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| Attendance List: | Ken Gregor – Chief Financial Officer<br>Ben Birgbauer – Group Treasurer |
| Title of Meeting: | Fiscal 2018 Quarter 4 Results Call |
| Hosted By: | Ken Gregor |

Coordinator

Ladies and gentlemen, good day, and welcome to the Jaguar Land Rover Fiscal 2018 Quarter Four and Full-Year Results Conference call. We have with us today Mr. Ken Gregor, Chief Financial Officer, Jaguar Land Rover, and Mr. Ben Birgbauer, Group Treasurer, Jaguar Land Rover. As a reminder, all participants' lines will be in listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Please note that this conference is being recorded.

I will now hand the conference over to Mr. Ken Gregor. Thank you, and over to you, sir.

K. Gregor

Thank you. Hello to everyone who's taken the time to join us on the Q4 and Full-Year Results call for Jaguar Land Rover. I really appreciate your time today. Obviously we announced our results yesterday and had the broader investor call yesterday, so I know many of you will have already caught up with the results perhaps even joined the call yesterday. So I'll try to not labour it so much, hit the high spots, leave a bit of time for Q&A at the end, and just keep moving here as best I can.

Referring to the slide numbers on our presentation which is loaded onto our Investor website, slide 4 really talks to some of the highlights of the year from a business and product point of view, which at the end of the day does remain our lifeblood and some really important things going on. The launch of our Range Rover and Range Rover Sport including plug-in hybrids, those are now launched around the world ramping up in terms of sales deliveries. We're very excited about that.

The I-PACE is available to order and will be launched from the summer our first battery electric vehicle, so that's also going to be incredibly exciting to see how that develops.

The E-PACE smaller Jaguar crossover launched in November '17 due to be rolled out into the China Joint Venture later this year.

Then from a business point of view, we continue our engine manufacturing expansion. We announced the partnership with Waymo which we'll see, from 2020, autonomous I-PACEs in the US using Waymo's technology. Our manufacturing plant in Slovakia continues to take shape and will be ready for start of production end of this year. Turning to slide 5.

Q4 brings a solid end to a relatively challenging year it's fair to say from various perspectives. We had 173,000 retails in Q4, and with the wholesale volume this resulted in £7.5 billion of revenue. The headline PBT for Q4 was £364 million. I'll talk about variance to the same quarter a year ago in a second but the headline EBIT margin for the quarter was 5.5%. Overall that took the full year to £26 billion of revenue, £1.5 billion of PBT, and just under 4% EBIT margin.

And there's a few things to be aware of within these numbers. They're obviously impacted in terms of the EBIT margin year on year by the higher depreciation amortisation. We'll see that on the waterfalls in a minute. Q4 does include some one-off charges related to some previously capitalised engineering that we wrote off of just under £100 million, and if we hadn't incurred those the EBIT margin would have been closer to 7%.

Then just to point out, obviously you'll all remember this from Q1, we booked a £437 million exceptional credit relating to changes we made to our pension scheme. That is included in the 1.5 billion full-year number but not included in the EBIT margin. Turning to the volume development.

This is the full-year picture. In the end 614,000 retails, up 2% year on year. Definitely a mixed picture here with good solid growth in China also led by localisation of the XF Long Wheelbase as well as growth of our import vehicle volumes. Lower but still growth in the US and most of our overseas markets. It was good to see, but as we talked about in prior calls more challenging conditions in the UK car market down overall primarily reflecting diesel uncertainty that is also definitely impacting our European sales. As we work our way through that a bit, we saw those volumes lower in the full year in both those regions.

Slide 7 talks to the volumes by model, and I suppose the positive thing here is the new models continue to give us volume growth. So we're pleased to see around about three-quarters of the years' worth of a Range Rover Velar, 46,000 units. The F-PACE on the Jaguar side growing another 5,000 units to 73,000 units. The E-PACE with less than a quarter really of retail sales, 9,000 units, and new Discovery continuing to build. So it was good to see those new models continue to provide volume growth during the year, because clearly we hope to see continued volume growth in FY19.

Range Rover and Range Rover Sport volumes were lower ahead of the '18 model year introduction. So again with that ramping up it gives us something to look forward to on those product lines this year. Turning to the profit bridges.

Q4 bridge first on slide 8 talks to the PBT we had this time last year obviously it's lower this year. There's some factors we knew we would face. The higher depreciation amortisation of course that is a bit of a theme that we will continue to see and know that we're going to continue to see from the investment spending we're doing and the engineering that we previously capitalised starts to roll into the income statement some more, so that's there in the middle of the bridge.

The foreign exchange and commodities were net negative 50 year-to-year in the quarter. Then there's quite a few plus and minuses in the other column, mostly one-off items in nature. The non-recurrence of Tianjin related charges from last year, the £97 million of Q4 engineering charges I already referred to, and also the positive impact of changing to an accrual methodology for local market incentives we receive in China was an offset to those things, but still the group of those were net negative in the quarter.

When you turn to slide 9 which has the full-year bridge, again in the middle of the bridge you can see the £690 million increase in structural costs which is mostly higher depreciation amortisation. Although it does also have higher marketing costs as we launch new models and seek to build our brand in markets around the world in advance of all of the product introductions that we're doing.

We did grow our volume overall in terms of wholesale volume, but unfortunately one of the factors that we talked about in prior calls, we did continue to see overall incentive spending increase in the form of what I call variable marketing. Finishing the year around about six points of revenue, which to be honest is not a high number necessarily in absolute terms, but it does represent an increase of about a point of revenue over the same year a year ago, and that point of revenue is clearly on around £25 billion of revenues, the £250 million you see there. So it's definitely a headwind that reflects increased competitive conditions in markets around the world.

We're very focused on cost efficiency and driving cost reductions. The net of our costs from a variable cost point of view actually was positive in the year. Material cost reductions, manufacturing efficiencies, but of course it's never all one way, and that's a net number net of raw material costs, net of labour costs, etc. that were higher, but good that it was a net positive contribution overall.

Foreign exchange and commodity revaluation, we can get into the detail of this in Q&A if you wish. There's a positive year-on-year effect on FX revaluation which was the combined effect of positive revaluation this year, non-recurrence of negative revaluation last year, and on the commodity side sort of opposite of effect of non-recurrence of negative revaluation last year. Anyhow, so most of that is balance sheet revaluation of hedges or debt or current assets and liabilities as well as the commodity hedge revaluation all netting out to a positive £200 million year on year.

Then all the other things are the same group of things that I talked about but now the full-year effect of those this time are positive, because it's got the pension credit in there of £437 million which we had in Q1, and also the Tianjin recoveries non-recurrence which was £150 million in the prior year. So those things overall resulted in a slightly lower PBT this year.

In the China Joint Venture on slide 10, really good development in terms of volume, up 35% in the fiscal year to just under 88,000 units reflecting the introduction of the XF Long Wheelbase and the start of the XE Long Wheelbase. So that gives us something to build on and continued positive development of the Discovery Sport which was also good to see in the marketplace. So solid development, and also, solid profitability.

Slide 10 is our share of the profits. Slide 11 is what the China Joint Venture metrics look like on a 100% basis showing the revenue and profit development. But what I should note here when we look at the margins and the profits, both Q4 and the full year both reflect in this China Joint Venture also moving to an accrual methodology for accounting for the local incentives we receive there. So that's benefiting the headline profits and EBIT margins somewhat.

The investment spending on slide 12, £4.2 million, and it gives you the breakdown of that. Slide 13 talks to the cash flow. I think the point here would be the good thing about Q4 was we had a really solid cash inflow of around £950 million, including a substantial reversal of the working capital movements which I had expected to see, but it's obviously still good to see when it does happen. Therefore, £950 million in the quarter inflow; however, of course because we'd already had a £2 billion outflow in the three quarters up to December, then the full-year outflow becomes a billion outflow, and you can see the combination of that with that really being driven by the cash inflow from the EBITDA of just under £3 billion and the investment of £4.2 billion.

We do plan to continue to maintain strong liquidity in order for us to be able to manage our way through the investment plans that we've got despite relatively more challenging conditions that we found ourselves in last year. So the liquidity and the profile of that on slide 14 is still looking healthy.

Slide 15 talks to the changes to our product development capitalisation policy, which we will see going forward over time capitalising relatively less of our engineering spend, and obviously there's no impact on cash flow. In the very, very long-term this all washes itself out, but in the medium to long-term actually we'll see a negative impact from that lower level of capitalisation as more engineering expense goes through the income statement equal to around about a point of EBIT margin, and obviously we'll continue to have the full disclosure on the engineering spend itself and the capitalisation rates, so everyone understands exactly what we're doing as we have done for the past few years.

Slide 16 talks to an update on our dividend policy. We've been paying dividends to Tata Motors of 150 million a year. For this fiscal year, we've raised that to £225 million, which represents 20% of after tax reported profits, and we would transact that in June which is consistent with what we've done in prior years.

Going forward the Jaguar Land Rover PLC Board has reviewed it and has decided to target an annual pay-out ratio of 25% of profit after tax. Considered to be consistent with that of industry peers, and obviously the actual pay-out will depend on liquidity and legal and other considerations which the Board will decide upon every year, but we felt it important to update you and also perhaps help, because it gives some clarity to the dividend policy going forward.

Changing gears a little from the numbers themselves, our strategy is unchanged. We plan to continue to invest to drive sustainable profitable growth through developing cars and SUVs that our customers love. The elements of our strategy, the triangle on the left-hand side of slide 18 remains exactly as it has done in prior calls.

Slide 19 talks to the model range and our intent to replace the Land Rover Defender. So I'll say watch this space. It also talks to the award, the Ranger Rover Velar has won the World Car Design of the Year which is an excellent achievement. The Jaguar F-PACE won last year, so good to see our models continue to gain industry recognition. And also as you know this page grows, because we've now added the I-PACE to it.

In terms of sales development in slide 20, I've talked mostly to this. We do hope we can grow our sales in FY19 given that we do have a full-year of new E-PACE sales that we had one quarter of last year. The new Velar we had three quarters of last year, and an XE Long Wheelbase that hopefully will see some positive development in China was only recently launched in December. The I-PACE launch from the summer and the '18 model year refresh on Range Rover and Range Rover Sport over Q3 and Q4, all those things give us an opportunity to move forward in FY19.

Of course as we know life is never quite that straightforward. We have other models that age somewhat and there's inevitably going to be some other pluses and minuses, but overall, we clearly wish to step forward in FY19 with our sales development.

Slide 21 talks to electrification. This is a really important part of our investment priorities in order to be at the forefront of the electrical revolution that will take place in the car industry over the coming years and decades. Really pleased to have Range Rover and Range Rover Sport plug-in hybrids on sale as well. Customers are actually pretty excited about that, so we're really interested to see the development of those models. Over the next couple of years we will see more mild hybrid systems and also plug-in hybrid systems on other new and replacement models as well as the I-PACE of course. From 2020, we'll have an MHEV or a PHEV or a BEV option available across our model range.

I think I've already done the sales pitch for the I-PACE, but we are really excited about it. It is a very exciting vehicle and with a 100 kilowatt charger you can charge up to 80% of the battery in 40 minutes and with really exciting performance figures as well. Furthermore, because it's a battery electric vehicle the interior space of the vehicle is really quite spacious relative to the overall external dimensions of the vehicle because of the fact that the batteries in electric motors compared to the space an engine and fuel tank take up.

So quite excited about that, and that builds into slide 23 which we announced just after or at the New York Auto Show, a long term strategic partnership with Waymo which is a subsidiary of Alphabet. We will deliver them up to 20,000 I-PACEs over 2020 and 2021 which they intend to use as part of their autonomous vehicle mobility service in the US. So that will be incorporating their technology in our cars to be used for their service, but what it will do it will give us a real opportunity to partner with them, to learn about autonomous technology, to understand the development, to understand some of the customer data, etc. etc. will be really interesting and useful. So a very interesting partnership for us.

Slide 24 talks to our EBIT development in the longer term. The number on the right-hand side, we talked to 8% to 10% before, it says 7% to 9% now. The reason it's 7% to 9% rather than 8% to 10% is the roughly one point lower due to the PD capitalisation policy change that I talked about earlier.

Obviously, right now the EBIT margin is 4% for Fiscal 2018, and clearly, we will be in a phase of building over the next few years towards that longer-term target of profitability that we're clearly not at right now. There's definitely challenges we have to overcome and we're aware of them. Market and competitive forces, the electrification, diesel uncertainty, and we do have a need to continue to invest in the facilities and capital both in order to grow and in order to address competitive and consumer trends.

Those are all the challenges, but of course our job is to overcome those challenges. And the good thing is we do have exciting products we've just launched, and in the more in the pipeline, we're in the premium automotive segment that does offer a continued possibility of growth. As we do grow, we do have the opportunity to continue to improve our operating leverage. We're very focused on cost efficiency and our manufacturing plant in Slovakia for example, will enable us to access a somewhat lower cost base. As we think about our new model introductions going forward, we're very focused on driving commonality with our modular architecture strategy that should enable sourcing and cost benefits.

So turning to slide 25, I've said most of this already. I've talked about all the many challenges. Let me not labour those anymore. Our investment plans remain to invest around about £4.5 billion this year. We have to build-out of the factory in Slovakia and some of the models that will be localised in that plant as well as the other investments in the models that we're launching this year and the cycle plan that we have for the future. So that's investment staying at that sort of level in order to drive that long-term profitable growth.

I talked about the sales growth that we're targeting this year. I think it is fair to say that we would see the second half of the year as being stronger than the first half of the year due to seasonal factors. So I think that is a feature to look out for. Generally Q1 is weaker and Q4 is generally stronger, and that's a feature of the year that we do expect to continue to see.

In terms of the EBIT margin, rather than just talking about the 8% to 10% that's now 7% to 9% in the longer-term, what we're saying is in the medium term in other words FY19 through FY21 we would expect to see the EBIT margin in the 4% to 7% range. But in the long-term, clearly, our target is to deliver on the investment that we've made in the business and deliver a cash accretive growth over that long term based on the exciting new models that we've got planned that can give us the opportunity to grow, address consumer needs, as well as drive the operating leverage and of course the cost efficiencies that we're very focused on achieving within the business.

At which point I'm going to stop. I think we have the opportunity for a few questions. I'd like to say thank you for your attention during the presentation.

B. Birgbauer: Thanks, Ken. I just wanted to say on the Q&A, this call is geared towards fixed income investors rather than Tata Motors equity investors or analysts. So we won't knowingly take a question from an equity investor or analyst. I hope you understand yesterday was really geared toward the equity investors and analysts. So with that, we can go to Q&A.

Coordinator: Thank you very much. Please stand by for your first question. The first question comes from the line of Christophe Boulanger with Barclays. Please proceed.

C. Boulanger: Hi. Good afternoon I have a few questions on the development of your free cash flow and the development of your cash and debt going forward. Last year you earned net, £1 billion of cash, and effectively if I look at the most recent comments of the rating agencies, it looks like that both S&P and Moody's were stating you're dividend policy to remain fairly stable at £150 million per annum. The first question is really have you been speaking with these guys with regards to your change of policy and if so, what is effectively your target as well in

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| | terms of penetrating your current BB+? Will you be happy to be a BB? These are the first questions. The second question is around your cash levels, your cash as a percentage of revenues is currently at 18% which is more or less in line with the rest of the industry. So the question is going forward if you keep bleeding cash, how do you intend to fund your growth? Do you intend to tap the bond market? Thank you. |
| K. Gregor | Okay. Thanks for those questions. I might ask Ben, our Group Treasurer, to field them. Ben? |
| B. Birgbauer | Okay. So I think in terms of one our ratings target, I think we've always said that we target getting to an investment grade rating. I think we've never committed to a timing for that. I think at present clearly, our margins have not been as strong as they have in prior years, and that's one of the factors the rating agencies look at, but our target in terms of getting to investment grade remains the same. As Ken mentioned in the presentation, we do continue to target improving our margins over time up to the 7% to 9% target. |
| | I think in terms of our cash position, yes, you're right, we've genuinely targeted cash as a % of revenue in the mid-teens or higher. That's certainly what we've run at in recent years, and I think that this is consistent with what our competitors tend to run with. So I think broadly speaking, yes, we will continue to target having cash in the teens as a percentage of revenue. I think obviously, we'll need to see what our actual cash flow net of investment is over the next couple of years. It was negative last year, and it could well be negative again this year as we continue with the investment that we're doing with the guidance that we gave, but I think overall we do maintain strong liquidity with the level of cash that we had at year-end. |
| | I'll also remind you that we have a £1.9 billion undrawn revolving credit facility. So we do think that we have a strong balance sheet and liquidity to support the investment that we're undertaking. And yes, I think you should expect that we would look at accessing the bond market again from time to time both to cover maturing debt that we have coming up as well as to maintain cash at the desired level as a percentage of revenue. |
| C.Boulanger | Okay. Thank you. |
| K. Gregor | Thank you. |
| Coordinator | Thank you. The next question is from the line of James Maxwell from Hendersons. Please proceed. |
| J. Maxwell | Hi. Good afternoon. |
| K. Gregor | Hi, James. |

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| J. Maxwell | Can I just carry on where Christophe left off? Firstly could you, on your estimate of £4.5 billion of investment this year, would I be right in thinking about £4 billion of that is capitalised and the rest would be expensed, or is it going to be around that number? |
| K. Gregor | That's not something I have at my fingertips, that split, but what I was going to say is you look at the capex on slide 12 for last year, the £4.2 billion, between capitalised R&D, expensed R&D, and total R&D and the traditional capital investment, then the split in broad terms, although I don't have it at my fingertips of the £4.5 billion is a similar split to what's on this page. |
| J. Maxwell | Right, but you've got a slide too that you changed an accounting policy in which you inferred was like 100 bps which would be £250 million. |
| K. Gregor | Up to that based on FY2018 revenue, you could say that. |
| J. Maxwell | The capex is going to be around £4.5 billion, and on your guidance it sounds like even EBITDA wouldn't be close to that. So all else equal you're going to burn cash this year again. |
| K. Gregor | Sorry, the short answer is yes, I do expect to see negative cash flow also this year. Yes. |
| J. Maxwell | Right. So given that, I guess I'm a bit surprised that Tata Motors thought it was appropriate to ask for a higher dividend. Your investment's ramping up, has done the last year over the previous year, will do this year again. We know the type of revenue growth stalled really last year. You need to make quite a significant investment, and I know in the overall scheme of things it's not a lot of money, but just in terms of why now in terms of asking for more of a dividend when you're going to have to be funding future investments apparently with debt. |
| K. Gregor | Sure. I think what I'd say is from a point of view you partly answered your own question. From the point of view of the overall size of the dividend, it's considered by the Board to be manageable within the overall size and scale of the cash flows that the business has and the liquidity that the business has available to it and given the business with the profitability that it does have, albeit lower than we would wish, it does have the ability to sustain a dividend ratio higher than we were paying. Those factors were of course discussed by the Board, as you could imagine including also the investment profile that the Board has taken into account in the judgement that was made. |
| Coordinator | Thank you. The next question is from the line of Stephanie Vincent from J.P. Morgan. |
| S. Vincent | Hi. Thank you very much for taking my question. Just one question on diesel exposure, and then just your views on the news that we've seen out of China and the US over the past weeks. So on diesel, I think |

you got asked yesterday on the Tata call about your exposure and you did say it was falling, but I don't think that you talked about a specific number. It would help us I think to get an exposure in the UK, the rest of Europe, and then in the US just so we have some idea of your product offering. I mean the BBC put that you had 90% of your engines as diesel in the UK, and I was just wondering if this number was correct. Then also, on the China tariff cuts as well as the potential for US import tariffs, your thoughts on that as well as your views about what that could do to profitability and pricing.

K. Gregor

Some really good questions there, so let me try and take them in turn. On the diesel percentage, approximately in the fiscal year we saw diesel mix in the high 80s percent in both the UK and in Europe. That is somewhat lower than we had previously been at when it was above 90%, so it had reduced as well as probably the diesel uncertainty having an impact on sales overall, but right now it's running in the 80s percent in terms of diesel mix. So an interesting feature is the reality that our customers buying our cars continue to want the diesel engine, because it offers 20% more fuel economy and the same level of NOx emissions, and particularly its emissions that petrol engines offer, but clearly, there's a fair amount of uncertainty and political taxation effects that are not helping here. That's your first question.

In terms of the US announcement, yes, that's just a perennial worry. I mean our business clearly favours free trade and low tariffs or non-existent tariffs is what we'd really like as a UK-based exporter doing business in so many countries around the world. I'll be honest, I'm concerned. If we were to see tariffs into the US for imported cars that could certainly be a significant negative impact on our US business. So of course we're watching that space incredibly closely, and both ourselves and our US business are also aligned so very much against those tariffs. Equally what the US Administration does is somewhat outside of our control.

On the China side, I did talk about this yesterday. A little bit early to say exactly what our response is and exactly what the impact would be, but overall, we definitely welcome it for the opposite reasons why I don't like the US, potential risks. I think seeing the tariff reduced from 25% to 10% it does offer the possibility of lower prices in the China market which would benefit China consumers, could have a potential positive effect on sales development in the marketplace. So we're very positive about that and welcome it, but exactly how we plan to respond to it, as soon as we have decided that we'll obviously keep you updated, but that news is only a couple of days old, so we've got a little bit of work to do on that first.

Coordinator

Thank you. The next question is from the line of Giles Haworth from Insight Investment. Please proceed.

G. Haworth

Hello. A couple of questions, so the first one would be on the tax rate in 2018 it looks like it increased quite significantly up to about £312

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| | million in cash terms from £200 million the year before. So it'd be interesting to hear how you expect that to develop because it's a big increase as a percentage term and then also how the change in capitalisation will impact that. Then the other thing would be again back on to the China tariffs, would you be able to give us an idea in terms of pound sterling what the tariff cut would represent if that had been applied all else being equal to what you sold in China in 2017/2018 financial year. Thank you very much. |
| B. Birgbauer | Giles, on the second question, I think what I'd say is if you want to, we'll obviously be releasing an annual report for this year. And in the annual report we always indicate what the revenue is in major markets including China, and I guess what I would say is I don't want to give that number until we release the annual report. But last years China revenue as a percentage of total revenue was about 19%, so I think you can use that number and rate to kind of work out what that might be on that one.<br><br>On the tax one, I'm actually thinking we may want to come back to you separately on that. It's a fairly detailed question. |
| K. Gregor | Yes. I'm just looking at the detail of the tax rate, and the effective tax rate in the year was 26%. There were some impacts of tax rate changes which had a negative impact on deferred taxes, specifically, and funnily enough we're back to the US again, the reduction in the US corporate rate of corporation tax from 35% to 21% and the reduction in the UK rate from 19% to 17% caused one-off changes to deferred tax that actually had a roughly £60 million impact on the tax charge in the full year that helped to raise the effective tax rate as a percentage of the after-tax profits. There are also a few other pluses and minuses, but perhaps that one thing is the one extra thing that's causing the effective tax rate to be a bit higher which is what you're seeing. |
| Coordinator | Thank you. The next question is from the line of Brian Studioso from Insight. Please proceed. |
| B. Studioso | Hi. Thank you. I guess just one quick question. I was wondering, you know capex continues to rise this year and next year on spending on new products and electrification and autonomous driving, I was wondering if you just see a peak in sight on an absolute basis, so in terms of percentage of revenues. Any kind of light at the end of the tunnel for the capex rising? Thanks. |
| K. Gregor | It's a good question. I'd always want to be a bit cautious about talking about peaks and/or light at the end of the tunnel. That's not necessarily how we think about it, because obviously we're investing to create sustainable profitable growth as well as investing in electrification and some of the factors that impact the automotive industry. I think beyond the £4.5 billion that we have for this year, obviously we keep it under review, I think whether it raises further from there will depend on our free cash flow development. We want in the fullness of time to get |

back to a situation where we have positive free cash flow, but it would also depend on whether we see one or another opportunity for further market development or model expansion plan that obviously we keep under review from time to time.

We obviously have to balance those factors, and we will continue to do so.

Coordinator Thank you. The next question comes from the line of David Moon from Wells Fargo. Please proceed.

D. Moon Good afternoon, gentlemen. Thanks for hosting the call. The first question is just a follow-up on Brian's question there. With the additional few hundred million this year in PD spend, product development, can you help us understand where that increment is going to.

K. Gregor In terms of the overall increase in our spending, it really rises in proportion, overall terms with the nameplates that we introduce. So this year we're introducing a further nameplate in the shape of I-PACE, and therefore, we have a fair amount of capex associated with the final capex payments to suppliers and the facility investment connected with the launch of the I-PACE. There are other model introductions that we are planning that we haven't announced yet which also have fairly significant capex requirements that are in the shape of model expansion in terms of our line up but also replacement models for vehicles that are somewhat more aged. So those things altogether add up to an increase in overall capital spending year-to-date. It's really driven by the product cycle plan this year.

D. Moon Okay. The second question is on Range Rover and Range Rover Sport. With the model year changeover I understand that that would have been a decrement to the fourth quarter margin, and if that's the case would that be reversing in the first quarter of this financial year? And can you also help us understand how significant an upgrade these two vehicles are going through.

K. Gregor Great questions. I think I'd say overall yes, it probably had an impact on our margins last year to see the reductions in volume overall in the year that we saw in Range Rover and Range Rover Sport as well as a longer '17 model year run out. So I think in the fullness of FY18, and again at the margin, I wouldn't want to overplay it, but at the margin the '18 model year should be a positive development for the business this year.

In terms of the refresh, sorry for labouring it, but the plug-in hybrid is a very interesting development as a powertrain alternative that we are seeing quite a lot of customer interest in right now. We also gave the cars a visual refresh from the outside in terms of the look of the headlights, bumpers, grills, and one or two tweaks on the outside. On the Range Rover, we gave it quite a refresh on the inside with new seats, much more luxurious and comfortable seats including an option of business class seating that's really very luxurious especially in the rear, and new finishes and treatments to the doors and the instrument panel, and an upgraded entertainment system which we call internally our blade entertainment system or Touch Duo Pro, I think is the external language we use that we introduced on the Velar last year.

First we see that roll into the Range Rover and the Range Rover Sport. So in terms of technology, in terms of look and feel of materials, in terms of electrification, it really was a pretty big refresh on the Range Rover and Range Rover Sport. So quite excited about it, and we'll see how it develops through the year.

Coordinator: Thank you. The next question comes from the line of Pierre Bergeron with Societe Generale. Please proceed.

P.Bergeron: Good afternoon, Pierre Bergeron. I have a question on page 7 on product strategy for the group. I would like to know how as a group you will manage this cannibalisation highlighted by your weaker sales both at the sedan for Jaguar and some SUVs for Land Rover. Is that the price you have to pay for the extension for the successes of the SUV at Jaguar and in the E-PACE and F-PACE is my first question? The second question on Jaguar I-PACE, I would like to know if this will be profitable during the next fiscal year and if not, do you believe this new model will generate a profit soon in the coming years or in the longer term? Thank you.

K. Gregor: Super questions. On the cannibalisation question, it's a really interesting thought I must admit. I mean we have seen overall in the car industry in general and in the premium segments we've seen a tremendous growth in customer demand for SUV and crossover body styles, and we've seen a corresponding reduction in share of the overall market of sedan body styles. So at least some of what we're experiencing is not just if you like potential cannibalisation between our own models, it's a general industry trend that we see. I think the reality is that we do wish to be in all parts of the car market, because consumer trends can change, and also with legislation and CO2 that having a broad profile of vehicles does offer a hedge against those consumer trends changing. In general terms, a trend towards SUV and crossover body styles has been a positive thing for our business, and the introduction of the F-PACE and the E-PACE on the Jaguar side and the new Range Rover Velar does give us the opportunity to benefit from that, but as you rightly point out, we saw sales of our sedan models go backwards last year.

The question about substitution within our model line-up is always an interesting one. There's always the risk of that it's fair to say. Equally with competitors introducing lots of new models also, the counter to that would be if our new models give us the opportunity to keep customers within the Jaguar and Land Rover family as opposed to potentially lose those customers to competitors who might introduce another model, and they all have very broad line-ups of models for customers to choose from. So we always consider it internally that sort of thought process.

Also by the way, we work hard to position our vehicles with attributes that are distinct from each other, and what I would say is of course we talk about Jaguar and Land Rover as one business. They're very much two distinct brands with separate brand promises that we make to our customers in separate positioning for the vehicles that we seek to achieve in order to minimise the risk of that cannibalisation, as you put it, between our own line-up. So that's one thought.

Yes, profitability of the I-PACE is a good question. I don't generally comment on the profitability of individual models, but it's clear that the big challenge with electric vehicles will be to make them profitable over the longer term. So I agree with the sentiment behind the question. It offers a really good possibility for growing our position in the electric range and in the electric marketplace. And developing from there it also provides balance to vehicles where you have compliance rules in various markets that are based on fleet averages, then having vehicles such as the I-PACE that basically have zero tailpipe emissions those balance against vehicles that have higher emissions in our model line-up, and therefore, overall enables our overall fleet to be compliant in the various regions in which we compete for a certain level of volume of the I-PACE. So even if the margins on the I-PACE are relatively weaker due to the cost of the battery technology, I think what's important is it's also part of an overall model line-up that helps us achieve the overall compliance that we need to.

**Coordinator** Thank you. Ladies and gentlemen, due to time constraints no further questions can be taken.

I will now hand the floor back to Mr. Ken Gregor for closing comments.

**K. Gregor** Just to say thanks again, really appreciate everyone taking the time to join us on the call today and also yesterday, and your support for the Jaguar Land Rover business. I'd really also say thanks for all the thoughtful and challenging questions, really appreciate it and the opportunity to talk a bit about the business.

**Coordinator** Thank you. On behalf of Jaguar Land Rover, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

*[END OF CALL]*