the rate of increase in salaries and pensions and expected longevity. It was assumed that the pre-retirement investment return would be 3.4% per annum and the post retirement return 2.25% per annum and that salary increases would average 3.0% per annum for the period to 31 March 2021 and 3.55% thereafter.

At the 6 April 2017 actuarial valuation, the actuarial value of the scheme assets was £265.4m, sufficient to cover 85% of the benefits which had accrued to members, after allowing for the expected future increases in earnings.

Following the latest actuarial valuation of the scheme on 6 April 2017, contributions increased from 22.5% to 23.7% for the Group where the active member does not participate in the salary sacrifice scheme. For active members participating in the salary sacrifice scheme, employees make no contributions and the Group contribution is 30.2% or 34.7% depending on whether the member opted for benefits of 1/80 or 1/70 of pensionable salary.

The latest actuarial valuation on 6 April 2017 showed a deficit in the scheme of £48.6m. On 5 July 2018, the Group agreed to increase the recovery plan contributions from £2.8m per annum to £4.0m per annum through to 31 March 2020 and £7.1m thereafter through to 31 July 2025.

Estimated Group contributions for the year ending 31 December 2019 are £11.3m.

### Assumptions

A full actuarial valuation was carried out at 6 April 2017 by a qualified independent actuary. This valuation has been updated by an independent qualified actuary to both 31 December 2017 and 31 December 2018 in accordance with IAS 19R. The next triennial valuation as at 6 April 2020 is due to be completed by June 2021 in line with the scheme specific funding requirements of the Pensions Act 2004. As part of that valuation the Trustee and the Group will review the adequacy of the contributions being paid into the Scheme.

The principal assumptions used by the actuary were:

	31 December 2018	31 December 2017
Discount rate .....	3.15%	2.50%
Rate of increase in salaries .....	3.20%	3.20%
Rate of revaluation in deferment .....	2.20%	2.20%
Rate of increase in pensions in payment attracting LPI .....	3.10%	3.10%
Expected return on scheme assets .....	3.15%	2.50%
RPI Inflation assumption .....	3.20%	3.20%
CPI Inflation assumption .....	2.20%	2.20%

The Group's inflation assumption reflects its long-term expectations and has not been amended for short term variability. The post mortality assumptions allow for expected increases in longevity. The 'current' disclosures below relate to assumptions based on the longevity (in years) following retirement at each reporting date, with 'future' being that relating to an employee retiring in 2038 (2018 assumptions) or 2037 (2017 assumptions).

## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

### *Projected life expectancy from age 65*

	Future Currently aged 45 2018	Current Currently aged 65 2018	Future Currently aged 45 2017	Current Currently aged 65 2017
Male .....	23.1	21.7	24.0	22.7
Female .....	25.4	23.8	27.2	25.7

	Years
<b>Duration of the liabilities in years as at 31 December 2018</b> .....	<b>25</b>
Duration of the liabilities in years as at 31 December 2017 .....	27

The following table provides information on the composition and fair value of the assets of the Scheme:

	31 December 2018 Quoted £m	31 December 2018 Unquoted £m	31 December 2018 Total £m	31 December 2017 Quoted £m	31 December 2017 Unquoted £m	31 December 2017 Total £m
<b>Asset Class</b>						
UK Equities .....	37.9	—	37.9	41.9	—	41.9
Overseas Equities ....	43.3	—	43.3	45.0	—	45.0
Property .....	—	27.8	27.8	—	27.0	27.0
Index linked gilts ....	56.9	—	56.9	57.3	—	57.3
Corporate bonds ....	—	53.7	53.7	—	55.4	55.4
Diversified						
alternatives .....	—	26.0	26.0	—	26.8	26.8
High yield bonds ....	—	12.6	12.6	—	13.1	13.1
Cash .....	6.5	—	6.5	1.2	—	1.2
Insurance policies ...	—	4.1	4.1	—	3.8	3.8
<b>Total</b> .....	<b>144.6</b>	<b>124.2</b>	<b>268.8</b>	<b>145.4</b>	<b>126.1</b>	<b>271.5</b>

	2018 £m	2017 £m
Total fair value of scheme assets .....	268.8	271.5
Present value of funded obligations .....	(275.2)	(318.4)
Funded status at the end of the year .....	(6.4)	(46.9)
Adjustment as a result of asset ceiling in accordance with paragraph 64 of IAS19 .....	(32.3)	—
<b>Liability recognised in the Statement of Financial Position</b> .....	<b>(38.7)</b>	<b>(46.9)</b>

### Amounts recognised in the Income Statement

	2018 £m	2017 £m
<b>Amounts (charged)/credited to operating profit:</b>		
Current service cost .....	(8.1)	(12.4)
Past service cost .....	(0.1)	24.3
	(8.2)	11.9
<b>Amounts charged to finance expense:</b>		
Net interest expense on the net defined liability .....	(1.0)	(1.7)
<b>Total (expense)/income recognised in the Income Statement</b> .....	<b>(9.2)</b>	<b>10.2</b>

On 26 October 2018, a judgement was reached in the High Court in the Lloyds Banking Group Pension Trustees Limited v Lloyds Bank plc Guaranteed Minimum Pension ("GMP") equalisation

## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

case. As a result, there is likely to be an increase in the Group's defined benefit pension obligations in order to equalise GMPs accrued between 1990 and 1997. The Group has engaged its actuary to perform an assessment of the potential impact of this ruling, the assessment shows the likely financial impact to be £0.1m. This has been accounted for as a past service cost charge to the Income Statement.

The past service credit in 2017 related to the change in benefit structure from a final salary basis to career average revalued earnings ("CARE") with effect from 1 January 2018.

Changes in present value of the defined benefit pensions obligations are analysed as follows:

	2018	2017
	£m	£m
At the beginning of the year	(318.4)	(323.5)
Current service cost	(8.1)	(12.4)
Past service cost	(0.1)	24.3
Employee contributions	—	(0.1)
Interest cost	(7.9)	(8.6)
Experience (losses)/gains	(1.5)	6.7
Actuarial gains/(losses) arising from changes in financial assumptions	48.7	(8.6)
Disbursements	7.2	10.2
Actuarial gains/(losses) arising from changes in demographic assumptions	4.9	(6.4)
Obligation at the end of the year	(275.2)	(318.4)

Changes in the fair value of plan assets are analysed as follows:

	2018	2017
	£m	£m
At the beginning of the year	271.5	253.8
Interest on assets	6.8	6.9
Employer contributions	12.0	9.8
Employee contributions	—	—
Return on scheme assets excluding interest income	(14.3)	11.2
Benefits paid	(7.2)	(10.2)
Fair value at the end of the year	268.8	271.5

	2018	2017
	£m	£m
Actual return on scheme assets	(7.5)	18.0

Analysis of amounts recognised in the Statement of Financial Position:

	2018	2017
	£m	£m
Liability at the beginning of the year	(46.9)	(69.8)
Net (expense)/income recognised in the Statement of Comprehensive Income	(9.2)	10.2
Employer contributions	12.0	9.8
Gain recognised in Other Comprehensive Income	5.4	2.9
Liability recognised in the Statement of Financial Position at the end of the year	(38.7)	(46.9)



## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

Analysis of amount taken to Other Comprehensive Income:

	2018	2017
	£m	£m
Return on assets greater than the discount rate	(14.3)	11.2
Experience (losses)/gains arising on funded obligations	(1.5)	6.7
Gains/(losses) arising due to changes in financial assumptions underlying the present value of funded obligations	48.6	(8.6)
(Losses)/gains arising as a result of asset ceiling in accordance with paragraph 64 of IAS19	(32.3)	—
Gains/(losses) arising due to changes in demographic assumptions	4.9	(6.4)
Amount recognised in Other Comprehensive Income	5.4	2.9

### Sensitivity analysis of the principal assumptions used to measure scheme liabilities

	Change in assumption	Present value of benefit obligations at 31 December 2018	Present value of benefit obligations at 31 December 2017
		£m	£m
Discount rate	Decrease by 0.25%	292.7	340.4
Rate of inflation*	Increase by 0.25%	290.0	334.5
Life expectancy increased by approximately 1 year	Increase by one year	284.6	331.3

\* Applies to the Retail Prices Index and the Consumer Prices index inflation assumptions. The assumption is that the salary increase assumption will also increase by 0.2% per annum after 2020/21.

Funding levels are monitored on a regular basis by the Trustee and the Group to ensure the security of member's benefits. The next triennial valuation as at 6 April 2020 is due to be completed by June 2021 in line with the scheme specific funding requirements of the Pensions Act 2004. As part of that valuation the Trustee and the Group will review the adequacy of the contributions being paid into the Scheme.

	2018	2017
	£m	£m
<b>Expected future benefit payments</b>		
Year 1 (2019/2018)	2.8	2.4
Year 2 (2020/2019)	2.6	2.9
Year 3 (2021/2020)	3.0	2.8
Year 4 (2022/2021)	3.6	3.3
Year 5 (2023/2022)	4.7	4.0
Years 6 to 10 (2023 to 2028)	34.9	30.1

### History of scheme experience

	2018	2017
Present value of the scheme liabilities (£m)	(275.2)	(318.4)
Fair value of the scheme assets (£m)	268.8	271.5
Deficit in the scheme before taking into account the effect of Paragraph 64 of IAS19 (£m)	(6.4)	(46.9)
Experience (losses)/gains on scheme assets (£m)	(14.3)	11.2
Percentage of scheme assets	(5.3%)	4.1%
Experience (losses)/gains on scheme liabilities (£m)	(1.5)	6.7
Percentage of the present value of the scheme liabilities	(0.5%)	2.1%
Total amount recognised in Other Comprehensive Income (£m)	5.4	2.9
Percentage of the present value of the scheme liabilities	2.0%	0.9%

# Notes to the financial statements for the year ended 31 December 2018 — (Continued)

## 28 Share capital

	2018	2017
	£m	£m
<b>Allotted, called up and fully paid</b>		
Nil ordinary shares of £0.001 each (2017: 3,123,370 ordinary shares of £0.001 each) .....	—	—
Nil D shares of £0.001 each (2017: 161,521) .....	—	—
228,002,890 ordinary shares of 0.00904p each (2017: nil) .....	2.1	—
	<b>2.1</b>	<b>—</b>
	2018	2017
	£m	£m
Shares classified as liabilities .....	—	—
Shares classified as shareholders' funds .....	2.1	—
	<b>2.1</b>	<b>—</b>

Aston Martin Lagonda Global Holdings Limited was incorporated on 27 July 2018 and issued 7 ordinary shares of £0.001p each, and on 7 September 2018 re-registered as a public limited company under the name Aston Martin Lagonda Global Holdings plc.

On 20 August 2018, the Company's share capital was increased from £0.007 to £2,003,284,891 by the issue of the 3,123,363 ordinary shares of £0.001p each, 200,000,000 preference shares of £0.001p each and 161,521 'D' ordinary shares of £0.001p each. Simultaneously the Company also granted 137,776 warrants and 21,714 options over ordinary shares of £0.001p each.

On 3 September 2018 the Company acquired the entire share capital of Aston Martin Holdings (UK) Limited, comprising 3,123,370 ordinary shares of £0.001p each and 161,521 'D' ordinary shares of £0.001p each by way of a share-for-share exchange issuing 3,284,891 ordinary shares of £0.001p each.

On 6 September 2018 a bonus issue was carried out by which the entire amount of the Company's merger reserve arising as a result of the share exchange was capitalised through the issuance of 3,284,891 capital reduction shares of £73.8092 each in the capital of the Company (the "*capital reduction shares*") to the holders of ordinary shares of £0.001 p each in the capital of the Company and 'D' shares of £0.001p each in the capital of the Company in proportion to their holdings of such shares. All of the capital reduction shares were cancelled through a capital reduction which became effective on 6 September 2018.

On 3 October 2018 in connection with the admission of the Company's shares to the London Stock Exchange:

- 21,714 partly paid ordinary shares were fully paid up and 21,714 options over ordinary shares of £0.001p were exercised for aggregate consideration of £21.71;
- the warrants over 137,776 ordinary shares of £0.001p each were exercised for aggregate consideration of £137.78; and
- a share consolidation, sub-division and re-designation of the Company's share capital took place whereby:
  - 161,521 'D' shares of £0.001p each were re-designated as 161,521 ordinary shares of £0.001p each;
  - 159,490 ordinary shares of £0.01p each were allotted;
  - 3,444,381 ordinary shares of £0.001p each were sub-divided into 203,218,479 ordinary shares of £0.00001695p each;
  - 200,000,000 preference shares of £0.01p each were sub-divided into 2,000,000,000 preference shares of £0.001p each;

## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

- the 2,000,000,000 preference shares of £0.001p each were re-designated as 18,409,145 ordinary shares of £0.001p each and 1,981,590,855 deferred shares of £0.001p each;
- a share consolidation, sub-division and re-designation took place resulting in the Company having one class of share capital being ordinary shares of £0.00904p each; and
- following such steps, the Company had a share capital of £2,061,075 consisting of 228,002,890 ordinary shares of £0.00904p each.

Additionally, on 3 October 2018, a capital reduction of £441.1m was approved whereby £353.6m was transferred from share premium and £87.5m from capital reserve to revenue reserves.

### 29 Additional cash flow information

#### Analysis of group net debt

##### Year ended 31 December 2018

	1 January 2018	Cash flow	Exchange differences	Non-cash movements	31 December 2018
	£m	£m	£m	£m	£m
Cash and cash equivalents	167.8	(25.9)	2.7	—	144.6
Bank loans and overdrafts	(13.5)	(98.3)	—	—	(111.8)
Senior Secured Notes 6.5% US Dollar	(295.9)	19.2	(18.5)	(19.2)	(314.4)
Senior Secured Notes 5.75% Pound Sterling	(274.3)	16.4	—	(18.6)	(276.5)
Unsecured Loan 5% Japanese Yen	(1.3)	0.1	(0.1)	(0.1)	(1.4)
Preference Shares	(255.9)	—	—	255.9	—
	(673.1)	(88.5)	(15.9)	218.0	(559.5)

##### Year ended 31 December 2017

	1 January 2017	Cash flow	Exchange differences	Non-cash movements	31 December 2017
	£m	£m	£m	£m	£m
Cash and cash equivalents	101.7	67.3	(1.2)	—	167.8
Bank loans and overdrafts	(5.2)	(8.5)	0.2	—	(13.5)
Senior Secured Notes	(301.7)	304.0	—	(2.3)	—
Senior Subordinated PIK notes	(176.4)	178.8	2.1	(4.5)	—
Senior Secured Notes 6.5% US Dollar	—	(319.9)	24.0	—	(295.9)
Senior Secured Notes 5.75% Pound Sterling	—	(272.8)	—	(1.5)	(274.3)
Unsecured Loan 5% Japanese Yen	—	(1.3)	—	—	(1.3)
Preference Shares	(218.0)	—	—	(37.9)	(255.9)
	(599.6)	(52.4)	25.1	(46.2)	(673.1)

### 30 Share based payments

The Company had two share option schemes in operation; an HMRC approved scheme and an unapproved scheme. Both schemes have no vesting conditions and are equity-settled. The earliest exercise date of both schemes is 18 October 2007. The approved scheme has no expiry date and the unapproved scheme has an expiry date of 18 October 2027. During the year ended 31 December 2018 the shares under both schemes were exercised.

# Notes to the financial statements for the year ended 31 December 2018 — (Continued)

## Movements in share options

	Approved Scheme 2018 Number of shares	Unapproved Scheme 2018 Number of shares	Approved Scheme 2017 Number of shares	Unapproved Scheme 2017 Number of shares
1 January .....	21,714	21,714	21,714	21,714
Exercised during the year .....	(21,714)	(21,714)	—	—
31 December .....	—	—	21,714	21,714
<b>Weighted average exercise price:</b>				
1 January .....	7230 p	0.1 p	7230 p	0.1 p
Exercised during the year .....	7230 p	0.1 p	—	—
31 December .....	—	—	7230 p	0.1 p

The share value at the date of exercise for the share options exercised during the year was £19.00.

The average weighted exercise price at 31 December 2018 was nil (31 December 2017: 3615p).

## Legacy executive long-term incentive scheme

Prior to Admission the Executive Directors participated in a long-term incentive plan ("*Legacy LTIP*"), which provided for executives to receive an LTIP award contingent on completion of the initial public offering or other exit event. The Legacy LTIP was awarded in the form of ordinary shares of Aston Martin Lagonda Global Holdings plc. All of the Legacy LTIP shares held as at 31 December are subject to lock-up arrangements with release in four equal instalments on successive anniversaries of Admission over a four-year period. During this period, leaver provisions will apply to incentivise retention of critical talent. If Aston Martin Lagonda Global Holdings plc's pre-Admission shareholders' aggregate holdings fall below 10 per cent. of the issued share capital, all remaining shares subject to the lock-up will be released immediately. See page 136 for further details.

The fair value of services received is based on a Monte Carlo Simulation due to the vesting being based on market conditions. Enterprise values have been used as the basis for determining the fair value of the Legacy LTIP awards.

	2018 grant of 2014 Legacy LTIP	2018 grant of 2017 Legacy LTIP	2018 grant of 2018 Legacy LTIP
Aggregate fair value at measurement date (£m) ..	4.8	25.5	1.2
Exercise price (p) .....	—	—	—
Expected volatility (%) .....	30	22	23
Dividend yield (%) .....	0	0	0
Risk free interest rate (%) .....	1.70	0.14	0.65

The expected volatility is wholly based on the historical volatility of listed automotive peers over a period commensurate with the terms of each award.

The total expense recognised for the period arising from equity-settled share-based payments is as follows:

	2018	2017
	£m	£m
Equity-settled share option charge .....	24.1	—

At 31 December 2017 the exit condition was not considered probable and therefore no IFRS 2 charge was recognised in any prior years.

# Notes to the financial statements for the year ended 31 December 2018 — (Continued)

## 31 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.

## 32 Related party transactions

Transactions between Group undertakings, which are related parties, have been eliminated on consolidation and accordingly are not disclosed.

The Group has entered into transactions, in the ordinary course of business, with entities with significant influence over the Group and other related parties of the Group. Transactions entered into, and trading balances outstanding at each year end with entities with significant influence over the Group and other related parties of the Group are as follows:

	Sales to related party	Purchases from related party	Amounts owed by related party	Amounts owed to related party
	£m	£m	£m	£m
<i>Related party — Group</i>				
<b>Entities with significant influence over the Group . . . . 31 December 2018</b>	<b>1.4</b>	<b>2.4</b>	<b>—</b>	<b>1.1</b>
Entities with significant influence over the Group . . . . 31 December 2017	2.0	4.3	—	0.6

During the year ended 31 December 2018 a payment of £9.5m (2017: £5.6m) was made to an existing shareholder (see note 2).

### Transactions with directors

In the year ended 31 December 2018 one car was sold to a director, Dr Andrew Palmer, for £0.1m excluding value added tax (year ended 31 December 2017: one car for £0.1m excluding value added tax).

No amounts were outstanding at either year end.

### Terms and conditions of transactions with related parties (group)

Sales and purchases between related parties are made at normal market prices. Outstanding balances with entities other than subsidiaries are unsecured, interest free and cash settlement is expected within 60 days of invoice. Terms and conditions for transactions with subsidiaries are the same, with the exception that balances are placed on intercompany accounts. The Group has not provided or benefited from any guarantees for any related party receivables or payables. The Group has not made any provision for impairment relating to amounts owed by related parties at either year end.

# Notes to the financial statements for the year ended 31 December 2018 — (Continued)

## 33 Group companies

In accordance with Section 409 of the Companies Act 2006 a full list of entities in which the Group has an interest of greater than or equal to 20%, the registered office and effective percentage of equity owned as at 31 December 2018 are disclosed below.

### Investments in subsidiary undertakings

Subsidiary undertakings	Holding	Proportion of voting rights and shares held	Nature of Business
Aston Martin Holdings (UK) Limited*	Ordinary	100%	Dormant company
Aston Martin Capital Holdings Limited** ◇	Ordinary	100%	Financing company holding the Senior Secured Notes
Aston Martin Investments Limited**	Ordinary	100%	Holding company
Aston Martin Capital Limited** ◇	Ordinary	100%	Dormant company — formerly the financing company that held the previous Senior Secured Notes that were repaid in 2017
Aston Martin Lagonda Group Limited**	Ordinary	100%	Holding company
Aston Martin Lagonda of North America Incorporated** ^	Ordinary	100%	Luxury sports car distributor
Lagonda Properties Limited**	Ordinary	100%	Dormant company
Aston Martin Lagonda Pension Trustees Limited**	Ordinary	100%	Trustee of the Aston Martin Lagonda Limited Pension Scheme
Aston Martin Lagonda Limited**	Ordinary	100%	Manufacture and sale of luxury sports cars, the sale of parts and motorsport activities
AM Brands Limited** ◇	Ordinary	100%	Grants licences to third parties for the use of the Aston Martin brand for products worldwide
Aston Martin Lagonda of Europe GmbH** >	Ordinary	100%	Provision of engineering and sales and marketing services
AML Overseas Services Limited**	Ordinary	100%	Dormant company
Aston Martin Italy S.r.l.** <	Ordinary	100%	Dormant company
AML Italy S.r.l.** <	Ordinary	100%	Dormant company
Aston Martin Lagonda (China) Automobile Distribution Co., Ltd** √	Ordinary	100%	Luxury sports car distributor
AM Nurburgring Racing Limited**	Ordinary	100%	Dormant company
Aston Martin Japan GK** <<	Ordinary	100%	Operator of the sales office in Japan and certain other countries in the Asia Pacific region
Aston Martin Lagonda — Asia Pacific PTE Limited** >>	Ordinary	100%	Operator of the sales office in Singapore and certain other countries in the Asia Pacific region
AMWS Limited** ◇	Ordinary	50%***	Holding company
Aston Martin Works Limited**	Ordinary	50%***	Sale, servicing and restoration of Aston Martin cars

All subsidiaries are incorporated in England and Wales unless otherwise stated.

◇ incorporated in Jersey (tax resident in the United Kingdom)

^ incorporated in the United States of America

> incorporated in Germany

< incorporated in Italy

<< incorporated in Japan

>> incorporated in Singapore

√ incorporated in the People's Republic of China

\* Held directly by Aston Martin Lagonda Global Holdings plc

\*\* Held indirectly by Aston Martin Lagonda Global Holdings plc



## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

\*\*\* The Group exercises management control of these legal entities and therefore the results, assets and liabilities have been wholly included in the Consolidated Financial Statements. The individual results, aggregate assets and aggregate liabilities included within the Consolidated Financial Statements are summarised on page 203.

	Aston Martin Works Limited 2018	AMWS Limited 2018	Aston Martin Works Limited 2017	AMWS Limited 2017
	£m	£m	£m	£m
Total assets .....	28.0	—	41.1	—
Total liabilities .....	(5.2)	—	(25.9)	—
<b>Net assets</b> .....	<b>22.8</b>	<b>—</b>	<b>15.2</b>	<b>—</b>
Revenue .....	74.3	—	55.4	—
Profit .....	11.2	—	5.2	—
Group's share of profit .....	5.6	—	2.6	—

### Registered addresses

Aston Martin Holdings (UK) Limited .....	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
Aston Martin Capital Holdings Limited .....	Le Gallais Building, 54 Bath Street, St Helier, Jersey, JE1 8SB
Aston Martin Investments Limited .....	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
Aston Martin Capital Limited .....	Le Gallais Building, 54 Bath Street, St Helier, Jersey, JE1 8SB
Aston Martin Lagonda Group Limited .....	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
Aston Martin Lagonda of North America Incorporated .....	9920 Irvine Center Drive, Irvine, CA 92618, United States of America
Lagonda Properties Limited .....	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
Aston Martin Lagonda Pension Trustees Limited .....	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
Aston Martin Lagonda Limited .....	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
AM Brands Limited .....	Le Gallais Building, 54 Bath Street, St Helier, Jersey, JE1 8SB
Aston Martin Lagonda of Europe GmbH .....	Gottlieb-Daimler-Strasse 30, 53520 Meuspath, Germany
AML Overseas Services Limited .....	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
Aston Martin Italy S.r.l. ....	Corso Magenta 84, Milano, Italy.
AML Italy S.r.l. ....	Corso Magenta 84, Milano, Italy.
Aston Martin Lagonda (China) Automobile Distribution Co., Ltd .....	Unit 2901, Raffles City Office Tower, No. 268 Xi Zang Middle Road, Huangpu District, Shanghai, China 200001
AM Nurburgring Racing Limited .....	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
Aston Martin Japan GK .....	1-2-3 Kita-Aoyama, Minato-ku, Tokyo 107-0061, Japan
Aston Martin Lagonda — Asia Pacific PTE Limited ...	8 Marina View, # 41-05, Asia Square Tower 1, Singapore 018960

## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

AMWS Limited .....	Le Gallais Building, 54 Bath Street, St Helier, Jersey, JE1 8SB
Aston Martin Works Limited .....	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB

### 34 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	2017
	£m	£m
<b>(Loss)/profit before tax</b> .....	<b>(68.2)</b>	84.5
Adjusting operating expenses/(income) (note 6) .....	<b>74.1</b>	(24.3)
Adjusting finance expenses (note 9) .....	<b>61.9</b>	12.9
<b>Adjusted profit before tax (EBT)</b> .....	<b>67.8</b>	73.1
Adjusted finance income .....	<b>(4.2)</b>	(35.6)
Adjusted finance expense .....	<b>83.3</b>	87.0
<b>Adjusted operating profit (EBIT)</b> .....	<b>146.9</b>	124.5
Reported depreciation .....	<b>32.4</b>	27.4
Reported amortisation .....	<b>67.6</b>	54.7
Loss/(profit) on disposal of fixed assets .....	<b>0.4</b>	(0.1)
<b>Adjusted EBITDA</b> .....	<b>247.3</b>	206.5

## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

### Earnings per share

	2018	2017
	£m	£m
<b>Adjusted earnings per ordinary share</b>		
(Loss)/profit available for equity holders (£m) . . . . .	(62.7)	74.2
Adjusting items (note 6 and 9)		
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 <sup>1</sup> (million) . . . . .	202.1	193.8
Adjusted earnings per ordinary share (pence) . . . . .	31.1p	34.5p
<b>Adjusted diluted earnings per ordinary share</b>		
Adjusted earnings (£m) . . . . .	62.8	66.9
Diluted weighted average number of ordinary shares <sup>1</sup> (million) . . . . .	202.1	203.2
Adjusted diluted earnings per ordinary share (pence) . . . . .	31.1p	32.9p
	2018	2017
	£m	£m
<b>Normalised adjusted earnings per ordinary share</b>		
Adjusted earnings (£m) . . . . .	62.8	66.9
Basic number of ordinary shares as at 31 December <sup>2</sup> (million) . . . . .	228.0	193.8
Normalised adjusted earnings per ordinary share (pence) . . . . .	27.5p	34.5p
<b>Normalised adjusted diluted earnings per ordinary share</b>		
Adjusted earnings (£m) . . . . .	62.8	66.9
Diluted number of ordinary shares as at 31 December <sup>2</sup> (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 (see note 28) 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 12).

## Notes to the financial statements for the year ended 31 December 2018 — (Continued)

### Net debt

	2018	2017
	£m	£m
<b>Opening cash and cash equivalents</b> .....	<b>167.8</b>	<b>101.7</b>
Cash inflow from operating activities .....	<b>222.6</b>	<b>344.0</b>
Cash outflow from investing activities .....	<b>(306.3)</b>	<b>(346.6)</b>
Cash inflow from financing activities .....	<b>57.8</b>	<b>69.9</b>
Effect of exchange rates on cash and cash equivalents .....	<b>2.7</b>	<b>(1.2)</b>
<b>Cash and cash equivalents at 31 December</b> .....	<b>144.6</b>	<b>167.8</b>
<b>Borrowings</b> .....	<b>(704.1)</b>	<b>(840.9)</b>
<b>Net Debt</b> .....	<b>(559.5)</b>	<b>(673.1)</b>
Preference shares (re-designated as part of the IPO process) .....	—	255.9
IPO and other one-off cash adjustments .....	<b>38.6</b>	—
<b>Adjusted Net Debt</b> .....	<b>(520.9)</b>	<b>(417.2)</b>
<b>Adjusted EBITDA for the period ended 31 December</b> .....	<b>247.3</b>	<b>206.5</b>
<b>Adjusted leverage</b> .....	<b>2.3x</b>	<b>3.3x</b>
<b>Adjusted leverage (excluding IPO and other one-off cash adjustments)</b> .....	<b>2.1x</b>	<b>2.0x</b>

### Return on invested capital

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

## PART VII – UNAUDITED PRO FORMA FINANCIAL INFORMATION

### SECTION A – PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma statement of net assets and accompanying notes (the ***Pro forma financial information***) set out in Section A of this Part VII has been prepared to show the effect of the Capital Raise on the Group's net assets as at 31 December 2019 as if the Capital Raise had been undertaken at that date.

The Pro forma financial information has been prepared in accordance with Annex 20 of the Prospectus Regulation, and in a manner consistent with the accounting policies adopted by the Group in preparing its consolidated financial statements for the year ended 31 December 2019. It has been prepared on a voluntary basis and for illustrative purposes only and, due to its nature, the Pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results.

The Pro forma financial information does not constitute financial statements within the meaning of section 434 of the Companies Act 2006. Shareholders should read the whole of this document and not rely solely on the summarised financial information contained in this Part VII.

Ernst & Young LLP's report on the Pro forma financial information is set out in Section B of this Part VII.

The Pro forma financial information has not been prepared, and shall not be construed as prepared, in accordance with Regulation S-X under the Securities Act. In addition, the Pro forma financial information does not purport to represent what the Group's financial position and results of operations actually would have been if the Rights Issue and the Placing had been completed on the date indicated, nor does it purport to represent the results of operations for any future period or the financial condition at any future date.

The Pro forma financial information does not reflect any changes in the trading position of the Group, other than those outlined in the notes to the statement below, since 31 December 2019.

## Unaudited pro forma statement of net assets

	Group's statement of net assets as at 31 December 2019 (note 1)	Proceeds from the Capital Raise (note 2)	Pro forma Group's statement of net assets as at 31 December 2019
(in £ millions)			
<b>Non-current assets</b>			
Intangible assets	1,183.6		1,183.6
Property, plant and equipment	350.5		350.5
Right-of-use lease assets	81.8		81.8
Trade and other receivables	1.8		1.8
Other financial assets	0.2		0.2
Deferred tax asset	45.7		45.7
<b>Total non-current assets</b>	<b>1,663.6</b>		<b>1,663.6</b>
<b>Current assets</b>			
Inventories	200.7		200.7
Trade and other receivables	249.7		249.7
Income tax receivable	0.3		0.3
Other financial assets	8.9		8.9
Cash and cash equivalents	107.9	485.0	592.9
<b>Total current assets</b>	<b>567.5</b>	<b>485.0</b>	<b>1,092.5</b>
<b>Total assets</b>	<b>2,231.1</b>	<b>485.0</b>	<b>2,716.1</b>
<b>Current liabilities</b>			
Borrowings	(114.8)		(114.8)
Trade and other payables	(702.1)		(702.1)
Income tax payable	(8.9)		(8.9)
Other financial liabilities	(6.3)		(6.3)
Lease liabilities	(14.1)		(14.1)
Provisions	(12.0)		(12.0)
<b>Total current liabilities</b>	<b>(858.2)</b>		<b>(858.2)</b>
<b>Non-current liabilities</b>			
Borrowings	(839.1)		(839.1)
Trade and other payables	(9.4)		(9.4)
Other financial liabilities	(2.6)		(2.6)
Lease liabilities	(97.3)		(97.3)
Provisions	(16.2)		(16.2)
Employee benefits	(36.8)		(36.8)
Deferred tax liabilities	(12.6)		(12.6)
<b>Total non-current liabilities</b>	<b>(1,014.0)</b>	-	<b>(1,014.0)</b>
<b>Total liabilities</b>	<b>(1,872.2)</b>	-	<b>(1,872.2)</b>
<b>Net assets</b>	<b>358.9</b>	<b>485.0</b>	<b>843.9</b>



**Notes:**

(1) The net assets of the Group as at 31 December 2019 have been extracted without material adjustment from its audited financial statements for the year ended 31 December 2019.

(2) This adjustment reflects gross proceeds of £500 million raised from the issue of the New Shares in connection with the Rights Issue and the Placing Shares in connection with the Placing net of estimated expenses in connection with the Capital Raise of approximately £15 million. No adjustment has been made to reflect the use of the net proceeds from the Placing to refund the £55.5 million of short-term working capital support provided by Yew Tree to the Group in early February 2020.

## **SECTION B – ACCOUNTANTS’ REPORT ON THE PRO FORMA FINANCIAL INFORMATION**

The directors and the proposed director (the “Directors”)  
Aston Martin Lagonda Global Holdings plc  
Banbury Road  
Gaydon  
Warwick CV35 0DB

27 February 2020

Dear Sirs

We report on the pro forma financial information (the “Pro Forma Financial Information”) set out in Section A of Part VII of the Prospectus dated 27 February 2020, which has been prepared on the basis described in notes 1 to 2, for illustrative purposes only, to provide information about how the proceeds from the placing and the rights issue might have affected the financial information presented on the basis of the accounting policies adopted by Aston Martin Lagonda Global Holdings plc in preparing the financial statements for the period ended 31 December 2019. This report is required by Section 3 of Annex 20 of Commission Delegated Regulation (EU) 2019/980 and is given for the purpose of complying with that section and for no other purpose.

Save for any responsibility arising under Prospectus Regulation Rule 5.3.2R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 1.3 of Annex 1 to Commission Delegated Regulation (EU) 2019/980, consenting to its inclusion in the Prospectus.

### **Responsibilities**

It is the responsibility of the Directors of Aston Martin Lagonda Global Holdings PLC to prepare the Pro Forma Financial Information in accordance with Sections 1 and 2 of Annex 20 of Commission Delegated Regulation (EU) 2019/980.

It is our responsibility to form an opinion, as required by Section 3 of Annex 20 of the Commission Delegated Regulation (EU) 2019/980, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors of Aston Martin Lagonda Global Holdings PLC.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of Aston Martin Lagonda Global Holdings plc.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

**Opinion**

In our opinion:

- the Pro Forma Financial Information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of Aston Martin Lagonda Global Holdings plc.

***Declaration***

For the purposes of Prospectus Regulation Rule 5.3.2R (2)(f) we are responsible for this report as part of the Prospectus and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and that the report contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex 1 of Commission Delegated Regulation (EU) 2019/980.

Yours faithfully

Ernst & Young LLP

## PART VIII – TAXATION

### UK TAXATION

The following statements are intended only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of New Shares, Nil Paid Rights or Fully Paid Rights. Shareholders and/or prospective acquirers of New Shares, Nil Paid Rights or Fully Paid Rights are advised to consult their own professional advisers concerning the tax consequences of the acquisition, ownership and disposition of such shares or rights. The following statements are based on current UK tax legislation as applied in England and Wales and the current published practice of HM Revenue & Customs (**HMRC**) (which may not be binding on HM Revenue & Customs) as at the date of this document, both of which are subject to change at any time, possibly with retroactive effect. Save in respect of paragraph 3 below, they apply only to Shareholders who are resident, and in the case of individuals domiciled, for tax purposes in (and only in) the UK and to whom “split year” treatment does not apply (except in so far as express reference is made to the treatment of non-UK residents), who hold their Shares as an investment (other than in an individual savings account or exempt pension arrangement), and who are the absolute beneficial owners of both their Shares and any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules (such as persons acquiring their New Shares in connection with employment, dealers in securities, insurance companies and collective investment schemes) is not considered.

The comments set out below do not include a consideration of the potential UK inheritance tax consequences of holding Shares. Holders or prospective holders of Shares, New Shares, Nil Paid Rights or Fully Paid Rights should consult their own professional advisers in relation to the potential UK inheritance tax consequences of holding them.

**The statements summarise the current position and are intended as a general guide only. Shareholders and/or prospective acquirers of New Shares, Nil Paid Rights or Fully Paid Rights who are in any doubt about their tax position or who may be subject to tax in a jurisdiction other than or in addition to the United Kingdom are strongly recommended to consult their own professional advisers.**

#### **1. Taxation of Chargeable Gains**

##### **1.1 UK tax resident Shareholders**

###### **(a) *New Shares acquired pursuant to the Rights Issue***

For the purposes of UK taxation of chargeable gains (**CGT**), the issue of New Shares to existing Shareholders who take up their rights should be regarded as a reorganisation of the share capital of the Company. Accordingly, to the extent that an existing Shareholder takes up all or part of his or her entitlement under the Rights Issue, he or she should not be treated as making a disposal of all or part of his or her holding of Existing Shares and no liability to CGT should arise. Instead, the New Shares acquired and the Existing Shares in respect of which they are issued will, for CGT purposes, be treated as the same asset and as having been acquired at the same time as the Existing Shares. The amount paid for the New Shares will be added to the base cost of the Existing Shares when computing any gain or loss on any subsequent disposal.

###### **(b) *Disposals***

If a Shareholder sells or otherwise disposes or is deemed to dispose of all or some of the New Shares allotted to him or her, or of his or her rights to subscribe for New Shares, or if he or she allows or is deemed to have allowed his or her rights to lapse and receives a cash payment in respect of them or receives cash in respect of fractional entitlements, he or she may, depending on his or her circumstances and subject to any available exemption or relief, incur a liability to CGT on the capital gain. Capital gains within the annual exempt amount, currently £12,000, are exempt from CGT. Thereafter the CGT rate depends on the Shareholder's other income and gains. To the extent gains are within the basic rate band, the applicable tax rate is 10%. Gains in excess of the basic rate band are taxed at 20%. These tax rates are relevant under the current UK tax rules (2019/2020 tax year), and Shareholders should be aware that they are subject to change.

If a Shareholder disposes of all or part of his or her Nil Paid Rights, or allows or is deemed to allow them to lapse and receives a cash payment or receives cash in respect of fractional entitlements, then if the proceeds are “small” as compared to the value of the Existing Shares in respect of which the rights arose, the Shareholder should not generally be treated as making a disposal for CGT purposes. Instead, the proceeds will be deducted from the base cost of his or her holding of Existing Shares for the purpose of computing any chargeable gain or allowable loss on a subsequent disposal. HM Revenue & Customs currently regards a receipt as “small” if its amount or value does not exceed five per cent. of the value of the Existing Shares or is £3,000 or less, whether or not it would also fall within the five per cent. test. This treatment will not apply where such proceeds are greater than the base cost of the holding of Existing Shares for CGT purposes.

## 1.2 Non-UK tax resident Shareholders

A Shareholder who is not resident for tax purposes in the United Kingdom will not generally be subject to CGT on the disposal or deemed disposal of New Shares unless the Shareholder is carrying on a trade, profession or vocation in the United Kingdom through a branch or agency (or, in the case of a corporate Shareholder, a permanent establishment) in connection with which the New Shares are used, held or acquired. Non-UK tax resident Shareholders may be subject to non-UK taxation on any gain under local law.

An individual Shareholder who has been resident for tax purposes in the United Kingdom but who ceases to be so resident or becomes treated as resident outside the UK for the purposes of a double tax treaty (treaty non-resident) for a period of five years or less and who disposes of all or part of his or her New Shares during that period may be liable to CGT on his or her return to the United Kingdom, subject to any available exemptions or reliefs.

## 2. Taxation of Dividends

The Company is not required to withhold tax when paying a dividend. Liability to tax on dividends will depend upon the individual circumstances of a Shareholder.

### (a) *UK resident individual Shareholders*

Under current UK tax rules specific rates of tax apply to dividend income. These include a nil rate of tax (the “nil rate band”) for the first £2,000 of dividend income in any tax year and different rates of tax for dividend income that exceeds the nil rate band. For these purposes “dividend income” includes UK and non UK source dividends and certain other distributions in respect of shares.

An individual Shareholder who is resident for tax purposes in the United Kingdom and who receives a dividend from the Company will not be liable to UK tax on the dividend to the extent that (taking account of any other dividend income received by the Shareholder in the same tax year) that dividend falls within the nil rate band.

To the extent that (taking account of any other dividend income received by the Shareholder in the same tax year) the dividend exceeds the nil rate band, and the personal allowance (currently £12,500) is unavailable, it will be subject to income tax at 7.5 per cent. within the basic rate band. To the extent that it falls within the higher rate band then the dividend will be taxed at 32.5 per cent. and to the extent that it falls within the additional rate band then it will be taxed at 38.1 per cent.. For the purposes of determining which of the taxable bands dividend income falls into, dividend income is treated as the highest part of a Shareholder’s income. In addition, dividends within the nil rate band which would (if there was no nil rate band) have fallen within the basic or higher rate bands will use up those bands respectively for the purposes of determining whether the threshold for higher rate or additional rate income tax is exceeded.

### (b) *UK resident corporate Shareholders*

It is likely that most dividends paid on the Shares to UK resident corporate shareholders would fall within one or more of the classes of dividend qualifying for exemption from corporation tax. However, it should be noted that the exemptions are not comprehensive and are also subject to anti-avoidance rules.

(c) *UK resident exempt Shareholders*

UK resident Shareholders who are not liable to UK tax on dividends, including exempt pension funds and charities, are not entitled to any tax credit in respect of dividends paid by the Company.

(d) *Non-UK resident Shareholders*

No tax credit will attach to any dividend paid by the Company. A Shareholder resident outside the UK may also be subject to non-UK taxation on dividend income under local law. A Shareholder who is resident outside the UK for tax purposes should consult his or her own tax adviser concerning his or her tax position on dividends received from the Company.

### **3. UK Stamp Duty and Stamp Duty Reserve Tax (SDRT)**

#### **3.1 The Rights Issue**

No stamp duty or SDRT will be payable on the issue of New Shares pursuant to the Rights Issue, other than as explained in the paragraphs below.

No stamp duty or SDRT will generally be payable on the issue of Provisional Allotment Letters or the crediting of Nil Paid Rights to accounts in CREST. Where New Shares represented by such documents or rights are registered in the name of the Shareholder entitled to such shares, or New Shares are credited in uncertificated form to CREST accounts, no liability to stamp duty or SDRT will generally arise.

A purchaser of rights to New Shares represented by Provisional Allotment Letters (whether nil or fully paid) or of Nil Paid Rights or Fully Paid Rights held in CREST on or before the latest time for registration of renunciation will not generally be liable to pay stamp duty (as the Provisional Allotment Letters cannot be renounced more than six months after issue), but the purchaser will normally be liable to pay SDRT at the rate of 0.5 per cent. of the value or amount of the consideration given. If the purchaser is a company connected with the seller (or a nominee of such a company) SDRT may be chargeable on the higher of (i) the amount or value of the consideration and (ii) the market value of the rights acquired.

Where such a purchase is effected through a stockbroker or other financial intermediary, that person will normally account for the SDRT and should indicate that this has been done in any contract note issued to the purchaser. In other cases, the purchaser of the rights to the New Shares represented by the Provisional Allotment Letter or Nil Paid Rights or Fully Paid Rights held in CREST is liable to pay the SDRT and must account for it to HM Revenue & Customs. In the case of transfers within CREST, any SDRT due should be collected through CREST in accordance with the CREST rules.

No stamp duty or SDRT will be payable on the registration of Provisional Allotment Letters or Nil Paid Rights or Fully Paid Rights, whether by the original holders or their renounees.

#### **3.2 Subsequent transfers**

Stamp duty at the rate of 0.5 per cent. (rounded up to the next multiple of £5) of the consideration given in cash, shares or the assumption or release of a liability is generally payable on an instrument transferring Shares. A charge to SDRT will also arise on an unconditional agreement to transfer Shares (at the rate of 0.5 per cent. of the amount or value of the consideration payable). However, if within six years of the date of the agreement becoming unconditional an instrument of transfer is executed in wet ink pursuant to the agreement, and stamp duty is paid on that instrument, any SDRT already paid will be refunded (generally, but not necessarily, with interest) provided that a claim for payment is made, and any outstanding liability to SDRT will be cancelled. The liability to pay stamp duty or SDRT is generally satisfied by the purchaser or transferee. An exemption from stamp duty is available on an instrument transferring Shares where the amount or value of the consideration is £1,000 or less, and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000.



In cases where Shares are transferred to a connected company (or its nominee), stamp duty or SDRT may be chargeable on the higher of (i) the amount or value of the consideration and (ii) the market value of the Shares.

### 3.3 Shares transferred through paperless means including CREST

Paperless transfers of Shares, such as those occurring within CREST, are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration. CREST is obliged to collect SDRT on relevant transactions settled within the system. The charge is generally borne by the purchaser. Under the CREST system, no stamp duty or SDRT will arise on a transfer of Shares into the system unless such a transfer is made (or deemed to be made) for a consideration in money or money's worth, in which case a liability to SDRT (usually at a rate of 0.5 per cent.) will arise.

In cases where Shares are transferred to a connected company (or its nominee), SDRT and/or stamp duty (as appropriate) may be chargeable on the higher of (i) the amount or value of the consideration and (ii) the market value of the Shares.

### 3.4 Shares held through Clearance Systems or Depositary Receipt Arrangements

Special rules apply where Shares are issued or transferred to, or to a nominee or agent for, either a person whose business is or includes issuing depositary receipts or a person providing a clearance service, under which SDRT or stamp duty may be charged at a rate of 1.5 per cent., with subsequent transfers within the clearance service or transfers of depositary receipts then being free from SDRT or stamp duty. However, following decisions of the Court of Justice of the European Union (*CJEU*) and the First-Tier Tribunal, HMRC accept that this charge is in breach of EU law so far as it applies to new issues of shares that are an integral part of raising new capital, although this view has not yet been reflected in a change in UK tax legislation. It was confirmed in the Autumn 2017 Budget that the Government intend to continue this approach following Brexit. HMRC's published view is that the 1.5 per cent. SDRT or stamp duty charge continues to apply to other transfers of shares into a clearance service or depositary receipt arrangement, although this has been disputed. Further litigation indicates that certain transfers to clearance services in connection with listing, which are integral to raising new capital, are also not chargeable. In view of the continuing uncertainty, specific professional advice should be sought before incurring a 1.5 per cent. stamp duty or stamp duty reserve tax charge in any circumstances.

The statements in this paragraph 3 apply to any holders of Shares irrespective of their residence, summarise the current position and are intended as a general guide only. Special rules apply to agreements made by, amongst others, intermediaries. Certain categories of persons are not liable to stamp duty or SDRT and others may be liable at a higher rate or may be required to notify and account for the SDRT.

## **UNITED STATES FEDERAL INCOME TAXATION**

The following discussion is a general summary based on present law of certain US federal income tax consequences of the receipt of Nil Paid Rights pursuant to the Rights Issue as well as the exercise, expiration or disposition of Nil Paid Rights and the acquisition, ownership and disposition of Fully Paid Rights and New Shares. This discussion applies only to US Holders (as defined below) that receive the Nil Paid Rights with respect to Existing Shares, hold the Existing Shares and will hold the Nil Paid Rights, Fully Paid Rights and New Shares, as capital assets and use the US dollar as their functional currency. The discussion is a general summary; it is not a substitute for tax advice. It does not address all tax considerations that may be relevant to a particular US Holder or the tax treatment of US Holders subject to special rules, such as banks or other financial institutions, insurance companies, tax exempt entities, dealers, traders in securities that elect to mark-to-market, regulated investment companies, real estate investment trusts, investors liable for alternative minimum tax, US expatriates, persons that directly, indirectly or constructively own 10 per cent. or more of the total combined voting power of the Company's voting stock or of the total value of the Company's equity interests, investors that hold Existing

Shares, Nil Paid Rights, Fully Paid Rights or New Shares in connection with a permanent establishment or fixed base outside the United States, or investors that hold Existing Shares, Nil Paid Rights, Fully Paid Rights or New Shares as part of a hedge, straddle, conversion, constructive sale or other integrated financial transaction. This summary also does not address US federal taxes other than the income tax (such as estate or gift taxes) or US state and local, or non-US tax laws or matters.

As used here, a “US Holder” means a beneficial owner of Nil Paid Rights, Fully Paid Rights or New Shares that is for US federal income tax purposes (i) a citizen or individual resident of the United States, (ii) a corporation created or organised under the laws of the United States, any state thereof, or the District of Columbia, (iii) a trust subject to the control of one or more US persons and the primary supervision of a US court and (iv) an estate the income of which is subject to US federal income tax without regard to its source.

The US federal income tax treatment of a partner in a partnership (or other entity or arrangement treated as a partnership for US federal income tax purposes) that holds Nil Paid Rights, Fully Paid Rights or New Shares will generally depend on the status of the partner and the activities of the partnership. Partnerships should consult their own tax advisers concerning the US federal income tax consequences to their partners of receiving, exercising and disposing of Nil Paid Rights and the acquisition, ownership and disposition of Fully Paid Rights or New Shares.

The Company believes, and the following discussion assumes, that the Company was not a passive foreign investment company (**PFIC**) for US federal income tax purposes in its most recent taxable year and will not become a PFIC in its current taxable year or in the foreseeable future.

## **1. Nil Paid Rights**

### **1.1 Receipt**

While the US federal income tax treatment of the Rights Issue is not free from doubt, the Company intends, to the extent required to do so for US federal income tax purposes, to treat the receipt of Nil Paid Rights as a non-taxable distribution with respect to its Existing Shares for such purposes and the following discussion assumes that such treatment is correct. If the distribution of Nil Paid Rights were to be treated as a taxable distribution, a US Holder generally would recognise dividend income equal to the fair market value of the rights (likely determined by the price at which the Nil Paid Rights initially trade) and would take a tax basis in the Nil Paid Rights equal to such amount.

If the fair market value of the Nil Paid Rights when distributed is less than 15 per cent. of the fair market value of the Existing Shares, the Nil Paid Rights will have a nil tax basis unless the US Holder affirmatively elects to allocate its adjusted tax basis in its Existing Shares to the Nil Paid Rights in proportion to the relative fair market values of the Existing Shares and the Nil Paid Rights on the date the Nil Paid Rights are distributed. A US Holder must make this election in a statement attached to its tax return for the taxable year in which it receives Nil Paid Rights, and such election is irrevocable.

If the fair market value of the Nil Paid Rights when distributed is 15 per cent. or more of the fair market value of the Existing Shares, then, except as discussed below under “- *Nil Paid Rights - Expiration*”, a US Holder must allocate its adjusted tax basis in its Existing Shares between the Existing Shares and the Nil Paid Rights distributed in proportion to their relative fair market values on the date Nil Paid Rights are distributed.

### **1.2 Exercise**

A US Holder will not recognise taxable income when it receives Fully Paid Rights by exercising Nil Paid Rights or upon the issuance of New Shares in respect of Fully Paid Rights. A US Holder’s tax basis in the Fully Paid Rights and subsequently the New Shares will equal such US Holder’s tax basis, if any, in the Nil Paid Rights exercised plus the US dollar value of the pounds sterling Issue Price at the spot rate on the acquisition date (or, if the Fully Paid Rights or New Shares are treated as securities that are traded on an “established securities market,” in the case of cash basis and electing accrual basis taxpayers, the settlement date). A US Holder that holds Fully Paid Rights as a result of the exercise of Nil Paid Rights will be treated as the owner of the New Shares

allocated to the Fully Paid Rights. The US federal income tax consequences of a disposition of Fully Paid Rights prior to issuance of New Shares will be the same as a disposition of New Shares as described below under “- *New Shares - Disposition*”.

### **1.3 Disposition**

A US Holder will recognise capital gain or loss on the sale or other disposition of Nil Paid Rights in an amount equal to the difference between its tax basis, if any, in the Nil Paid Rights and the US dollar value of the amount realised from the sale or other disposition. Any gain or loss generally will be treated as arising from US sources. A US Holder’s holding period in the Nil Paid Rights will include its holding period in the Existing Shares with respect to which the Nil Paid Rights were distributed.

A US Holder that receives pounds sterling on the sale or other disposition of Nil Paid Rights will realise an amount equal to the US dollar value of the pounds sterling on the date of sale or other disposition (or, if the Nil Paid Rights are treated as securities traded on an “established securities market,” in the case of cash basis and electing accrual basis US Holders, the settlement date). A US Holder will recognise exchange gain or loss if the US dollar value of the pounds sterling received at the spot rate on the settlement date differs from the amount realised. A US Holder will have a tax basis in the pounds sterling received equal to its value at the spot rate on the settlement date. Any exchange gain or loss realised on the settlement date or on a subsequent conversion of the pounds sterling into US dollars will be US source ordinary income or loss.

### **1.4 Expiration**

If a US Holder allows Nil Paid Rights to expire without exercising or selling them and receives no payment from the Underwriters on account of the sale of New Shares at a premium over the Issue Price, the Nil Paid Rights should be deemed to have no tax basis. The holder therefore should recognise no loss upon the expiration of the Nil Paid Rights. Any tax basis that was allocated by a US Holder from its Existing Shares to the Nil Paid Rights instead will remain with the Existing Shares.

A US Holder that receives a payment from the Underwriter on account of the sale of New Shares at a premium over the Issue Price will be treated either as having sold the Nil Paid Rights (as described above) or as having exercised the Nil Paid Rights and having sold the New Shares. A US Holder that is treated as having sold the New Shares will recognise a short-term capital gain or loss as described below under “- *New Shares - Dispositions*”. A US Holder that receives amounts in respect of Nil Paid Rights not taken up should consult its own tax advisers about the US federal income tax treatment of those amounts.

## **2. New Shares**

### **2.1 Dividends**

The gross amount of any distribution of cash or property with respect to New Shares (other than certain distributions, if any, of additional rights or shares distributed pro rata to all Shareholders) will be included in a US Holder’s gross income as ordinary income to the extent of the Company’s current and accumulated earnings and profits as determined under US federal income tax laws. The Company does not expect to maintain calculations of earnings and profits for US federal income tax purposes. Therefore, a US Holder should expect that such distribution will generally be treated as a dividend from foreign sources when received. The dividends will not be eligible for the dividends-received deduction generally available to US corporations.

Dividends received by eligible non-corporate US Holders, however, should be taxed at the preferential rates applicable to qualified dividend income if the Company qualifies for the benefits of the income tax treaty between the United States and the United Kingdom (the “US-UK Treaty”), which the Company believes it does, and such dividend is paid on New Shares that have been held by such US holder for at least 61 days during the 121-day period beginning 60 days before the ex-dividend date and the Company is not a PFIC in the year of distribution or the preceding year.

Dividends paid in pounds sterling will be included in income in a US dollar amount based on the exchange rate in effect on the date of receipt, whether or not the pounds sterling are converted into US dollars at that time. A US Holder's tax basis in the pounds sterling will equal the US dollar amount included in income. Any gain or loss on a subsequent conversion or other disposition of the pounds sterling for a different US dollar amount generally will be US source ordinary income or loss. If dividends paid in pounds sterling are converted into US dollars on the day they are received, a US Holder generally will not be required to recognise exchange gain or loss in respect of the dividend income.

Dividends received by certain non-corporate US Holders will generally be includible in "net investment income" for purposes of the Medicare contribution tax.

## **2.2 Dispositions**

A US Holder generally will recognise capital gain or loss on the sale or other disposition of New Shares equal to the difference between the US dollar value of the amount realised and the US Holder's tax basis in the New Shares. The US Holder's amount realised will include the gross amount of the proceeds from the sale or other disposition. Any gain or loss generally will be treated as arising from US sources. The gain or loss will be long term capital gain or loss if the US Holder's holding period exceeds one year. The holding period of any New Shares acquired will not include that of the corresponding Nil Paid Rights and instead will begin with and include the date of exercise of the underlying Nil Paid Rights (unless the Existing Shares with respect to which the Nil Paid Rights were distributed were PFIC shares in the hands of the US Holder in which case the holding period in the New Shares would include such US Holder's holding period in the Nil Paid Rights). Long term capital gains of non corporate US Holders are subject to preferential tax rates. Deductions for capital loss are subject to significant limitations.

The initial tax basis of a US Holder's New Shares will be the US dollar amount determined in the manner described above under "*Nil Paid Rights—Exercise.*" A US Holder that receives pounds sterling on the sale or other disposition of New Shares will realise an amount equal to the US dollar value of the pounds sterling at the spot rate of exchange on the date of sale or other disposition (or, if the New Shares are traded on an "established securities market," in the case of a cash basis or electing accrual basis US Holder, the settlement date). A US Holder will recognise exchange gain or loss if the US dollar value of the pounds sterling received at the spot rate of exchange on the settlement date differs from the amount realised. A US Holder will have a tax basis in the pounds sterling received equal to its US dollar value at the spot rate on the settlement date. Any exchange gain or loss realised on the settlement date or on a subsequent conversion of the pounds sterling into US dollars will be US source ordinary income or loss.

Capital gains from the sale or other disposition of the New Shares received by certain non-corporate US Holders will generally be includible in "net investment income" for purposes of the Medicare contribution tax.

## **3. Information Reporting and Backup Withholding**

Dividends on New Shares and proceeds from the sale or other disposition of Nil Paid Rights, Fully Paid Rights or New Shares may be reported to the IRS unless the holder establishes a basis for exemption. Backup withholding tax may apply to amounts subject to reporting. Any amount withheld may be credited against the holder's US federal income tax liability subject to certain rules and limitations. US Holders should consult with their own tax advisers regarding the application of the US information reporting and backup withholding rules.

Certain non-corporate US Holders are required to report information with respect to investments in New Shares not held through an account with a domestic financial institution. US Holders that fail to report required information could become subject to substantial penalties. Potential investors are encouraged to consult with their own tax advisers about these and any other reporting obligations arising from their investment in New Shares.

**THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. PROSPECTIVE INVESTORS SHOULD BE WARNED THAT THE TAX LEGISLATION OF THEIR COUNTRY OF CITIZENSHIP, DOMICILE OR RESIDENCY MAY HAVE AN IMPACT ON THE RECEIPT, EXERCISE, EXPIRATION OR DISPOSITION OF NIL PAID RIGHTS AND ON INCOME RECEIVED FROM AN INVESTMENT IN THE NEW SHARES. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE SHARES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.**

## PART IX - ADDITIONAL INFORMATION

### 1 RESPONSIBILITY

The Company and the Directors and Proposed Director, whose names and principal functions appear on page 47 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company, the Directors and the Proposed Director, the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

### 2 INCORPORATION AND REGISTERED OFFICE

**2.1** The Company was incorporated and registered in England and Wales under the Companies Act 2006 as a private company limited by shares and under the name Aston Martin Lagonda Global Holdings Limited on 27 July 2018 with registered number 11488166. On 7 September 2018, the Company was re-registered as a public limited company as Aston Martin Lagonda Global Holdings plc. Its LEI number is 213800167WOVOK5ZC776.

**2.2** The Company is domiciled in England and Wales with its registered and head office at Banbury Road, Gaydon, Warwick CV35 0DB, United Kingdom. The telephone number of the Company's registered office is + 44 (0) 1926 644 644.

### 3 SHARE CAPITAL

**3.1** Immediately prior to the publication of this document, the share capital of the Company was £2,061,074.76, comprised of 228,002,890 Existing Shares of £0.009039687 each, all of which were fully paid or credited as fully paid. The Company has no Shares held in treasury. The Existing Shares in the share capital of the Company have a nominal value of £0.009039687 each and are listed on the premium listing segment of the Official List and admitted to trading on the London Stock Exchange's main market for listed securities.

**3.2** The following table shows the changes in the share capital of the Company which occurred from 31 December 2018 to 21 February 2020 (being the latest practicable date prior to the date of this document):

	Number of Existing Shares
At 31 December 2018	228,002,890
At 31 December 2019	228,002,890
At 21 February 2020 (being the latest practicable date prior to the date of this document)	228,002,890

**3.3** As at 21 February 2020 (being the latest practicable date prior to the date of this document), the issued and fully paid share capital of the Company was as follows:

	Number	Aggregate nominal value (£)
Shares .....	228,002,890	2,061,074.76

The issued and fully paid share capital of the Company immediately following completion of the Placing, assuming that no Shares are issued as a result of the exercise of any options between 21 February 2020 (being the latest practicable date prior to the date of this document) and the completion of the Placing, is expected to be as follows:

	Number	Aggregate nominal value (£)
Shares .....	273,603,467	2,473,289.70

The issued and fully paid share capital of the Company immediately following completion of the Rights Issue, assuming that the maximum number of New Shares is issued and that no Shares are



issued as a result of the exercise of any options between 21 February 2020 (being the latest practicable date prior to the date of this document) and the completion of the Rights Issue, is expected to be as follows:

	Number	Aggregate nominal value (£)
Shares .....	426,821,409	3,858,332

The Company remains subject to the continuing obligations of the listing rules of the FCA (**Listing Rules**) with regard to the issue of securities for cash and the provisions of section 561 of the Companies Act (which confers on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to the issues of Shares by the Company which are not the subject of the disapplication approved by the Shareholders in a general meeting of the Company.

**3.4** Subject to the passing of the Resolutions at the General Meeting and certain other conditions, 45,600,577 Placing Shares will be issued and allotted to the Yew Tree Consortium pursuant to the Placing at an issue price of 400 pence per Placing Share. This will result in the issued ordinary share capital of the Company increasing by 19.99 per cent. All Shareholders will be diluted by 16.67 per cent. as a result of the Placing (assuming no options granted under the Share-Based Incentive Plans are exercised between 21 February 2020 (being the latest practicable date prior to the publication of this document) and Admission of the Placing Shares).

**3.5** Subject to Admission of the New Shares and pursuant to the Rights Issue, 153,217,942 New Shares will be issued at a price of 207 pence per New Share. This will result in the issued ordinary share capital of the Company increasing by approximately 56 per cent. Qualifying Shareholders who take up their pro rata entitlement in full will suffer no dilution to their interests in the Company as a result of the Rights Issue. Shareholders who do not or are not permitted to take up any of their rights to acquire the New Shares will be diluted by 36 per cent. as a result of the Rights Issue (assuming no options granted under the Share-Based Incentive Plans are exercised between 21 February 2020 (being the latest practicable date prior to the publication of this document) and the completion of the Capital Raise).

**3.6** At the General Meeting, Shareholders will be asked to consider and vote on the Resolutions. Two of the Resolutions are ordinary resolutions authorising the Board to (i) implement the Placing and allot the Placing Shares and (ii) implement the Rights Issue and allot the New Shares. The ordinary resolutions will pass if more than a 50 per cent. majority of the votes cast (either in person or by proxy) vote in favour of each. Two of the Resolutions are special resolutions to (i) disapply pre-emption rights in connection with the Placing and (ii) disapply pre-emption rights in connection with the Rights Issue. The special resolutions will pass if more than 75 per cent. majority of the votes cast (either in person or by proxy) vote in favour of each. Each of the Resolutions is conditional on all of the other Resolutions being passed.

**3.7** The New Shares which are the subject of the Rights Issue will be provisionally allotted (nil paid) to all Shareholders on the register on the Record Date by a resolution of a committee of the Board and created in accordance with the laws of England and Wales.

**3.8** The New Shares and the Placing Shares will have the same rights in all respects as the Existing Shares (including the right to receive all dividends or other distributions declared after the date of their issue).

**3.9** The New Shares and the Placing Shares will trade under ISIN GB00BFXZC448 and the SEDOL number is BFXZC44. The ISIN for the Nil Paid Rights will be GB00BHNC9J35 and the ISIN for the Fully Paid Rights will be GB00BHNC9K40.

## **4 ARTICLES OF ASSOCIATION**

The Articles of Association of the Company (the **Articles**) are also available for inspection and include provisions to the following effect:

### **4.1 Unrestricted objects**

The objects of the Company are unrestricted.

## **4.2 Limited liability**

The liability of the Company's members is limited to the amount, if any, unpaid on the Shares in the Company held by them.

## **4.3 Change of name**

The Articles allow the Company to change its name by resolution of the Board. This is in addition to the Company's statutory ability to change its name by special resolution under the Companies Act 2006.

## **4.4 Share rights**

Subject to any rights attached to existing Shares, Shares may be issued with such rights and restrictions as the Company may by ordinary resolution decide, or (if there is no such resolution or so far as it does not make specific provision) as the Board may decide. Such rights and restrictions shall apply as if they were set out in the Articles. Redeemable shares may be issued, subject to any rights attached to existing Shares. The Board may determine the terms and conditions and the manner of redemption of any redeemable share so issued. Such terms and conditions shall apply as if they were set out in the Articles. Subject to the Articles, any resolution passed by the Shareholders and other Shareholders' rights, the Board may decide how to deal with any Shares in the Company.

## **4.5 Voting rights**

Shareholders will be entitled to vote at a general meeting or class meeting whether on a show of hands or a poll, as provided in the applicable statutes (in this section, the "Companies Acts"). The Companies Act 2006 provides that:

- (i) on a show of hands every Shareholder present in person has one vote and every proxy present who has been duly appointed by one or more members will have one vote, except that a proxy has one vote for and one vote against if the proxy has been duly appointed by more than one member and the proxy has been instructed by one or more members to vote for and by one or more other members to vote against. For this purpose the Articles provide that, where a proxy is given discretion as to how to vote on a show of hands, this will be treated as an instruction by the relevant member to vote in the way that the proxy decides to exercise that discretion; and
- (ii) on a poll every Shareholder has one vote per share held by him or her and he or she may vote in person or by one or more proxies. Where he or she appoints more than one proxy, the proxies appointed by him or her taken together shall not have more extensive voting rights than he or she could exercise in person.

This is subject to any special terms as to voting which are given to any Shares or on which Shares are held.

In the case of joint Shareholders of a Share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint Shareholders and, for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint Shareholding.

## **4.6 Restrictions**

No Shareholder shall be entitled to vote at any general meeting or class meeting in respect of any Share held by him if any call or other sum then payable by him or her in respect of that share remains unpaid or if a member has been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Acts.

## **4.7 Dividends and other distributions**

The Company may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the Board. Subject to the Companies Acts, the Board may pay interim

dividends, and also any fixed rate dividend, whenever the financial position of the Company, in the opinion of the Board, justifies its payment. If the Board acts in good faith, it is not liable to holders of shares with preferred or *pari passu* rights for losses arising from the payment of interim or fixed dividends on other shares.

The Board may withhold payment of all or any part of any dividends or other moneys payable in respect of the Company's shares from a person with a 0.25 per cent. or greater holding, in number or nominal value, of the shares of the Company or of any class of such shares (in each case, calculated exclusive of any shares held as treasury shares) (in this section, a "0.25 per cent. interest") if such a person has been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Acts.

Except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide, all dividends shall be apportioned and paid pro rata according to the amounts paid up on the share during any portion of the period in respect of which the dividend is paid. Except as set out above, dividends may be declared or paid in any currency.

The Board may if authorised by an ordinary resolution of the Company offer ordinary shareholders (excluding any member holding shares as treasury shares) in respect of any dividend the right to elect to receive ordinary shares by way of scrip dividend instead of cash.

Any dividend unclaimed after a period of 12 years from the date when it was declared or became due for payment shall be forfeited and revert to the Company unless the Board decides otherwise.

The Board may decide on the way dividends are paid, including deciding on different ways of payment for different shareholders. If the Board has decided on different ways of payment, it may also give shareholders the option of choosing in which of these ways they would like to receive payment or it may specify that a particular way of payment will be used unless shareholders choose otherwise. If shareholders fail to provide the necessary details to enable payment of the dividend to them or if payment cannot be made using the details provided by the shareholder, the dividend will be treated as unclaimed.

The Company may stop sending cheques, warrants or similar financial instruments in payment of dividends by post in respect of any shares or may cease to employ any other means of payment, including payment by means of a relevant system, for dividends if either: (i) at least two consecutive payments have remained uncashed or are returned undelivered or that means of payment has failed or (ii) one payment remains uncashed or is returned undelivered or that means of payment has failed and reasonable inquiries have failed to establish any new postal address or account of the holder. The Company may resume sending dividend cheques, warrants or similar financial instruments or employing that means of payment if the holder requests such resumption in writing.

#### **4.8 Variation of rights**

Subject to the Companies Acts, rights attached to any class of shares may be varied with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class (calculated excluding any shares held as treasury shares), or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting (except an adjourned meeting) the quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of the class (calculated excluding any shares held as treasury shares) or by the purchase or redemption by the Company of any of its own shares.

The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with them.

#### **4.9 Transfer of shares**

The Shares are in registered form. Any shares in the Company may be held in uncertificated form and, subject to the Articles, title to uncertificated shares may be transferred by means of a relevant system. Provisions of the Articles do not apply to any uncertificated shares to the extent that such provisions are inconsistent with the holding of shares in uncertificated form, with the transfer of shares by means of a relevant system, with any provision of the legislation and rules relating to uncertificated shares or with the Company doing anything by means of a relevant system.

Subject to the Articles, any member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the board may approve. The instrument of transfer must be signed by or on behalf of the transferor and (in the case of a partly-paid share) the transferee.

The transferor of a share is deemed to remain the holder until the transferee's name is entered in the register.

The Board can decline to register any transfer of any share which is not a fully paid share. The Board may also decline to register a transfer of a certificated share unless the instrument of transfer:

- (i) is duly stamped or certified or otherwise shown to the satisfaction of the Board to be exempt from stamp duty and is accompanied by the relevant share certificate and such other evidence of the right to transfer as the board may reasonably require;
- (ii) is in respect of only one class of share; and
- (iii) if to joint transferees, is in favour of not more than four such transferees.

Registration of a transfer of an uncertificated share may be refused in the circumstances set out in the uncertificated securities rules (as defined in the articles) and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

The Board may decline to register a transfer of any of the Company's certificated shares by a person with a 0.25 per cent. interest if such a person has been served with a restriction notice (as defined in the articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Acts, unless the transfer is shown to the Board to be pursuant to an arm's length sale (as defined in the Articles).

#### **4.10 Sub-division of share capital**

Any resolution authorising the Company to sub-divide any of its shares may determine that, as between the shares resulting from the sub-division, any of them may have a preference, advantage or deferred or other right or be subject to any restriction as compared with the others.

#### **4.11 General meetings**

The Articles rely on the Companies Act 2006 provisions dealing with the calling of general meetings. Under the Companies Act 2006 an annual general meeting must be called by notice of at least 21 days. Upon listing, the Company will be a "traded company" for the purposes of the Companies Act 2006 and as such will be required to give at least 21 days' notice of any other general meeting unless a special resolution reducing the period to not less than 14 days has been passed in accordance with the Companies Act 2006. Notice of a general meeting must be given in hard copy form, in electronic form, or by means of a website and must be sent to every Shareholder and every Director. It must state the time and date and the place of the meeting and the general nature of the business to be dealt with at the meeting. As the company will be a traded company, the notice must also state the website address where information about the meeting can be found in advance of the meeting, the voting record time, the procedures for

attending and voting at the meeting, details of any forms for appointing a proxy, procedures for voting in advance (if any are offered), and the right of members to ask questions at the meeting. In addition, a notice calling an annual general meeting must state that the meeting is an annual general meeting. Each Director shall be entitled to attend and speak at any general meeting. The chair of the meeting may invite any person to attend and speak at any general meeting where he or she considers that this will assist in the deliberations of the meeting.

#### **4.12 Directors**

##### *A. Number of Directors*

The Directors shall be not less than two and not more than twenty in number. The Company may by ordinary resolution vary the minimum and/or maximum number of Directors.

##### *B. Directors' shareholding qualification*

A Director shall not be required to hold any shares in the Company.

##### *C. Appointment of Directors*

Directors may be appointed by the Company by ordinary resolution or by the Board.

The Board or any committee authorised by the Board may from time to time appoint one or more Directors to hold any employment or executive office for such period and on such terms as they may determine and may also revoke or terminate any such appointment.

##### *D. Annual retirement of Directors*

At every annual general meeting all the Directors shall retire from office and may offer himself for re-appointment by the Shareholders.

##### *E. Removal of Directors by special resolution*

The Company may by special resolution remove any Director before the expiration of his period of office.

##### *F. Vacation of office*

The office of a Director shall be vacated if:

- (i) he or she resigns or offers to resign and the Board resolve to accept such offer;
- (ii) he or she is removed by notice given by all of the other Directors and all of the other Directors are not less than three in number;
- (iii) he or she is or has been suffering from mental or physical ill health and the Board resolves that his or her office be vacated;
- (iv) he or she is absent without the permission of the Board from meetings of the Board (whether or not an alternate Director appointed by him or her attends) for six consecutive months and the Board resolves that his or her office is vacated;
- (v) he or she becomes bankrupt or compounds with his or her creditors generally;
- (vi) he or she is prohibited by a law from being a Director;
- (vii) he or she ceases to be a Director by virtue of the Companies Acts; or
- (viii) he or she is removed from office pursuant to the Company's articles.

If the office of a Director is vacated for any reason, he or she must cease to be a member of any committee or sub-committee of the Board.

#### *G. Alternate Director*

Any Director may appoint any person to be his or her alternate and may at his or her discretion remove such an alternate Director. If the alternate Director is not already a Director, the appointment, unless previously approved by the Board, shall have effect only upon and subject to being so approved.

#### *H. Proceedings of the Board*

Subject to the provisions of the Articles, the Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit. The quorum necessary for the transaction of the business of the Board may be fixed by the Board and, unless so fixed at any other number, shall be two. A meeting of the Board at which a quorum is present shall be competent to exercise all the powers, authorities and discretions vested in or exercisable by the Board.

The Board may appoint a Director to be the Chair or a deputy chair and may at any time remove him or her from that office. Questions arising at any meeting of the Board shall be determined by a majority of votes. In the case of an equality of votes the Chair of the meeting shall have a second or casting vote.

All or any of the members of the Board may participate in a meeting of the Board by means of a conference telephone or any communication equipment which allows all persons participating in the meeting to speak to and hear each other. A person so participating shall be deemed to be present at the meeting and shall be entitled to vote and to be counted in the quorum.

The Board may delegate any of its powers, authorities and discretions (with power to sub-delegate) to any committee, consisting of such person or persons as it thinks fit, provided that the majority of persons on any committee or sub-committee must be Directors. The meetings and proceedings of any committee consisting of two or more members shall be governed by the provisions contained in the Articles for regulating the meetings and proceedings of the Board so far as the same are applicable and are not superseded by any regulations imposed by the Board.

#### *I. Remuneration of Directors*

Each of the non-executive Directors shall be paid a base fee at such rate as may from time to time be determined by the Board, but the aggregate of all such base fees so paid to the non-executive Directors shall not exceed £1,750,000 per annum or such higher amount as may from time to time be decided by ordinary resolution of the Company. Any Director who is appointed to any executive office shall be entitled to receive such remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board or any committee authorised by the Board may decide, either in addition to or in lieu of his or her remuneration as a Director. In addition, any Director who performs services which in the opinion of the Board or any committee authorised by the Board go beyond the ordinary duties of a Director, may be paid such extra remuneration as the Board or any committee authorised by the Board may determine. Each Director may be paid his or her reasonable travelling, hotel and incidental expenses of attending and returning from meetings of the Board, or committees of the Board or of the Company or any other meeting which as a Director he or she is entitled to attend, and shall be paid all other costs and expenses properly and reasonably incurred by him or her in the conduct of the Company's business or in the discharge of his or her duties as a Director. The Company may also fund a Director's or former director's expenditure and that of a Director or former director of any holding company of the Company for the purposes permitted under the Companies Acts and may do anything to enable a Director or former director or a Director or former director of any holding company of the Company to avoid incurring such expenditure as provided in the Companies Acts.

#### *J. Pensions and gratuities for Directors*

The Board or any committee authorised by the Board may exercise the powers of the Company to provide benefits either by the payment of gratuities or pensions or by insurance or in any other



manner for any Director or former director or his or her relations, dependants or persons connected to him or her, but no benefits (except those provided for by the Articles) may be granted to or in respect of a Director or former director who has not been employed by or held an executive office or place of profit under the Company or any of its subsidiary undertakings or their respective predecessors in business without the approval of an ordinary resolution of the Company.

#### *K. Directors' interests*

The Board may, subject to the provisions of the Articles, authorise any matter which would otherwise involve a Director breaching his duty under the Companies Acts to avoid conflicts of interest. Where the Board gives authority in relation to a conflict of interest or where any of the situations described in (i) to (v) below applies in relation to a Director, the Board may: (a) require the relevant Director to be excluded from the receipt of information, the participation in discussion and/or the making of decisions related to the conflict of interest or situation; (b) impose upon the relevant Director such other terms for the purpose of dealing with the conflict of interest or situation as it may determine; and (c) may provide that the relevant Director will not be obliged to disclose information obtained otherwise than through his position as a Director of the Company and that is confidential to a third party or to use or apply the information in relation to the Company's affairs, where to do so would amount to a breach of that confidence. The Board may revoke or vary such authority at any time.

Subject to the provisions of the Companies Acts, and provided he or she has declared the nature and extent of his interest to the Board as required by the Companies Acts, a Director may:

- (i) be party to, or otherwise interested in, any contract with the Company or in which the Company has a direct or indirect interest;
- (ii) hold any other office or place of profit with the Company (except that of auditor) in conjunction with his or her office of Director for such period and upon such terms, including remuneration, as the board may decide;
- (iii) act by himself, or herself, or through a firm with which he or she is associated in a professional capacity for the Company or any other company in which the Company may be interested (otherwise than as auditor);
- (iv) be or become a Director or other officer of, or employed by or a party to a transaction or arrangement with, or otherwise be interested in any holding company or subsidiary company of the Company or any other company in which the Company may be interested; and
- (v) be or become a Director of any other company in which the Company does not have an interest and which cannot reasonably be regarded as giving rise to a conflict of interest at the time of his or her appointment as a Director of that other company.

A Director shall not, by reason of his or her office be liable to account to the Company or its members for any benefit realised by reason of having an interest permitted as described above or by reason of having a conflict of interest authorised by the Board and no contract shall be liable to be avoided on the grounds of a Director having any such interest.

#### *L. Restrictions on voting*

No Director may vote on or be counted in the quorum in relation to any resolution of the board concerning his or her own appointment, or the settlement or variation of the terms or the termination of his or her own appointment, as the holder of any office or place of profit with the Company or any other company in which the Company is interested save to the extent permitted specifically in the Articles.

Subject to certain exceptions set out in the Articles, no Director may vote on, or be counted in a quorum in relation to, any resolution of the Board in respect of any contract in which he or she has an interest and, if he or she does so, his or her vote shall not be counted.

Subject to the Companies Acts, the Company may by ordinary resolution suspend or relax to any extent the provisions relating to Directors' interests or the restrictions on voting or ratify any transaction not duly authorised by reason of a contravention of such provisions.

#### *M. Borrowing and other powers*

Subject to the Articles and any directions given by the Company by special resolution, the business of the Company will be managed by the Board who may exercise all the powers of the Company, whether relating to the management of the business of the Company or not. In particular, the Board may exercise all the powers of the Company to borrow money, to guarantee, to indemnify, to mortgage or charge any of its undertaking, property, assets (present and future) and uncalled capital and to issue debentures and other securities and to give security for any debt, liability or obligation of the Company or of any third party. The Board must restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings so as to secure that, save with the previous sanction of an ordinary resolution, no money shall be borrowed if the aggregate principal amount outstanding of all borrowings (as defined in the Articles) by Aston Martin Lagonda (exclusive of borrowings within Aston Martin Lagonda) then exceeds, or would as a result of such borrowing exceed, an amount equal to six times the adjusted capital and reserves (as defined in the Articles).

#### *N. Indemnity of Directors*

To the extent permitted by the Companies Acts, the Company may indemnify any Director or former director of the Company or any associated company against any liability and may purchase and maintain for any Director or former director of the Company or any associated company insurance against any liability.

### **5 MANDATORY BIDS AND COMPULSORY ACQUISITION RULES RELATING TO THE SHARES**

Other than as provided by the Takeover Code and Chapter 28 of the Companies Act 2006, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules that apply to the Shares.

#### **5.1 Mandatory bid**

The Takeover Code applies to the Company. Under Rule 9 of the Takeover Code, if an acquisition of interests in Shares were to increase the aggregate holding of the acquirer and its concert parties to interests in Shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties would be required (except with the consent of the Panel on Takeovers and Mergers (the **Takeover Panel**)) to make a cash offer for the outstanding Shares at a price not less than the highest price paid for interests in shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of interests in shares by a person interested in (together with its concert parties) shares which in aggregate carry not less than 30 per cent. of the voting rights in the Company but does not hold more than 50 per cent. of such voting rights in the Company, if the effect of such acquisition were to increase the percentage of shares carrying voting rights in the Company in which that person is interested.

"Interest in shares" is defined broadly in the Takeover Code. A person who has long economic exposure, whether absolute or conditional, to changes in the price of shares will be treated as interested in those shares. A person who only has a short position in shares will not be treated as interested in those shares.

In particular, a person will be treated as having an interest in shares if:

- A. he or she owns them;
- B. he or she has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to them or have general control of them;

- C. by virtue of any agreement to purchase an option or derivative he or she:
  - i. has the right or option to acquire them or call for their delivery; or
  - ii. are under an obligation to take delivery of them,
- D. whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or
- E. he or she is a party to any derivative:
  - i. whose value is determined by reference to its price; and
  - ii. which results, or may result, in their having a long position in it.

“Voting rights” for these purposes means all the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting.

Persons acting in concert comprise persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control (as defined below) of a company or to frustrate the successful outcome of an offer for a company. Certain categories of people will be presumed to be acting in concert with each other unless the contrary is established.

The Panel Executive has confirmed to the Company (or, in the case of C below, the Yew Tree Consortium) that it would treat:

- A. each of the members of the Adeem/PW Shareholder Group to be acting in concert with one another;
- B. each of the members of the Prestige/SEIG Shareholder Group to be acting in concert with one another; and
- C. each of the members of the Yew Tree Consortium to be acting in concert with one another,

but would not treat the members of the Adeem/PW Shareholder Group, the members of the Prestige/SEIG Shareholder Group and the members of the Yew Tree Consortium to be acting in concert with one another, for the purposes of the Takeover Code.

## 5.2 Share buy-back authorisations

When a company redeems or purchases its own voting shares, under Rule 37 of the Takeover Code any resulting increase in the percentage of shares carrying voting rights in which a person or group of persons acting in concert is interested will be treated as an acquisition for the purpose of Rule 9 of the Takeover Code. Under Note 1 on Rule 37.1 of the Takeover Code, a person who comes to exceed the limits in Rule 9.1 in consequence of a company’s purchase of its own shares will not normally incur an obligation to make a mandatory offer unless that person is a director, or the relationship of the person with any one or more of the directors is such that the person is, or is presumed to be, acting in concert with any of the directors. However, there is no presumption that all the directors (or any two or more directors) are acting in concert solely by reason of a proposed purchase by a company of its own shares, or the decision to seek shareholders’ authority for any such purchase. Rule 37 of the Takeover Code provides that, subject to prior consultation, the Takeover Panel will normally waive any resulting obligation to make a general offer under Rule 9 if there is a vote of independent shareholders and a procedure along the lines of that set out in Appendix 1 to the Takeover Code is followed. Appendix 1 to the Takeover Code sets out the procedure which should be followed in obtaining that consent of independent shareholders.

Both Major Shareholder Groups have, and the Yew Tree Consortium will have, representative directors appointed to the Board, with whom they will be presumed to be acting in concert.

## 5.3 Partial offer moratorium

On 9 August 2019, SEIG published an offer document (the **Partial Offer Document**) in connection with a partial cash offer made by it for 6,840,090 Shares (the **Partial Offer**). As set out in the Partial Offer Document, by operation of Rule 36.3 of the Takeover Code, SEIG and persons acting

in concert with it (which includes Prestige Motor Holdings S.A. and Preferred Prestige Motor Holdings S.A.) are not permitted to acquire any further Shares for a period of 12 months after the end of the Partial Offer offer period (being 9 September 2019) without the consent of the Takeover Panel (the **Partial Offer Moratorium**). The Takeover Panel has confirmed that the Partial Offer Moratorium shall not prevent the Prestige/SEIG Shareholder Group from acquiring its full entitlement of New Shares under the Rights Issue. Furthermore, the Takeover Panel has confirmed that the Prestige/SEIG Shareholder Group may acquire any interest in Shares (including the purchase of additional Nil Paid Rights under the Rights Issue in excess of its pre-emptive entitlement), provided the aggregate shareholding of the Prestige/SEIG Shareholder Group following any such acquisition(s) shall not exceed 29.99 per cent. of the Company's issued share capital.

#### 5.4 Squeeze-out

Under the Companies Act 2006, if a "takeover offer" (as defined in section 974 of the Companies Act) is made for the Shares and the offeror were to acquire, or unconditionally contract to acquire, not less than 90 per cent. in value of the Shares to which the offer relates and not less than 90 per cent. of the voting rights carried by the Shares to which the offer relates, it could, within three months of the last day on which its takeover offer can be accepted, compulsorily acquire the remaining 10 per cent. The offeror would do so by sending a notice to outstanding members telling them that it will compulsorily acquire their Shares and then, six weeks later, it would execute a transfer of the outstanding Shares in its favour and pay the consideration for the outstanding Shares to the Company, which would hold the consideration on trust for outstanding members. The consideration offered to the members whose shares are compulsorily acquired under this procedure must, in general, be the same as the consideration that was available under the original offer unless a member can show that the offer value is unfair.

#### 5.5 Sell-out

The Companies Act 2006 also gives minority members a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all of the Shares and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. in value of the Shares and not less than 90 per cent. of the voting rights carried by the Shares, any holder of Shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those Shares. The offeror is required to give any member notice of his/her right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority members to be bought out, but that period cannot end less than three months after the end of the acceptance period or, if later, three months from the date on which notice is served on members notifying them of their sell-out rights. If a member exercises his/her rights, the offeror is entitled and bound to acquire those Shares on the terms of the offer or on such other terms as may be agreed.

### 6 DIRECTORS AND SENIOR MANAGERS

#### 6.1 Directors

The Directors of the Company as at the date of this document are listed below.

Name	Age	Position
Penny Hughes, CBE . . . . .	60	Chair
Dr Andrew Palmer, CMG . . . . .	56	President and Group Chief Executive Officer
Mark Wilson . . . . .	45	Chief Financial Officer and Executive Vice President
Richard Solomons . . . . .	58	Senior Independent Non-Executive Director
Amr Ali Abdallah AbouelSeoud . .	51	Non-Executive Director
Lord Matthew Carrington . . . . .	72	Independent Non-Executive Director
Mahmoud Samy Mohamed Aly El Sayed . . . . .	48	Non-Executive Director
Peter Espenhahn . . . . .	75	Independent Non-Executive Director
Dante Razzano . . . . .	71	Non-Executive Director
Imelda Walsh . . . . .	56	Independent Non-Executive Director
Professor Tensie Whelan . . . . .	59	Independent Non-Executive Director

Following completion of the Capital Raise, Penny Hughes will step down as a Director and the Chair, and Lawrence Stroll (age 60) (the **Proposed Director**) will join the Board as Executive Chair effective on 7 April 2020.

Following discussions and by mutual agreement Mark Wilson will step down as Chief Financial Officer and as an Executive Director of the Company no later than 30 April 2020. He will remain available to the Company to assist with transition in the period through to 30 June 2020. The Nomination Committee has initiated a process to appoint a CFO.

The three major shareholders of the Company following the Capital Raise will be the Yew Tree Consortium, the Prestige/SEIG Shareholder Group and the Adeem/PW Shareholder Group, and each will be entitled under new relationship agreements to have representative board appointments at a revised lower shareholding following the Capital Raise. Due to the Board appointment rights, each of Richard Solomons and Imelda Walsh have advised that they will not seek re-election at the forthcoming annual general meeting. Tensie Whelan has also advised she will not stand for re-election. These Directors will work to support the transition to Lawrence Stroll as Executive Chair during their period of notice. Non-compliance has only been accepted in order to support the capital raise and it is understood significant focus and effort will need to be applied to Board composition.

Each of the Directors' business address is, and the Proposed Director's business address will be, the Company's registered office address at Banbury Road, Gaydon, Warwick CV35 0DB, United Kingdom.

The experience and principal business activities of the Proposed Director and each of the Directors are as follows:

***Mr. Lawrence Stroll, Proposed Executive Chair***

Mr. Stroll began his career over 30 years ago when his family acquired the Pierre Cardin children's wear licence for Canada. Shortly thereafter, he acquired the licence for Polo Ralph Lauren children's wear in Canada. Almost immediately following he launched Polo Ralph Lauren men's, women's and children's apparel throughout Europe under the company Poloco S.A.

In 1989, Mr. Stroll and Mr. Chou formed Sportswear Holdings Limited to acquire Tommy Hilfiger Corporation, where Mr. Stroll served on the board of directors from 1992 to 2002, and was the company's Co-Chairman from 1998 to 2002. Sportswear Holdings also acquired Pepe Jeans London Corporation in 1991, of which Mr. Stroll was Group Chief Executive Officer from 1993 through 1998. Mr. Stroll also served as the Co-Chairman of Hackett Ltd., a major men's clothing retailer and a subsidiary of Pepe, from 2007 until 2012.

In 2003, Sportswear Holdings acquired a majority interest in Michael Kors Holdings Limited, where Mr. Stroll served as Co-Chairman from 2003 to 2011, when Mr. Stroll and Mr. Chou led Michael Kors' successful IPO, and continued as a director until 2014.

Mr. Stroll has diversified into different asset classes, including the luxury automotive and motorsport sectors in which he has, for many years, been an active investor historically including the Ferrari dealership in Quebec and the Circuit Mont-Tremblant racing circuit in Quebec, Canada. In 2018, Mr. Stroll led a consortium to acquire the F1™ team currently known as BWT Racing Point F1™ team, of which Mr. Stroll is Chairman.

***Ms. Penny Hughes, CBE, Chair***

Ms. Hughes has served on the boards of directors of firms across consumer, media, technology and finance sectors. She presently serves as chair of The Gym Group PLC. She is also the chair of iQSA, a private venture between Goldman Sachs and the Wellcome Trust. From January 2010 to June 2018 she was a non-executive director of The Royal Bank of Scotland PLC where she was chair of the remuneration committee and the sustainable banking committee. Ms. Hughes was previously a non-executive director and chair of the remuneration committee of Superdry plc



from 2015 to 2019. Ms. Hughes was also a non-executive director of Wm Morrison Supermarkets PLC (until 31 December 2015). Ms. Hughes has experience as chair of each board committee within former non-executive director roles which include The Body Shop PLC, Home Retail Group PLC, Gap Inc., Vodafone PLC, Reuters PLC, Skandinaviska Enskilda Banken AB and Cable & Wireless Worldwide PLC. Ms. Hughes spent the majority of her executive career at Coca-Cola and was appointed President of Coca-Cola Great Britain & Ireland in 1992. Having been President of the Advertising Association for six years, Ms. Hughes received a CBE for services to the media in the Queen's Birthday Honours list in June 2011. Ms. Hughes holds a BSc (Hons) and an honorary LLD from the University of Sheffield.

***Dr. Andrew Palmer, CMG, President and Group Chief Executive Officer***

Dr. Palmer has been an Executive Director of the Group (as President and Group Chief Executive Officer) since October 2014. He is a British-born chartered engineer with over 40 years of experience in the automotive industry, after starting his professional career as an apprentice at Automotive Products Limited (UK). Prior to joining Aston Martin Lagonda, Dr. Palmer was Chief Engineer for Transmissions at Austin Rover Group before holding the position of Chief Operating Officer & Chief Planning Officer at Nissan Motor Co. Dr. Palmer graduated from Warwick University (where he is now an Industrial Professor) with a Master's degree (MSc) in Product Engineering in 1990, earned an ADP from London Business School in 2002 and acquired a Doctorate degree (PhD) in Engineering Management from Cranfield University in 2004. He also holds an Honorary Doctorate and Professorship from Coventry University and an Honorary Doctorate from Cranfield University. Dr. Palmer was named a Companion of the Order of St. Michael and St. George (CMG) in the 2014 New Year's Honours List, in recognition of services to the British automotive industry. He was also named a Fellow of the Royal Academy of Engineering in 2017. He also serves as an Honorary Group Captain with the Royal Air Force and is a non-executive director of Ashok Leyland. In 2012, Dr. Palmer was recognised by Auto Express as the most senior Briton in the global automotive industry and again in 2018 as the most influential person in the automotive industry over the past 30 years.

***Mr. Mark Wilson, Chief Financial Officer and Executive Vice President***

Mr. Wilson joined Aston Martin Lagonda in June 2015 and is the Executive Vice President and Chief Financial Officer. With a strong track record of senior automotive experience already accrued with McLaren Automotive and Lotus Car Ltd, Mr. Wilson joined Aston Martin Lagonda from the renewable energy insurer, G-Cube Underwriting, where he held the position of Chief Financial and Operating Officer. Mr. Wilson holds a B.A. (Hons) in Combined Studies (Law and Management Science) from the University of Northampton and is a Chartered Management Accountant. Mr. Wilson reports directly to Dr. Palmer and is on the Executive Board.

***Mr. Richard Solomons, Senior Independent Non-Executive Director***

Mr. Solomons is the Chairman of Rentokil Initial plc and in October 2019, he joined the Board of Hotelbeds as a non-executive Director and Chairman of the Advisory Committee. He was a non-executive director of Marks & Spencer plc from 2015 to July 2018. Mr. Solomons is also a member of the Board of Governors of The University of Manchester. Mr. Solomons was Chief Executive of InterContinental Hotels Group plc from 2011 to 2017, and prior to that was Chief Financial Officer from IHG's inception as a standalone public company from 2003 to 2011. During his time at IHG Mr. Solomons also held various finance roles as well as Chief Operating Officer and then Interim President of IHG's Americas region. Prior to joining IHG, Mr. Solomons worked in investment banking for seven years based in New York and London for Hill Samuel Bank and qualified as a Chartered Accountant while working for KPMG in London. Mr. Solomons holds a BA (Econ) from the University of Manchester.

***Mr. Amr Ali Abdallah AbouelSeoud, Non-Executive Director***

Mr. AbouelSeoud has been a director within the Group since March 2007. With over 20 years of experience in the investment industry, Mr. AbouelSeoud also currently holds board positions at Tejera Capital Limited, Tejera Capital International Limited, Manazel Real Estate Developments



Company, Credit Rating & Collection Company and Grosvenor House Apartments Limited (UK). Mr. AbouelSeoud has worked at Coopers & Lybrand and Ernst & Young and has a Bachelor of Commerce and Accounting from Cairo University. He is a Certified Public Accountant.

***Lord Matthew Carrington, Independent Non-Executive Director***

Lord Carrington is a member of the House of Lords and non-executive director of the Arab British Chamber of Commerce and CarringtonCrisp Ltd. He has been a non-executive board member of various businesses and associations, including Gatehouse Bank plc, where he was also chairman of the board from 2015 to 2017. He has served as Chief Executive of the Retail Motor Industry Federation and executive Chairman of the Outdoor Advertising Association. From 1993 to 1996, Lord Carrington was a member of the Treasury Select Committee, becoming Chairman in 1996, and served as Government Whip. Lord Carrington was also a manager at the Saudi International Bank in London, where he set up and ran the bank's Islamic financing department. Lord Carrington holds a BSc in Physics from Imperial College London and a MSc in Economics from the London Business School.

***Mr. Mahmoud Samy Mohamed Aly El Sayed, Non-Executive Director***

Mr. Aly El Sayed has been a director within the Group since March 2007. He is the current Chief Executive Officer and Vice Chair of Adeem Investment and Wealth Management Company and serves as the Chair of the board at Manazel Development Company (K.S.C.C – Kuwait) and Grosvenor House Apartments Limited (UK) and a director of Wethaq Takaful Insurance Egypt (S.A.E). Prior to this, Mr. Aly El Sayed was an executive Vice-President of Investment and Risk Management at EFAD Holding (K.S.C.C) and had also worked in assurance services for PricewaterhouseCoopers in Kuwait and KPMG in Egypt. He holds a BS (Commerce) in Accountancy from Cairo University and is a Certified Risk Analyst and a Certified Public Accountant.

***Mr. Peter Espenhahn, Independent Non-Executive Director***

Mr. Espenhahn has a wealth of financial experience, having worked on audit, tax and investigations with Deloitte, Plender, Griffiths & Co and, from 1972 to 1998, in corporate finance with Morgan Grenfell & Co. Ltd and Deutsche Bank. He was subsequently a non-executive director and later chair of Telspec plc, a telecoms manufacturer, and chair of Bibendum Wine (Holdings) Ltd and Old Broad Street Research Ltd. Mr. Espenhahn has an MA in Economics and Law from the University of Cambridge.

***Mr. Dante Razzano, Non-Executive Director***

Mr. Razzano has been a director within the Group since April 2013. Mr. Razzano joined Investindustrial private equity in January 2004 following a 33-year investment banking career and is currently Executive Vice Chairman. From 1992 to 2003 he was a group director of Morgan Grenfell (later Deutsche Morgan Grenfell) and established both the investment banking business and private equity business in Italy. From 1986 to 1992, he was managing director and senior investment officer of Citibank NA in New York and CEO of Citicorp's Italian merchant bank and was simultaneously responsible for their continental merger and acquisitions activity. From 1970 to 1986, he was vice president and group executive at Manufacturers Hanover Trust in New York (today J.P. Morgan).

***Ms. Imelda Walsh, Independent Non-Executive Director***

Ms. Walsh is a non-executive director and chair of the Remuneration Committee at Mitchells and Butlers Plc. She was also a non-executive director and chair of the remuneration committee of First Group plc until 14 February 2020, and was on the Board of William Hill until May 2018 and Mothercare Plc until October 2016, again as Chair of the Remuneration Committee. Previously Ms. Walsh was Group HR Director at J Sainsbury Plc and a member of the Operating Board until July 2010. She was also a non-executive director of Sainsbury's Bank and a Trustee Director of the charity Comic Relief. In 2008, Ms. Walsh led an independent review of the proposed extension of

the right to request flexible working to parents of older children, on behalf of the government. She was also one of five commissioners on The Workplace Retirement Income Commission, which published recommendations on how to revitalise workplace retirement savings in August 2011. Ms. Walsh has held a number of senior HR roles, including at Barclays, Coca Cola and Schweppes Beverages and Diageo. She has a degree in Modern History and Politics from the University of Manchester and a Master's degree in Industrial Relations from the London School of Economics.

***Professor Tensie Whelan, Independent Non-Executive Director***

Professor Whelan joined the Board as an Independent Non-Executive Director in October 2018. She is Clinical Professor of Business and Society and executive director of NYU Stern School of Business' Center for Sustainable Business, where she brings over 25 years of experience working to engage businesses in proactive and innovative mainstreaming of sustainability. As President of the Rainforest Alliance, she led the organisation's substantial growth and established the Rainforest Alliance into an internationally recognised brand. Her previous work includes serving as executive director of the New York League of Conservation Voters, Vice President of the National Audubon Society, Managing Editor of Ambio, a journal of the Swedish Academy of Sciences, and as a journalist in Latin America. Professor Whelan has been recognised by Ethisphere as one of the 100 Most Influential People in Business Ethics and has served on non-profit boards and corporate advisory boards, such as the Unilever Sustainable Sourcing Advisory Board, and currently sits on the Inherent Group and Arabesque Advisory Boards. Professor Whelan holds a B.A. from New York University, an M.A. from American University, and is a graduate of the Harvard Business School Owner President Management Program.

Set out below are the directorships and partnerships held by the Directors and Proposed Director (other than, where applicable, directorships held in the Company or subsidiaries of the Company), in the five years prior to the date of this document:

<b>Name</b>	<b>Current directorships / partnerships</b>	<b>Past directorships / partnerships</b>
Lawrence Stroll . . . . .	AIHL – Pepe Limited Pepe Holdings Limited Racing Point UK Limited Racing Point UK Holdings Limited SHL Apparel Holdings Limited SHL Apparel Limited SHL Challenger Limited SHL Finance Limited SHL Global II Limited Sino Private Aviation (HK) Limited Sino Private Aviation Limited SHL Global Limited SPAL Aircraft Sales Limited Sportswear Holdings Limited Wexford Enterprises Limited	Falcon Racing Inc
Penny Hughes, CBE . . . . .	The Gym Group PLC iQSA	SuperDry PLC The Royal Bank of Scotland Group PLC Vodafone Wm Morrison Supermarkets PLC
Dr Andrew Palmer, CMG . . . .	Ashok Leyland Limited SBD Automotive Ltd (formerly known as Secured by Design Limited)	Nissan European Technology Centre Limited Nissan Motor Light Truck Limited Aston Martin Mena Limited
Mark Wilson . . . . .	-	GCube Underwriting McLaren Automotive
Richard Solomons . . . . .	Rentokil plc HotelBeds Group, S.L.U.	InterContinental Hotels Group plc Marks & Spencer plc

<b>Name</b>	<b>Current directorships / partnerships</b>	<b>Past directorships / partnerships</b>
Amr Ali Abdallah AbouelSeoud . . . . .	Tejara Capital Limited Tejara Capital International Limited CRC for Credit Rating & Collection Company Manazel Real Estate Developments Company The Investment Dar Grosvenor House Apartments Limited White Rose Automotive Limited Primewagon (UK) Limited Primewagon (Jersey) Limited Venus Limited, Jersey Venus Holdings Limited, Jersey	Aston Martin Mena Limited ADAM Capital Holding Company Investment Dar (UK) Limited SJT Estates Limited NAMA Investments Limited Besket Limited, UAE AMADCO Limited, UK
Lord Matthew Carrington . . .	Arab British Chamber of Commerce CarringtonCrisp Ltd	Gatehouse Bank PLC
Mahmoud Samy Mohamed Aly El Sayed . . . . .	Adeem Investment & Wealth Management Company (K.S.C.C) Asmar Limited White Rose Automotive Limited Grosvenor House Apartments Limited Manazel Development Company (K.S.C.C) Manazel Real Estate Development (S.A.E) Sawaf Real Estate Company (K.S.C.C) Wethaq Takaful Insurance Egypt (S.A.E)	Aston Martin Mena Limited
Peter Espenhahn . . . . .	Happy Days EIBF Ltd Wilde West Ltd Opera Ventures Ltd Wine Owners Ltd	Bibendum Wine (Holdings) Ltd National Opera Studio Ltd
Dante Razzano . . . . .	Artsana SpA European Laboratory Solutions SRL Speciality Chemicals International Limited Investindustrial Services SA Tiberio Limited Fondation Alta Mane	Banca Popolare di Milano Scarl Permasteelisa SpA Ducati SpA B&B Italia SpA Sergio Rossi SpA Investindustrial Services Limited
Imelda Walsh . . . . .	Mitchells & Butlers PLC	First Group PLC William Hill PLC Mothercare PLC NOW: Pension Trustees Ltd Charity Projects Ltd Institute of Employment Studies The Mentoring Foundation
Professor Tensie Whelan . . . . -		Globescan

## 6.2 Senior Managers

The Company's Senior Managers are as follows:

Name	Age	Position
Dr Andrew Palmer, CMG . . . .	56	President and Group Chief Executive Officer
Mark Wilson . . . . .	45	Executive Vice President and Chief Financial Officer
Charlotte Cowley . . . . .	44	Director of Investor Relations
Peter Freedman . . . . .	35	Vice President and Chief Marketing Officer
John Griffiths . . . . .	57	Vice President, Chief Transformation Officer and Chief Purchasing and Supply Chain Officer
Andy Haslam . . . . .	39	Vice President and Chief Sales Officer
Richard Humbert . . . . .	56	Vice President and Chief Quality Officer
Stephanie Jackson . . . . .	37	Director of Corporate Strategy
Michael Kerr . . . . .	65	Vice President and Chief HR Officer
David King . . . . .	55	Vice President and Chief Special Operations Officer President of Aston Martin Racing
Nick Lines . . . . .	48	Vice President and Chief Technical Officer
Michael Marecki . . . . .	59	Vice President and General Counsel
Marek Reichman . . . . .	53	Executive Vice President and Chief Creative Officer
Nikki Rimmington . . . . .	43	Vice President and Chief Planning Officer
Keith Stanton . . . . .	59	Vice President and Chief Manufacturing Operations Officer
Catherine Sukmonowski . . . . .	56	Company Secretary and Director of Corporate Governance

Each of the Senior Managers' business address is the Company's registered office address at Banbury Road, Gaydon, Warwick CV35 0DB, United Kingdom.

See "– Directors" above for biographies of Dr. Andrew Palmer, CMG and Mark Wilson as well as the directorships and partnerships held by them in the five years prior to the date of this document.

### ***Ms. Charlotte Cowley, Director of Investor Relations***

Ms. Charlotte Cowley joined Aston Martin Lagonda in January 2019 as Director of Investor Relations. She joined from leading the Investor Relations team at Burberry Group Plc, having worked there from 2007. Prior to this she was in the Corporate Broking team at UBS, Equity Research at Credit Suisse and started her career at Esso Petroleum. She holds a Master's in Engineering from Cambridge University.

### ***Mr. Peter Freedman, Vice President and Chief Marketing Officer***

Mr. Freedman joined Aston Martin Lagonda in September 2010 as part of the Aston Martin Graduate Training Scheme and currently works as Vice President and Chief Marketing Officer. Prior to this role, Mr. Freedman held a number of positions at Aston Martin Lagonda including Regional President – Sales & Aftermarket and was Director of Corporate Strategy. Mr. Freedman graduated from Bath University, with a BSc (Hons) degree in Business Administration.

### ***Mr. John Griffiths, Vice President, Chief Transformation Officer and Chief Purchasing and Supply Chain Officer***

Mr. John Griffiths joined Aston Martin Lagonda in January 2019. Mr. Griffiths has extensive experience in operations and supply chain management. Mr. Griffiths spent 16 years at Nissan Motor Co where he was Vice President of Supply Chain Management based in Tokyo. He then joined the aerospace sector working for Rolls-Royce for eight years in variety of senior roles, including as Chief Operations Officer of Pattonair Ltd, providing supply chain services to the aerospace industry.

***Mr. Andy Haslam, Vice President and Chief Sales Officer***

Mr. Haslam joined Aston Martin Lagonda in 2005 and holds the position of Vice President and Chief Sales Officer. Prior to this role, Mr. Haslam held a number of positions at Aston Martin Lagonda including Vehicle Line Director, DBX and Manager, UK Regional Sales. Before joining Aston Martin Lagonda, Mr. Haslam worked for MG Rover Group. He holds a Bachelor's Degree with Honours in Mechanical Engineering from the University of Central England.

***Mr. Richard Humbert, Vice President and Chief Quality Officer***

Mr. Humbert joined Aston Martin Lagonda in November 2007 and holds the position of Vice President and Chief Quality Officer. Before joining Aston Martin Lagonda, Mr. Humbert worked as the General Manager of Quality Assurance for Toyota Motor Manufacturing U.K. Mr. Humbert holds a Bachelor's degree in Mechanical Engineering from the University of Surrey.

***Ms. Stephanie Jackson, Director of Corporate Strategy***

Ms. Jackson joined Aston Martin Lagonda in January 2009 and is Director of Corporate Strategy, reporting directly to Dr. Palmer. Ms. Jackson is a qualified solicitor and prior to her current position, Ms. Jackson served as a senior member of the Office of General Counsel at Aston Martin Lagonda. Ms. Jackson holds an LLB (Hons) in Law from the University of Manchester.

***Mr. Michael Kerr, Vice President and Chief HR Officer***

Mr. Kerr joined Aston Martin Lagonda as Vice President and Chief of Human Resources in June 2014, after having held the same position at West Ham United FC since 2007. Mr. Kerr has previously held other human resources positions, including 12 years as Director at Aviva/Norwich. He graduated from the University of Hull with a BA (Hons) in Special Social Studies.

***Mr. David King, Vice President and Chief Special Operations Officer***

Mr. King joined Aston Martin Lagonda in May 1995 and currently serves as Vice President and Chief Special Operations Officer. Between 1986 and 1995, he worked for Jaguar Cars Ltd. Mr. King holds a B. Tech. in Automotive Engineering and Design from Loughborough University.

***Mr. Nick Lines, Vice President and Chief Technical Officer***

Mr. Lines joined Aston Martin Lagonda in 2001 and currently works as Vice President and Chief Technical Officer. Prior to working for Aston Martin Lagonda, Mr. Lines worked for BMW (U.K.) Manufacturing Limited. He holds a Master's degree in Engineering from the University of Manchester and an M.B.A. from Warwick Business School. Mr. Lines is also a Chartered Mechanical Engineer.

***Mr. Michael Marecki, Vice President and General Counsel***

Mr. Marecki joined Aston Martin Lagonda in July 2007 and is Vice President and General Counsel. Prior to his current position, Mr. Marecki worked from 1988 until June 2007 for Ford Motor Company as the Assistant General Counsel, Environment and Safety. Mr. Marecki holds a J.D. from Georgetown University Law Center and a B.A. from Fordham University.

***Mr. Marek Reichman, Executive Vice President and Chief Creative Officer***

Mr. Reichman joined Aston Martin Lagonda in 2005 and is the Executive Vice President and Chief Creative Officer responsible for design developments. During his professional career, he has held design roles at Ford, BMW, Land Rover, Rover Cars and Nissan. Prior to joining Aston Martin Lagonda, he was Design Director at Ford North America. Mr. Reichman holds a B.A. in Industrial Design from Teesside University and an MDes in Vehicle Design from the Royal College of Art, London. In 2011, Mr. Reichman received an Honorary Doctorate from Teesside University.

***Ms. Nikki Rimmington, Vice President and Chief Planning Officer***

Ms. Rimmington joined Aston Martin Lagonda in November 2007 and holds the position of Vice President and Chief Planning Officer. Prior to this role, Ms. Rimmington was Director of Corporate Finance and Planning, reporting to the CFO, and prior to that, Technical Assistant to Dr. Palmer. Before joining Aston Martin Lagonda, Ms. Rimmington worked in management consulting and began her career as an engineer at Rover Group and Jaguar Land Rover. Ms. Rimmington holds a Masters' degree in Mechanical Engineering from the University of Bristol and an M.B.A. from Warwick Business School.

***Mr. Keith Stanton, Vice President and Chief Manufacturing Operations Officer***

Mr. Stanton joined Aston Martin Lagonda in 2007 and currently works as the Vice President and Chief Manufacturing Operations Officer. Mr. Stanton has over 35 years' experience in the automotive sector and previously held positions as Global Purchasing and Business Improvement Director for LDV and Plant Operations Director for Ford Motor Company. Mr. Stanton studied at London City University Business School, where he earned an M.B.A.

***Ms. Catherine Sukmonowski, Company Secretary and Director of Corporate Governance***

Ms. Catherine Sukmonowski joined Aston Martin Lagonda at IPO in 2018 as Company Secretary and Director of Corporate Governance. Prior to joining, Ms. Sukmonowski served for six years as Company Secretary of Burberry Group plc, as Senior Legal Counsel to the Company Secretary's Office at BP plc and as a senior corporate finance lawyer at Clifford Chance LLP. She is a qualified solicitor and holds an LLM from Kings College, London and an LLB/JD awarded jointly by the Universities of Windsor and Detroit.

Set out below are the directorships and partnerships held by the Senior Managers (other than, where applicable, directorships held in the Company or subsidiaries of the Company), in the five years prior to the date of this document:

<u>Name</u>	<u>Current directorships / partnerships</u>	<u>Past directorships / partnerships</u>
Charlotte Cowley . . . . .	-	-
Peter Freedman . . . . .	-	-
John Griffiths . . . . .	-	-
Andy Haslam . . . . .	-	-
Richard Humbert . . . . .	-	-
Stephanie Jackson . . . . .	-	-
Michael Kerr . . . . .	-	-
David King . . . . .	Oxfordshire Cricket Board	-
Nick Lines . . . . .	-	-
Michael Marecki . . . . .	-	Fordham University (USA) UK Programs Limited
Marek Reichman . . . . .	-	-
Nikki Rimmington . . . . .	-	-
Keith Stanton . . . . .	-	-
Catherine Sukmonowski . . . . .	-	-

There is no family relationship between any of the Company's Directors, Proposed Director or Senior Managers.

**6.3** As at the date of this document, none of the Directors, Proposed Director and the Senior Managers has at any time within the past five years:

- (a) save as disclosed in paragraphs 6.1 and 6.2 above, been a director or partner of any companies or partnerships; or
- (b) had any convictions in relation to fraudulent offences (whether spent or unspent); or
- (c) been adjudged bankrupt or has entered into any individual voluntary arrangements; or



- (d) been a director of any company at the time of or within a 12 month period preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with such company's creditors generally or with any class of creditors of such company; or
- (e) been partner of any partnership at the time of or within a 12 month period preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or
- (f) had his or her assets be the subject of any receivership; or
- (g) been partner of any partnership at the time of or within a 12 month period preceding any assets thereof being the subject of a receivership; or
- (h) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authority (including any designated professional body); or
- (i) ever been disqualified by a court from acting as a director or other officer of any company or from acting in the management or conduct of the affairs of any company.

**6.4** Save for their capacities as persons legally and beneficially interested in Shares, there are:

- (a) no potential conflicts of interest between any duties to the Company of the Directors, the Proposed Director and the Senior Managers and their private interests and/or other duties; and
- (b) no arrangements or understandings with major Shareholders, customers, suppliers or others, pursuant to which any Director, Proposed Director or Senior Manager was selected, save for the director nomination rights provided in the Adeem/PW Relationship Agreement, the Prestige/SEIG Relationship Agreement and the Yew Tree Relationship Agreement, each described in paragraph 18.1.5 of this Part IX.

The Adeem/PW representative directors represent the Adeem/PW Shareholder Group and the Prestige/SEIG representative directors represent the Prestige/SEIG Shareholder Group. Amongst other things, either of these Major Shareholder Groups may from time to time acquire and hold interests in businesses that compete directly or indirectly with the Group, or with which the Group conducts business. Each of the Directors has a statutory duty under the Companies Act 2006 to avoid conflicts of interests with the Company and to disclose the nature and extent of any such interest to the Board. Under the Articles and, as permitted by the Companies Act 2006, the Board may authorise any matter which would otherwise involve a Director breaching this duty to avoid conflicts of interest and may attach to any such authorisation such conditions and/or restrictions as the Board deems appropriate (including in respect of the receipt of information or restrictions on participation at certain Board meetings), in accordance with the Articles (as summarised in paragraph 4.12(K) above). In addition, under the terms of the Adeem/PW Relationship Agreement and the Prestige/SEIG Relationship Agreement, each Major Shareholder Group shall procure that any of its respective representative directors shall not, unless the Board (excluding the representative directors in question) consents or agrees otherwise, vote or participate in any meeting of the Board that relates to any matter as between the Group and the relevant Major Shareholder Group and therefore constitutes a conflict matter. The relevant representative directors will also not receive information in respect of any such matter. The Chair, acting reasonably, will determine whether a matter is a conflict matter if this is in dispute.

## **6.5 Corporate Governance**

The Board's role is to establish the Company's purpose, values and strategy and ensuring alignment of this to the Company's culture. It is responsible for establishing procedures to manage risk, ensure the integrity of audit functions, oversee the internal control framework and to determine the nature and extent of the risks the Company is willing to take in order to achieve its long-term strategic objectives.

The UK Corporate Governance Code recommends that at least half the board, excluding the chair should be non-executive directors whom the board considers to be independent and that the

chair should be independent on appointment. The Company committed to becoming fully compliant with the UK Corporate Governance Code within 12 months of the IPO. Consequently, it was announced on 7 October 2019 that two non-independent Non-Executive Directors, Najeeb Al Humaidhi and Saoud Al Humaidhi, had stepped down as Directors, and that the non-independent Non-Executive Directors on the Remuneration and Audit and Risk Committees had become observers on those Committees. Further to the commitment to appoint one additional independent Non-Executive Director to achieve Code compliance, the recruitment process was well underway, but was then paused in view of the operational and financial review of the business in late 2019. Consequently, the Company had not achieved Code compliance in relation to its Board composition through this process.

With the sad passing earlier this year of Peter Rogers (who joined the Board on IPO representing the Prestige/SEIG Shareholder Group as a Non-Executive Director), the Board is Code compliant as at the date of this document, as it comprises 10 members excluding the Chair, five of whom are regarded to be independent Non-Executive Directors. It is expected that this Code compliance will be temporary due to the director nomination rights of the Major Shareholders and the Yew Tree Consortium following completion of the Placing as set out below.

Subject to completion of the Capital Raise, Lawrence Stroll, who will not be regarded as independent for purposes of the Code, will join the Board as Executive Chair, effective on 7 April 2020. The three major shareholders of the Company following the Capital Raise will be the Yew Tree Consortium, the Prestige/SEIG Shareholder Group and the Adeem/PW Shareholder Group, and each will be party to new relationship agreements with the Company following the Placing. The Adeem/PW Shareholder Group indicated that it intended on taking up a lower level than their irrevocable commitment to take up at least 50 per cent. of their rights as announced on 31 January 2020. The Yew Tree Consortium has therefore agreed to buy the Adeem/PW Shareholder Group's remaining rights in full and the Adeem/PW Shareholder Group agreed to take up 38.9 per cent of its entitlements. This will result in the Adeem/PW Shareholder Group holding less than 20 per cent. of the issued share capital of the Company following the Capital Raise.

In order to ensure the timely execution of the Capital Raise, the Board has consequently agreed to the Adeem/PW Shareholder Group's requirement that the board appointment rights contained in the Relationship Agreements should be amended to reduce the threshold at which each of the Yew Tree Consortium and each of the Major Shareholder Groups will have the right to appoint two Directors to the Board. The threshold will now be the lowest percentage Shareholding of each of the Yew Tree Consortium and each of the Major Shareholder Groups upon completion of the Rights Issue, but in all cases not below 17.5 per cent. The right to appoint one Director will continue for so long as the relevant shareholder group's shareholding in the Company is equal to or exceeds 7 per cent. Due to the Board appointment rights, each of Richard Solomons and Imelda Walsh have advised that they will not seek re-election at the forthcoming AGM. Tensie Whelan has also advised she will not stand for re-election. These Directors will work to support the transition to Lawrence Stroll as Executive Chair during their period of notice. Non-compliance has only been accepted in order to support the Capital Raise and it is understood significant focus and effort will need to be applied to Board composition.

### ***Nomination Committee***

Following completion of the Capital Raise, the Nomination Committee will be chaired by Lawrence Stroll, and its other members will be Richard Solomons, Imelda Walsh, Dante Razzano and Mahmoud Samy Mohamed Aly El Sayed. The UK Corporate Governance Code recommends that a majority of members of the Nomination Committee should be independent non-executive directors. Consequently, the Committee will not be Code compliant.

The Nomination Committee's terms of reference state that the Nomination Committee must comprise a minimum of three independent Non-Executive Directors plus, in line with the relationship agreements, one representative director appointed by each of the Yew Tree Consortium, the Adeem/PW Shareholder Group and the Prestige/SEIG Shareholder Group.

Appointments to the Nomination Committee are made for a period of three years (subject to the director remaining a member of the Board) which may be extended for up to two further periods of up to three years, provided the Director whose appointment is being considered still meets the criteria for membership.

The responsibilities of the Nomination Committee include: (i) reviewing the size, structure and composition of the Board and ensuring that the Board comprises the right balance of skills, knowledge, diversity and experience; (ii) identifying and nominating for approval candidates to fill any vacancies on the Board; (iii) giving full consideration to succession planning for Aston Martin Lagonda; and (iv) making recommendations to the Board concerning membership of the Audit and Risk Committee and the Remuneration Committee.

The Nomination Committee also prepares a report which is included in the Company's annual report. This describes the activities of the Nomination Committee including the process used to make appointments. The chair of the Nomination Committee will be available at annual general meetings of the Company to respond to questions from Shareholders on the Nomination Committee's activities.

### ***Remuneration Committee***

The Remuneration Committee, currently and following completion of the Placing, is chaired by Imelda Walsh and its other members are Richard Solomons and Lord Matthew Carrington. The Remuneration Committee meets at least three times a year, or more frequently if required.

The Remuneration Committee's terms of reference state that the Remuneration Committee must comprise a minimum of three independent non-executive directors, provided that, in addition, each of the Yew Tree Consortium, the Prestige/SEIG Shareholder Group and the Adeem/PW Shareholder Group may appoint a representative director as an observer. Dante Razzano and Amr Ali Abdallah AbouelSeoud are observers.

The Remuneration Committee is compliant with the UK Corporate Governance Code, including that the chair of the committee has served on a remuneration committee for at least 12 months.

Only members of the Remuneration Committee, as well as such directors that are appointed as observers under the relationship agreements between the Company and its major shareholders, have the right to attend Committee meetings. However, other individuals such as the President and Group Chief Executive Officer, the Executive Vice President and Chief Financial Officer, the Vice President and Chief HR Officer and any relevant Director, senior management and/or external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary and with the agreement of the chair of the Remuneration Committee.

Appointments to the Remuneration Committee are made by the Board, on recommendation by the Nomination Committee. Appointments to the Remuneration Committee are made for a period of three years (subject to the director remaining a member of the Board) which may be extended for up to two further periods of up to three years, provided the Director whose appointment is being considered still meets the criteria for membership.

The responsibilities of the Remuneration Committee include but are not limited to: (i) determining and agreeing with the Board the remuneration policy and total individual remuneration packages of the Chair, the executive Directors and other senior management, including, where relevant, benefits and pension arrangements; (ii) determining and agreeing with the Board any performance-related pay schemes for senior management; (iii) overseeing the workforce remuneration policies and practices throughout Aston Martin Lagonda; and (iv) engagement with the wider workforce and consideration of wider employee views in line with the UK Corporate Governance Code.

No Director may be involved in any decisions about his or her own remuneration.

### ***Audit and Risk Committee***

The Audit and Risk Committee is chaired by Richard Solomons and its other members are Peter Espenhahn and Imelda Walsh. The Audit and Risk Committee meets at least three times a year, or more frequently if required.

The Audit and Risk Committee's terms of reference state that the Audit and Risk Committee must comprise a minimum of three independent non-executive directors, provided that, in addition, each of the Yew Tree Consortium, the Prestige/SEIG Shareholder Group and the Adeem/PW Shareholder Group may appoint a representative director as an observer.

The Audit and Risk Committee is compliant with the UK Corporate Governance Code, including that at least one committee member must have significant, recent and relevant financial experience. The Board considers Richard Solomons to have recent and relevant financial experience. Mahmoud Samy Mohamed Aly El Sayed is an observer.

Appointments to the Audit and Risk Committee are made by the Board, on recommendation by the Nomination Committee in consultation with the chair of the Audit and Risk Committee. Appointments to the Audit and Risk Committee are made for a period of three years (subject to the director remaining a member of the Board) which may be extended for up to two further periods of up to three years, provided the Director whose appointment is being considered still meets the criteria for membership.

The responsibilities of the Audit and Risk Committee include: (i) receiving and reviewing reports from the Company's external auditors, monitoring their effectiveness and independence and making recommendations to the Board in respect of their remuneration, appointment and dismissal; (ii) monitoring and reviewing internal audit activities, reports and findings; (iii) reviewing the financial statements of the Company; (iv) overseeing the Company's procedures for detecting fraud, preventing bribery and non-compliance; (v) reviewing, on behalf of the Board, the effectiveness of Aston Martin Lagonda's system of internal financial controls and internal control systems; (vi) advising the Board on the Company's risk strategy, risk policies and current risk exposures, including any prudential risks; (vii) overseeing the implementation and maintenance of the overall risk management framework and systems; and (viii) reviewing the Company's risk assessment processes and capability to identify and manage new risks.

When appropriate, the Audit and Risk Committee meets with Aston Martin Lagonda's senior managers and/or internal or external auditors in attendance.

#### ***Major Shareholders and the Yew Tree Consortium***

As at the date of this document:

- the Prestige/SEIG Shareholder Group is the beneficial owner of 29.64 per cent. of the Company's share capital; and
- the Adeem/PW Shareholder Group is the beneficial owner of 27.59 per cent. of the Company's share capital.

Following completion of the Capital Raise, it is expected that:

- the Prestige/SEIG Shareholder Group will be the beneficial owner of 24.70 per cent. of the Company's share capital, being the contemplated position assuming full take up by the Prestige/SEIG Shareholder Group of its entitlements under the Rights Issue (the Prestige/SEIG Shareholder Group has irrevocably undertaken to take up 100 per cent. of its entitlements under the Rights Issue);
- the Yew Tree Consortium will be the beneficial owner of 21.71 per cent. of the Company's share capital, being the contemplated position assuming full take up by the Yew Tree Consortium of its entitlements under the Rights Issue as well as the entitlements in respect of the Nil Paid Rights that it has agreed to purchase from the Adeem/PW Shareholder Group (the Yew Tree Consortium has irrevocably undertaken to take up 100 per cent. of its entitlements under the Rights Issue and has agreed to purchase certain Nil Paid Rights from the Adeem/PW Shareholder Group); and
- the Adeem/PW Shareholder Group will be the beneficial owner of 17.95 per cent. of the Company's share capital, being the contemplated position assuming 38.9 per cent. take up by the Adeem/PW Shareholder Group of its entitlements under the Rights Issue (the Adeem/PW Shareholder Group has agreed to sell such number of Nil Paid Rights to the Yew Tree Consortium which will result in (i) the Adeem/PW Shareholder Group taking up 38.9 per cent. of its entitlements under the Rights Issue and (ii) the Yew Tree Consortium taking up the remainder of the Adeem/PW Shareholder Group's entitlements.

The Company has entered into a relationship agreement with each of: (i) the Adeem/PW Shareholder Group (the ***Adeem/PW Relationship Agreement***); (ii) the Prestige/SEIG Shareholder

Group (the *Prestige/SEIG Relationship Agreement*) and (iii) the Yew Tree Consortium (the *Yew Tree Relationship Agreement*). The principal purpose of these relationship agreements is to document the director nomination rights and certain other governance arrangements between the Company and each of the Major Shareholders and the Yew Tree Consortium. A description of the terms of the relationship agreements is at paragraph 18.1.5 of this Part IX.

## 7 DIRECTORS', PROPOSED DIRECTOR'S AND SENIOR MANAGERS' INTERESTS

7.1 The interests of the Directors, Proposed Director and Senior Managers, and their immediate families, in the share capital of the Company (all of which, unless otherwise indicated, are beneficial) on 21 February 2020 (being the latest practicable date prior to the publication of this document) and as they are expected to be immediately following the Capital Raise including as a percentage of the enlarged share capital (assuming full take up by the Directors, Proposed Director and Senior Managers of their entitlements under the Rights Issue and no options granted under the Share-Based Incentive Plans between 21 February 2020 (being the latest practicable date prior to the publication of this document) and the completion of the Capital Raise), are as follows:

Name	Shares beneficially held at the date of this document		Shares beneficially held immediately following the Capital Raise	
	No.	%	No.	%
<b>Current Directors</b>				
Penny Hughes, CBE .....	6,000	0.00%	9,360	0.00%
Dr Andrew Palmer, CMG .....	1,410,763	0.62%	2,200,790	0.52%
Mark Wilson .....	199,999	0.09%	311,998	0.07%
Richard Solomons .....	526	0.00%	821	0.00%
Amr Ali Abdallah AbouelSeoud .....	815,911	0.36%	1,002,649	0.23%
Lord Matthew Carrington ....	-	-	-	-
Mahmoud Samy Mohamed Aly El Sayed .....	1,855,275	0.81%	2,268,422	0.53%
Peter Espenhahn .....	526	0.00%	821	0.00%
Dante Razzano .....	26,315	0.01%	41,051	0.01%
Imelda Walsh .....	526	0.00%	821	0.00%
Professor Tensie Whelan .....	-	-	-	-
Charlotte Cowley .....	-	-	-	-
Peter Freedman .....	12,198	0.01%	19,029	0.00%
John Griffiths .....	-	-	-	-
Andy Haslam .....	26	0.00%	41	0.00%
Richard Humbert .....	48,584	0.02%	75,791	0.02%
Stephanie Jackson .....	-	-	-	-
Michael Kerr .....	85,021	0.04%	132,633	0.03%
David King .....	85,021	0.04%	132,633	0.03%
Nick Lines .....	48,584	0.02%	75,791	0.02%
Michael Marecki .....	85,021	0.04%	132,633	0.03%
Marek Reichman .....	242,918	0.11%	378,952	0.09%
Nikki Rimmington .....	12,159	0.01%	18,968	0.00%
Keith Stanton .....	85,021	0.04%	132,633	0.03%
Catherine Sukmonowski .....	526	0.00%	821	0.00%
<b>Proposed Director</b>				
Lawrence Stroll <sup>(1)(2)</sup> .....	-	-	82,982,961	19.4%

Note:

(1) Union Bancaire Privée, UBP SA, Geneva Switzerland (UBP) is a long term financial partner to the Stroll family and has custody over a portion of the assets held in trust for the benefit of the Stroll family including Shares in the Company. As part of this financial relationship, UBP provides banking facilities supported by these secured assets.

(2) The number of Shares indicated in this table as being beneficially held by Lawrence Stroll following the Capital Raise represents the Shares expected to be held by Yew Tree. Yew Tree is an entity owned by a trust of which Lawrence Stroll and certain members of his family are beneficiaries. Silas Chou and certain members of his family will hold their Shares in the Company indirectly via Yew Tree.



The Directors, Proposed Director and the Senior Managers have the same voting rights as all other Shareholders.

**7.2** Details of the Directors' and Senior Managers' non-beneficial interests in the Shares subject to options and awards under the Share-Based Incentive Plans as at 21 February 2020 (being the latest practicable date prior to the publication of this document) are set out below:

Name	Type of award	Number of Shares subject to award <sup>(1)</sup>	Exercise price	Grant date	Vest date	Holding period
Dr Andrew Palmer, CMG .....	Nil-cost option	262,135	-	27 June 2019	1 March 2022	2 years from vest date
Mark Wilson .....	Nil-cost option	61,893	-	27 June 2019	1 March 2022	2 years from vest date
Charlotte Cowley .....	Nil-cost option	7,281	-	27 June 2019	1 March 2022	None
Peter Freedman .....	Nil-cost option	3,276	-	27 June 2019	1 March 2022	None
John Griffiths .....	Nil-cost option	10,236	-	27 June 2019	1 March 2022	None
Andy Haslam .....	Nil-cost option	3,322	-	27 June 2019	1 March 2022	None
Richard Humbert .....	Nil-cost option	12,014	-	27 June 2019	1 March 2022	None
Stephanie Jackson .....	Nil-cost option	3,276	-	27 June 2019	1 March 2022	None
Michael Kerr .....	Nil-cost option	15,655	-	27 June 2019	1 March 2022	None
David King .....	Nil-cost option	12,014	-	27 June 2019	1 March 2022	None
Nick Lines .....	Nil-cost option	12,014	-	27 June 2019	1 March 2022	None
Michael Marecki .....	Nil-cost option	18,203	-	27 June 2019	1 March 2022	None
Marek Reichman .....	Nil-cost option	12,014	-	27 June 2019	1 March 2022	None
Nikki Rimmington .....	Nil-cost option	12,014	-	27 June 2019	1 March 2022	None
Keith Stanton .....	Nil-cost option	15,655	-	27 June 2019	1 March 2022	None
Catherine Sukmonowski ..	Nil-cost option	7,281	-	27 June 2019	1 March 2022	None

(1) The interests shown in the table above are the maximum number of Shares that may be received under each of the awards. The actual number of Shares that may be released or become exercisable is dependent, in some cases, on performance conditions and so may be less than the maximum shown.

The Non-Executive Directors and the Proposed Director do not have any non-beneficial interests in the Shares subject to options and awards under the Share-Based Incentive Plans.

**7.3** Other than as disclosed in this paragraph and paragraphs 10 and 11 of this Part IX, there are no other persons to whom any capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option.

**7.4** Save for the F1™ Sponsorship Agreement as described in paragraph 18.1.4 of this Part IX and the £55.5 million short-term working capital support provided by Yew Tree to the Group as described in paragraph 18.1.6 of this Part IX, no Director or Proposed Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of the Group or any of its subsidiary undertakings and which were effected by the Group or any of its subsidiaries during the current or immediately preceding financial year or during an earlier financial year and which remain in any respect outstanding or unperformed.



**7.5** There are no outstanding loans or guarantees granted or provided by any member of the Group to or for the benefit of any of the Directors.

**7.6** Save as set out in this Part IX, it is not expected that any Director or Proposed Director will have any interest in the share or loan capital of the Company following the Capital Raise and there is no person to whom any capital of any member of the Group is under option or agreed unconditionally to be put under option.

**7.7** Save as disclosed in this paragraph 7, no Director, Proposed Director or Senior Manager has any interests (beneficial or non-beneficial) in the share capital of the Company or any of its subsidiaries.

## **8 INTERESTS OF MAJOR SHAREHOLDERS**

Insofar as is known to the Company, the name of each person who, directly or indirectly, has an interest in 3.0 per cent. or more of the Company's issued share capital, and the amount of such person's interest, as at 21 February 2020 (being the latest practicable date prior to the publication of this document) are as follows:

Name	Shares	
	No.	%
<b>Prestige/SEIG Shareholder Group<sup>(1)</sup></b> .....	<b>67,582,104</b>	<b>29.64</b>
Prestige Motor Holdings S.A. ....	45,766,783	20.07
Preferred Prestige Motor Holdings S.A. ....	14,975,231	6.57
SEIG .....	6,840,090	3.00
<b>Adeem/PW Shareholder Group<sup>(1)</sup></b> .....	<b>62,899,356</b>	<b>27.59</b>
Galaxy Investments Limited (Jersey) ....	14,660,405	6.43
Stehwaz Automotive Limited (Jersey) ....	13,118,242	5.75
Najeeb Al-Humaidi .....	11,534,549	5.06
Primewagon Limited (Jersey) ....	10,760,267	4.72
<b>Invesco Limited</b> .....	<b>20,696,200</b>	<b>9.15</b>
<b>Mercedes-Benz AG</b> .....	<b>9,529,739</b>	<b>4.18</b>
<b>Torreal Sociedad de Capital Riesgo, S.A.</b> .....	<b>7,151,411</b>	<b>3.14</b>

Note:

(1) Only members of the Major Shareholder Groups that hold 3.0 per cent. or more of the Company's issued share capital are listed in this table.

Insofar as is known to the Company, the Company is not directly or indirectly owned or controlled by another corporation, any foreign government, or any other natural or legal person, severally or jointly.

None of the major Shareholders referred to above has different voting rights from other Shareholders.

Insofar as is known to the Company, immediately following the Capital Raise, the interests of those persons with an interest in 3.0 per cent or more of the Company's issued share capital, including as a percentage of the enlarged share capital (assuming 100 per cent. take up by such persons of their entitlements under the Rights Issue (except in the case of the Adeem/PW Shareholder Group and the Yew Tree Consortium) and no options granted under the Share-Based Incentive Plans are exercised between 21 February 2020 (being the latest practicable date prior to the publication of this document) and the completion of the Capital Raise), will be as follows:

Name	Shares	
	No.	%
<b>Prestige/SEIG Shareholder Group<sup>(1)(2)</sup></b>	<b>105,428,082</b>	<b>24.7</b>
Prestige Motor Holdings S.A. ....	71,396,182	16.7
Preferred Prestige Motor Holdings S.A. ....	23,361,360	5.5
<b>Adeem/PW Shareholder Group<sup>(2)(3)</sup></b>	<b>76,601,021</b>	<b>17.9</b>
Galaxy Investments Limited (Jersey) ....	17,853,950	4.2
Stehwaz Automotive Limited (Jersey) ....	15,975,851	3.7
Najeeb Al-Humaidi ....	14,047,174	3.3
Primewagon Limited (Jersey) ....	13,104,227	3.1
<b>Yew Tree Consortium<sup>(4)</sup></b>	<b>92,658,875</b>	<b>21.7</b>
Yew Tree <sup>(5)</sup> ....	82,982,961	19.4
J.C.B. Research ....	3,023,724	0.7
John Idol ....	3,023,724	0.7
Saint James Invest SA ....	1,511,861	0.4
FrancInvest Holding Corporation ....	1,209,489	0.3
RRRR Investments LLC ....	907,116	0.2
<b>Invesco Limited</b>	<b>32,286,072</b>	<b>7.6</b>
<b>Mercedes-Benz AG<sup>(6)</sup></b>	<b>14,866,393</b>	<b>3.5</b>
<b>Torreal Sociedad de Capital Riesgo, S.A.<sup>(7)</sup> ....</b>	<b>11,156,201</b>	<b>2.6</b>

Note:

(1) The Prestige/SEIG Shareholder Group has irrevocably undertaken to take up 100 per cent. of its entitlements under the Rights Issue.

(2) Only members of the Major Shareholder Groups that hold 3.0 per cent. or more of the Company's issued share capital are listed in this table.

(3) The expected shareholding of the Adeem/PW Shareholder Group assumes it takes up 38.9 per cent. of its entitlements under the Rights Issue. The Adeem/PW Shareholder Group has agreed to sell such number of Nil Paid Rights to the Yew Tree Consortium which will result in (i) the Adeem/PW Shareholder Group taking up 38.9 per cent. of its entitlements under the Rights Issue and (ii) the Yew Tree Consortium taking up the remainder of the Adeem/PW Shareholder Group's entitlements.

(4) The expected shareholding of the Yew Tree Consortium assumes it takes up 100 per cent. of its entitlements under the Rights Issue (which it has irrevocably undertaken to do), as well as the entitlements in respect of the Nil Paid Rights that it has agreed to purchase from the Adeem/PW Shareholder Group.

(5) Yew Tree is owned by a trust of which Lawrence Stroll and certain members of his family are beneficiaries. Silas Chou and certain members of his family will hold their Shares in the Company indirectly via Yew Tree.

(6) Mercedes-Benz AG has irrevocably undertaken to take up 100 per cent. of its entitlements under the Rights Issue.

(7) Torreal Sociedad de Capital Riesgo, S.A. has irrevocably undertaken to take up 100 per cent. of its entitlements under the Rights Issue.

## 9 DIRECTORS' AND PROPOSED DIRECTOR'S SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

Mark Wilson will step down as Chief Financial Officer and as an Executive Director no later than 30 April 2020. He will remain available to the Company to assist with transition in the period through to 30 June 2020.

### 9.1 Executive Directors

The principal terms of Dr Andrew Palmer's and Mark Wilson's contracts are as follows:

#### 9.1.1 General terms

The Executive Directors are each entitled to a remuneration package comprising annual basic salary, a discretionary performance-related bonus and participation in a long-term incentive plan,

personal pension contributions (or a cash allowance in lieu of pension contributions) and participation in Aston Martin Lagonda's benefit plans (including private medical cover, travel insurance, dental insurance, life insurance, car plans and private mileage entitlement).

The current Executive Directors' salaries are £1,200,000 and £425,000 for the Group Chief Executive Officer and Chief Financial Officer, respectively.

Base salaries will typically be reviewed annually and any increases will take into account increases awarded to the wider workforce, individual performance and market data as appropriate. No increases will be made to the Group Chief Executive Officer's salary until January 2022 at the earliest, when his salary will next be reviewed. There were no increases to salaries during 2019 and no increases will be applied during 2020.

Executive Directors are eligible to participate in an annual bonus plan. Awards made under the plan must not have a maximum bonus opportunity which exceeds 200 per cent. of salary.

Following publication of the 2018 Directors' Remuneration Report, and in the context of the Group's trading performance during 2019, the CEO and CFO concluded that it was no longer appropriate to receive their bonus payments and, following further discussion with the Remuneration Committee, made the decision to waive their 2018 annual bonuses in full.

For 2019, the maximum bonus opportunities were 200 per cent. of salary for the Group Chief Executive Officer and 150 per cent. of salary for the Chief Financial Officer. The 2019 performance targets for the bonus were set by the Remuneration Committee at the start of the year – 40 per cent. was based on Adjusted EBITDA, 40 per cent. on net leverage and 20 per cent. on strategic scorecard measures. The Remuneration Committee considered the bonus outcome for 2019 and determined that no 2019 annual bonus would be paid.

Dr. Andy Palmer and Mark Wilson will not participate in the 2020 annual bonus plan.

If an Executive Director does not meet their shareholding guideline, 50 per cent. of any bonus will be deferred into Shares, typically for a period of three years. Dividend equivalents may be accrued on deferred Shares.

In addition to normal public holidays, the Executive Directors are entitled to 26 working days of paid holiday in each complete holiday year. They will each become entitled to an additional day of holiday for each complete five years' service (starting on the date on which the Executive Director's continuous period of employment began) up to a maximum of six additional days.

Executive Directors are eligible to participate in the Group's defined contribution pension scheme, with a maximum contribution of 12 per cent. of salary. Alternatively, they may opt to receive a cash allowance in lieu of employer pension contributions currently at a rate of approximately 10.6 per cent. of salary, which is the maximum of 12 per cent. of salary with a deduction for an amount equal to the employer's National Insurance contribution. The approach to pension arrangements for the Executive Directors is in line with the wider workforce.

### **9.1.2 Long-Term Incentive Plan**

The Group operates the Aston Martin Lagonda Long-Term Incentive Plan 2018 (the **LTIP**).

Under the LTIP, awards can be made in the form of conditional free shares or nil or nominal cost options. The limit under the LTIP rules on the face value of awards that can be made in any year to an individual is 300 per cent. of salary. The annual awards granted to the Group Chief Executive Officer and Chief Financial Officer are limited to 300 per cent. of salary and 200 per cent. of salary, respectively.

For 2019, the Remuneration Committee reviewed the levels of LTIP award to be granted and determined that awards would be lower than the level of award set out both in the AML IPO prospectus and in the Remuneration Policy, reduced from a maximum of 300 per cent. and 200 per cent. of salary, respectively, for the CEO and CFO, to 225 per cent. and 150 per cent. of salary.

Awards granted to Executive Directors under the LTIP have a three-year performance period and a further post-vesting holding period of up to two years. A summary of the principal terms of the LTIP is set out in paragraph 11.1 of this Part IX.

Dr. Andy Palmer and Mark Wilson will not be granted awards under the LTIP in 2020.

**(i) Malus and clawback**

Consistent with best practice, malus and clawback provisions will be operated at the discretion of the Remuneration Committee in respect of both the annual bonus and LTIP where it considers that there are exceptional circumstances. Such exceptional circumstances for malus may include serious reputational damage, a failure of risk management, an error in available financial information which led to the award being greater than it would otherwise have been or personal misconduct. For clawback to be applied, exceptional circumstances may include serious reputational damage, a failure of risk management or personal misconduct.

**(ii) Share ownership guidelines**

The Group's shareholding policy requires the Executive Directors to build and maintain a shareholding in the Company. The Group Chief Executive Officer and Chief Financial Officer of the Company are subject to a shareholding requirement of 800 per cent. and 300 per cent. of base salary, respectively.

The shareholding guideline that applies to new Executive Directors is 300 per cent. of salary for a new Group Chief Executive Officer and 200 per cent. of salary for any other Executive Director, which they would be expected to build up over a period of five years from appointment to the Board. Executive Directors are required to retain at least 75 per cent. of the Shares (net of tax) vesting under the LTIP or deferred bonus until the shareholding guideline is met.

The Group's post-cessation shareholding policy requires all Executive Directors (including the current Directors) to retain 50 per cent. of the shareholding guideline for newly recruited Executive Directors (or full actual holding if lower) for two years post-cessation of employment, therefore 150 per cent. of salary for the CEO and 100 per cent. of salary for other Executive Directors.

The Group operates appropriate enforcement mechanisms.

**(iii) Recruitment policy**

Consistent with best practice, new senior management hires (including those promoted internally) will be offered packages in line with the remuneration policy in force at the time.

The Company recognises that it may be necessary in some circumstances to provide compensation for amounts forfeited from a previous employer (**Buyout Awards**). Generally, any Buyout Awards will be made on a like-for-like basis in terms of both value and timing of receipt to ensure they reflect the incentives they are replacing. Buyout awards will not count towards the annual or long-term incentive plan policy limits for incoming Executive Directors.

**(iv) Termination policy**

In the event of termination, service contracts provide for payments of base salary, pension and benefits only over the notice period. Should the employer decide to terminate employment prior to the end of the notice period, it can do so by making a payment in lieu of salary for the notice period (or the remainder of the notice period). There is no contractual right to any bonus payment in the event of termination although in certain "good leaver" circumstances the Remuneration Committee may exercise its discretion to pay a bonus for the period of employment, excluding any period on garden leave, and based on performance assessed after the end of the financial year in which the employee ceased to be employed.

The default treatment for any share-based entitlements under the LTIP is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances or at the discretion of the Remuneration Committee "good leaver" status can be applied. In these circumstances a participant's awards will usually vest subject to the satisfaction of the relevant performance criteria and, ordinarily, on a time pro-rata basis, with the balance of the awards lapsing.

### **9.1.3 Termination provisions**

The service contracts of the Executive Directors can be terminated by not less than 12 months' notice by either party.

The Company may put each of the Executive Directors on garden leave during his notice period. During this period, the Executive Director remains an employee of the Company and is subject to certain restrictions.

Where either party has served notice to terminate, the Company may elect to terminate employment immediately by making a payment in lieu of notice equivalent to the Executive Director's salary for the notice period. It may elect to make any such payment in monthly instalments which will continue until the expiry of the notice period or the date on which the Executive Director obtains an alternative remunerated position (excluding any non-executive directorship). If he finds an alternative remunerated position, the monthly payments will be reduced by the amount of remuneration received by him pursuant to that alternative remunerated position.

In addition, the employment of each Executive Director employment is terminable with immediate effect in certain circumstances, including where he: (i) is guilty of gross misconduct; (ii) becomes bankrupt or enters into any arrangement or composition with or for the benefit of his creditors generally; (iii) is convicted of any criminal offence (other than a motoring offence for which no custodial sentence is given to him); or (iv) refuses or neglects to carry out any of his duties or comply with lawful orders given to him by his employer.

In the event of termination, the service contract of each Executive Director imposes post-termination restrictions, including those described as follows. For a period of 12 months following his termination (less any period spent on garden leave immediately prior to termination), the Executive Director may not: (i) solicit or deal with the Group's customers or solicit the Group's prospective customers with a view to any business concern which is operated by certain specified named competitors providing goods or services to those customers or prospective customers; (ii) interfere with the Group's suppliers; (iii) solicit any management level employee who worked closely with the Executive Director in the previous 12 months or regularly used confidential information or was able to influence the Group's relationships with its customers or employees; (iv) be concerned in certain restricted activities with certain specified named competitors; or (v) employ any management level employee who worked closely with the Executive Director in the previous 12 months or regularly used confidential information or was able to influence the Group's relationships with its customers or employees in a business concern operated by certain specified named competitors.

Save as disclosed in this paragraph 9.1, there are no existing service contracts between any Executive Director and any member of the Group, which provide for benefits upon termination.

## 9.2 Non-Executive Directors

The Non-Executive Directors (including the current Chair) were appointed by letter of appointment. The principal terms of these agreements are as follows:

### 9.2.1 General terms

Name	Position	Date of appointment to the Board
Penny Hughes, CBE .....	Chair	8 October 2018
	Senior Independent Non-Executive Director	8 October 2018
Richard Solomons .....	Non-Executive Director	7 September 2018
Amr Ali Abdallah AbouelSeoud ..	Independent Non-Executive Director	8 October 2018
Lord Matthew Carrington .....	Non-Executive Director	7 September 2018
Mahmoud Samy Mohamed Aly El Sayed .....	Independent Non-Executive Director	8 October 2018
Peter Espenhahn .....	Non-Executive Director	7 September 2018
Dante Razzano .....	Independent Non-Executive Director	8 October 2018
Imelda Walsh .....	Independent Non-Executive Director	8 October 2018
Professor Tensie Whelan .....		

Richard Solomons, Imelda Walsh and Tensie Whelan have advised that they will not seek re-election at the Company's forthcoming annual general meeting.

In the context of the Group's trading performance in 2019, the Chair and the Non-Executive Directors decided to apply a reduction to fee levels, effective 1 January 2020. The 2019 and 2020 fees are set out in the following table.

Role	2019 Fees	2020 Fees
Chair .....	350,000	270,000
Non-Executive Director .....	75,000	60,000
<i>Additional fees:</i>		
Senior Independent Non-Executive Director ....	20,000	15,000
Committee chair .....	20,000	15,000
Committee member .....	10,000	5,000

In addition, each Non-Executive Director is entitled to be reimbursed for reasonable expenses necessarily incurred arising from the performance of their duties. They may not participate in any pension or share scheme, or be entitled to any bonus, operated by the Company.

### 9.2.2 Termination provisions

The appointment of the Chair and of each independent Non-Executive Director is terminable by either party on three months' notice.

The appointment of the Chair and each independent Non-Executive Director may also be terminated with immediate effect by the Company if he or she: (i) commits a material breach of his or her duties under the letter of appointment or commits any serious breach or non-observance of his or her obligations to the Company (which includes his or her obligations not to breach statutory, fiduciary, contractual or common law duties); or (ii) fails to be re-appointed or re-elected, or vacates his or her office, or otherwise stops being a director in accordance with the Articles.



The appointment of each non-independent Non-Executive Director is terminable in accordance with the relevant relationship agreement (summarised at paragraph 18.1.5 of this Part IX). The Company may also terminate such Non-Executive Director's appointment if the relevant relationship agreement is terminated.

There are no existing service contracts between any Non-Executive Director and any member of the Group which provide for benefits upon termination.

### 9.3 Executive Chair

Subject to completion of the Capital Raise, Lawrence Stroll will be appointed as Executive Chair, effective on 7 April 2020 following the completion of the Capital Raise, pursuant to a letter of appointment entered into on the date of this document.

In light of the Yew Tree Consortium's investment into the Company pursuant to the Capital Raise, Mr. Stroll will receive only a nominal fee as Executive Chair of £1 per annum (less any necessary statutory deductions), and he will not receive any additional fees for service on any Board committees or boards of other Group companies. In addition, Mr. Stroll will be reimbursed for receipted business expenses necessarily incurred in the proper performance of the duties of his office.

Mr. Stroll's appointment is terminable in accordance with the Yew Tree Relationship Agreement (summarised at paragraph 18.1.5 of this Part IX). The Company may also terminate Mr. Stroll's appointment if the Yew Tree Relationship Agreement is terminated.

## 10 DIRECTORS' AND SENIOR MANAGERS' REMUNERATION

**10.1** In addition to the options and awards under the Share-Based Incentive Plans disclosed in paragraph 7.2 of this Part IX, the amount of remuneration paid (including any contingent or deferred compensation), and benefits in kind granted to Directors of the Company for services in all capacities to the Group (including subsidiaries where applicable) by any person for the financial year ended 31 December 2019 was as follows:

Name	Position	Salary and fees	Taxable benefits	Annual variable remuneration	Share-based payments	Retirement benefits or cash in lieu of pensions	Other	Total
<i>(£ thousands)</i>								
Penny Hughes, CBE .....	Chair	350	-	-	-	-	-	350
Dr Andrew Palmer, CMG .....	President and Group Chief Executive Officer	1,200	26	-	-	127	-	1,353
Mark Wilson .....	Chief Financial Officer and Executive Vice President	425	23	-	-	45	-	493
Richard Solomons .....	Senior Independent Non-Executive Director	135	-	-	-	-	-	135
Amr Ali Abdallah AbouelSeoud .....	Non-Executive Director	83	-	-	-	-	-	83
Lord Matthew Carrington .....	Independent Non-Executive Director	85	-	-	-	-	-	85
Mahmoud Samy Mohamed Aly El Sayed .....	Non-Executive Director	85	-	-	-	-	-	85
Peter Espenhahn ...	Independent Non-Executive Director	85	-	-	-	-	-	85

Name	Position	Salary and fees	Taxable benefits	Annual variable remuneration	Share-based payments	Retirement benefits or cash in lieu of pensions	Other	Total
(£ thousands)								
Dante Razzano . . . .	Non-Executive Director	93	-	-	-	-	-	93
Imelda Walsh . . . . .	Independent Non-Executive Director	115	-	-	-	-	-	115
Professor Tensie Whelan . . . . .	Independent Non-Executive Director	75	-	-	-	-	-	75

**10.2** In addition to the options and awards under the Share-Based Incentive Plans disclosed in paragraph 7.2 of this Part IX, the aggregate remuneration (including any contingent or deferred compensation) and benefits in kind paid or granted to the Senior Managers (not including Dr. Palmer and Mr Wilson) by the Company and its subsidiaries during the financial year ended 31 December 2019 for services in all capacities was £3.5 million. The Company is not required to, and does not otherwise, disclose publicly remuneration for the Senior Managers on an individual basis.

**10.3** Save as disclosed in this Part IX, none of the members of the administrative, management, or supervisory bodies' service contracts with the Company or any of its subsidiaries provide for benefits upon termination of employment.

## 11 SHARE-BASED INCENTIVE PLANS

The Company has two discretionary executive share plans: the Aston Martin Lagonda Long-Term Incentive Plan 2018 (the **LTIP**) and the Aston Martin Lagonda Deferred Share Bonus Plan 2018 (the **DSBP**). There are also two all-employee share ownership plans: a share incentive plan (the **SIP**) and a sharesave plan (the **SAYE Plan**). The LTIP, DSBP, SIP and SAYE Plan are, together, the **Share-Based Incentive Plans**.

The Share-Based Incentive Plans are available for operation at the Company's discretion, subject in each case to the recommendation of the Remuneration Committee and, as set out in paragraphs 11.2 and 11.3 of this Part IX, the prior approval of at least two-thirds of all members of the Board present and entitled to vote. The main features of the Share-Based Incentive Plans are set out in paragraphs 11.1 to 11.4 below.

References in this section to the Board include any designated committee of the Board.

### 11.1 Long-Term Incentive Plan

The LTIP is a discretionary executive share plan.

Under the LTIP, the Remuneration Committee may, within certain limits and subject to any applicable performance conditions, grant to eligible employees:

- nil or nominal cost options over Shares (**LTIP Options**); and/or
- conditional awards (i.e. a right to receive free Shares)

(together **LTIP Awards**).

No payment is required for the grant of a LTIP Award.

#### **Eligibility**

All employees (including Executive Directors) are eligible for selection to participate in the LTIP at the discretion of the Remuneration Committee. However, awards are typically made only to Executive Directors and senior management.

### ***Limits***

The LTIP may operate over new issue Shares, treasury Shares or existing Shares purchased in the market.

The rules of the LTIP provide that, in any period of 10 calendar years, not more than 10 per cent. of the Company's issued ordinary share capital may be issued under the LTIP and under any other employees' share scheme adopted by the Company. Of this, not more than five per cent. may be issued under the LTIP and under any other executive share scheme adopted by the Company.

Shares issued out of treasury under the LTIP will count towards these limits for so long as this is required under institutional shareholder guidelines.

### ***Grant of LTIP Awards***

The Remuneration Committee may grant LTIP Awards with a maximum total market value of up to 300 per cent. of annual base salary to an individual in any financial year.

LTIP Awards may be granted: (i) within 42 days of the announcement by the Company of its results for any period; or (ii) at any other time that the Remuneration Committee, at its discretion, deems there are exceptional circumstances which justify the granting of LTIP Awards.

However, no LTIP Awards may be granted more than 10 years after the date when the LTIP was adopted. LTIP Awards are not transferable other than to the participant's personal representatives in the event of his death. The benefits received under the LTIP are not pensionable.

### ***Performance and other conditions***

The Remuneration Committee will impose performance conditions on the vesting of LTIP Awards which are granted to Executive Directors. The Remuneration Committee may also, at its discretion, decide to impose performance conditions on the vesting of LTIP Awards which are granted to employees other than Executive Directors. In exceptional circumstances, any performance conditions applying to LTIP Awards may be varied if the Remuneration Committee considers that it would be appropriate to amend such performance conditions provided the Remuneration Committee considers that the new performance conditions are fair and reasonable and are not materially less or more challenging than the original conditions would have been had these circumstances not arisen.

LTIP Awards will be subject to an underpin to ensure payouts reflect the performance of the Company.

Employees who are not Executive Directors may also be granted LTIP Awards which are not subject to performance conditions.

Where performance conditions are specified for LTIP Awards, the underlying measurement period for such conditions will ordinarily comprise at least three years.

### ***Vesting and exercise***

LTIP Awards will normally vest on the third anniversary of the date of granting the LTIP Award to the extent that any applicable performance conditions have been satisfied, in normal circumstances subject to continued service (except where the holder's employment within the Group ceases for a LTIP Good Leaver Reason (as defined in "Cessation of Employment" below)) and to the extent permitted under any operation of malus or clawback.

LTIP Options will normally become exercisable at the end of the holding period (or, if no holding period applies, the vesting date) for a 12-month period (or for such shorter period as the Remuneration Committee may, at its discretion, decide on or before grant). Shares subject to LTIP

Conditional Awards will be delivered to participants within 30 days of the end of the holding period (or, if no holding period applies, the vesting date) and Shares subject to LTIP Options will be delivered to participants within 30 days of the date of exercise.

### ***Holding period***

The Remuneration Committee will grant LTIP Awards subject to a holding period of up to two years following vesting, unless it decides not to impose a holding period in any particular circumstance. Holders will only lose vested LTIP Awards during the holding period if they are dismissed in circumstances where the employer is entitled to terminate the employment contract summarily without payment in accordance with its terms or if malus applies as explained below. Where any tax or social security contributions arise on vesting of the LTIP Award then the holding period will only apply to the Shares remaining (or that would have remained) after sale of sufficient Shares to meet such tax or social security contribution liabilities.

### ***Malus***

The Remuneration Committee may decide, at any time prior to the end of the applicable holding period (or, if no holding period applies, the vesting date), that the number of Shares subject to a LTIP Award shall be reduced (including to nil) on such basis that the Remuneration Committee in its discretion considers to be fair, reasonable and proportionate where, in its opinion, there are exceptional circumstances. Such exceptional circumstances may include serious reputational damage, a failure of risk management, an error in available financial information which led to the award being greater than it would otherwise have been or personal misconduct.

### ***Clawback***

The Remuneration Committee may decide, within three years of the end of the vesting date, that the LTIP Award will be subject to clawback where, in its opinion, there are exceptional circumstances. Such exceptional circumstances may include serious reputational damage, a failure of risk management or personal misconduct.

The clawback may be satisfied by way of: (i) a reduction in the amount of any future LTIP payments or payments under discretionary bonus plans or other incentive arrangements; (ii) a reduction in the vesting of any subsisting or future share awards or LTIP Awards; (iii) a reduction in the number of Shares under any vested but unexercised option granted under certain share incentive plans; and/or (iv) a requirement to make a cash payment. In the event of a change of control of the Company, the Remuneration Committee must determine whether this will affect the ability of the Remuneration Committee to require clawback of a LTIP Award.

### ***Cessation of employment***

#### ***(i) Unvested LTIP Awards and unexercised LTIP Options***

For these purposes, if a participant ceases employment because of his ill-health, injury or disability (in each case, evidenced to the satisfaction of the Remuneration Committee), or retirement with the agreement of the Company, or his employing company or the business for which he works being transferred out of the Group, or in other circumstances at the discretion of the Remuneration Committee, it will be a "LTIP Good Leaver Reason".

As a general rule, an unvested LTIP Award (and, where a participant is dismissed in circumstances where the employer is entitled to terminate the employment contract summarily without payment in accordance with its terms, any vested but unexercised LTIP Options) will lapse immediately upon a participant ceasing to be employed by or hold office with the Group (or on the date that notice of termination of employment is given or received, if earlier).

However, if a participant ceases employment for a LTIP Good Leaver Reason then his LTIP Award will ordinarily vest on the date when it would have vested if he had not so ceased to be a Group employee or director (or earlier at the Remuneration Committee's discretion), subject to: (i) the

satisfaction of any applicable performance conditions measured over the original performance period (or, at the Remuneration Committee's discretion, as at the date of cessation of employment); (ii) the operation of malus or clawback; and (iii) (unless the Remuneration Committee decides otherwise) pro-rating to reflect the reduced period of time between grant and the participant's cessation of employment as a proportion of the normal vesting period.

The LTIP Award will remain subject to the holding period (unless the Remuneration Committee, in its absolute discretion, decides otherwise). The Remuneration Committee can delay its decision on whether a participant has ceased to be a Group employee or director for a LTIP Good Leaver Reason until the normal vesting date and base its decisions on all relevant circumstances (e.g. achievement of applicable performance conditions over the full performance period, whether restrictive covenants have been complied with and/or whether a person has remained in retirement).

If a participant dies, his LTIP Award will vest on the date of his death (unless the Remuneration Committee decides that his LTIP Award will vest on the normal vesting date, in which case the normal vesting provisions for leavers (see above) will apply) but will not be subject to a holding period (unless the Remuneration Committee, in its absolute discretion, decides otherwise). The extent to which a LTIP Award will vest in these situations will depend upon: (i) the extent to which any applicable performance conditions have been satisfied at the date of cessation (unless the Remuneration Committee decides in its discretion to measure satisfaction of any performance conditions at some other time); (ii) the operation of malus or clawback; and (iii) (unless the Remuneration Committee decides otherwise) pro-rating by reference to the proportion of the vesting period that has then elapsed.

To the extent that LTIP Options vest in accordance with the above provisions, they may be exercised for a period of 12 months following the end of the holding period (or, if no holding period applies, the vesting date) and will otherwise lapse at the end of that period. To the extent that a participant who leaves in circumstances other than dismissal in circumstances where the employer is entitled to terminate the employment contract summarily without payment in accordance with its terms, or dies, held vested LTIP Options, they may be exercised for a period of 12 months following the end of the holding period (or, if no holding period applies, the vesting date) and will otherwise lapse at the end of that period.

#### *(ii) Vested LTIP Awards*

If a participant whose LTIP Award has already vested ceases to be employed by or hold office with the Group during an applicable holding period, the Shares subject to such LTIP Award will not lapse unless the holder is dismissed in circumstances where the employer is entitled to terminate the employment contract summarily without payment in accordance with its terms. Where a vested LTIP Award does not lapse on termination, the Remuneration Committee may, in its absolute discretion, determine that it will no longer be subject to the holding period.

#### **Corporate events**

In the event of a takeover or winding up of the Company (other than an internal reorganisation), LTIP Awards will vest early subject to: (i) the extent that any applicable performance conditions have been satisfied at that time (which may include regard to projected performance over the full period); (ii) the operation of malus or clawback; and (iii) (unless the Remuneration Committee decides that it is inappropriate in the particular circumstances or that it should be carried out on some other basis) pro-rating to reflect the reduced period of time between grant and early vesting as a proportion of the vesting period that has then elapsed. The holding period will no longer apply.

In the event of an internal corporate reorganisation, LTIP Awards may (with the consent of the acquiring company) be replaced by equivalent new LTIP Awards over Shares in the acquiring company unless the Remuneration Committee decides that LTIP Awards should vest as in the case of a takeover.

If a demerger, special dividend or other corporate event is proposed which, in the opinion of the Remuneration Committee, would affect the market price of Shares to a material extent and it is not appropriate or practicable to adjust the number or class of Shares under LTIP Awards as detailed below, the Remuneration Committee may decide that LTIP Awards will vest as in the case of a takeover.

To the extent that LTIP Options vest in accordance with the above provisions, they may be exercised for a period of one month and will otherwise lapse at the end of that period. To the extent that a participant already held vested LTIP Options, they may be exercised for a period of one month from the relevant event and will otherwise lapse at the end of that period.

In the event that there is a change of control of the Company, any discretions reserved to the Remuneration Committee by the rules of the DSBP will be exercisable by the Remuneration Committee in place prior to the change of control.

### ***Variation of capital***

If there is a variation of share capital of the Company or, in the event of a demerger, payment of a special dividend or other corporate event which materially affects the market price of the Shares, then the Remuneration Committee may make such adjustments as it considers appropriate to the number or class of Shares under LTIP Awards in order to retain the economic value of the LTIP Awards as it was immediately prior to such event.

### ***Dividend equivalents***

Unless the Remuneration Committee decides otherwise, participants will receive a payment (in cash and/or additional Shares) equal in value to any dividends that would have been paid on the Shares which vest under their LTIP Awards by reference to dividend record dates falling between the time when the relevant LTIP Awards were granted and the end of the applicable holding period (or, if no holding period applies, the vesting date). This amount may assume the re-investment of dividends and may exclude or include special dividends.

### ***Rights attaching to Shares***

LTIP Awards will not confer any rights on any employee holding such LTIP Awards until: (i) the Shares subject to the relevant LTIP Conditional Award have been released or the relevant LTIP Option has been exercised; and (ii) the employee in question has received the underlying Shares. Any Shares issued when a LTIP Option is exercised or a LTIP Conditional Award is released will rank equally with Shares then in issue (except for rights arising by reference to a record date prior to their allotment or release).

### ***Alternative settlement***

At its discretion, the Remuneration Committee may decide to satisfy LTIP Awards with a cash payment equal to any gain that a participant would have made had the LTIP Awards been satisfied with Shares in the usual manner.

### ***Amendments***

The Remuneration Committee may, at any time, amend the provisions of the LTIP in any respect, except that:

- the prior approval of Shareholders at a general meeting of the Company must be obtained in the case of any amendment to the advantage of participants which is made to the provisions relating to eligibility, individual or overall limits, the basis for determining an employee's entitlement to, and the terms of, Shares or cash provided under the LTIP, the adjustments that may be made in the event of any variation to the share capital of the Company and/or the rule relating to such prior approval, save that there are exceptions for: (i) any minor amendment to benefit the administration of the



LTIP, to take account of the provisions of any proposed or existing legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for employees, the Company and/or its subsidiaries, or (ii) any permitted alteration to the performance conditions or any other conditions; and

- amendments to the material disadvantage of participants (other than a permitted alteration to the performance conditions or any other conditions) may only be made in respect of subsisting rights if such disadvantaged participants are invited to agree such amendment and the majority (assessed by reference to the size of affected awards) of those who respond consent to such amendment.

### ***Overseas plans***

The Remuneration Committee may, at any time, establish further plans for overseas territories, any such plan to be similar to the LTIP but modified to take account of local tax, exchange control or securities laws. Any Shares made available under such further overseas plans must be treated as counting against the limits on individual and overall participation in the LTIP.

## **11.2 Deferred Share Bonus Plan**

The DSBP is a discretionary executive share plan.

Under the DSBP, the Remuneration Committee may, within certain limits and on a discretionary basis, grant to eligible employees:

- nil or nominal cost options over Shares (***DSBP Options***); and/or
- conditional awards (i.e. a right to receive free Shares) (***DSBP Conditional Awards***)

(together ***DSBP Awards***).

No payment is required for the grant of a DSBP Award.

### ***Eligibility***

All employees (including executive Directors) are eligible for selection to participate in the DSBP at the discretion of the Remuneration Committee. However, awards are typically made only to Executive Directors and senior management.

### ***Limits***

The DSBP may operate over new issue Shares, treasury Shares or Shares purchased in the market.

The rules of the DSBP provide that, in any period of 10 calendar years, not more than 10 per cent. of the Company's issued ordinary share capital may be issued under the DSBP and under any other employees' share scheme adopted by the Company.

In addition, the rules of the DSBP provide that, in any period of 10 calendar years, not more than five per cent. of the Company's issued ordinary share capital may be issued under the DSBP and under any other executive share scheme adopted by the Company.

Shares issued out of treasury under the DSBP will count towards these limits for so long as this is required under institutional shareholder guidelines.

### ***Grant of DSBP Awards***

The Remuneration Committee may determine that a proportion of a participant's annual bonus will be deferred into Shares. If the Remuneration Committee makes such a determination, a DSBP Award will be granted to the participant over Shares with a total market value not exceeding the amount of the bonus being deferred.

DSBP Awards may be granted: (i) within 42 days of the announcement by the Company of its results for any period; or (ii) at any other time that the Remuneration Committee, at its discretion, may deem there are exceptional circumstances which justify the granting of DSBP Awards.

However, no DSBP Awards may be granted more than 10 years after the date when the DSBP was adopted. DSBP Awards are not transferable other than to the participant's personal representatives in the event of his death. The benefits received under the DSBP are not pensionable.

### ***Vesting and exercise***

DSBP Options will normally become exercisable, and DSBP Conditional Awards will normally vest, on the third anniversary of the date of granting the DSBP Award to the extent permitted under any operation of malus or clawback. DSBP Options will normally remain exercisable for 12 months (or such shorter period as the Remuneration Committee may, at its discretion, decide on or before grant) of the date of vesting of the DSBP Option.

Shares will be delivered to participants within 30 days of exercise of a DSBP Option or vesting of a DSBP Conditional Award.

### ***Malus***

The Remuneration Committee may decide, at any time prior to the earlier of the vesting of DSBP Awards and the third anniversary of the date of grant, that the number of Shares subject to a DSBP Award shall be reduced (including to nil) on such basis that the Remuneration Committee in its discretion considers to be fair, reasonable and proportionate where, in its opinion, there are exceptional circumstances. Such exceptional circumstances may include where there has been serious reputational damage, failure of risk management, an error in available financial information which led to the award being greater than it would otherwise have been or personal misconduct.

### ***Clawback***

The Remuneration Committee may decide, within three years of the date of granting the DSBP Award, that the DSBP Award will be subject to clawback, in its opinion, where there are exceptional circumstances. Such exceptional circumstances may include serious reputational damage, a failure of risk management or personal misconduct.

The clawback may be satisfied by way of: (i) a reduction in the amount of any future bonus; (ii) a reduction in the vesting of any subsisting or future share awards or DSBP Awards; (iii) a reduction in the number of Shares under any vested but unexercised option granted under certain share incentive plans; and/or (iv) a requirement to make a cash payment. The Remuneration Committee may determine whether a change of control of the Company will affect the ability of the Remuneration Committee to require clawback of a DSBP Award.

### ***Cessation of employment***

As a general rule, a DSBP Award will not lapse upon a participant ceasing to be employed by or hold office with the Group. However, if a participant so ceases because of dismissal in circumstances where the employer is entitled to terminate the employment contract summarily without payment in accordance with its terms or voluntary resignation, his unvested DSBP Awards (and, where a participant is dismissed in circumstances where the employer is entitled to terminate the employment contract summarily without payment in accordance with its terms, any vested DSBP Options) will lapse immediately upon that participant ceasing to be employed by or hold office within the Group (or on the date that notice of termination of employment is given or received, if earlier) unless the Remuneration Committee decides that the lapsing of his DSBP Awards would be inappropriate in the particular circumstances. If a participant so ceases in circumstances in which his unvested DSBP Award does not lapse (each a ***DSBP Good Leaver Reason***), his DSBP Award will ordinarily vest on the date when it would have vested if he had not so ceased to be a Group employee or director, subject to the operation of malus or clawback.

If a participant ceases to be a Group employee or director for a DSBP Good Leaver Reason, the Remuneration Committee can alternatively decide that his DSBP Award will vest early when he leaves. If a participant dies, his DSBP Award will vest on the date of his death (unless the Remuneration Committee decides, in exceptional circumstances, that his DSBP Award will vest on the date when it would have vested if he had not died, in which case the normal vesting provisions for leavers (see above) will apply).

The extent to which a DSBP Award will vest in these situations will depend upon the operation of malus or clawback. To the extent that DSBP Options vest in accordance with the above provisions, they may be exercised for a period of 12 months following vesting and will otherwise lapse at the end of that period. To the extent that a participant who leaves in circumstances other than dismissal in circumstances where the employer is entitled to terminate summarily without payment, or dies, held vested DSBP Options, they may be exercised for a period of 12 months following the date of cessation and will otherwise lapse at the end of that period.

### ***Corporate events***

In the event of a takeover or winding up of the Company (other than an internal reorganisation), DSBP Awards will vest early subject to the operation of malus or clawback.

In the event of an internal corporate reorganisation, DSBP Awards may (with the consent of the acquiring company) be replaced by equivalent new DSBP Awards over Shares in the acquiring company unless the Remuneration Committee decides that DSBP Awards should vest as in the case of a takeover.

If a demerger, special dividend or other corporate event is proposed which, in the opinion of the Remuneration Committee, would affect the market price of Shares to a material extent, and it is not practicable or appropriate to adjust the number or class of Shares under DSBP Awards as detailed below, the Remuneration Committee may decide that DSBP Awards will vest as in the case of a takeover.

To the extent that DSBP Options vest in accordance with the above provisions, they may be exercised for a period of one month and will otherwise lapse at the end of that period. To the extent that a participant already held vested DSBP Options, they may be exercised for a period of one month from the relevant event and will otherwise lapse at the end of that period.

In the event that there is a change of control of the Company, any discretions reserved to the Remuneration Committee by the rules of the DSBP will be exercisable by the Remuneration Committee in place prior to the change of control.

### ***Variation of capital***

If there is a variation of share capital of the Company or, in the event of a demerger, payment of a special dividend or other corporate event which materially affects the market price of the Shares, then the Remuneration Committee may make such adjustments as it considers appropriate to the number or class of Shares under DSBP Awards in order to retain the economic value of the DSBP Awards as it was immediately prior to such event.

### ***Dividend equivalents***

Unless the Remuneration Committee decides otherwise, participants will receive a payment (in cash and/or additional Shares) equal in value to any dividends that would have been paid on the Shares which vest under their DSBP Awards by reference to dividend record dates falling between the time when the DSBP Awards were granted and the time when the DSBP Awards vested or, if the Remuneration Committee so decides, such later time which shall not be later than the time when Shares are issued or transferred to participants. This amount may assume the re-investment of dividends and may exclude or include special dividends.

### ***Rights attaching to Shares***

DSBP Awards will not confer any rights on any employee holding such DSBP Awards until: (i) the relevant DSBP Conditional Award has vested or the relevant DSBP Option has been exercised; and (ii) the employee in question has received the underlying Shares. Any Shares allotted when a DSBP Option is exercised or a DSBP Conditional Award vests will rank equally with Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

### ***Amendments***

The Remuneration Committee may, at any time, amend the provisions of the DSBP in any respect, except that:

- the prior approval of Shareholders at a general meeting of the Company must be obtained in the case of any amendment to the advantage of participants which is made to the provisions relating to eligibility, individual or overall limits, the basis for determining an employee's entitlement to, and the terms of, Shares provided under the DSBP, the adjustments that may be made in the event of any variation to the share capital of the Company and/or the rule relating to such prior approval, save that there are exceptions for any minor amendment to benefit the administration of the DSBP, to take account of the provisions of any proposed or existing legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for employees, the Company and/or its subsidiaries; and
- amendments to the material disadvantage of participants may only be made in respect of subsisting rights if such disadvantaged participants are invited to agree such amendment and the majority (assessed by reference to the size of affected awards) of those who respond consent to such amendment.

### ***Overseas plans***

The Remuneration Committee may, at any time, establish further plans for overseas territories, any such plan to be similar to the DSBP but modified to take account of local tax, exchange control or securities laws. Any Shares made available under such further overseas plans must be treated as counting against the limits on individual and overall participation in the DSBP.

## **11.3 Share Incentive Plan**

The SIP is an all-employee share ownership plan. The SIP has been designed to comply with the relevant legislation and HMRC requirements in order to provide Shares to UK employees under the SIP in a tax efficient manner.

Under the SIP, eligible employees may be:

- awarded up to £3,600 worth of free Shares (***Free Shares***) each year;
- offered the opportunity to buy Shares with a value of up to the lower of £1,800 and 10 per cent. of the employee's pre-tax salary a year (***Partnership Shares***);
- given up to two free Shares (***Matching Shares***) for each Partnership Share bought; and/or
- allowed or required to purchase Shares using any dividends received on Shares held in the SIP (***Dividend Shares***).

The limits set out above are the current limits under the applicable SIP legislation. The Board may determine that different limits shall apply in the future should the relevant legislation change in this respect.

### ***SIP Trust***

The SIP operates through a UK-resident trust (the ***SIP Trust***). The SIP Trust purchases or subscribes for Shares that are awarded to or purchased on behalf of employees under the SIP.

An employee will be the beneficial owner of any Shares held on his behalf by the trustee of the SIP Trust. Any Shares held in the SIP Trust will rank equally with Shares then in issue. If an employee ceases to be employed by the Group, he will be required to withdraw his Free, Partnership, Matching and Dividend Shares from the SIP Trust (or the Free Shares or Matching Shares may be forfeited as described below).

### ***Eligibility***

Each time that the Board decides to operate the SIP, all UK resident tax-paying employees (including executive Directors) must be offered the opportunity to participate. Other employees may be permitted to participate. Employees invited to participate must have completed a minimum qualifying period of employment before they can participate. That period must not exceed 18 months or, in certain circumstances, six months.

### ***Limits***

The SIP may operate over new issue Shares, treasury Shares or Shares purchased in the market.

The rules of the SIP provide that, in any period of 10 calendar years, not more than 10 per cent. of the Company's issued ordinary share capital may be issued under the SIP and under any other employees' share scheme adopted by the Company. Shares issued out of treasury for the SIP will count towards this limit for so long as this is required under institutional shareholder guidelines.

No awards of any Free, Partnership, Matching or Dividend Shares may be granted more than 10 years after the date the SIP was adopted.

### ***Free Shares***

Up to £3,600 worth of Free Shares may be awarded to each employee in a tax year. Free Shares must be awarded on the same terms to each employee, but the number of Free Shares awarded can be determined by reference to the employee's remuneration, length of service, number of hours worked and/or objective performance criteria. The award of Free Shares can, if the Company so chooses, be subject to the satisfaction of a pre-award performance target which measures the objective success of the individual, team, division or business.

There is a holding period of between three and five years (the precise duration to be determined by the Board) during which the employee cannot withdraw the Free Shares from the SIP Trust (or otherwise dispose of the Free Shares) unless the employee leaves employment with the Group.

At its discretion, the Board may provide that some or all of the Free Shares will be forfeited if the employee leaves employment with the Group other than in the circumstances of injury, disability, redundancy, transfer of the employing business or company out of the Group, on retiring, on death or based on such other reason as the Company may specify (each a ***SIP Good Leaver Reason***). Forfeiture can only take place within three years of the Free Shares being awarded.

### ***Partnership Shares***

The Board may allow an employee to use pre-tax salary to buy Partnership Shares. The maximum limit is the lower of £1,800 or 10 per cent. of pre-tax salary in any tax year. If a minimum amount of deductions is set, it shall not be greater than £10. The salary allocated to Partnership Shares can be accumulated for a period of up to 12 months (the ***Accumulation Period***) or Partnership Shares can be purchased out of deductions from the employee's pre-tax salary when those deductions are made. In either case, Partnership Shares must be bought within 30 days of, as appropriate, the end of the Accumulation Period or the deduction from pay. If there is an Accumulation Period, the number of Shares purchased shall be determined by reference to: (i) the market value of the Shares at the start of the Accumulation Period; (ii) the market value of the Shares at the acquisition date set by the trustee of the SIP Trust; or (iii) the lower of the two.

An employee may stop and start (or, with the agreement of the Company, vary) deductions at any time. Once acquired, Partnership Shares may be withdrawn from the SIP by the employee at any time (subject to the deduction of income tax and National Insurance contributions) and will not be capable of forfeiture.

### ***Matching Shares***

The Board may offer Matching Shares free to an employee who has purchased Partnership Shares. If awarded, Matching Shares must be awarded on the same basis to all employees up to a maximum of two Matching Shares for every Partnership Share purchased.

There is a holding period of between three and five years (the precise duration to be determined by the Board) during which the employee cannot withdraw the Matching Shares from the SIP Trust unless the employee leaves employment with the Group.

The Board can, at its discretion, provide that the Matching Shares will be forfeited if the associated Partnership Shares are withdrawn by the employee (other than where the employee leaves employment with the Group for a SIP Good Leaver Reason) or if the employee leaves employment with the Group other than for a SIP Good Leaver Reason. Forfeiture can only take place within three years of the Matching Shares being awarded.

### ***Re-investment of dividends***

The Board may allow or require an employee to re-invest the whole or part of any dividends paid on Shares held in the SIP. Dividend Shares must be held in the SIP Trust for three years, unless the employee leaves employment with the Group. Once acquired, Dividend Shares are not capable of forfeiture.

### ***Corporate events***

In the event of a general offer being made to Shareholders – or a similar takeover event taking place – during a holding period, employees will be able to direct the trustee of the SIP Trust as to how to act in relation to their Shares held in the SIP. In the event of a corporate re-organisation, any Shares held by employees may be replaced by equivalent shares in a new holding company.

### ***Rights issue***

Shares acquired on a rights issue of the Company will usually be treated in the same way as the Shares acquired or awarded under the SIP in respect of which the rights were conferred and as if they were acquired or awarded at the same time. In the event of a rights issue during a holding period, participants will be able to direct the trustee of the SIP Trust as to how to act in respect of their Shares held in the SIP.

### ***Rights attaching to Shares***

Any Shares allotted under the SIP will rank equally with Shares then in issue (except for rights arising by reference to a record date before their allotment).

### ***Amendments***

The Board (with the consent of the trustees of the SIP Trust) may at any time amend the rules of the SIP. The prior approval of Shareholders at a general meeting of the Company must be obtained in the case of any amendment to the advantage of participants which is made to the provisions relating to eligibility, individual or overall limits, the basis for determining an employee's entitlement to, and the terms of, Shares provided under the SIP, the adjustments that may be made in the event of any variation to the share capital of the Company and/or the rule relating to such prior approval, save that there are exceptions for any minor amendment to benefit the administration of the SIP, to take account of any change in legislation or to obtain or



maintain favourable tax, exchange control or regulatory treatment for employees, the Company and/or its subsidiaries or the trustees of the SIP Trust.

Awards under the SIP are not pensionable.

### ***Overseas plans***

The Board may, at any time, establish further plans for overseas territories, any such plan to be similar to the SIP but modified to take account of local tax, exchange control or securities laws. Any Shares made available under such further overseas plans must be treated as counting against the limits on individual and overall participation in the SIP.

## **11.4 SAYE Plan**

The SAYE Plan is an all-employee share ownership plan. The SAYE Plan has been designed to comply with the relevant legislation and HMRC requirements in order to provide Shares to UK employees under the SAYE Plan in a tax-efficient manner.

Under the SAYE Plan, the Board may within certain limits:

- grant UK tax-favoured options over Shares to UK tax-resident eligible employees; and
- at its discretion, grant options over Shares to other eligible employees

(the ***SAYE Options***).

No payment is required for the grant of an SAYE Option.

### ***Eligibility***

Each time that the Board decides to operate the SAYE Plan, all UK resident tax-paying employees (including executive Directors) must be offered the opportunity to participate. Other employees may be permitted to participate at the discretion of the Board. The Board may require employees to have completed a qualifying period of employment of up to five years before granting SAYE Options.

### ***Limits***

The SAYE Plan may operate over new issue Shares, treasury Shares or Shares purchased in the market.

The rules of the SAYE Plan provide that, in any period of 10 calendar years, not more than 10 per cent. of the Company's issued ordinary share capital may be issued under the SAYE Plan and under any other employees' share scheme adopted by the Company. Shares issued out of treasury for the SAYE Plan will count towards these limits for so long as this is required under institutional shareholder guidelines.

### ***Grant of SAYE Options***

The Board may, in its absolute discretion, issue invitations to eligible employees to apply for the grant of SAYE Options. Invitations may be issued during the period of 42 days following:

- the announcement of the Company's interim or final results for any period;
- the announcement of a new prospectus for certified sharesave savings arrangements certified by HMRC; or
- the announcement of amendments to be made to applicable sharesave legislation or the coming into force of such amendments.

Invitations may also be issued following a determination by the Board that exceptional circumstances have arisen which justify the issue of invitations outside the usual invitation

periods. However, no invitation may be issued at any time if it would be unlawful or in breach of Regulation (EU) No.596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse as it is in force at the relevant time or any other regulation or guidance with which the Company complies.

If the Board receives applications for the grant of SAYE Options over Shares which in aggregate exceed the number of Shares which has been made available for the purpose of that issue of invitations, the applications will be scaled down accordingly.

No SAYE Options may be granted more than 10 years after the date when the SAYE Plan was adopted. SAYE Options are not transferable other than to the participant's personal representatives in the event of his death. The benefits received under the SAYE Plan are not pensionable.

It is a condition of participation in the SAYE Plan that an eligible employee enters into a savings contract under a "certified contractual savings scheme" (as defined in the relevant legislation) maturing after three or five years.

Shares subject to an SAYE Option granted under the SAYE Plan may be acquired only out of the proceeds (including any interest or bonus) due under the related savings contract. The number of Shares subject to an SAYE Option is that number which, at the exercise price per Ordinary Share under the SAYE Option, may be acquired out of the expected proceeds of the related savings contract (including any interest or bonus).

The minimum amount which an employee may save under a savings contract is currently £10 per month and the maximum amount is £500 per month pursuant to the applicable sharesave legislation. The Board may determine that different limits shall apply in the future subject to the relevant legislation.

#### ***Exercise price***

An SAYE Option will entitle the holder to acquire Shares at a price determined by the Board, which may not be less than the higher of:

- 80 per cent. of the price which a Share might reasonably be expected to fetch on a sale in the open market; and
- the nominal value of a Share.

#### ***Exercise of SAYE Options***

Options may normally only be exercised during the six-month period following the bonus date (being the third or fifth anniversary of the commencement of the related savings contract).

#### ***Cessation of employment***

As a general rule, an SAYE Option will lapse immediately upon a participant ceasing to be employed by the Group. However, if a participant so ceases because of his injury, disability, redundancy, retirement, or his employing company or the business for which he works being transferred out of the Group, his SAYE Option will be exercisable for six months from the date of cessation to the extent of any savings made up to the point of exercise.

If a participant dies, his SAYE Option will be exercisable for 12 months from the extent of any savings made up to the point of exercise.

If SAYE Options are not so exercised, they will lapse at the end of the relevant period.

#### ***Corporate events***

In the event of a change of control (by way of general offer) or an arrangement or compromise sanctioned by the Court, employees will be able to exercise their SAYE Options for six months

from the date of the relevant event occurring. Alternatively, if, as a result of the change of control (by way of general offer) or an arrangement or compromise sanctioned by the Court, Shares will no longer satisfy the relevant legislative requirements, SAYE Options may be exercised within 20 days following the change of control provided that they may not be exercised later than this date. If the Board reasonably expects a change of control event to occur, it may make arrangements permitting SAYE Options to be exercised during a period of 20 days ending with the date of such event.

If a resolution for voluntary winding up of the Company is passed, options may be exercised for 60 days following such resolution. If there is a compulsory acquisition to acquire the Shares, options remain exercisable at any time when a person is bound to acquire such Shares.

In the event of a corporate reorganisation, any SAYE Options held by employees over Shares in the Company may be exchanged for equivalent options over shares in the new holding company provided certain conditions are met which ensure that such exchange is a “qualifying exchange” for the purposes of the applicable sharesave legislation.

### ***Variation of capital***

If there is a variation of share capital of the Company, or in the event of any capitalisation, rights issue, consolidation, subdivision or reduction, then the Board may make such adjustments as it considers appropriate to the number of Shares under SAYE Option and the exercise price may be varied in such manner as the Board considers appropriate, provided that following any adjustment the Shares shall continue to satisfy the conditions set out in the applicable sharesave legislation.

### ***Rights attaching to Shares***

SAYE Options will not confer any rights on any employee holding such SAYE Options until the relevant SAYE Option has been exercised and the employee in question has received the underlying Shares. Any Shares allotted when an SAYE Option is exercised will rank equally with Shares then in issue (except for rights arising by reference to a record date before their allotment).

### ***Amendments***

The Board may at any time amend the rules of the SAYE Plan.

The prior approval of Shareholders at a general meeting of the Company must be obtained in the case of any amendment to the advantage of participants which is made to the provisions relating to eligibility, individual or overall limits, the basis for determining an employee’s entitlement to, and the terms of, Shares provided under the SAYE Plan, the adjustments that may be made in the event of any variation to the share capital of the Company and/or the rule relating to such prior approval, save that there are exceptions for any minor amendment to benefit the administration of the SAYE Plan, to take account of any change in legislation, to ensure that the SAYE Plan can qualify or continue to qualify under applicable sharesave legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for employees, the Company and/or its subsidiaries.

Options are not pensionable.

### ***Overseas plans***

The Board may, at any time, establish further plans for overseas territories, any such plan to be similar to the SAYE Plan but modified to take account of local tax, exchange control or securities laws. Any Shares made available under such further overseas plans must be treated as counting against the limits on individual and overall participation in the SAYE Plan.

## 12 ORGANISATIONAL STRUCTURE

### 12.1 Subsidiaries

The Company is the principal holding company of Aston Martin Lagonda. The significant subsidiaries of the Company as at the date of this document are set out in the following table. Unless otherwise specified, each company is wholly-owned by a member of Aston Martin Lagonda.

Company name (Ownership interest)	Place of incorporation	Principle activity
AM Brands Limited	Jersey	Grants licences to third parties for the use of the Aston Martin brand for non-automotive products worldwide
AM Nurburgring Racing Limited	United Kingdom	Dormant Company
AML Italy S.r.l	Italy	Dormant Company
AML Overseas Services Limited	United Kingdom	Dormant Company
AMWS Limited (50%)	Jersey	Holding Company
Aston Martin Capital Holdings Limited	Jersey	Financing company to issue and hold the Group's debt
Aston Martin Capital Limited	Jersey	Dormant Company
Aston Martin Holdings (UK) Limited	United Kingdom	Holding Company
Aston Martin Investments Limited	United Kingdom	Holding Company
Aston Martin Italy S.r.l	Italy	Sale and Servicing of luxury sports cars and the sale of parts
Aston Martin Japan Limited	Japan	Operator of the sales office in Japan and certain other countries in the Asia Pacific Region
Aston Martin Lagonda (China) Automobile Distribution Co., Ltd	China	Luxury sports car distributor
Aston Martin Lagonda Group Limited	United Kingdom	Holding Company
Aston Martin Lagonda of Europe GmbH	Germany	Provision of engineering and sales and marketing services
Aston Martin Lagonda of North America, Inc.	United States	Luxury sports car distributor
Aston Martin Lagonda Limited	United Kingdom	Manufacture and sale of luxury sports cars and the sale of parts
Aston Martin Lagonda Pension Trustees Limited	United Kingdom	Trustee of the Aston Martin Lagonda Limited Pension Scheme
Aston Martin Works Limited (50%)	United Kingdom	Servicing and restoration of Aston Martin Cars
Lagonda Properties Limited	United Kingdom	Dormant Company

## 13 PENSIONS

The Group provides retirement benefits to certain of its current and former employees through a number of pension arrangements. These include the UK DB Plan operated by AML Limited. The UK DB Plan closed to new entrants on 31 May 2011 but remains open to future benefit accrual for existing active members. As at 31 December 2019, there were 515 active members in the UK DB Plan. The UK DB Plan ceased final salary accrual from 31 December 2017 and adopted a career average revalued earnings (CARE) benefit structure from 1 January 2018, breaking the link to final salary as at 31 December 2017. Active members' benefits accrued prior to 1 January 2018 instead receive increases in line with CPI (capped at 2.5 or 5 per cent. depending on the date of benefit accrual) for each whole year between 1 January 2018 and the date the member's benefits become payable.

The latest actuarial valuation of the UK DB Plan as at 6 April 2017 showed a deficit of £48.6 million on a scheme-specific funding basis. AML Limited agreed a deficit recovery plan with the trustee of the UK DB Plan under which it is required to make contributions to the plan. Under the recovery plan dated 5 July 2018 agreed as part of the 2017 actuarial valuation, AML Limited agreed: (i) to increase the recovery plan contributions from around £2.8 million per year to £4.0 million per year until 31 March 2020 and to £7.1 million per year thereafter through to 31 July 2025; and (ii) to share upside performance of the business with the UK DB Plan by making additional payments against the deficit recovery plan equal to 5 per cent. of AML Limited's

variable profits which exceed the anticipated variable profit target agreed as part of the plan's 2014 valuation, but capped at £1.75 million per annum in respect of the calendar years 2018 and 2019 and then at £3 million per annum thereafter.

The deficit of the UK DB Plan is dependent on the market value of the assets of that plan and on the value placed on its liabilities. If the market value of the assets declines or the value of the liabilities increases, as at the date of an actuarial funding valuation of the UK DB Plan, AML Limited may be required to increase its contributions to the UK DB Plan. A variety of factors, including factors outside AML Limited's control, may adversely affect the value of the UK DB Plan's assets or liabilities, including interest rates, inflation rates, investment performance and investment strategy, exchange rates, life expectancy assumptions, actuarial data and adjustments, regulatory changes, and the strength of the employer covenant provided to the plan by the Group. If these or other internal and external factors were to become unfavourable, or more unfavourable than they currently are, AML Limited's required contributions to the UK DB Plan and the costs and net liabilities associated with the UK DB Plan could increase substantially. The UK DB Plan's deficit, calculated by the actuary using the same actuarial methods to set assumptions as used for the scheme-specific funding basis in the plan's 2017 valuation updated to reflect market conditions at 31 December 2019 and benefits accrued to that date, has increased since the plan's 2017 valuation to an estimated £60.6 million as at 31 December 2019 due to a decline in long term real rates of return.

The UK DB Plan's next actuarial valuation will take place with an effective date of 6 April 2020. Discussions have already started between the Group and the trustee in relation to the next actuarial valuation and the funding and security of the UK DB Plan more generally. As part of the valuation there will be discussions about whether (and, if so, to what extent) contributions to the Plan should be increased taking into account the circumstances of the Group (including the Placing and Rights Issue).

As is the case for all formerly contracted-out defined benefit pension plans in the United Kingdom, the liabilities of the UK DB Plan, and so the funding level, could also be impacted by a 2018 High Court decision requiring the impact of unequalised guaranteed minimum pension benefits provided to men and women to be equalised. In addition, as with many defined benefit pension plans in the United Kingdom, the trustee has the power under the UK DB Plan's governing documentation to wind-up the UK DB Plan in certain circumstances, which if exercised could accelerate and increase funding obligations to the plan.

The Group is also discussing with the trustee whether any additional employer covenant protection or support can be provided to the UK DB Plan as part of the 2020 actuarial valuation

As of 31 December 2019, the total fair value of plan assets was £311.8 million and the present value of obligations was £333.4 million on an IAS19 basis. In addition to an adjustment of £15.2 million to reflect minimum funding requirements, the Group recognised a liability of £36.8 million on the balance sheet as of 31 December 2019.

#### **14 PROPERTY, PLANT AND EQUIPMENT**

The Group leases its head offices and manufacturing facility in Gaydon. This facility was opened in 2003 and is Aston Martin Lagonda's corporate headquarters, where all senior management are based, and is its primary production and design facility, where all current core models are built. In addition, most administrative functions are located at the Gaydon facility. Details of Aston Martin Lagonda's material property interests are listed below:

<b><i>Facility / Held by</i></b>	<b><i>Location</i></b>	<b><i>Tenure / Quality of Title</i></b>	<b><i>Term</i></b>	<b><i>Major encumbrances</i></b>
Gaydon HQ and manufacturing facility / AML	Banbury Road, Gaydon, Warwick CV35 0DB	Leasehold / Title absolute	Six leases of 999 years from 9 March 2007 to 8 March 3006	None
St. Athan manufacturing facility / AML	The Super Hangar, St Athan, Barry, Wales	Leasehold / Title absolute	30 years from 21 November 2017 to 23 November 2047	None

<b><i>Facility / Held by</i></b>	<b><i>Location</i></b>	<b><i>Tenure / Quality of Title</i></b>	<b><i>Term</i></b>	<b><i>Major encumbrances</i></b>
Wolverton Mill storage and distribution centre / AML	Unit 40 and Unit 50-60, High Park Drive, Wolverton Mill, Milton Keynes MK12 5TT	Leasehold / Title absolute	Unit:40: from 23 December 2014 to 23 November 2047  Unit 50-60: from 27 April 2016 to 22 December 2029	None
Newport Pagnell Works service centre / Aston Martin Works Limited	Tickford Street, Newport, Pagnell, MK16 9AN	Leasehold / Unregistered	Previous lease expired in February 2018 and Aston Martin Works Limited occupies on a rolling basis.  Negotiations for a new lease are ongoing.	None
Wellesbourne warehouse and distribution (Unit 1), prototype build (Unit 2), production (Unit 8) and Special Vehicle Operations (Unit 20) facilities / AML	Unit 1, Unit 2, Unit 8 and Unit 20, M40 Distribution Centre, Loxley Road, Wellesbourne, Warwick	Unit 1 and Unit 2: Leasehold / Title absolute  Unit 8: Interest under an agreement for lease  Unit 20: Leasehold / Unregistered	Unit 1: from 20 April 2015 to 20 December 2031  Unit 2: 15 years from 21 December 2016 to 20 December 2031  Unit 8: from 31 December 2018 to 20 December 2031  Unit 20: from 2 December 2018 to 2 June 2020	None
Milton Keynes design studio and warehouse / AML	Futura House, Bradbourne Drive, Tilbrook, Milton Keynes MK7 8AZ	Leasehold / Unregistered	Five years from 18 January 2018 to 17 January 2023	None
Dover Street shop / AML	Ground Floor Shop, 8-9 Dover Street, London W1S 4LG	Leasehold / Title absolute	15 years from 18 September 2015 to 17 September 2030	None
Chase Point purchasing and Rapide manufacturing facility / AML	Unit 1, Mallory Way, Gallagher Business Park, Coventry CV6 6PB	Leasehold / Title absolute	10 years from 12 March 2012 to 11 March 2022	None
Silverstone / AML	Stowe Complex Building, Silverstone Racing Circuit, Silverstone, Towcester, Northampton	Interest under an agreement for lease	Five years from 16 October 2018 to 15 October 2023	None

The Group also has offices and meeting rooms in London and regional offices in the United States, Frankfurt, Tokyo, Shanghai and Singapore, which have short-term leases that are up for renewal from time to time.



## 15 EMPLOYEES

As at 31 December 2019, the Group employed 2,907 people (including Directors and contractors). The average monthly number of employees (including Directors and contractors) employed by the Group for the years ended 31 December 2017, 2018 and 2019 was 3,059, 3,826 and 2,907, respectively.

As at 31 December 2019, approximately 15 per cent. of the Group's employees, including permanent, international and temporary employees, were unionised and were members of Unite. The Directors believe that the Group has a good relationship with the union and with its employees generally.

## 16 AUDITORS

The 2018 Financial Statements have been audited by KPMG LLP, independent auditor, with its address at One Snowhill, Snow Hill Queensway, Birmingham B4 6GH, United Kingdom, as stated in its report appearing herein.

The 2019 Financial Statements have been audited by Ernst & Young LLP, independent auditor, with its address at Colmore Square, Birmingham B4 6HQ, United Kingdom, as stated in its report appearing herein.

## 17 RIGHTS ISSUE AND PLACING ARRANGEMENTS

### 17.1 Underwriting agreement

On 27 February 2020, the Company and the Underwriters entered into the Underwriting Agreement pursuant to which the Company has appointed Morgan Stanley as the Sole Financial Adviser, Sponsor, Joint Global Co-ordinator and Joint Bookrunner and Deutsche Bank and J.P. Morgan Cazenove as the Joint Global Co-ordinators and Joint Bookrunners in connection with the Rights Issue and Admission of the New Shares.

Subject and pursuant to the terms and conditions of the Underwriting Agreement, the Underwriters have agreed to underwrite the New Shares (other than the New Shares for which the Committed Shareholders have irrevocably undertaken to subscribe) (the **Underwritten Shares**). The Underwriters (as agents of the Company) will use reasonable endeavours to procure acquirers for the Underwritten Shares which have not been taken up under the Rights Issue (or, at their discretion, for as many as can be so procured) as soon as reasonably practicable and in any event by no later than 5.00 p.m. on the second dealing day after the last date for acceptance under the Rights Issue, for an amount which is not less than the total of the Issue Price multiplied by the number of such Underwritten Shares for which acquirers are so procured plus the expenses of procurement (including any applicable commissions and VAT). If and to the extent that the Underwriters are unable to procure acquirers on the basis outlined above, the Underwriters have agreed to purchase, on a several basis (in their due proportions), any remaining Underwritten Shares.

The underwriting commission payable is equal to 2.75 per cent. of the Issue Price multiplied by the aggregate number of Underwritten Shares (plus any applicable VAT). Out of such commission payable to the Underwriters, the Underwriters shall pay or procure the payment of sub-underwriting commissions payable to such persons (if any) as the Underwriters may procure to acquire Underwritten Shares. All commissions and fees payable pursuant to the Underwriting Agreement are payable as soon as practicable following the acceptance date but not later than the fifth Business Day following the acceptance date.

Irrespective of whether Admission of the New Shares occurs, the Company shall bear all expenses of or incidental to the Rights Issue, Admission of the New Shares and the arrangements contemplated by the Underwriting Agreement, including the fees and expenses of its professional advisers, the fees and expenses of the Underwriters and their professional advisers, the cost of preparation, advertising, printing and distribution of this document and all other documents connected with the Rights Issue, all roadshow expenses, including travel and accommodation, all bookbuilding expenses, the Registrar's fees, all filing fees and related and other expenses in connection with the qualification of the New Shares for offering and sale in any jurisdiction pursuant to the Rights Issue and, where applicable, VAT.

The Company has given certain customary representations, warranties and undertakings to the Underwriters, and customary indemnities to the Underwriters and to certain persons connected with them, in relation to the Rights Issue. The obligations of the Underwriters under the Underwriting Agreement are subject to Admission of the New Shares, nil paid, occurring at or before 8.00 a.m. on 18 March 2020 (or such later time and/or date as the Joint Global Co-ordinators and the Company may agree) and certain other customary conditions to be satisfied prior to Admission of the New Shares, nil paid, including, amongst others:

- (a) the passing of the Resolutions at the General Meeting on 16 March 2020 (or such later date as the Joint Global Co-ordinators and the Company may agree) and such Resolutions remaining in force;
- (b) none of the warranties being untrue, inaccurate or misleading as at the date of the Underwriting Agreement or immediately prior to Admission of the New Shares, nil paid (by reference to the facts and circumstances from time to time subsisting);
- (c) no matter referred to in Section 87G(1) of the FSMA arising in the period between the time of publication of this document and the time of Admission of the New Shares, nil paid, and no supplementary prospectus being required to be published by or on behalf of the Company before Admission of the New Shares, nil paid, which, in either case, in the good faith opinion of the Joint Global Co-ordinators, makes it impractical or inadvisable to proceed with the Rights Issue and in the manner contemplated in the Underwriting Agreement;
- (d) the Company having complied with and not being in breach, at any time prior to Admission of the New Shares, nil paid, of any of its obligations under the Underwriting Agreement or under the terms of the Rights Issue which, in each case, fall to be performed or satisfied prior to Admission of the New Shares, nil paid, and the Company having complied with those of its obligations under the Listing Rules and the Prospectus Regulation Rules which fall to be performed or satisfied prior to Admission of the New Shares, nil paid; and
- (e) each of the irrevocable undertakings from the Committed Shareholders being duly executed and becoming unconditional subject only to Admission of the New Shares, nil paid, and not having been terminated immediately prior to Admission of the New Shares, nil paid.

If any of the conditions in the Underwriting Agreement is not satisfied (or waived by the Joint Global Co-ordinators), or becomes incapable of being satisfied, by the required time and date (or by such later time and/or date as the Joint Global Co-ordinators may agree) then, save for certain exceptions, the obligations of the parties under the Underwriting Agreement shall cease and terminate without prejudice to any liability for any prior breach of the Underwriting Agreement.

In addition, the Joint Global Co-ordinators are entitled to terminate the Underwriting Agreement in certain circumstances, including for material adverse change and force majeure, but only prior to Admission of the New Shares, nil paid. If the Underwriting Agreement is terminated in accordance with its terms, the Company will not seek Admission of the New Shares, nil paid.

The Sponsor also has the right to terminate its obligations as Sponsor if any matter arises which the Sponsor considers, acting in good faith, affects or would affect its ability to perform its functions under Chapter 8 of the Listing Rules or fulfil its obligations as Sponsor. The termination by the Sponsor of its role as Sponsor will not terminate any other provision of the Underwriting Agreement, which would remain in full force and effect.

Pursuant to the Underwriting Agreement, the parties have agreed that if a supplementary prospectus is required to be issued by the Company prior to the date specified as the latest date for acceptance and payment in full, the Joint Global Co-ordinators (after consultation with the Company) may give notice of an extension to the timetable for the Rights Issue, such date shall not be extended beyond the date which is five Business Days after the date of publication of the supplementary prospectus, and the dates and times of events due to take place following such date shall be extended accordingly.

The Company agrees that, between the date hereof and the date which falls 180 days after the commencement of dealing of the New Shares it will not, without the prior written consent of the Joint Global Co-ordinators, directly or indirectly:

- (a) issue, offer, lend, mortgage, assign, charge, pledge, sell, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of any Shares or any interest in Shares or any securities convertible into or exercisable or exchangeable for, or substantially similar to, Shares or any interest in Shares;
- (b) enter into any swap or other agreement or transaction that transfers or confers in whole or in part, directly or indirectly, any of the economic consequences of the ownership of its Shares; or
- (c) make any announcement or other publication of the intention to do any of the foregoing or make any filing with respect thereto,

(whether any such swap, agreement, arrangement or transaction described in (a) to (c) above is to be settled by delivery of ordinary shares, cash or otherwise), except in each case with the prior written consent of the Joint Global Co-ordinators, provided that the restrictions above shall not apply in relation to (i) the issuance of the New Shares to be issued in the context of the Rights Issue, and (ii) the issue of any Ordinary Shares or options or the grant of any right to acquire Ordinary Shares pursuant to any employees' share schemes existing on the date hereof.

## **17.2 Placing Agreement**

On 27 February 2020, the Company and the Yew Tree Consortium entered into a placing agreement (the **Placing Agreement**), pursuant to which the Company agrees to allot and issue to the Yew Tree Consortium, and the Yew Tree Consortium agrees to subscribe for, the 45,600,577 Placing Shares at an issue price of 400 pence per Placing Share, for a total consideration of £182.4 million.

The parties to the Placing Agreement have given to each other certain customary representations, warranties and undertakings. The obligations of the parties to the Placing Agreement are conditional on the Resolutions being duly passed at the General Meeting, Admission of the Placing Shares occurring at or before 8.00 a.m. on 17 March 2020, none of the warranties or undertakings in the Placing Agreement being breached and none of the warranties becoming untrue, inaccurate or misleading.

## **17.3 Irrevocable Undertakings**

Pursuant to irrevocable undertakings dated 31 January 2020, the Prestige/SEIG Shareholder Group provided irrevocable undertakings to vote in favour of the Capital Raise and take up 100 per cent. of its entitlements under the Rights Issue.

Pursuant to an irrevocable undertaking dated 31 January 2020, as subsequently amended on 26 February 2020, the Adeem/PW Shareholder Group provided irrevocable undertakings to vote in favour of the Capital Raise, take up 38.9 per cent. of its entitlements under the Rights Issue, and to sell to the Yew Tree Consortium the balance of Nil Paid Rights not covered by its irrevocable undertakings.

Pursuant to an irrevocable undertaking dated 20 February 2020, Torreal Sociedad de Capital Riesgo S.A. provided irrevocable undertakings to vote in favour of the Capital Raise and take up 100 per cent. of its entitlements under the Rights Issue.

Pursuant to an irrevocable undertaking dated 24 February, Mercedes-Benz AG provided irrevocable undertakings to vote in favour of the Capital Raise and take up its entitlements under the Rights Issue up to an aggregate value of £11.08 million.

Under the Placing Agreement, the Yew Tree Consortium provided undertakings to (i) take up 100 per cent. of its entitlements under the Rights Issue following completion of the Placing and (ii) purchase Nil Paid Rights from the Adeem/PW Shareholder Group and following such purchase take up 100 per cent. of its entitlements under the Rights Issue.

## 18 MATERIAL CONTRACTS

**18.1** The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or another member of the Group within the two years immediately preceding and including the date of this document, and are, or may be, material or have been entered into at any time by the Company or any member of the Group and contain provisions under which the Company or any member of the Group has an obligation or entitlement which is, or may be, material to the Company or any member of the Group as at the date of this document:

### *18.1.1 Rights Issue and Placing Arrangements*

For a description of the principal terms of the Underwriting Agreement and the Placing Agreement, see paragraphs 17.1 and 17.2 of this Part IX.

### *18.1.2 Senior Secured Notes*

#### Overview

On 18 April 2017, Aston Martin Capital Holdings Limited issued senior secured notes due 2022, comprising \$400,000,000 aggregate principal amount of 6.5 per cent. US dollar denominated senior secured notes due 2022 under the Indenture (the **Initial Dollar Notes**) and £230,000,000 aggregate principal amount of 5.75 per cent. pound sterling denominated senior secured notes due 2022 under the Indenture (the **Initial Sterling Notes**).

On 13 December 2017, Aston Martin Capital Holdings Limited issued a further £55,000,000 aggregate principal amount of its 5.75 per cent. pound sterling denominated senior secured notes due 2022 under the Indenture (together with the Initial Sterling Notes, the **Sterling Notes**).

On 4 April 2019, Aston Martin Capital Holdings Limited issued \$190,000,000 aggregate principal amount of additional 6.5 per cent. US dollar denominated senior secured notes due 2022 under the Indenture (the **\$190m 6.5% Notes due 2022** and together with the Initial Dollar Notes, the **Dollar Notes**).

On 8 October 2019, Aston Martin Capital Holdings Limited issued \$150,000,000 aggregate principal amount of 12.0 per cent. US dollar denominated senior secured split coupon notes due 2022 under the Indenture (the **\$150m 12.0% Notes due 2022**).

Aston Martin Capital Holdings Limited is also permitted to issue up to \$100 million in aggregate principal amount of either 12.0 per cent. delayed draw senior secured split coupon notes due 2022 and/or 15.0 per cent. delayed draw senior unsecured split coupon notes due 2022, subject to satisfying certain conditions (the **Delayed Draw Notes**). The Group does not intend to issue the Delayed Draw Notes.

The Dollar Notes and the Sterling Notes (together, the **Original Notes**) and the \$150m 12.0% Notes due 2022 (together with the Original Notes, the **Senior Secured Notes**) will mature on 15 April 2022.

#### Interest rates

The Sterling Notes accrue interest at a rate of 5.75 per cent. per annum. Interest on the Sterling Notes is payable semi-annually in arrears on each 15 April and 15 October.

The Dollar Notes accrue interest at a rate of 6.5 per cent. per annum. Interest on the Dollar Notes is payable semi-annually in arrears on each 15 April and 15 October.

The \$150m 12.0% Notes due 2022 accrue interest at a rate of 6.0 per cent. per annum in cash plus 6.0 per cent. per annum paid in kind. Interest on the \$150m 12.0% Notes due 2022 is payable semi-annually in arrears on each 15 January and 15 July.

### Prepayments and redemption

Commencing 15 April 2019, each series of the Original Notes, and commencing 15 September 2020 the \$150m 12.0% Notes due 2022, may be redeemed in whole or in part at any time at the established redemption prices. The Senior Secured Notes may also be redeemed at a price equal to their principal amount plus accrued and unpaid interest upon the occurrence of certain changes in applicable tax law. Upon the occurrence of certain events constituting a change of control, Aston Martin Capital Holdings Limited may be required to make an offer to repurchase the Senior Secured Notes at 101 per cent. of the principal amount thereof (as applicable), plus accrued and unpaid interest to the date of the redemption.

### Guarantees

The obligations of Aston Martin Capital Holdings Limited under the Senior Secured Notes are guaranteed on a senior secured basis by the following Group companies: Aston Martin Investments Limited, Aston Martin Lagonda Group Limited, AML Limited and Aston Martin Capital Limited.

### Security

Subject to the operation of the agreed security principles, the Senior Secured Notes are secured by the following collateral:

- limited recourse first-priority security interest under English law granted by Aston Martin Holdings (UK) Limited over the issued capital stock of Aston Martin Investments Limited;
- first-priority security interest under Jersey law granted by Aston Martin Investments Limited over the issued share capital of Aston Martin Capital Holdings Limited;
- first-priority security interest under Jersey law granted by Aston Martin Capital Holdings Limited over the issued share capital of Aston Martin Capital Limited;
- first-priority security interest under the English law debenture (referred to in the last bullet point of this paragraph) granted by Aston Martin Investments Limited over the issued Capital Stock of Aston Martin Lagonda Group Limited;
- first-priority security interest under the English law debenture (referred to in the last bullet point of this paragraph) granted by Aston Martin Lagonda Group Limited over the issued capital stock of AML Limited;
- first-priority security interest under New York law granted by Aston Martin Lagonda Group Limited over the issued Capital Stock of Aston Martin Lagonda of North America, Inc.;
- first-priority assignment governed by English law by Aston Martin Capital Holdings Limited of its rights under the proceeds loans granted under the proceeds loan agreement in respect of the Senior Secured Notes;
- a mortgage over the factory at Banbury Road, Gaydon, Warwick, United Kingdom; and
- an English law debenture creating fixed and floating security over material operating bank accounts, material intercompany receivables, material intellectual property and shares in certain other Group companies and certain material companies from each of Aston Martin Investments Limited, Aston Martin Lagonda Group Limited and AML Limited.

Proceeds from the enforcement of the security (whether or not shared with the holders of the Senior Secured Notes) are required to be applied to repay indebtedness outstanding under the Revolving Credit Facility in priority to the Senior Secured Notes.

### Certain covenants

The Indenture contains a number of covenants which, among other things, restrict, subject to certain exceptions, the ability of the Restricted Group to:

- incur or guarantee additional indebtedness and issue certain preferred stock;

- create or incur certain liens;
- make certain payments, including dividends or other distributions;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to certain members of the Restricted Group;
- sell, lease or transfer certain assets including stock of certain members of the Restricted Group;
- engage in certain transactions with affiliates;
- enter into unrelated businesses or engage in prohibited activities;
- consolidate or merge with other entities; and
- impair the security interests for the benefit of the Senior Secured Notes.

However, each of these covenants is subject to significant exceptions and qualifications.

### *18.1.3 Revolving Credit Facility*

On 3 April 2017, Aston Martin Capital Holdings Limited as parent and AML Limited as original borrower entered into a revolving credit facility agreement with, *inter alios*, J.P. Morgan Limited, Bank of America Merrill Lynch International Limited, Deutsche Bank AG, London Branch, Goldman Sachs Bank USA, HSBC Bank plc, Morgan Stanley Bank International Limited, Standard Chartered Bank and UniCredit AG, London Branch as arrangers, the financial institutions named therein as original lenders, Elavon Financial Services DAC, UK Branch, as facility agent and U.S. Bank Trustees Limited, as security agent. The agreement was amended on 24 April 2017 (such agreement as amended, amended and restated and/or replaced from time to time, the **Revolving Credit Facility Agreement**).

The Revolving Credit Facility Agreement provides for borrowings up to an aggregate principal amount of £80 million on a committed basis, of which £70 million was drawn as of 31 December 2019, with the remaining balance under the Revolving Credit Facility being reserved to support existing letter of credit facilities. Subject to certain exceptions, loans may be borrowed, repaid and re-borrowed at any time. Borrowings will be available to be used towards financing or refinancing the general corporate and working capital purposes of Aston Martin Investments Limited and certain of its subsidiaries.

### Maturity and repayment

The Revolving Credit Facility matures on 15 January 2022. Each advance must be repaid on the last day of the interest period relating thereto, subject to a netting mechanism against amounts to be drawn on such date. All outstanding amounts under the Revolving Credit Facility must be repaid in full on or prior to the maturity date for the Revolving Credit Facility. Amounts repaid by the borrowers on loans made under the Revolving Credit Facility may be re-borrowed during the availability period for that facility, subject to certain conditions.

### Interest rate and fees

The interest rate on cash advances under the Revolving Credit Facility is the percentage rate per annum equal to the aggregate of the applicable margin and applicable LIBOR or EURIBOR (subject to a zero floor). The initial margin at the date of the Revolving Credit Facility was 3.25 per cent., subject to a margin ratchet pursuant to which the margin on the loans are reduced if certain leverage ratio thresholds are met.

A commitment fee is payable on the aggregate undrawn and uncanceled amount of the Revolving Credit Facility until the last day of the availability period for the Revolving Credit Facility at a rate of 30 per cent. of the then applicable margin for the Revolving Credit Facility. The commitment fee is payable quarterly in arrears.



Default interest is calculated as an additional one per cent. on the overdue amount. Customary agency fees will also be payable to the facility agent and the security agent during the life of the Revolving Credit Facility.

#### Guarantees

Aston Martin Investments Limited, Aston Martin Lagonda Group Limited, AML Limited, Aston Martin Capital Holdings Limited and Aston Martin Capital Limited are the guarantors under the Revolving Credit Facility Agreement.

#### Security

The Revolving Credit Facility is secured by the same collateral as the Senior Secured Notes (see paragraph 18.1.2 of this Part IX).

Proceeds from the enforcement of the security (whether or not shared with the holders of the Senior Secured Notes) are required to be applied to repay indebtedness outstanding under the Revolving Credit Facility in priority to the Senior Secured Notes.

#### Certain covenants

The Revolving Credit Facility Agreement contains certain of the same incurrence covenants and related definitions (with certain adjustments) as the Indenture. In addition, the Revolving Credit Facility Agreement also contains certain affirmative and negative covenants, which are subject to customary materiality, actual knowledge or other qualifications, exceptions and baskets.

Further, the Revolving Credit Facility agreement contains a cross-default provision with respect to payment obligations of AML Limited and Aston Martin Holdings (UK) Limited under the guarantee fee arrangement that was entered into with the government of Wales in respect of the Group's occupation of the St. Athan plant.

#### *18.1.4 F1™ Sponsorship Agreement*

On 27 February 2020, AML Limited and Racing Point UK Limited (**RPUK**) entered into a sponsorship agreement (the **F1™ Sponsorship Agreement**), pursuant to which AML Limited has granted RPUK the worldwide, royalty-free right to use the "Aston Martin" name, logo and branding (the **AML Branding**) in respect of Formula 1™ participation for an initial 10-year term starting on 1 January 2021, with the possibility to extend for a further five years by mutual agreement between AML Limited and RPUK (the **Branding Arrangements**). Under the Branding Arrangements, RPUK's Racing Point Formula 1™ team would become the Aston Martin Formula 1™ team with effect from the 2021 Formula 1™ season. AML Limited will continue with its sponsorship of the Red Bull Racing F1™ team for the 2020 Formula 1™ season.

In addition to granting RPUK the right to use AML Branding under the Branding Arrangements, AML Limited will sponsor RPUK's Formula 1™ team for an initial five-year sponsorship term lasting from 1 January 2021 to 31 December 2025 (the **Sponsorship Arrangements**). The Sponsorship Arrangements are renewable for a further five year term, subject to satisfying certain conditions at the time. During the term of the Sponsorship Arrangements, AML Limited will receive certain sponsorship, hospitality and promotional benefits (including, but not limited to, tickets and guest passes to Formula 1™ events, access to team drivers and public relations activities) in return for paying sponsorship fees to RPUK. If the Sponsorship Arrangements are not renewed or are otherwise terminated, RPUK would continue to use the AML Branding in respect of its Formula 1™ participation for the remaining term of the Branding Arrangements.

RPUK is majority-owned and controlled by Lawrence Stroll, who is expected to become the Executive Chair of the Company following completion of the Placing. AML Limited must choose one of two sponsorship fee options before 8 April 2020 in respect of the first five years of the sponsorship agreement term. AML Limited can choose between: (i) subscribing for five per cent. of the share capital of RPUK during the term; or (ii) receiving five per. cent of any increase in economic value of RPUK's share capital over the term.

The Group's Chief Executive Officer shall have one seat on the RPUK board for so long as the Branding Arrangements remain in effect in order to protect the use of AML Branding and have oversight of financial and racing performance. The F1™ Sponsorship Agreement contains other provisions for the protection of AML Branding, including but not limited to: (i) AML Limited shall have the right to approve (such approval not to be unreasonably withheld, conditioned or delayed) the appointment of any team title partner; (ii) AML Limited shall have the right to be consulted (and RPUK shall give all due consideration to the reasonable requests of AML Limited) in respect of the 'look and feel' and strategy of any marketing, communications, hospitality and similar materials, as well as communication and marketing campaigns and (iii) AML Limited shall have certain approval rights in respect of team official partners and suppliers, with AML Limited having enhanced approval rights in respect of the team's appointment of automotive manufacturers that are the Group's competitors or certain categories of persons that would be likely to damage the Group's reputation by their association with the AML Branding.

Pursuant to the F1™ Sponsorship Agreement, neither AML Limited nor any of its affiliates may sponsor, supply or otherwise partner with another Formula 1™ team.

*18.1.5 Adeem/PW Relationship Agreement, Prestige/SEIG Relationship Agreement and Yew Tree Relationship Agreement*

On 27 February 2020, the Company entered into the Adeem/PW Relationship Agreement with the Adeem/PW Shareholder Group, the Prestige/SEIG Relationship Agreement with the Prestige/SEIG Shareholder Group and the Yew Tree Relationship Agreement with the Yew Tree Consortium.

The Adeem/PW Relationship Agreement and the Prestige/SEIG Relationship Agreement replace prior relationship agreements between the Company and certain members of the Adeem/PW Shareholder Group and certain members of the Prestige/SEIG Shareholder Group, respectively, with those prior agreements having been terminated.

The terms of the Adeem/PW Relationship Agreement, the Prestige/SEIG Relationship Agreement and the Yew Tree Relationship Agreement, which are set out below, are substantially the same. The purpose of each relationship agreement is to document the director nomination rights and certain other governance arrangements between the Company and each of the Major Shareholders and the Yew Tree Consortium.

The Relationship Agreements provide that each of the Yew Tree Consortium, the Prestige/SEIG Shareholder Group and the Adeem/PW Shareholder Group shall be able to nominate two non-executive directors to the Board so long as it maintains a shareholding that exceeds the lowest percentage shareholding of each of the Yew Tree Consortium, the Prestige/SEIG Shareholder Group and the Adeem/PW Shareholder Group upon completion of the Rights Issue, but in all cases not below 17.5 per cent. The right to appoint one Director will continue for so long as its shareholding in the Company is equal to or exceeds 7 per cent.

For so long as the relevant shareholder group holds a direct or indirect interest in seven per cent. or more of the voting rights in the Company, it will be able to appoint one director as (i) a member of the Nomination Committee and (ii) an observer on each of the Audit and Risk Committee and the Remuneration Committee.

If a director appointed to the Board by any of the relevant shareholder groups has a conflict of interest in respect of a particular Board matter as a result of such matter relating to: (i) both the Group and the relevant shareholder group that has appointed such director or (ii) the enforcement or operation of the relevant relationship agreement, he or she shall not attend, be counted in the quorum, participate in discussions at or vote on any resolutions at Board meetings where such matter is being considered without prior approval of the Board (which for the purposes of such approval shall not include such conflicted director or any other director appointed by the same shareholder group as such conflicted director).

Throughout the terms of the relationship agreements, the Company agrees not to take any action in relation to certain matters without prior approval of at least two-thirds of members of the Board present at a meeting and entitled to vote. These matters are:

- any suspension, cessation or abandonment of any material activity of the Company or any Group company, any material change to the nature, primary focus of or geographical area of the business or the closing of any material operating establishment of the business;
- any material acquisition or disposal, in one or a series of related transactions, by the Company or any Group company of: (a) any undertaking, business, company or securities of a company; or (b) any assets or property (other than in the ordinary course of business);
- the adoption of, or making any amendments to, the Group's annual budget or its business plan;
- incurring, issuing, guaranteeing or assuming any indebtedness or approving capital expenditure in excess of £10,000,000 (other than any indebtedness or capital expenditure provided in or contemplated by the Group's annual budget or its business plan previously approved by at least two-thirds of all members of the Board present and entitled to vote);
- issuing any securities, or granting any person rights to be issued any securities, on a non-pre-emptive or non-pro-rata basis (other than in accordance with any equity incentive scheme approved by the Board on recommendation of the Company's Remuneration Committee), subject at all times to the provisions of applicable law;
- approving any recommendation to the shareholders to change the size of the Board;
- approving any change in the size and composition of the Company's Nomination Committee;
- appointing or dismissing any Executive Directors; and
- granting any equity incentive awards to employees of the Group under any of the Aston Martin Lagonda Long-Term Incentive Plan 2018, the Aston Martin Lagonda Deferred Share Bonus Plan 2018, the Aston Martin Lagonda Share Incentive Plan 2018 and the Aston Martin Lagonda SAYE Plan 2018 as described in this document.

The Board cannot propose an amendment to the Articles which would be in conflict with the provisions of the relationship agreements without the prior written consent of the relevant shareholder groups.

The relationship agreements will terminate upon the relevant shareholder group (and its respective affiliates) ceasing to hold seven per cent. of the voting rights attaching to the Shares or upon the Shares ceasing to be admitted to the Official List.

#### *18.1.6 Deposit Arrangement, Master Purchase Agreement and Master Consignment Agreement*

On 31 January 2020, the Group entered into a deposit arrangement with Yew Tree pursuant to which Yew Tree deposited £55.5 million with AML Limited for a future delivery of cars (the **Deposit Arrangement**). On 26 February 2020, Yew Tree assigned its rights under the Deposit Arrangement to Falcon Group Europe Limited (**Falcon**) and Falcon exercised the right to purchase cars from AML Limited with a value of £55.5 million (inclusive of VAT) under the terms of the Deposit Arrangement and a master purchase agreement dated 26 February 2020 (**MPA**). As a result of Falcon purchasing the cars from AML Limited, the Deposit Arrangement was satisfied and discharged.

Falcon placed all purchased cars on consignment with AML Limited pursuant to a master consignment agreement dated 26 February 2020 (**MCA**). Pursuant to the terms of the MCA, AML Limited is permitted to sell those cars to its customers in the ordinary course of business. The purchase price owed by AML Limited to Falcon for any sold cars under the MCA is agreed to be paid in kind by way of the sale of additional cars to Falcon, which will be placed on further consignment with AML Limited.

AML Limited has given certain customary representations, warranties and indemnities under the MPA and the MCA. In addition, certain Group companies have guaranteed the obligations of AML Limited under the MPA and MCA.

Pursuant to the MCA, upon certain trigger events, including the completion of the Placing, any newly established inventory financing transaction or the issuance of any Delayed Draw Notes, AML Limited has agreed to repurchase all remaining cars that were acquired by Falcon under the MPA and held on consignment by AML Limited under the MCA at the same price for which they were originally acquired under the MPA. This will end the arrangement agreed under the MPA and the MPC, each of which will terminate shortly thereafter.

## 19 AUDITED REMUNERATION DISCLOSURE

Ernst & Young LLP's audit report on the 2019 Financial Statements included in this document refers to certain audited information regarding the remuneration of the Directors. Such information is therefore required to be included in this document in the form in which it will appear in the Company's 2019 annual report to be published on or around 17 March 2020. The following information has been extracted without amendment from such annual report.

### FY 2019 Total single figure remuneration for Executive Directors (audited)

The table below sets out the single figure of total remuneration received by the Executive Directors in respect of FY 2019 (and the prior financial year). The subsequent sections detail additional information for each element of remuneration.

*Shown in £'000s*

Executive Director	Salary	Benefits	Pension	Total fixed	Annual bonus <sup>2</sup>	LTIP	Total variable	Total
<b>Dr Andy Palmer</b>								
Year to 31 December 2019 .....	1,200	26	127	<b>1,353</b>	-	n/a	-	<b>1,353</b>
Year to 31 December 2018 <sup>1</sup> .....	363	6	38	<b>407</b>	-	n/a	-	<b>407</b>
<b>Mark Wilson</b>								
Year to 31 December 2019 .....	425	23	45	<b>493</b>	-	n/a	-	<b>493</b>
Year to 31 December 2018 <sup>1</sup> .....	97	7	10	<b>114</b>	-	n/a	-	<b>114</b>

Notes:

1. The amounts shown for FY 2018 relate to the period from IPO (8 October 2018) to 31 December 2018
2. As set out in the Remuneration Committee Chair's letter and in further detail below, the annual bonus amounts for FY 2018 have been restated (to zero) as, in the context of the continuing challenging trading conditions during FY 2019, the CEO and CFO decided to waive their 2018 annual bonus in full

The table below shows the annualised payments for the Executive Directors for FY 2018 (as reported in our 2018 DRR with bonus restated to zero) compared to the full year total single figure for FY 2019.

*Shown in £'000s*

Executive Director	Salary	Benefits	Pension	Total fixed	Annual bonus	LTIP	Total variable	Total
<b>Dr Andy Palmer</b>								
Year to 31 December 2019 .....	1,200	26	127	<b>1,353</b>	-	n/a	-	<b>1,353</b>
Year to 31 December 2018 <sup>1</sup> .....	1,200	20	127	<b>1,347</b>	-	n/a	-	<b>1,347</b>
<b>Mark Wilson</b>								
Year to 31 December 2019 .....	425	23	45	<b>493</b>	-	n/a	-	<b>493</b>
Year to 31 December 2018 <sup>1</sup> .....	425	26	45	<b>496</b>	-	n/a	-	<b>496</b>

Notes:

1. The amounts shown for FY 2018 have been annualised, as if the remuneration policy operated since IPO had been in place for the full year (as disclosed in the 2018 DRR, with bonus restated to zero).

## Salary (audited)

There were no increases to salaries during 2019 and no increases will be applied during 2020.

Shown in £'000s	As at 1 January 2019	As at 1 January 2020	% change
<b>Dr Andy Palmer</b> .....	£1,200	<b>£1,200</b>	0%
<b>Mark Wilson</b> .....	£ 425	<b>£ 425</b>	0%

## Pension (audited)

Both Executive Directors receive a cash allowance in lieu of participation in the defined contribution scheme. They receive an allowance of 10.6% of salary, which is the maximum of 12% of salary with a deduction for an amount equal to the employer's National Insurance contribution.

As disclosed in our Remuneration Policy, the Executive Directors' pension allowances are in line with the majority of employees. The maximum level of employer pension contribution throughout the organisation is the same regardless of seniority at 12% of salary (a defined benefit scheme was operated pre-2011).

No Director has a prospective entitlement to receive a defined benefit pension.

## Allowances and Benefits (audited)

FY 2019 Shown in £'000s	Car allowance and personal mileage	Life assurance	Insurance (private medical, dental and travel)	Total
<b>Dr Andy Palmer</b>	£14	£11	£2	<b>£26</b>
<b>Mark Wilson</b>	£19	£2	£2	<b>£23</b>

## Annual bonus outcomes for FY 2019 (audited)

The annual bonus for FY 2019 for the Executive Directors was based on Adjusted EBITDA, net leverage and a strategic scorecard, in line with the Remuneration Policy. As reported last year, the performance targets for the bonus were set by the Committee at the start of the year, considering the business plan for 2019, emerging global risks and their potential impact and market expectations. The table below sets out the targets, the achieved performance and the level of pay out, which is zero for FY 2019.

Performance measure	Threshold (20%)	Target (50%)	Maximum (100%)	FY 2019 achieved	FY 2019 bonus payment (% of maximum)
Adjusted EBITDA (40%) .....	£272m	£286m	£315m	£134m	0%
Net leverage (Net debt/ Adjusted EBITDA) (40%) .....	2.12	1.97	1.84	7.3x	0%
Strategic scorecard (20%) .....	(1) Commencement of production trial by June 2019	of DBX first build at St Athan (by September 2019)	(1) Met (2) Met (3) Not met—		0%
	(2) Successful completion of start of production milestone for DBS Volante (by September 2019)		Programme timing for AM-RB 003 and V6 deferred to support requirement for reduction in CAPEX		
	(3) Successful passing of AM-RB 003 Gateway 5 (define product), key to both V6 engine and 003 (by November 2019)				

The Committee considered the bonus outcome for 2019 and, although the strategic scorecard objectives had been met in part, given the broader performance context for 2019 and that both threshold targets for adjusted EBITDA and net leverage were not met, determined that no 2019 annual bonus would be paid.

As detailed in the Remuneration Committee Chair's letter, the annual bonus figures for FY 2018 have been restated to zero. As reported in our 2018 DRR, performance against bonus measures and targets for FY 2018 had resulted in annual bonus payments close to maximum for the CEO and CFO, although they had both elected to receive 80% of their maximum opportunity (payments of £1,674k and £210k for the CEO and CFO respectively). Following publication of the 2018 DRR, and in the context of the challenging trading conditions during FY 2019, the CEO and CFO concluded that it was no longer appropriate to receive their bonus payments and following further discussion with the Remuneration Committee, made the decision to waive their 2018 annual bonuses in full.

### 2019 LTIP awards granted during FY 2019 (audited)

As set out in the Remuneration Committee Chair's letter, the Committee consulted extensively with shareholders ahead of grant and amended the approach to 2019 LTIP awards based on feedback received. The table below summarises the LTIP share awards that were granted to the Executive Directors during FY 2019.

#### 2019 LTIP share awards:

<u>FY 2019</u>	<u>Type of award</u>	<u>Basis of award</u>	<u>Shares awarded</u>	<u>Face value at grant (£'000s)</u>	<u>Performance period</u>
<b>Dr Andy Palmer</b>	LTIP share award	<b>225% of salary</b> (below policy max of 300%)	262,135	£2,700	3 years to 31 December 2021
<b>Mark Wilson</b>		<b>150% of salary</b> (below policy max of 200%)	61,893	£ 637	

#### Notes:

- (1) The LTIP shares were granted on 27 June 2019 and will vest subject to the performance conditions and vesting schedule outlined below
- (2) Awards were granted in the form of nil-cost options
- (3) The face value of each award was calculated using the 3-day average price prior to the date of grant (£10.30), which was the price used to determine the number of shares awarded

These LTIP awards are subject to the performance conditions, vesting and holding periods and malus and clawback provisions as set out below.

#### 2019 LTIP performance measures and targets:

		<u>2019 LTIP targets</u>	<u>Vesting* (as a % of maximum)</u>
<b>EPS</b>	Threshold	45%	20%
<b>(3Y CAGR)</b>	<b>Stretch</b>	<b>55%</b>	<b>70%</b>
<b>(40% of award)</b>	Maximum	65%	100%
<b>ROIC</b>	Threshold	14.6%	20%
<b>(% in FY21)</b>	<b>Stretch</b>	<b>18.0%</b>	<b>70%</b>
<b>(40% of award)</b>	Maximum	20.0%	100%
<b>Relative TSR</b>	Threshold	Median rank	20%
<b>(vs. FTSE51-150)</b>			
<b>(20% of award)</b>	Maximum	Upper quartile rank	100%
<b>Additional share price underpin on TSR element of awards</b>	Shares would not usually vest unless a share price of £19 is achieved between the end of the performance period and the end of the holding period.		

\* Vesting will be on a straight-line basis between each of threshold and stretch, and stretch and maximum (and threshold and maximum for the TSR element) The Remuneration Committee retains discretion to adjust the vesting levels to ensure they reflect underlying business performance and any other relevant factors



## Non-Executive Directors' remuneration (audited)

The Policy on remuneration for Non-Executive Directors is set out in the Directors' Remuneration Report FY 2019 (which can be found in the Annual Report FY 2018 at [www.astonmartinlagonda.com](http://www.astonmartinlagonda.com)).

The table below sets out the single figure of total remuneration received or receivable by the Non-Executive Directors in respect of FY 2019 (and the prior financial year).

*Shown in £'000s*

Non-Executive Directors	Total fees <sup>1</sup>
<b>Penny Hughes</b>	
Year to 31 December 2019 .....	350
Year to 31 December 2018 .....	87
<b>Richard Solomons</b>	
Year to 31 December 2019 .....	135
Year to 31 December 2018 .....	33
<b>Amr Ali Abdallah AbouelSeoud</b>	
Year to 31 December 2019 <sup>2</sup> .....	83
Year to 31 December 2018 .....	542
<b>Najeeb Al-Humaidhi (until 7 Oct 2019)</b>	
Year to 31 December 2019 <sup>3</sup> .....	58
Year to 31 December 2018 .....	555
<b>Saoud Al-Humaidhi (until 7 Oct 2019)</b>	
Year to 31 December 2019 <sup>3</sup> .....	65
Year to 31 December 2018 .....	21
<b>Lord Matthew Carrington</b>	
Year to 31 December 2019 .....	85
Year to 31 December 2018 .....	21
<b>Mahmoud Samy Mohamed Aly El Sayed</b>	
Year to 31 December 2019 <sup>4</sup> .....	85
Year to 31 December 2018 .....	542
<b>Peter Espenhahn</b>	
Year to 31 December 2019 .....	85
Year to 31 December 2018 .....	21
<b>Dante Razzano</b>	
Year to 31 December 2019 <sup>5</sup> .....	93
Year to 31 December 2018 .....	542
<b>Peter Rogers</b>	
Year to 31 December 2019 .....	83
Year to 31 December 2018 .....	21
<b>Imelda Walsh</b>	
Year to 31 December 2019 .....	115
Year to 31 December 2018 .....	28
<b>Professor Tensie Whelan</b>	
Year to 31 December 2019 .....	75
Year to 31 December 2018 .....	19

### Notes:

- (1) Total fees include basic fees and additional Committee Chair and membership fees
- (2) Amr Ali Abdallah AbouelSeoud was a member of the Remuneration Committee until 7 October 2019
- (3) Najeeb Al-Humaidhi and Saoud Al-Humaidhi stepped down from the Board on 7 October 2019
- (4) Mahmoud Samy Mohamed Aly El Sayed was a member of the Audit Committee until 7 October 2019 and became a member of the Nomination Committee from 8 October 2019
- (5) Dante Razzano was a member of the Remuneration Committee until 7 October 2019
- (6) Peter Rogers was a member of the Audit Committee until 7 October 2019

## Chair and Non-Executive Director shareholdings (audited)

The table below summarises the total interests of the Chair and Non-Executive Directors (and their connected persons) in ordinary shares of Aston Martin Lagonda plc as at 31 December 2019 (or at the date of stepping down, if earlier).

	Total number of shares owned <sup>1</sup>
<b>Non-Executive Directors</b>	
Penny Hughes	6,000
Richard Solomons	526
Amr Ali Abdallah AbouelSeoud <sup>2</sup>	687,239
Najeeb Al-Humaidhi (until 7 Oct 2019)	33,816,939
Saoud Al-Humaidhi (until 7 Oct 2019)	-
Lord Matthew Carrington	-
Mahmoud Samy Mohamed Aly El Sayed <sup>3</sup>	13,408,475
Peter Espenhahn	526
Dante Razzano	26,315
Peter Rogers	-
Imelda Walsh	526
Professor Tensie Whelan	-

### Notes:

- (1) Other than those stated below, there have been no changes in the period up to and including 26 February 2020
- (2) Includes indirect shareholding through Asmar Limited. On 11 February 2020 shares within the Adeem/ PW Shareholding Group were transferred to Venus Holdings Limited, a person closely associated with Mr AbouelSeoud and resulting in him having a total interest in 815,911 shares
- (3) Includes the shareholding of Adeem Automotive Manufacturing Company Limited as Mr Aly El Sayed is a director of Adeem Automotive and CEO of its ultimate parent company Adeem Investment Kuwait and the indirect shareholding held through Asmar Limited. On 11 February 2020 following share transfers within the Adeem/ PW Shareholding Group this resulted in Mr Aly El Sayed having a total interest in 1,855,275 shares which includes his indirect interest through Adeem and through MSY Limited, a person closely associated to him.

## 20 RELATED PARTY TRANSACTIONS

Save as disclosed in note 32 to the 2018 Financial Statements and note 31 to the 2019 Financial Statements, no member of the Group entered into any related party transactions (which for these purposes are those set out in the standards adopted according to the Regulation (EC) No 1606/2002) between 1 January 2018 and the date of this document.

## 21 LITIGATION

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during the period covering the twelve months preceding the date of this document which may have, or have had in the recent past, significant effects on the Company's and/or the Group's financial position or profitability.

## 22 ENVIRONMENTAL MATTERS

The Directors believe that the Group has no material environmental compliance costs or environmental liabilities.

## 23 WORKING CAPITAL

The Company is of the opinion that, taking into account the net proceeds of the Capital Raise, the Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of publication of this document.

## 24 NO SIGNIFICANT CHANGE

Other than as described below, there has been no significant change in the financial position or performance of the Group since 31 December 2019, the date to which the latest financial information in relation to the Group was published.

In early February 2020, Yew Tree provided the Group with £55.5 million of short-term working capital support, the financial terms of which are significantly more favourable than the Delayed Draw Notes, in order to improve the liquidity of the Group immediately. It is intended that these funds will be refunded upon completion of the Placing. For more detail, please see paragraph 18.1.6 in Part IX - Additional Information.

## **25 CONSENTS**

**25.1** The Company has received the following written consents, which are available for inspection at the times and locations set out in paragraph 28 of this Part IX in connection with the publication of this document:

- (A) Ernst & Young LLP has given and not withdrawn its written consent to the inclusion in this document of the report set out in Part VII – Unaudited Pro Forma Financial Information in the form and in the context in which it appears and has authorised the contents of its report for the purposes of item 5.3.2R(2)(f) of the Prospectus Regulation Rules. As the Shares have not been and will not be registered under the Securities Act, Ernst & Young LLP has not filed and will not file a consent under the Securities Act.
- (B) In addition, each of the Underwriters has given and not withdrawn their consent to the inclusion in this document of their name in the form and in the context in which they appear.

## **26 NON-STATUTORY ACCOUNTS**

The financial information contained in this document, which relates to the Company and/or the Group, does not constitute statutory accounts as referred to in section 434(3) of the Companies Act. Statutory accounts for 2018 have been delivered to the Registrar of Companies for England and Wales, and statutory accounts for 2019 will be delivered in due course. The auditors have reported on those accounts. The report by KPMG LLP was unqualified, did not include references to any matters by way of emphasis without qualifying its report and did not contain a statement under Section 498(2) or (3) of the Companies Act. The report by Ernst & Young LLP was unqualified, did include reference to a matter by way of emphasis without qualifying its report and did not contain a statement under Section 498(2) or (3) of the Companies Act.

## **27 MISCELLANEOUS**

**27.1** The total costs and expenses payable by the Company in connection with the Capital Raise (including the listing fees of the FCA and the London Stock Exchange, professional fees and expenses and the costs of printing and distribution of documents) are estimated to amount to approximately £15 million (including VAT).

**27.2** Each New Share is expected to be issued at a premium of £2.06 to its nominal value of £0.009039687. Each Placing Share is expected to be issued at a premium of £3.990960313 to its nominal value of £0.009039687.

## **28 DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents may be inspected on the Group's website at [www.astonmartinlagonda.com/investors](http://www.astonmartinlagonda.com/investors) for a period of 12 months following Admission of the New Shares, respectively.

- (a) the articles of association of the Company;
- (b) the 2019 Financial Statements and the 2018 Financial Statements;
- (c) the consent letters referred to in paragraph 25 of this Part IX above;
- (d) the report from Ernst & Young LLP which is set out in Part VII – Unaudited Pro Forma Financial Information;

- (e) the Provisional Allotment Letter; and
- (f) this document.

For the purposes of Rule 3.2 of the Prospectus Regulation Rules, this document will be published in printed form and available free of charge, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months following Admission of the New Shares at Banbury Road, Gaydon, Warwick CV35 0DB, United Kingdom.

Dated: 27 February 2020

## PART X – DEFINITIONS AND GLOSSARY

“\$150m 12.0% Notes due 2022”	the \$150 million of 12.0 per cent. senior secured split coupon notes due 2022 issued on 8 October 2019 by Aston Martin Capital Holdings Limited under the Indenture
“\$190m 6.5% Notes due 2022”	the \$190 million 6.5 per cent. senior secured notes due April 2022 issued on 4 April 2019 by Aston Martin Capital Holdings Limited under the Indenture
“2018 Financial Statements”	the audited consolidated financial statements of the Company as of and for the year ended 31 December 2018
“2019 Financial Statements”	the audited consolidated financial statements of the Company as of and for the year ended 31 December 2019
“Acts”	has the meaning given in section 2 of the United Kingdom Companies Act 2006
“Adeem/PW Shareholder Group”	Means Adeem Automotive Manufacturing Company Limited, Primewagon Limited (Jersey), Stehwaz Automotive Limited (Jersey), Najeeb Al-Humaidi, Galaxy Investments Limited (Jersey), Waleed Al-Humaidi, RAR Limited (Jersey), ANF Limited (Jersey), AGD Limited (Jersey), MSY Limited (Jersey), Venus Holdings Limited (Jersey), Dr. Ulrich Bez, Adnan Al-Musallam and Capital Group (Kuwait)
“Adeem/PW Relationship Agreement”	means the relationship agreement described in paragraph 18.1.5 of Part IX - Additional Information
“Adjusted 2019 Financial Information”	the financial information presented in this document as of and for the year ended 31 December 2019 adjusted to exclude the impact of IFRS 16, as described in more detail in “ <i>Presentation of Financial Information</i> ” in the section titled “ <i>Important Information</i> ”
“Admission”	admission to (a) the premium listing segment of the Official List and (b) trading on the London Stock Exchange’s main market for listed securities
“AM Holdings”	Aston Martin Holdings (UK) Limited
“AML Branding”	the “Aston Martin” name, logo and branding
“AML IPO”	the initial public offering of Shares of the Company on the London Stock Exchange, completed in October 2018
“AML Limited”	Aston Martin Lagonda Limited
“AML Nominee Service”	the corporate sponsored nominee service operated by Equiniti Financial Services Limited on behalf of the Company to hold Shares in CREST on behalf of retail shareholders
“Articles”	the articles of association of the Company which are described in paragraph 4 of Part IX - Additional Information
“Audit Committee”	the committee described in paragraph 6.5 of Part IX - Additional Information

"Australia"	the Commonwealth of Australia, its territories and possessions
"Board"	the board of directors of the Company as at the date of this document
"Branding Arrangements"	has the meaning given in paragraph 18.1.4 of Part IX - Additional Information
"Brexit"	the United Kingdom's exit from the European Union
"Bribery Act"	UK Bribery Act 2010
"Business Days"	a day (other than a Saturday or Sunday) on which banks are open for general business in London
"C(WUMP)O"	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Cap.32, Laws of Hong Kong) of Hong Kong
"CAGR"	compound annual growth rate
"Capital Raise"	the Placing and the Rights Issue, together
"Cashless Take-up"	the sale of such number of Nil Paid Rights as will generate sufficient sale proceeds to enable the direct or indirect holder thereof to take up all of their remaining Nil Paid Rights (or entitlements thereto)
"CCSS"	the CREST Courier and Sorting Service established by Euroclear to facilitate, amongst other things, the deposit and withdrawal of securities
"certificated" or "in certificated form"	a share or other security which is not in uncertificated form (that is, not in CREST)
"CGT"	UK taxation of chargeable gains
"Chair"	the chairperson of the Company
"Code"	US Internal Revenue Code of 1986 (as amended)
"Committed Shareholders"	the Major Shareholders, the Yew Tree Consortium, Mercedes-Benz AG and the other Shareholders who have irrevocably committed to take up entitlements under the Rights Issue as described in paragraph 17.3 of Part IX – Additional Information
"Companies Act"	UK Companies Act 2006
"Company"	Aston Martin Lagonda Global Holdings plc, a public limited company incorporated under the laws of England and Wales
"CREST"	the relevant system (as defined in the CREST Regulations) for the paperless settlement of trades in listed securities in the United Kingdom, of which Euroclear Limited is the operator (as defined in the CREST Regulations)
"CREST Manual"	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules,



	Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure, CREST Glossary of Terms and CREST Terms and Conditions (all as defined in the CREST Glossary of Terms promulgated by Euroclear on 15 July 1996 and as amended since)
"CREST member"	a person who has been admitted by Euroclear as a system-member (as defined in the CREST Regulations)
"CREST Proxy Instruction"	instruction to appoint a proxy or proxies through the CREST electronic proxy appointment service, as described in the Notice of General Meeting in the paragraph entitled "Notes on CREST Voting"
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
"CREST sponsor"	a CREST participant admitted to CREST as a CREST sponsor
"CREST sponsored member"	a CREST member admitted to CREST as a sponsored member
"Delayed Draw Notes"	the up to \$100 million in aggregate principal amount of either 12.0 per cent. delayed draw senior secured split coupon notes due 2022 and/or 15.0 per cent. delayed draw senior unsecured split coupon notes due 2022 that Aston Martin Capital Holdings Limited is permitted to issue following the satisfaction of certain conditions
"Deposit Arrangement"	has the meaning given in paragraph 18.1.6 of Part IX - Additional Information
"Deutsche Bank"	Deutsche Bank AG, London Branch
"Directors"	the Executive Directors and Non-Executive Directors of the Company
"Disclosure Guidance and Transparency Rules"	the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority
"dividend income"	UK and non-UK source dividends and certain other distributions in respect of shares
"Dollar Notes"	the Initial Dollar Notes and the \$190m 6.5% Notes due 2022
"DSBP"	the Aston Martin Lagonda Deferred Share Bonus Plan 2018
"EEA"	the European Economic Area
"EEA State"	a member state of the EEA
"EMEA"	Europe, the Middle East and Africa
"Equiniti"	Equiniti Limited
"Equiniti Financial Services Limited"	the regulated entity administering the AML Nominee Service and the Special Dealing Service
"ESMA"	European Securities and Markets Authority
"EU"	European Union
"Euroclear"	Euroclear & Ireland Limited
"Exchange Act"	United States Exchange Act (1934), as amended

"Excluded Territories"	Australia, Canada, Japan, the People's Republic of China and the Republic of South Africa
"Executive Directors"	the executive directors of the Company
"Existing Shares"	the existing Shares in issue immediately preceding the issue of the New Shares
"Ex-Rights Date"	8.00 a.m. on 18 March 2020
"F1™ Sponsorship Agreement"	has the meaning given in paragraph 18.1.4 of Part IX - Additional Information
"Falcon"	Falcon Group Europe Limited
"Financial Conduct Authority" or "FCA"	the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA
"Form of Instruction"	the form of instruction to be issued to Qualifying AML Nominee Service Shareholders
"Form of Proxy"	the enclosed form to appoint a proxy in respect of the General Meeting
"FSMA"	the Financial Services and Markets Act 2000, as amended
"Fully Paid Rights"	rights to acquire New Shares, fully paid
"General Meeting"	the general meeting of the Company to be held at 10.00 a.m. on 16 March 2020, notice of which is set out at the back of this document
"GHG"	greenhouse gas
"Group" or "Aston Martin Lagonda"	the Company and its subsidiary undertakings and, where the context requires, its associated undertakings
"HMRC"	HM Revenue & Customs
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"IFRS"	International Financial Reporting Standards, as adopted by the EU
"Indenture"	the indenture dated 18 April 2017 between, among others, Aston Martin Capital Holdings Limited as issuer and U.S. Bank Trustees Limited as trustee and security agent, as amended and/or supplemented from time to time
"Initial Dollar Notes"	the \$400,000,000 aggregate principal amount of 6.5 per cent. US dollar denominated senior secured notes due 2022 issued on 18 April 2017 under the Indenture
"Initial Sterling Notes"	the £230,000,000 aggregate principal amount of 5.75 per cent. pound sterling denominated senior secured notes due 2022 issued on 18 April 2017 under the Indenture
"Inventory Funding Facility"	one or more debt facilities or other arrangements providing for short-term financing or other indebtedness of no longer than 180 business days to fund in-transit inventory and inventory held for sale

"IRS"	US Internal Revenue Service
"ISIN"	International Securities Identification Number
"Issue Price"	207 pence
"Joint Bookrunners"	Deutsche Bank, J.P. Morgan Cazenove and Morgan Stanley
"Joint Global Co-ordinators"	Deutsche Bank, J.P. Morgan Cazenove and Morgan Stanley
"J.P. Morgan Cazenove"	J.P. Morgan Securities plc (which conducts its UK investment banking activities under the marketing name J.P. Morgan Cazenove)
"Lawrence Stroll"	Lawrence Sheldon Strulovitch
"LIBOR"	London Interbank Offered Rate
"Listing Rules"	the listing rules of the FCA
"London Stock Exchange"	London Stock Exchange plc
"LTIP"	the Aston Martin Lagonda Long-Term Incentive Plan 2018
"Major Shareholders" or "Major Shareholder Groups"	the Adeem/PW Shareholder Group and the Prestige/SEIG Shareholder Group
"MCA"	has the meaning given in paragraph 18.1.6 of Part IX - Additional Information
"Mexico"	United Mexican States
"Money Laundering Regulations"	Money Laundering Regulations 2007 (SI 2007/2157)
"Morgan Stanley"	Morgan Stanley & Co. International plc
"MPA"	has the meaning given in paragraph 18.1.6 of Part IX - Additional Information
"NEDC"	New European Driving Cycle
"New Shares"	the 153,217,942 new Shares which the Company will allot and issue pursuant to the Rights Issue, including, where appropriate, the Provisional Allotment Letters, the Nil Paid Rights and the Fully Paid Rights
"Nil Paid Rights"	rights to acquire New Shares, nil paid
"Nomination Committee"	the committee described in paragraph 6.5 of Part IX - Additional Information
"Nominee Statements"	the statement issued by Equiniti Financial Services Limited to Qualifying AML Nominee Service Shareholders who take up their rights in the Rights Issue, confirming the number of Shares received under the Rights Issue and the new balance held on behalf of such shareholders at that date, and which are expected to be despatched no later than 24 April 2020 to the registered address of the person(s) entitled to them
"Non-Executive Directors"	the non-executive directors of the Company

"Notice of General Meeting"	the notice of General Meeting set out at the back of this document
"OEM"	original equipment manufacturers
"Official List"	the Official List of the FCA
"Original Notes"	the Dollar Notes and the Sterling Notes
"Overseas Shareholders"	Shareholders with registered addresses in, or who are citizens, residents or nationals of jurisdictions outside the United Kingdom
"Partial Offer"	has the meaning given in paragraph 5.3 of Part IX - Additional Information
"Partial Offer Document"	has the meaning given in paragraph 5.3 of Part IX - Additional Information
"Partial Offer Moratorium"	has the meaning given in paragraph 5.3 of Part IX - Additional Information
"PFIC"	passive foreign investment company
"Placing"	the subscription by, and issue and allotment by the Company to, the Yew Tree Consortium for Placing Shares as more particularly described in paragraph 5 of Part I - Letter from the Chair of Aston Martin Lagonda Global Holdings plc
"Placing Agreement"	the placing agreement described in paragraph 17.2 of Part IX - Additional Information
"Placing Shares"	the 45,600,577 new ordinary shares of £0.009039687 each to be issued to the Yew Tree Consortium pursuant to the Placing
"PRA"	Prudential Regulation Authority
"Preference Shares"	the preference shares issued by Aston Martin Holdings (UK) Limited, certain of which were allotted on 29 April 2015 with the remaining preference shares allotted on 15 April 2016. These preference shares were converted into Shares as part of the AML IPO
"Prestige/SEIG Shareholder Group"	means Prestige Motor Holdings S.A., Preferred Prestige Motor Holdings S.A. and SEIG
"Prestige/SEIG Relationship Agreement"	means the relationship agreement described in paragraph 18.1.5 of Part IX - Additional Information
"Proposed Director"	Lawrence Stroll
"Prospectus Delegated Regulation"	the Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing the Prospectus Regulation
"Prospectus Regulation"	the Prospectus Regulation (EU) 2017/1129 and amendments thereto

"Prospectus Regulation Rules"	the prospectus rules published by the FCA under section 73A of FSMA
"Provisional Allotment Letter"	the provisional allotment letter to be issued to Qualifying Non-CREST Shareholders (other than certain Overseas Shareholders)
"QIB"	"qualified institutional buyer" within the meaning of Rule 144A under the Securities Act
"Qualifying AML Nominee Service Shareholders"	Qualifying Shareholders holding Shares through the AML Nominee Service
"Qualifying CREST Shareholders"	Qualifying Shareholders holding Shares in uncertificated form
"Qualifying Non-CREST Shareholders"	Qualifying Shareholders holding Shares in certificated form
"Qualifying Shareholders"	Shareholders on the register of members of the Company on the Record Date with the exclusion of persons with a registered address or located or resident in an Excluded Territory or the United States
"Receiving Agent"	Equiniti Limited
"Record Date"	close of business on 16 March 2020
"Registrar"	Equiniti Limited
"Regulation S"	Regulation S under the Securities Act
"Relationship Agreements"	the Adeem/PW Relationship Agreement, the Prestige/SEIG Relationship Agreement and the Yew Tree Relationship Agreement
"Remuneration Committee"	the committee described in paragraph 6.5 of Part IX - Additional Information
"Resolutions"	the resolutions to be proposed at the General Meeting, notice of which is set out at the back of this document, to (i) authorise the Board to implement the Placing and allot the Placing Shares, (ii) authorise the Board to implement the Rights Issue and allot the New Shares, (iii) disapply pre-emption rights in connection with the Placing and (iv) disapply pre-emption rights in connection with the Rights Issue
"Restated 2017 Financial Information"	the restated financial information as of and for the year ended 31 December 2017, included as comparative financial information in the 2018 Financial Statements, restated as a result of the implementation of IFRS 15 using the " <i>full retrospective</i> " option, as described in more detail in " <i>Presentation of Financial Information</i> " in the section titled " <i>Important Information</i> " and in note 2 of the 2018 Financial Statements
"Restricted Group"	Aston Martin Investments Limited and certain of its subsidiaries (excluding, for example, Aston Martin Works Limited)

"Revolving Credit Facility"	one or more facilities made available under the Revolving Credit Facility Agreement
"Revolving Credit Facility Agreement"	the revolving credit facility agreement dated 3 April 2017, among, <i>inter alios</i> , AML Limited as original borrower, J.P. Morgan Limited, Bank of America Merrill Lynch International Limited, Deutsche Bank AG, London Branch, Goldman Sachs Bank USA, HSBC Bank plc, Morgan Stanley Bank International Limited, Standard Chartered Bank and UniCredit AG, London Branch as arrangers, the financial institutions named therein as original lenders, Elavon Financial Services DAC, UK Branch, as facility agent and U.S. Bank Trustees Limited, as security agent, which was amended pursuant to an amendment letter dated 24 April 2017, and as amended, amended and restated and/or replaced from time to time
"Rights Issue"	the offer by way of rights to Qualifying Shareholders to acquire New Shares, on the terms and conditions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letter and, in the case of Qualifying AML Nominee Service Shareholders only, the Form of Instruction
"RPUK"	Racing Point UK Limited
"Rule 144A"	Rule 144A under the Securities Act
"SAYE Plan"	the Group's all-employee sharesave plan
"SDRT"	Stamp Duty Reserve Tax
"Securities Act"	United States Securities Act of 1933, as amended
"SEDOL"	Stock Exchange Daily Official List
"SEIG"	Strategic European Investment Group S.a.r.l
"Senior Managers"	those individuals identified as such in paragraph 6.2 of Part IX - Additional Information
"Senior Secured Notes"	the Dollar Notes, the Sterling Notes and the \$150m 12.0% Notes due 2022
"SFO"	the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) of Hong Kong
"Share-Based Incentive Plans"	the LTIP, DSBP, SIP and SAYE Plan
"Shareholders"	holders of Shares
"Shares"	ordinary shares of £0.009039687 each in the capital of the Company having the rights set out in the Articles as described in paragraph 3 of Part IX - Additional Information
"SIP"	the Group's all-employee share incentive plan
"Sole Financial Adviser"	Morgan Stanley



"Special Dealing Service"	the dealing service being made available by Equiniti Financial Services Limited to Qualifying Non-CREST Shareholders who are private individuals with a registered address in the United Kingdom or any other jurisdiction within the EEA who wish to sell all of their Nil Paid Rights or to effect a Cashless Take-up
"Special Dealing Service Terms and Conditions"	the terms and conditions of the Special Dealing Service
"Sponsor"	Morgan Stanley
"Sponsorship Arrangements"	has the meaning given in paragraph 18.1.4 of Part IX - Additional Information
"Sterling Notes"	the Initial Sterling Notes and the £55,000,000 aggregate principal amount of 5.75 per cent. pound sterling denominated senior secured notes due 2022 issued by Aston Martin Capital Holdings Limited on 13 December 2017 under the Indenture
"Substantial Interest"	has the meaning given in paragraph 18.1.5 of Part IX - Additional Information
"Takeover Code"	the City Code on Takeovers and Mergers
"Takeover Panel"	has the meaning given in paragraph 5.1 of Part IX - Additional Information
"UK Corporate Governance Code"	the UK Corporate Governance Code issued by the Financial Reporting Council, as amended from time to time
"UK DB Plan"	the UK defined benefit pension scheme operated by AML Limited
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"uncertificated" or "in uncertificated form"	recorded on the register of members as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
"Underwriters"	Deutsche Bank, J.P. Morgan Cazenove and Morgan Stanley
"Underwriting Agreement"	the underwriting arrangements described in paragraph 17.1 of Part IX - Additional Information
"Underwritten Shares"	the New Shares being underwritten by the Underwriters, which includes all New Shares other than the New Shares for which Committed Shareholders have irrevocably undertaken to subscribe
"United States" or "US"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"VAT"	(i) within the EU, any tax imposed by any member state in conformity with the directive of the council of the European Union on the common system of value added tax (2006/112/EC), and (ii) outside the EU, any tax corresponding to, or substantially similar to, the common system of value added tax referred to in paragraph (i) of this definition.

"Wholesale Finance Facility"	the trade finance facility agreement between AML Limited, Aston Martin Lagonda of North America, Inc. and Standard Chartered Bank dated 31 May 2007, as amended from time to time
"Yew Tree"	Yew Tree Overseas Limited
"Yew Tree Consortium"	Yew Tree and Saint James Invest SA, J.C.B. Research, RRRR Investments LLC, John Idol, FrancInvest Holding Corporation and Silas Chou (via Yew Tree)
"Yew Tree Relationship Agreement"	means the relationship agreement described in paragraph 18.1.5 of Part IX - Additional Information

## **NOTICE OF GENERAL MEETING**

**Aston Martin Lagonda Global Holdings plc**  
*(registered in England and Wales with registered number 11488166)*

Notice is hereby given that a General Meeting of the Company will be held at 10.00 a.m. on 16 March 2020 at Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HT, United Kingdom to consider and, if thought fit, to pass the following ordinary and special resolutions. Capitalised terms have the meanings ascribed to them in Part X – Definitions and Glossary.

### **ORDINARY RESOLUTION**

#### **Authority to implement the Placing and allot the Placing Shares**

1. THAT, subject to and conditional upon Resolutions 2, 3 and 4 being passed:
  - (a) the terms of the Placing, including the issue price of 400 pence per Placing Share which is a discount of 0.67% to the closing price of 402.7 pence per Share on 30 January 2020 (the last Business Day before the Placing was announced to the market), be and are hereby approved and the Directors be and are hereby directed to implement the Placing and are generally and unconditionally authorised to exercise all the powers of the Company to the extent they determine necessary to implement the Placing;
  - (b) the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act to exercise all of the powers of the Company to allot Shares in the Company, and to grant rights to subscribe for or to convert any security into Shares in the Company, up to a maximum of 45,600,577 Shares (being an aggregate nominal amount of circa £412,215) pursuant to or in connection with the Placing, for a period expiring (unless renewed, varied or revoked by the Company in general meeting) at the end of the next annual general meeting of the Company after the date on which this resolution is passed; and
  - (c) the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act to make an offer or agreement in connection with the Placing which would or might require Shares to be allotted, or rights to subscribe for or convert any security into Shares to be granted, after expiry of this authority and the Directors may allot Shares and grant rights in pursuance of that offer or agreement as if this authority had not expired.

### **SPECIAL RESOLUTION**

#### **Authority to disapply pre-emption rights in connection with the Placing**

2. THAT, subject to and conditional upon Resolutions 1, 3 and 4 being passed the Directors be empowered pursuant to section 571 of the Companies Act to allot equity securities (as defined in section 560 of the Companies Act) of the Company pursuant to the authority conferred by Resolution 1 for cash as if section 561 of the Companies Act did not apply to any such allotment, such power to be limited to the allotment of equity securities pursuant to the authority conferred by Resolution 1 up to an aggregate nominal amount of circa £412,215, such power to apply until the conclusion of the next annual general meeting of the company, but so that the Company may, before such expiry, make offers and enter into agreements which would, or might, require equity securities to be allotted after the power given by this resolution has expired.

### **ORDINARY RESOLUTION**

#### **Authority to implement the Rights Issue and allot the New Shares**

3. THAT, subject to and conditional upon Resolutions 1, 2 and 4 being passed, the issue of the Placing Shares and admission to the premium listing segment of the Official List and to

trading on the London Stock Exchange plc's main market for listed securities, respectively, of the Placing Shares to be issued by the Company in connection with the Placing taking place:

- (a) the terms of the Rights Issue be and are hereby approved and the Directors be and are hereby directed to implement the Rights Issue on the basis described in the combined circular and prospectus published by the Company on the date hereof and are generally and unconditionally authorised to exercise all the powers of the Company to the extent they determine necessary to implement the Rights Issue;
- (b) the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act to allot Shares in the Company, and to grant rights to subscribe for or to convert any security into Shares in the Company, up to a maximum of 153,217,942 Shares (being an aggregate nominal amount of up to circa £1,385,042) pursuant to or in connection with the Rights Issue, for a period expiring (unless renewed, varied or revoked by the Company in general meeting) at the end of the next annual general meeting of the Company after the date on which this resolution is passed; and
- (c) the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act to make an offer or agreement in connection with the Rights Issue which would or might require Shares to be allotted, or rights to subscribe for or convert any security into Shares to be granted, after expiry of this authority and the Directors may allot Shares and grant rights in pursuance of that offer or agreement as if this authority had not expired.

#### **SPECIAL RESOLUTION**

##### **Authority to disapply pre-emption rights in connection with the Rights Issue**

- 4. THAT, subject to and conditional upon Resolutions 1, 2 and 3 being passed the Directors be empowered pursuant to section 571 of the Companies Act to allot equity securities (as defined in section 560 of the Companies Act) of the Company pursuant to the authority conferred by Resolution 3 for cash as if section 561 of that Act did not apply to any such allotment, such power to be limited to the allotment of equity securities pursuant to the authority conferred by Resolution 3 up to an aggregate nominal amount of £1,385,042, such power to apply until the conclusion of the next annual general meeting of the company, but so that the Company may, before such expiry, make offers and enter into agreements which would, or might, require equity securities to be allotted after the power given by this resolution has expired.

By order of the Board

**Catherine Sukmonowski**

Company Secretary

27 February 2020

Aston Martin Lagonda Global Holdings plc

Registered office:

Banbury Road

Gaydon

Warwick

CV35 0DB

United Kingdom

Registered in England and Wales

Registered Number: 11488166

## Explanatory Notes Relating to the Notice of the Meeting

### ATTENDING AND VOTING

1. To be entitled to attend, speak and vote at the General Meeting (and for the purpose of determining the number of votes they may cast), shareholders must be entered on the Company's register of members at 6.30 p.m. on 12 March 2020 (or in the case of an adjournment, at the close of business on the date which is two Business Days before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend, speak and vote at the General Meeting.
2. To be admitted to the General Meeting, shareholders are asked to present their admission card (which is attached to the Proxy Form) or present proof of identity. On arrival at the place of the General Meeting, all those entitled to attend and vote will be required to register and collect a poll card.
3. All resolutions at the General Meeting will be decided by poll. The Directors believe a poll is more representative of shareholders' voting intentions because shareholders' votes are counted according to the number of Shares held and all votes tendered are taken into account.
4. Any shareholder attending the General Meeting has the right to ask questions. The Chair will ensure that any question relating to the business being dealt with at the General Meeting receives a response, but in accordance with section 319A of the Acts, no response need be given if: (i) to do so would interfere unduly with the preparation for the General Meeting or involve the disclosure of confidential information; (ii) the answer has already been given on the Company's website, [www.astonmartinlagonda.com](http://www.astonmartinlagonda.com), in the form of an answer to a question; or (iii) the Chair determines that it is undesirable in the interests of the Company or the good order of the General Meeting that the question be answered. The Chair may determine the order in which questions raised by shareholders are taken, having due regard for shareholders present at the General Meeting.

### APPOINTMENT OF PROXIES

5. Any shareholder of the Company is entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the General Meeting.
6. A shareholder may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A Proxy Form which may be used to make such appointment and give proxy instructions accompanies this Notice. If you do not have a Proxy Form and believe that you should have one, or if you require additional forms, please contact Equiniti on 0333 207 6530. Lines are open 8.30am to 5.30pm, Monday to Friday (excluding public holidays in England and Wales). The Equiniti overseas helpline number is +44 (0)121 415 0915.
7. Appointing a proxy will not prevent a shareholder from attending and voting in person at the General Meeting. Alternatively, a hard copy Proxy Form may be completed. Please send the completed proxy form to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA. To lodge a proxy online, please visit [www.sharevote.co.uk](http://www.sharevote.co.uk) and follow the instructions provided. To be valid, the Proxy Form or other instrument appointing a proxy must be received by the Company's Registrar, Equiniti, by no later than 10.00 a.m. on 12 March 2020.

### COMPLETION OF A PROXY FORM

8. In the case of a member which is a company, a Proxy Form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
9. Any power of attorney or any other authority under which the Proxy Form is signed (or a duly certified copy of such power or authority) must be included with the Proxy Form.
10. The return of a completed Proxy Form, other such instrument or any CREST Proxy

Instruction will not prevent a shareholder attending the General Meeting and voting in person if they wish to do so.

11. Unless voting instructions are indicated on the Proxy Form, a proxy may vote or withhold his vote as he thinks fit on the resolutions or on any other business (including amendments to resolutions) which may come before the meeting. Please note that a "vote withheld" (as it appears on the proxy or voting instruction form) is not a vote in law and will not be counted in the calculation of the proportion of votes 'for' or 'against' a Resolution.
12. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
13. If more than one valid proxy appointment is submitted, the appointment received last before the latest time for the receipt of proxies will take precedence.

#### APPOINTMENT OF PROXIES THROUGH CREST

14. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
15. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via [www.euroclear.com](http://www.euroclear.com)). The message, regardless of whether it constitutes the

appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Equiniti (ID RA19) by 10.00 a.m. on 12 March 2020. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

16. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The CREST Manual can be reviewed at [www.euroclear.com](http://www.euroclear.com).
17. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

#### NOMINATED PERSONS

18. Any person to whom this Notice is sent who is a person nominated under section 146 of the Act to enjoy information rights (a "Nominated Person") may, pursuant to an agreement between him/her and the shareholder by whom he/she was



nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, they may, pursuant to any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

19. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 5 and 6 on the previous page does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
20. If you have been nominated to receive general shareholder communications directly from the Company, it is important to remember that your main contact in terms of your investment remains the registered shareholder or custodian or broker who administers the investment on your behalf. Therefore, any changes or queries relating to your personal details and holding (including any administration) must continue to be directed to your existing contact at your investment manager or custodian. The Company cannot guarantee to deal with matters that are directed to it in error. The only exception to this is where the Company, in exercising one of its powers under the Act, writes to you directly for a response.

#### CORPORATE REPRESENTATIVES

21. Any corporate shareholder may appoint one or more corporate representative(s) who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

#### SHAREHOLDERS' RIGHTS

22. Shareholders should note that, on a request made by shareholders of the Company pursuant to section 527 of the Act, the Company may be required to publish on a website a statement setting out any matter relating to:
  - i. the audit of the Company's accounts (including the Auditors' report and

the conduct of the audit) that are to be laid before the General Meeting; or

- ii. any circumstance connected with the Auditors ceasing to hold office since the previous meeting at which annual reports and accounts were laid in accordance with section 437 of the Act.

The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 (requirements as to website availability) of the Act. Where the Company is required to place a statement on a website pursuant to section 527 of the Act, it must forward the statement to the Auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the General Meeting for the relevant financial year includes any statement that the Company has been required pursuant to section 527 of the Act to publish on a website.

#### ISSUED SHARE CAPITAL AND TOTAL VOTING RIGHTS

23. As at 21 February 2020 (being the latest practicable date prior to the publication of this Notice) the Company's issued share capital (excluding treasury shares) consists of 228,002,890 Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 21 February 2020 are 228,002,890.

#### DOCUMENTS AVAILABLE FOR INSPECTION

24. The service contracts and letters of appointment for all Directors are available for inspection during normal business hours at Aston Martin Lagonda, Banbury Road, Gaydon, Warwick CV35 0DB and at the General Meeting for at least 15 minutes prior to the meeting and during the meeting until the conclusion of the General Meeting.

#### ELECTRONIC COMMUNICATION

25. Shareholders may at any time choose to receive all shareholder documentation in electronic form via the internet, rather than through the post in paper format. Shareholders who decide to register for

this option will receive an email each time a statutory document is published on the internet. Shareholders who wish to receive documentation in electronic form should contact the Company's Registrar, Equiniti, or visit [www.shareview.co.uk](http://www.shareview.co.uk) and register for the electronic communications service.

Any electronic address provided either in this Notice or any related documents (including the Proxy Form) may not be used to communicate with the Company for any purposes other than those expressly stated.



