



Growth and future capital investment strategy update

Jaguar Land Rover's strategy continues to be to profitably grow our strong, globally recognized brands. We continue to invest substantially to develop new products in new and existing segments with new powertrains and technologies to meet customer aspirations and regulatory requirements, as well as invest in manufacturing capacity in the United Kingdom and internationally to meet customer demand. We continue to have a longer term capital spending target of 10-12% of revenue, which we believe is in line with other premium competitors, but in the near and medium term, we expect our capital spending to be a greater percentage of revenue in order to realise the present opportunities we see for growth.

In Fiscal 2014, we continue to estimate total capital spending will be in the region of £2.75 billion (with approximately 45% for R&D and 55% for expenditure on tangible fixed assets such as facilities, tools and equipment as well as investment in our China joint venture).

The significant growth in our sales and profitability with a strong cash and liquidity position has supported our capital spending strategy. Free cash flow after investment and interest has continued to be stronger than expected and is expected to be positive in Fiscal 2014.

Based on our continuing strong performance and cash and liquidity position, we plan to continue to increase capital investment to develop new products in new and existing segments, invest in new powertrains and technologies to meet customer and regulatory requirements, and increase our manufacturing capacity in the United Kingdom and in China, Brazil and potentially other international markets. As a result, we expect that our capital spending could increase to be in the region of £3.5 billion—3.7 billion in Fiscal 2015 (with approximately 40% for R&D and 60% for expenditure on tangible fixed assets such as facilities, tools and equipment as well as investment in our China joint venture).

We continue to target funding most of our capital spending out of operating cash flow. However, after capital spending in the region of £3.5 billion—3.7 billion, free cash flow could be negative in Fiscal 2015. We expect that our strong balance sheet and liquidity (£2.7 billion of total liquidity and £1.25 billion of undrawn five year (over £900 million) and three year committed credit lines as at 30 September 2013), as well as proven access to funding from capital markets and banks, would also support our investment plans as required