

China Joint Venture

In December 2011, we entered into a joint venture agreement with Chery Automobile Company Limited (China) for the establishment of a joint venture company in China. The purpose of the JV Company is to develop, manufacture and sell certain Jaguar Land Rover vehicles and at least one own-branded vehicle in China. We have committed to invest CNY3.5 billion of equity capital in the JV Company, representing 50% of the share capital and voting rights of the JV Company. The term of the joint venture is 30 years (unless terminated or extended). The joint venture agreement contains representations and warranties, indemnities, corporate governance provisions, non-compete clauses, termination provisions and other provisions that are arm's length in nature and customary in similar manufacturing joint ventures. The legal effectiveness of the joint venture agreement is subject to the satisfaction of several conditions, including certain required Chinese Government approvals.

Trading update

Results of operations for the quarter and Fiscal year ended 31 March 2012 will be announced later in the year. Our operating and financial performance (including revenue, net income before tax, and EBITDA) in this quarter is tracking broadly in line with management expectations, reflecting continuation of the favourable trends.

Capital Expenditure

We continue to invest in new products, technologies and capacity to meet customer demand in the premium automotive and SUV segments, as well as meet regulatory requirements. In Fiscal 2012, we continue to expect capital spending (including capitalised product development costs) will total approximately £1.5 billion (based on present estimates). Given our increased sales volumes and profits, there is a need to increase manufacturing capacity and we see increased opportunities to develop new products to drive further profitable growth. As a result, capital spending in Fiscal 2013 is expected to be higher than in Fiscal 2012. Around 50% of our capital spending would be expected to be R&D costs and around 50% would be expected to be expenditure on tangible fixed assets such as facilities, tools and equipment. Under our accounting policy, about 84.3% of R&D costs were capitalised for the nine months ended 31 December 2011. We continue to target funding most of our capital spending out of operating cash flow. We will continue to monitor the economic environment and market demand as we plan our future capital spending.