CHIEF FINANCIAL OFFICER'S STATEMENT

The automotive industry continued to experience challenges in Fiscal 2019/20, with the outbreak of COVID-19, tariff and trade tensions, notably between the US and China, and Brexit uncertainty in particular impacting the UK and Europe. This is in addition to rapid technological changes relating to electrification, automation and connectivity, as well as a more stringent regulatory environment and continuing decline in the demand for diesel powered vehicles as a result of government policies and taxation.

Jaguar Land Rover's financial performance has been adversely impacted as a result of these challenges but the business has responded with decisive action through Project Charge (now Charge+), which achieved a further pro forma £600m[1] of cost, profit and cash flow improvements in Q4 to increase lifetime improvements since launch in Q2 Fiscal 2018/19 to £3.5 billion[2].

Given the continuing external challenges, compounded by COVID-19, Jaguar Land Rover has increased the Charge+ target for Fiscal 2020/21 to £1.5 billion of cost, profit and cash flow improvements. Complementing this, the Accelerate programme remains set to deliver longer-term structural improvements through the delivery of superior product quality, competitive cost base and improved sales performance. Furthermore, Jaguar Land Rover continues to execute its product and technology plans, including the start of new Land Rover Defender sales and the launch of Range Rover Evoque and Land Rover Discovery Sport plug-in hybrids (with a new three-cylinder Ingenium engine).

Jaguar Land Rover retail sales[3] were 508,659 vehicles in Fiscal 2019/20, down 12.1% year-on-year, including a significant impact on sales in the fourth quarter as well as other market challenges described above. Retail sales of the all-new Range Rover Evoque were significantly higher (up 24.7%) as were sales of the all-electric Jaguar I-PACE (up 40.0%) but sales of other models were lower, reflecting the impact of COVID-19 and other market factors, with the biggest decreases experienced by Jaguar Saloons. Wholesales (excluding sales from our China joint venture) were 475,952 vehicles, down 6.3% year-on-year, generating revenues of £23.0 billion.

Jaguar Land Rover financial performance in Q2 and Q3 was significantly improved as a result of improved China performance with double digit sales increases and the benefits of Project Charge. These trends were expected to continue into Q4 but were more than offset by reduced sales and increased incentives related to COVID-19 which resulted in a loss before tax and exceptional items of £494 million in Q4. As a result, Jaguar Land Rover had a loss before tax and exceptional items of £393 million[3] in Fiscal 2019/20, slightly worse than the loss before tax and exceptional items in Fiscal 2018/19. However, the EBIT margin was nearly breakeven (-0.1%) and 60 bp better than Fiscal 2018/19. The improvement in margins primarily reflects cost efficiencies as a result of Project Charge, lower depreciation and amortisation driven by the asset impairment taken in Fiscal 2018/19, and favourable FX, offset by lower sales and higher incentives, including the impact of COVID-19.

Free cash flow in Fiscal 2019/20 was negative £702 million[3] after total investment spending of £3.3 billion[3] and a £366 million working capital inflow, including the unfavourable impact of COVID-19 on profits and working capital. Nevertheless, this represented a £563 million improvement on the prior year, reflecting a £516 million reduction in investment spending and Q4 free cash flow was positive £225 milion.

Jaguar Land Rover has continued to maintain strong liquidity. We raised £1.6 billion of funding in the third quarter including the £625 million, five-year loan backed by a £500 million UKEF guarantee, a new £100 million fleet buy back facility and €1 billion of new five- and seven-year bonds. Total cash and cash equivalents, deposits and investments at 31 March 2020 were £3.7 billion[3] after repaying $1 billion of maturing bonds in the year. Total liquidity was £5.6 billion[3], including a £1.9 billion undrawn revolving credit facility. Total debt at year-end was £5.9 billion. We have since completed in Q1 Fiscal 20120/21 a £567 million equivalent 3-year loan facility in China and a £63 million increase in a short-term working capital facility.

Looking ahead, we anticipate that the challenges facing our industry will continue and that the impact of coronavirus is likely to continue to impact the business during 2020. However, we expect Charge +, Accelerate and a strong pipeline of new and refreshed products to put us in the best possible place to withstand these challenges and fundamentally strengthen the business thereafter.

ADRIAN MARDELL
Chief Financial Officer
Jaguar Land Rover Automotive plc
2 July 2020

[1] Pro-forma analytically derived unaudited estimate consisting of £0.4b of investment savings (compared to original planning targets), £0.3b of cost efficiencies (primarily SG&A, material cost and other) partially offset by £0.1b for higher inventory.
[2] Pro-forma analytically derived unaudited estimate consisting of £1.9b of investment savings (compared to original planning targets), £0.6b improvement in inventory (since Q3 FY19) and £1.0b cost efficiencies (primarily SG&A, employee and material costs and other).
[3] Please see note 3 on page 70 of the Annual Report for Alternative performance measures.
[4] Please see note 4 on page 73 of the Annual Report for the detail of exceptional charges.