STRATEGIC REPORT

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MARKET OVERVIEW
SEVEN TRENDS INFLUENCING OUR INDUSTRY

The automotive industry is on the brink of revolutionary change. Through our innovation, research and development Jaguar Land Rover will shape that change.

Future success will be based on a continuous process of anticipating new market trends. As we look ahead, we are guided by our strategic plan as well as our proprietary scenario-mapping tools that identify the biggest and fastest-growing opportunities progressing the industry. We will stay ahead of the market by focusing on the innovation, design and creativity that our customers love.

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**WHAT THIS MEANS FOR US**

Jaguar Land Rover's emphasis to be closer to the customer will ensure a granular view of new opportunities as regulatory and behavioural trends within cities shape the future.

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**A NEW WORLD OF CONNECTED AND INTELLIGENT TECHNOLOGY**

Greater demand for seamless connectivity, entertainment and safety is driving the digitalisation of the car. Vehicles with high-speed broadband internet connection, digital safety features and autonomous driving capability are the next frontier in the differentiation of the car, with today's high-end features expected as standard tomorrow.

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**WHAT THIS MEANS FOR US**

We are the leaders in lightweighting and aerodynamic drag-reducing technologies, as well as investing substantially in advanced innovation and alternative powertrains. Our latest range of vehicles all meet the highest safety standards. We are also pioneering collaborative projects with partners to answer the challenges of the evolving landscape.

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**THE NEW CITY SEGMENT**

As cities across the globe adopt their own regulation, the ‘City Type’ will become the new indicator for mobility behaviour that will determine the speed and scope of the automotive revolution. For example, by 2030 the car market in New York will likely have much more in common with the market in Shanghai than with that of Kansas. This trend looks set to replace the traditional regional perspective that has shaped the industry until now.

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**COMPLEXITY AND UNCERTAINTY**

Tighter fuel economy regulations around the world and the requirement for more safety-related features to be included as standard on new models will increase the level of complexity for the sector. The speed of adoption of new technologies will depend on the interaction between consumer demand and regulation, leading to greater uncertainty.

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**WHAT THIS MEANS FOR US**

Innovation is at the heart of our business as we continue to enhance the customer proposition and gain ground against our competition. Our InControl Touch Pro infotainment system already leads the industry and we are the first to launch the UK’s real-world testing of connected and autonomous vehicle technology.
WHAT THIS MEANS FOR US
The traditional business model of car sales will be complemented by a range of diverse, on-demand mobility solutions, especially in dense urban environments. To answer this new trend, we have launched InMotion: an exciting new technology business that will create apps and on-demand services to provide solutions to modern travel and transport challenges.

NEW OWNERSHIP MODELS
Consumer behaviour is changing, with increased car sharing and the emergence of a market for intelligent mobility solutions. Customers today use their cars as all-purpose vehicles, whether they are commuting alone to work or taking the family on holiday to the mountains. In the future, they may want the flexibility to choose the best solution for a specific purpose.

WHAT THIS MEANS FOR US
Value hunting does not necessarily mean the best price. Agnostic consumers are intrigued by innovation and will still pay a premium for quality, personal and inspirational experiences. Jaguar Land Rover’s focus on innovation, technology and premium quality lifestyle experiences delivered through Customer First initiatives is tackling this challenge head on.

CUSTOMER EXPERIENCE
Alongside the demand for greater connectivity, consumers are increasingly using digital sources in making their purchase decisions. Potential car buyers can already access a tremendous amount of information from the internet, with digital only increasing in importance in the future. Retailers are expected to remain important in the overall purchasing journey but less so in the research comparison stages.

WHAT THIS MEANS FOR US
An accessible and innovative web presence is critical alongside new retail concepts that offer a premium and personalised brand experience. Jaguar Land Rover and our retailers will offer more convenient proactive services, alerting drivers to upcoming maintenance and product updates. We are also increasingly aligning our processes to address new challenges like cybersecurity and data privacy.

CUSTOMER LOYALTY
With increased access to information and cross-brand price comparison behaviour, consumers flit between brands and products in their search for value and novelty. Inspiring consumer loyalty is increasingly testing. The impact of new ‘challenger brands’ from other sectors is also putting pressure on traditional automotive players.

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NEW COMPETITION
With new entrants into the automotive market – from mobility providers, tech giants and speciality OEMs – the competitive market is set to further increase in complexity. Within the next few years, the market may well expect production versions of ‘experimental’ cars to be developed by new entrants such as Apple and Google to further challenge established automotive brands.

WHAT THIS MEANS FOR US
Being agile and innovative through the development of new technologies, powertrains and platforms like ‘InMotion’, Jaguar Land Rover will continue to provide relevant, engaging and invaluable experiences to both new and existing customers globally.
Our business blueprint is founded on firm values. It connects the dots between creating new solutions, exploring the future and growing a sustainable business. It is the visualisation of our business goals and execution strategies that drive us to create growth opportunities as well as delivering the products and services our customers desire.
Our blueprint is the framework for this strategic report, showcasing and measuring our achievements this year against that plan.
OUR PHILOSOPHY
Jaguar Land Rover is at the cutting-edge of automotive design, technology and innovation to create the world’s best products and services for our customers.

NEW PRODUCTS
This has been one of our biggest launch years and we have continued to invest in our portfolio of products and services with breakthrough new vehicles and significant model year upgrades across our range, as well as the launch of Special Vehicle Operations and the most advanced and connected infotainment technologies. Our aim is to meet every customer need and to enable them to do more through our products and how we support them across our services. The transformation of our portfolio included the launch of two vehicles across both brands, increasing our offering and as a result creating new growth opportunities: the Range Rover Evoque Convertible – the most capable convertible ever and the Jaguar F-PACE – the ultimate practical sports car.

NEW SERVICES
Our connected car services have enjoyed a year of rapid global growth. Now 80 per cent of our customer base benefits from services including the Remote App that allows you to see the status of your vehicle as well as pre-heat, cool or start the car from a smartphone or watch. Our InControl Secure service also offers a fully integrated stolen vehicle tracking system. Our customers can rest assured their cars are protected.

OUR 2015/16 FOCUS
We know that the automotive industry stands on the precipice of revolutionary change. This year we have demonstrated that we are ready to face these challenges with a number of advanced research projects including:
- A remote control Range Rover Sport which can be operated through the user’s smartphone, useful for getting our customers out of tight parking spaces
- A steering wheel and seat that can detect the well-being and concentration levels of the driver, technology that could be used as the autonomy of vehicles increases
- The Evoque_e project, exploring all aspects of future hybrid and battery electric vehicle technology

To maintain our position as leaders in technology and research this year, we also started construction on the £150 million National Automotive Innovation Centre which will become the hub for Jaguar Land Rover’s global advanced research and engineering capability.

KEY 2015/16 SUCCESSES
- Successfully launched three all-new products and derivatives to now offer a bigger range to more customers
- 150 awards won across the Company and entire range of our products
- Getting more connected through the delivery of wearable technology and the introduction of Android Wear app that allows remote control of key car features
- Record Fiscal 2016 with over half a million vehicles sold
- Launched a new technology start-up ‘InMotion’ to create apps and services to overcome modern travel and transport challenges
CASE STUDY: SHOWCASING OUR SPECIAL VEHICLE OPERATIONS

As a business, we are continuously looking for new growth opportunities. That is why we set up Special Vehicle Operations. SVO in its first year has engineered a number of bespoke vehicles and has been a growing area for Jaguar Land Rover as we look to target the demand for bespoke services.

Key highlights of SVO’s first year include a hybrid-powered State Review Vehicle for Her Majesty The Queen, a line-up of vehicles in the 24th James Bond adventure film, Spectre, and the fastest Jaguar ever – the F-TYPE SVR.

Jaguar Land Rover also rebranded its Heritage business to Jaguar Land Rover Classic, with the aim of better celebrating and nurturing Jaguar and Land Rover’s past. The rebranded division will continue to deliver its beautiful heritage cars as well as services, parts and experiences for Classic Jaguars, Land Rovers and their owners.

24 CARS PREPARED FOR NEW JAMES BOND FILM SPECTRE

6 UNIQUE, HAND-CRAFTED E-TYPES SOLD FOR MORE THAN A MILLION POUNDS EACH

691 SPECIAL VEHICLE OPERATION HEADCOUNT FOR FISCAL 2016

FUTURE PLANS

• Deliver to our customers the new Range Rover Evoque Convertible and the Jaguar F-PACE

• Special Vehicle Operations will be launching a high-tech facility with bespoke paintshop, offering our customers the opportunity to have any colour and any finish

4,200,000 MODEL CAR SALES IN FISCAL 2016

2,000,000th LAND ROVER DEFENDER SOLD AT AUCTION FOR £400,000
2015 has been a breakthrough year for Jaguar as it continues to grow, building on its design leadership and performance credentials. Delivering on the strategy, Jaguar has been dominant in winning awards. The two new products launched this year – Jaguar XE and Jaguar XF – have significantly contributed to the brand’s continued sales success. 2015 – the year of the Cat.
THE ALL-NEW JAGUAR XF

104 g/km CO₂
lowest CO₂ emissions of any non-hybrid in the segment

50 per cent
> of which is scrap from the Jaguar Land Rover press shops

> Series RC5754 aluminium alloy is unique to Jaguar Land Rover and is made predominantly from recycled material

The engine car is
190 kg lighter
This was an iconic year for the Land Rover Discovery Sport with the 100,000th sold, and produced and launched in China and India. Winning a host of awards, particularly in the prestigious safety category, has confirmed the excellence of the vehicle’s design, versatility and capability. With a Discovery Sport rolling off the production line every three minutes, strong demand continues to fill the order books. 2016 looks set to continue this successful run.
Targeting the high customer expectations of the global premium market who are seeking custom-made vehicles, SVO has developed a bespoke Range Rover Sport model designed to provide the very best of the brand for the most discerning and enthusiastic consumer. Range Rover Sport SVR delivers exemplary levels of capability and performance through its strong, all aluminium, lightweight bodyshell technology and its supercharged 5.0-litre V8 engine. The SVR will do 0-62mph in 4.7 seconds. The Range Rover Sport SVR is the most powerful and fastest Land Rover in our history.
OUR PASSIONS
CUSTOMER FIRST

Our customers – present and future – are at the heart of everything we do. We are constantly investigating their current and potential needs to feed fresh ideas into our product planning cycle. We are always restless to be better and aim to continuously improve the customer experience at every touchpoint. Always putting the Customer First.

OUR PHILOSOPHY

Jaguar Land Rover seeks to exceed the expectations of our customers through greater focus on understanding and fulfilling their needs. Putting the Customer First.

Our future success can only be achieved if we truly place them at the heart of our business and centre of our attentions.

LISTENING TO OUR CUSTOMERS

We seek to develop deep, unique insights into what our customers need and what their ambitions are. And not just our existing ones.

Young people between the ages of 18 and 25 will decide how cars are bought over the next two decades.

We need to deliver cars which are, quite simply, the finest in the world, leading the way in design and engineering excellence.

Our mission is to delight our customers not just with our vehicles but at every point at which we make contact with them.

CULTURE AND VALUES

Customer First is much more than a set of initiatives, it is a culture of driving business excellence to achieve our ambitious goals.

It is a key foundation of creating best-in-class Jaguar and Land Rover products and experiences that our growing base of global customers will love, for life.

True value and customer service is borne of excellence in every action of every employee.

Customer First demands that everyone in the Jaguar Land Rover enterprise shares this passion to satisfy customers, both internal and external, with a relentless desire to understand and exceed their needs.

OUR 2015/16 FOCUS

• Bringing the voice of the customer into the business by asking more customers than ever before
• We have sold the highest number of cars in our history, asked more customers than ever before to give us their feedback and implemented a record number of new developments as a result of their input
• Customer Advisory Boards have allowed us to communicate with some of the first owners of vehicles, such as Land Rover Discovery Sport and Jaguar XE, in private online communities. They have shared with us their opinions and insights of their vehicles and brand experience
• It has also enabled us to provide customers with YouTube videos to provide easily accessible answers to frequently asked questions
• Customers are engaged throughout the Product Creation and Development process to ensure that all our products meet their needs and expectations

KEY 2015/16 SUCCESSES

• Created an ‘always on’, real-time customer insight listening panel where we hear directly from our consumers for feedback and insights. We have now received 19,757 contributions that have been incorporated into the planning cycle, ensuring the voice of the customer is front and centre of everything we do
• We have enhanced the Fleet and Business consumer experience through all points of the customer journey
• Implementing the ARCH corporate identity programme that will significantly improve the customer retail environment and deliver a consistent premium brand experience

Improving the customer experience in retail through our ARCH corporate identity programme.
CASE STUDY: CUSTOMER FIRST; 100,000TH DISCOVERY SPORT

Surprise and delight are sensations our Customer First passion seeks to inspire. This was especially true when Land Rover marked the production of the 100,000th Discovery Sport this year with a special surprise for one mum, Natalie Lipton, on Mother’s Day. The Lipton family had unwittingly purchased that particular vehicle that was built at Jaguar Land Rover’s Halewood manufacturing plant, just 10 miles from their family home. To celebrate the milestone, which was reached just days before Mother’s Day in the UK, Land Rover went undercover with her sons Jacob, 7, and Noah, 5, to find out just how this car could be made even more special for their mum. To bring the boys’ ideas to life, a team of designers, suppliers and experts from Jaguar Land Rover’s Special Vehicle Operations worked to create special touches in the car during production. Like her boys, we put mother first.

FUTURE PLANS

• Increase the number of consumer interactions across more advisory boards and products, growing the voice of the consumer and our Customer First passion in Jaguar Land Rover
• Implementing consumer reviews onto our brand websites to amplify customer advocacy
• Increase transparency of our customer experience through reviews at the retailer level to help develop the overall retail experience
Reducing emissions is one of the biggest challenges for the automotive industry today. As the UK’s biggest investor in automotive R&D, we are developing a range of solutions to reduce the carbon footprint of our vehicles and improve air quality while maintaining the luxury, performance and refinement that our customers expect.

Environmental Innovation lies at the centre of our business vision. It is a wide-ranging plan that will see us dramatically reduce real-world emissions up to 2020 and beyond.

Our 2015/16 focus
This year we have invested more than £3.1 billion in new products and facilities as part of the programme. The electrification of powertrains is essential to reduce the carbon footprint of vehicles and meet future climate change mitigation targets. This is why over the last seven years we have been researching and developing a range of advanced plug-in hybrid (PHEV), mild hybrid (MHEV) and battery electric vehicle (BEV) propulsion systems.

The biggest single project is a £16.2 million collaborative research programme, part-funded by Innovate UK, called Evoque_e. This project looks beyond 2020 to explore all aspects of future hybrid and battery electric vehicle technology and has so far produced three Concept_e demonstrators.

Jaguar is also returning to the racetrack through Formula E. This is an exciting opportunity to support our extensive multi-billion pound hybrid and battery electric propulsion research and test bed activity.

As well as hybridisation and electrification, we are working to make our vehicles lighter while improving our internal combustion engines to make them cleaner and more energy efficient.

Our highly efficient diesel Ingenium engine achieves just 109g/km CO2 in our new Evoque. At the same time, the all-new Jaguar XE with just 99g/km of CO2, is the most efficient Jaguar ever built.

In the last year alone, 1,480 of Jaguar Land Rover’s 9,000 engineers and designers spent 293,550 hours at universities studying Masters level modules, including hybrid vehicles, sustainable design and lightweight vehicles. Today, we are collaborating with more than 30 leading universities working on in excess of 100 projects.

Our leadership in lightweight aluminium vehicle architecture has been extended to include the Jaguar XE, Jaguar F-PACE and all-new Jaguar XF, significantly reducing the weight of the body.

Jaguar Land Rover is the largest user of sheet aluminium in the UK, and is a world leader in recycling this metal with our unique closed loop process, continuously developing new ways of cutting waste.

Recognising the importance of investing in skills and talent for the future, since 2008 we have doubled the number of powertrain engineers.

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CASE STUDY: REALCAR; ALUMINIUM WASTE REDUCTION

REALCAR (Recycled Aluminium Car) is a partnership between Jaguar Land Rover and Novelis which has enabled 50,000 tonnes of press shop aluminium scrap – equivalent to saving approximately 500,000 tonnes of CO₂ – to be recovered over the last year.

The project, part-funded by Innovate UK, has seen 10 UK press shops implement a unique closed loop process, segregating waste aluminium scrap, so that it can be sent back to Novelis to be re-melted into recycled aluminium sheets for use in our cars. Aluminium recycling requires up to 95 per cent less energy than primary aluminium production, making our operations more sustainable.

REALCAR has also seen the development of a new aluminium alloy – RC5754 – which accepts increasing amounts of recycled aluminium automotive scrap, currently by up to 50 per cent.

The Jaguar XE is the first car in the world to make volume use of this new structural grade of aluminium. It has also been tested and implemented in the lightweight aluminium body structures of the Jaguar XF and F-PACE models. Using it to build future Jaguar and Land Rover models will take us a significant step towards our goal of achieving 75 per cent recycled aluminium content in our vehicle body structures by 2020.

OUR REAL CAR CLOSED LOOP PROCESS ENABLED

50,000 TONNES OF PRESS SHOP ALUMINIUM SCRAP TO BE RECOVERED OVER THE LAST YEAR

FUTURE PLANS

• By 2020, our environmental programme aims to achieve carbon neutral manufacturing operations, zero waste and to produce vehicles that will be amongst the leaders in their segments on tailpipe emissions
• By 2020, we aim to use up to 75 per cent recycled aluminium materials in our cars and, as a result, improve the recycling efficiency of our manufacturing cycle
OUR PHILOSOPHY
Environmental sustainability is not just about the final products but also how we make them. That’s why we measure the environmental impact not just of our cars but also of their manufacture from weld to wheel.

We continually assess every single aspect of our manufacturing processes – day by day – tirelessly seeking to improve them. It is this continuous aggregation of marginal gains which will have the biggest positive impact on our environment. It’s not just about being a good global citizen – it’s our planet too.

CASE STUDY: LAND ROVER DISCOVERY SPORT
VEHICLE LIFE CYCLE ASSESSMENT*

To achieve the breakthroughs we seek, we use the knowledge gained through life cycle assessment – independently verified scientific studies of vehicle life cycle impacts – in alignment with international standards.

It’s an integrated approach that provides the technically rigorous data we need to deliver step changes in sustainability. Jaguar Land Rover was one of the first UK vehicle manufacturers to complete such assessments.

Land Rover Discovery Sport has life cycle impacts in equivalent CO₂ terms which are more than 10 per cent lower than the previous model and is the lowest life cycle impact vehicle ever in the Discovery family of vehicles.

KEY 2015/16 SUCCESSES
• Our life cycle assessment has contributed to significant improvements in our fleet average tailpipe CO₂ emissions since 2007
• Our innovative Ingenium diesel engines already achieve just 99g/km CO₂ in the Jaguar XE
• XF is up to 190kg lighter than its predecessor

FUTURE PLANS
• By 2020 new technologies will help Jaguar Land Rover reduce its CO₂ emissions by a further 25 per cent

OUR FOCUS
LIFE CYCLE ASSESSMENT STAGES

RAW MATERIALS AND COMPONENTS
We work with our suppliers on improvements that deliver sustainability win-wins.

TRANSPORTING COMPONENTS TO OUR FACTORIES
Truck fuel efficiency is one of the key ways our inbound transport suppliers can help us reduce CO₂ emissions.

* Discovery Sport LCA, will be third-party verified in line with all other vehicle LCAs completed to date.
IMPROVED FUEL EFFICIENCY
Our new engine range in Discovery Sport improves fuel efficiency and reduces corresponding CO₂ emissions by up to 14 per cent.

WHOLE LIFE DESIGN
Discovery Sport is the first in the Discovery family to benefit from being virtually dismantled before manufacture to ensure that its materials can be safely recycled at end of life.

INNOVATIVE THINKING
Reuse of plastic and natural cotton in the rear loadspace reduces life cycle impacts by over 50 per cent when compared with virgin plastic, kg for kg.

MATERIAL REUSE
Recycling of materials in components such as wheel arch liners, engine covers, carpets and speakers will cut approximately 7,000 tonnes of landfill.

ADVANCED ENGINEERING
The vehicle switches between two- and four-wheel-drive to improve MPG performance.

MANUFACTURING
Efficient factories that save energy, water and waste help drive down the life cycle impact of the vehicles we create.

OUR VEHICLES IN USE
From lighter, more efficient vehicles and investment in hybrid and electric vehicles, we’re pursuing innovation on every front.

TRANSPORTING VEHICLES TO CUSTOMERS
We are switching from road to rail or sea where possible and supporting our service providers to obtain the precise data that will help drive even more efficient operations.

END
Before the vehicles exist in physical format we can use virtual design to engineer and assess key systems for recycling and reuse — which could be 30 years before the vehicle actually reaches the end of its life.
OUR FOUNDATIONS FOR SUSTAINABLE GROWTH

GLOBAL GROWTH

OUR PHILOSOPHY
The strategic focus of Jaguar Land Rover is to invest in order to drive and secure long-term profitable growth. This plan is paying off with a solid financial performance this year as well as becoming the biggest car-making business in the UK with record sales.

OUR FOCUS
Strategic investment has ensured the future of Jaguar Land Rover as a stronger and increasingly agile business that will continue to profitably grow globally and will strengthen the UK operation that remains at the heart of Jaguar Land Rover’s business.

MANUFACTURING
The growth of our global manufacturing footprint through new facilities and international manufacturing continues to be a key focus of our strategy. Critically, this plan allows us to: increase production capacity, diversify risk, raise brand awareness, hedge foreign exchange exposure, create better economies of scale and improve access to the global supply chain.

This year, we have confirmed plans for a new plant in Slovakia, started production of the Range Rover Evoque and Discovery Sport in China and the local assembly of the Range Rover Evoque, Discovery Sport and Jaguar XE in India. We have also seen the completion of our plant in Brazil, and confirmed a new manufacturing partnership with Magna Steyr in Austria.

POWERTRAIN DEVELOPMENT AND CO2 SOLUTION
We have made significant investments in new technology and Environmental Innovation through our powertrain development plan. Environmental Innovation is at the heart of a wide-ranging business strategy and we are on a very positive trajectory to reduce vehicle emissions and improve fuel economy through more efficient and downsized engines, alternative powertrains, lighter vehicles and improved vehicle energy conservation.

We will comply with future legislation and maintain our position as a responsible business that is serious about a cleaner future.

With this focus, Jaguar Land Rover is committed to introducing electrification in the future and is currently pursuing a bold electrification research programme. We have also confirmed our electric future with entry into the innovative FIA Formula E Championship.

This investment will push the boundaries of electrification technology, a real-world, fast-track test bed for future Jaguar Land Rover electrification technology.

PRODUCT PORTFOLIO EXPANSION
This has been a significant year for Jaguar Land Rover, with updated models being introduced across the range, as well as the addition to our portfolio of completely new vehicles – the Jaguar XE and XF and Land Rover Discovery Sport.

Jaguar XE is a significant step for the Company into the medium sedan segment, against strong existing competition.

Announced this year, the F-PACE is Jaguar’s first crossover, targeting customers who need the practicality of an SUV but desire sports car design and performance.

Evoque Convertible creates a new segment delivering something exciting and different to the market.

TALENT MANAGEMENT
Not only has 2015 been about investing in infrastructure and innovation, but also making sure we invest in our people. We have supported our growth ambitions by welcoming almost 3,000 new people to our business to create a global workforce that is more than 38,000 strong.

With a continued focus on skills and research development, embedding new talent review processes and providing a framework to support career aspirations, we continue to lead engineering excellence and tackle future market challenges to drive sustainable growth and success.
RETAIL SALES AND DEVELOPMENT
Customer response has been extremely positive this year, resulting in record sales across UK, North America and Europe. We have continued to experience best-ever retails with 13 percent growth in 2015/16, continuing our run of year-on-year growth – every year – since 2010. This is in spite of economic volatility, particularly in some of the emerging markets, and the impact of economic slowdown in China.

2016 promises to be another exciting year, with the start of sales of the Range Rover Evoque Convertible and the Jaguar F-PACE, along with further all-new and refreshed vehicles.

CASE STUDY: IMPROVING OUR BRANDS IN RETAIL
Over the next few years the implementation of the new ARCH concept will transform Jaguar Land Rover’s retail brand identity into a crisp, modern retail design language, supporting the brand positioning for both Jaguar and Land Rover. Our Global Franchise Partners will invest several billion pounds in either totally new or redeveloped facilities throughout the world, delivering a world-class retail experience for our customers. We will continue to pursue our successful dual-brand franchise strategy, bringing both brands together under one roof.

A number of ARCH Brand Statement Sites and Boutique locations will also be introduced into key geographical locations over the next 12 months or so. Our Customer First approach, augmented by increasing brand presence and customer accessibility, will enhance our Retailers’ profitability. The next 12 months will see the full global adoption of Jaguar Land Rover’s Customer First principles, embedding them throughout the Sales and Marketing community to support the Customer First philosophy.
Jaguar Land Rover retail sales hit record highs for the fifth consecutive year with 521,571 units sold in Fiscal 2016, up 13 per cent year-on-year. Higher retail sales in the UK, North America and Europe were offset by lower sales in China and sales volumes in Overseas markets were comparable to last year.

Higher sales in the UK and Europe reflect the success of the XE and Discovery Sport as well as continued demand for the Range Rover Evoque. Sales of the Range Rover and Range Rover Sport also performed well in Europe. Stronger sales in North America were primarily driven by the Discovery Sport, Discovery and Range Rover products as well as the Jaguar XF and F-TYPE with the XE not launched there until May 2016.

Sales in China were lower during the first nine months of the year, reflecting softer economic conditions and the timing of new model launches. However, sales have been improving and were higher in the final quarter, up 19 per cent year-on-year, reflecting the successful launch and strong demand for the locally produced Discovery Sport as well as improving sales of the Evoque from our China Joint Venture. Total retail sales from our China Joint Venture were 31,765 units for the year.

The new Jaguar XE and Land Rover Discovery Sport drove sales in Overseas markets but were slightly offset by softer sales of other models.

* Jaguar Land Rover retail sales represent vehicle sales made by dealers to end customers and include the sale of vehicles produced from our Chinese Joint Venture, Chery Jaguar Land Rover Automotive Co. Ltd.
OUR FOUNDATIONS FOR SUSTAINABLE GROWTH

RETAIL SALES BY MODEL

**JAGUAR:** 94,449 UNITS

<table>
<thead>
<tr>
<th>Model</th>
<th>Units</th>
<th>Fiscal Year</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>XJ</td>
<td>11,735</td>
<td>2015-2016</td>
<td>(Fiscal 2015 16,566 UNITS)</td>
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<tr>
<td>F-TYPE</td>
<td>11,839</td>
<td>2015-2016</td>
<td>(Fiscal 2015 12,130 UNITS)</td>
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<tr>
<td>XF</td>
<td>34,182</td>
<td>2015-2016</td>
<td>(Fiscal 2015 45,669 UNITS)</td>
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<tr>
<td>XE</td>
<td>36,452</td>
<td>2015-2016</td>
<td>NEW MODEL ADDED AT THE BEGINNING OF FISCAL 2016</td>
</tr>
<tr>
<td>F-PACE</td>
<td>13</td>
<td>2015-2016</td>
<td>NEW MODEL ADDED IN THE LAST MONTH OF FISCAL 2016</td>
</tr>
<tr>
<td>XK (Discontinued)</td>
<td>228</td>
<td>2015-2016</td>
<td>(Fiscal 2015 2,563 UNITS)</td>
</tr>
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</table>

In Fiscal 2016, retail volumes for the Jaguar brand grew by 23 per cent year-on-year, driven by the introduction of the new Jaguar XE model in May 2015. Sales of the Jaguar XF and XJ were down overall for the year as a result of the transition to the all-new lightweight XF, which went on sale in September, and the refreshed XJ, which went on sale in December. F-TYPE sales remained solid throughout the year. Production of the Jaguar XK ceased in Fiscal 2015 and Jaguar’s new luxury performance SUV the F-PACE is due to go on general sale more widely this spring, with a healthy order book already established.

**LAND ROVER:** 427,122 UNITS**

<table>
<thead>
<tr>
<th>Model</th>
<th>Units</th>
<th>Fiscal Year</th>
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<tr>
<td>RANGE ROVER</td>
<td>59,974</td>
<td>2015-2016</td>
<td>(Fiscal 2015 57,059 UNITS)</td>
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<tr>
<td>RANGE ROVER SPORT</td>
<td>86,915</td>
<td>2015-2016</td>
<td>(Fiscal 2015 83,864 UNITS)</td>
</tr>
<tr>
<td>RANGE ROVER EVOQUE</td>
<td>110,533</td>
<td>2015-2016</td>
<td>(Fiscal 2015 123,964 UNITS)</td>
</tr>
<tr>
<td>DISCOVERY</td>
<td>51,072</td>
<td>2015-2016</td>
<td>(Fiscal 2015 49,489 UNITS)</td>
</tr>
<tr>
<td>FREELANDER (Discontinued)</td>
<td>235</td>
<td>2015-2016</td>
<td>(Fiscal 2015 43,909 UNITS)</td>
</tr>
<tr>
<td>DEFENDER (Discontinued)</td>
<td>22,504</td>
<td>2015-2016</td>
<td>(Fiscal 2015 19,019 UNITS)</td>
</tr>
</tbody>
</table>

Retail volumes for Land Rover were up 11 per cent in Fiscal 2016 compared to last year, primarily driven by the continued success of the Discovery Sport which replaced the Freelander in Fiscal 2015. The more established Discovery, Range Rover and Range Rover Sport also maintained positive year-on-year sales growth in Fiscal 2016.

Retail sales of Evoque were up in Europe, the UK and in North America but down 11 per cent year-on-year overall primarily reflecting lower China volumes due to the transition of production to the China Joint Venture at the beginning of the year as well as the softer Chinese economy.

Finally, sales of the iconic Defender also performed strongly on run out as production ceased at the end of January 2016.

**CHINA JOINT VENTURE**
Retail sales from our China Joint Venture totalled 31,765 units in Fiscal 2016 with the Evoque on sale from February 2015 and the Discovery Sport on sale from November 2015. A total of 21,833 units of Evoque and 9,932 units of Discovery Sport were sold from the China Joint Venture in Fiscal 2016.

**Including 31,765 sales from our China joint venture.**
OUR FOUNDATIONS FOR SUSTAINABLE GROWTH

SUSTAINABLE BUSINESS THROUGH EFFICIENCY

OUR PHILOSOPHY
To deliver sustainable profitable long-term growth we must take the right steps to be well positioned financially. Ongoing initiatives on efficiency, productivity and cost management are maintaining our competitiveness, as well as strategic programmes to protect continued investment in new products. Alongside our business focus, we are also working to provide innovation for good and benefit the communities which we serve.

OUR FOCUS
A major business transformation programme is underway across Jaguar Land Rover to drive a step change in performance across a number of our activities. While driving down costs is an essential part of the programme, the emphasis is on increasing profitability to fund future investment plans and improving operations across the entire company.

SMARTER WORKING
Every employee has been asked to contribute and to generate ideas to improve how we work. Everyone is involved in eliminating waste, creating efficiencies and ensuring a more sustainable and profitable future for the business.

These ideas have ranged from simple measures, such as new ways of teleconferencing, to reducing the overall complexity of our business – challenging our existing processes and the assumptions which underpin them. Some of the ideas will drive ‘quick wins’ in our bottom line by 2018, while a second deadline of 2021 has been set for transformational change.

The programme is progressing towards the goal of employees thinking as ‘business owners’ for their part of the Company, improving each area and working with their colleagues in other functions as a single team, to make the right business decisions and ensure Jaguar Land Rover is best placed for the future.

CASE STUDY: STREAMLINING THE PROCESS
Listening to those who actually do the job is frequently the best way to increase efficiency and effectiveness in our manufacturing and business processes.

Team improvement circles use the experience and knowledge of our staff to propose, develop and implement ways of smarter working.

In our Engine Manufacturing Centre a team of production line employees identified and implemented an effective engine-part fitting process that has resulted in a 65 per cent improvement in efficiency. The team measured that on any given shift an employee who looked after the engine-parts trolley as it moved along the production line would walk up to 12km to return the trolley to the start.

By making one change to the production line process the staff have reduced the amount of time and distance an employee travels per shift resulting in a significant improvement in value added to the business.
BUILDING A SUSTAINABLE AND EFFICIENT BUSINESS

THE ENGINE MANUFACTURING CENTRE HAS A ZERO WASTE TO LANDFILL COMMITMENT, WITH 100 PER CENT OF WASTE RECYCLED OR REUSED

THE ENGINE MANUFACTURING CENTRE HAS 21,000 PHOTOVOLTAIC ROOF PANELS CAPABLE OF GENERATING UP TO 30 PER CENT OF THE FACILITY’S ENERGY, EQUIVALENT TO POWERING 1,600 HOMES

CLOSED LOOP RECYCLING CONTRIBUTES TO JAGUAR LAND ROVER REDUCING POTENTIAL GREENHOUSE GAS EMISSIONS BY 30 PER CENT OVER A VEHICLE’S LIFE CYCLE, COMPARED TO VEHICLES PRODUCED IN 2007

LEADERSHIP THROUGH BUSINESS EXCELLENCE

OUR PHILOSOPHY
We use the Tata Business Excellence Model (TBEM) which is based on the Malcolm Baldrige model of the US. TBEM is an integrated approach to performance management and is built on beliefs and behaviours found in high performing organisations.

This helps us to align our workforce, suppliers, partners and other components of the supply chain, and enables all to work towards improvement of overall organisational effectiveness, efficiency and capabilities.

The model is focused on strategy and process-driven results and is the basis of conducting organisational assessments. Jaguar Land Rover has participated in three assessments since 2011 to assess its maturity and progress on the excellence scale, and has used the feedback to focus on improvement actions.

OUR FOCUS
All of our processes have been organised into key work systems describing how work is accomplished and enables cross-functional engagement for operational effectiveness.

Our journey towards process maturity is enabled through a web-based resource called ‘The Jaguar Land Rover Way’ which captures the way we work, think and act.

Process excellence is the bedrock of our business and enables us to deliver leadership through our products and services with the core purpose of giving our customers experiences they will love, for life.
OUR FOUNDATIONS FOR SUSTAINABLE GROWTH
ENGAGING PASSIONATE PEOPLE

Our business equals people. Jaguar Land Rover is a family which prizes every relationship in it. As the UK’s largest automotive manufacturer, we have an obligation to advance the skills and capability of the industry, and in doing so, provide opportunities for passionate people to unleash their full potential. It is what drives us.

NEW SKILLS
The Jaguar Land Rover Learning Academy – the first in Britain – offers lifelong learning to all our people throughout their careers. This is one of the reasons why we have been voted the best employer in the United Kingdom. We believe in developing and nurturing the skills we need to drive sustainable growth. With the £100 million a year invested in the Jaguar Land Rover Learning Academy we provide a life-long learning platform to tackle market challenges and support changing business requirements. Employees can achieve any level of learning through the Academy and develop their careers, from apprentices and graduates to more experienced employees and ex-military personnel. As the UK’s largest investor in manufacturing research and development, we work with universities around the world to develop cutting-edge innovation.

OUR FOCUS
We know we need the next generation to help us. That is why our Inspiring Tomorrow’s Engineers programme has engaged 900,000 young people in the UK since 2013 – and we aim to engage 3 million young people globally by 2020. Jaguar Land Rover has recruited around 2,500 young people into our graduate and apprentice programmes in the last five years and we continue to invest in early careers and talent, welcoming nearly 600 new graduates to the business in 2015. Our future talent pool is bright.

CASE STUDY: NURTURING OUR NEXT GENERATION AND CELEBRATING OUR PEOPLE’S SUCCESS

1. Alex Tomlinson, Jaguar Land Rover apprentice since 2012 – Apprentice of the Year and Best of British Engineering at the Semta Skills Awards 2015.
2. Jaguar Land Rover Apprentice Manager Ian Eva – also a former apprentice – was made an MBE in the New Year’s Honours List in recognition of his services to vocational education.
3. Gaydon-based Jaguar Land Rover Audio Engineer, Orla Murphy, was crowned the Institution of Engineering and Technology Young Woman Engineer of the Year 2015 and will work with them to promote engineering careers and inspire girls and young people generally.

KEY 2015/2016 SUCCESSES

- Opened a new Education Business Partnership Centre at our Engine Manufacturing Centre near Wolverhampton, one of six centres in the UK which showcase cutting-edge manufacturing to inspire children from primary school age to 18+
- Building a new Education Partnership Business Centre at our new plant in Brazil, a first for our overseas operations
- Launched the China Youth Dream Fund in partnership with the Soong Ching Ling Foundation, which has already helped 60,000 children in its first year
- 77 per cent of volunteers supported Jaguar Land Rover’s Inspiring Tomorrow’s Engineers programme – 4,894 employees donated 102,280 hours

FUTURE PLANS

- We will create positive opportunities for millions of people
- 300,000 children in 375 schools in Bungoma, Kenya, will drink safe water over the next five years thanks to our LifeStraw water purifier project
CASE STUDIES: INNOVATION FOR GOOD

We believe in the power of engineering to improve lives. This is why we encourage our passionate workforce to share their expertise with our partners and communities. Jaguar Land Rover employees spend up to two days a year supporting projects focused on regeneration, education, young people, the environment, engineering and local charities. We are proud of our people who look to pioneer innovation that makes a real difference.

KEY 2015/2016 SUCCESSES

• Improved the lives of over 4 million people since 2013 – equating to 100 people for every company employee, through our global CSR programme
• 2,903 people benefited from award-winning HITZ programme, using rugby for social change. Through the Rugby World Cup, inspired other companies to get involved and support programme expansion into Brazil, Argentina and China
• Celebrating 60th anniversary with the British Red Cross. Since 2007, provided significant funding, loaned 120 vehicles and reached over 900,000 vulnerable people
• Working with ClimateCare to invest our resources in projects to build better futures for millions of people
• Direct charitable contributions the International Federation of Red Cross, Royal Geographical Society, NSPCC, Born Free Foundation and BEN

FUTURE PLANS

• Expand our recruitment programme for ex-service men and women into Jaguar Land Rover through the Learning Academy programme
• Implement a relationship management tool from school age to senior executive to drive talent acquisition

1. Jaguar Land Rover Advanced Apprentices put their problem-solving skills to the test designing a bespoke solution to enable a disabled young horse rider to realise her passion.

2. Higher Level Apprentices provide engineering support to Greenbank Sports Academy on an ongoing basis, repairing and servicing wheelchairs and cycles used for the many disability sports activities.

3. The Land Rover Technology Challenge world finals in the UK: testing and inspiring engineers into schools.
OUR RISKS

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Our approach to risk 48
Our principal risks 50
OUR APPROACH TO RISK

We operate in the premium automotive sector and face a number of risks as a competitor in this sector. We manage and monitor these risks and the factors which could impact our plans for long-term sustainable growth.

DEFINING RISK
Risk is an event which could materially affect (compromise or enhance) our ability to achieve our objectives or impact our reputation. The risks identified may also present growth opportunities.

We recognise that risk is inherent in all business activities and must be balanced when assessing returns. Successful management of these risks is therefore key to accomplishing our strategic objectives and the long-term sustainable growth of our business.

Enterprise risk management is used as a tool to identify, assess, control and continually monitor key risks that could affect our business objectives.

RISK MANAGEMENT
To achieve an informed understanding of our tolerance for risk when delivering our overall business plan, we must be mindful that the goal of risk management is not to eliminate risk, but to ensure that the risks that we do accept remain within a predetermined level of acceptability whilst pursuing value-enhancing opportunities.

We also recognise that a healthy and responsible risk management framework does not encourage over-speculation but it should not default to promote excess conservatism either.

The ultimate goal of risk management within Jaguar Land Rover is to build resilience against any internal or external shocks, both anticipated and unforeseen.

RESPONSIBILITY FOR RISK
The Executive Committee is ultimately responsible for managing risk within Jaguar Land Rover. However, the wider organisation is responsible for the proactive day-to-day management of them.

The Executive Committee Members regularly review our key risks to monitor the progress of mitigating actions, identify new risks, concur changes to existing risks profiles and undertake any additional actions to manage risk that may be required as the business environment changes.

Principal risks and exceptions are reported to the Audit Committee regularly to assist in the decision-making process and ensure adequate controls are in place to support the business.

OUR APPROACH TO RISK MANAGEMENT

ENTERPRISE RISK MANAGEMENT (ERM) HELPS PRESERVE OUR VALUES AND MAINTAIN RESILIENCE

The ERM framework helps us to identify new and evolving risks and opportunities so that we can understand and manage risks that may materially impact our business objectives.

The ERM framework is also an effective communication tool used by senior management to monitor and gain consensus on how to manage the principal risks to the business, increasing the likelihood of successful mitigation and/or identifying opportunities.

THE ENVIRONMENT IN WHICH WE OPERATE IS DYNAMIC, AS ARE THE RISKS WE FACE

We plan for certain known changes to the industry and external environment whilst remaining sufficiently flexible for rapid and unknown changes that are inherently difficult to anticipate.

Managing the changing environment in which we operate and having the ability to cope with sudden unforeseen challenges ensures long-term sustainability of the business and healthy profitable growth.

RISK MANAGEMENT: IDENTIFICATION, ASSESSMENT, EVALUATION, RESPONSE AND REPORTING

By continuing to monitor and assess risks as well as embedding the management of such risks within our culture, we can identify new material risks and opportunities early on to take advantage of value-adding prospects and mitigating value-eroding threats.

We also continue to evaluate and report risks and opportunities to enable us to prioritise effectively and form effective responses.

IN THE PURSUIT OF VALUE CREATING OPPORTUNITIES FOR JAGUAR LAND ROVER
**OUR ENTERPRISE RISK MANAGEMENT FRAMEWORK**

Our framework consists of five key elements:

- **ORGANISATION**
  - A cross-functional network of risk champions coordinates the identification, monitoring and management of risks within their respective functional areas. A central Enterprise Risk Management team consolidates risk information and data from each champion as well as collating risk reporting to the Executive Committee and the Jaguar Land Rover Board.

- **PROCESS**
  - We aim to embed risk management into the day-to-day activities of each business function to instil risk into the mindset and business decision-making process. The standardisation of risk management processes across functions supports a consistency in our approach to risk management, facilitating its use and enhancing its effectiveness.

- **TOOLS & TRAINING**
  - We embed common risk management tools, techniques, language and approaches to engender cross-functional consistency of risk identification, assessment, monitoring and reporting. This ensures that risks are appropriately captured and calibrated consistently across the organisation.

- **REPORTING**
  - Our risk reporting is structured to inform the appropriate stakeholders promptly to aid in the decision-making process related to risk management. Reporting also allows us to effectively categorise risks so that appropriate working groups discuss relevant risks to ensure that high quality input is received and appropriate mitigation strategies are proposed.

- **CONTINUOUS IMPROVEMENT**
  - Our risk management process is expected to evolve over time and is designed to enable the assimilation of best practice from prior experience and external benchmarking, facilitating continuous improvement year-on-year. This process ensures that the risk management process becomes more efficient over time and changes as the business grows.
OUR PRINCIPAL RISKS

Risks are identified, assessed and measured against a defined set of criteria to consider the likelihood of occurrence and potential impact to the business facilitated by our Enterprise Risk Management framework. Plotting our principal risks on a risk map helps to visualise each risk profile as well as targeting to bring each risk back within a tolerable level.

OUR 10 PRINCIPAL RISKS

1. Global economic and geopolitical environment
2. Environmental regulations and compliance
3. Competitive business efficiency
4. Brand positioning
5. Product liability and recalls
6. Exchange rate fluctuations
7. Global expansion
8. Distribution channels
9. Patent and IP protection
10. Unethical and prohibited business practices

Key: Net risk profile (including mitigations)

Current risks

Target net risk profile

PRINCIPAL RISKS HEAT MAP

TWO PRINCIPAL RISKS INTRODUCED

5. Product liability and recalls
9. Patent and IP protection

Recent events and increased focus has raised the respective profiles of both risks. Mitigating actions are in place (as detailed on pages 52 and 53) to address the higher intensity of risk to the business as a result.

ONE RISK HAS CEASED TO BE A PRINCIPAL RISK

Supply chain

Plans and mitigating actions put in place since Fiscal 2015 have proved effective in reducing our exposure to these risks and are now back to more tolerable levels.
Jaguar Land Rover classifies risks into four broad categories to facilitate efficient risk management and formulate effective mitigation strategies. Our risk register details our principal risks as well as other notable risks which are reported to and monitored by the Executive Committee.

**PRINCIPAL RISKS BY RISK CATEGORY**

**STRATEGIC**
Risks and opportunities embedded within our strategic intent.

1. Global economic and geopolitical environment
4. Brand positioning
7. Global expansion

**OPERATIONAL**
Risks arising from procedures, people, systems and controls.

5. Product liability and recalls
8. Distribution channels

**LEGAL**
Risks arising from non-compliance with laws and regulations.

2. Environmental regulations and compliance
9. Patent and IP protection
10. Unethical and prohibited business practices

**FINANCIAL**
Risks driving uncertainty surrounding financial return.

3. Competitive business efficiency
6. Exchange rate fluctuations

**PRINCIPAL RISKS**

1. Global economic and geopolitical environment
4. Brand positioning
7. Global expansion

**OTHER MONITORED RISKS**

- Auto industry disruption
- Fashion and trends
- Industry competition
- Supply chain
- Disruption to operations
- Engine supply flexibility
- Seasonality and business cycles
- Quality standards
- IT system disruption and cybersecurity
- Corporate governance
- Ownership structure
- Labour relations
- Pension obligations
- Credit and liquidity
- Input prices
- Consumer finance and residual values
- Insurance coverage

**RISK HORIZON**

We recognise the need to anticipate and prepare for future challenges and trends that may develop and that could materially affect our long-term business success. Our risk horizon enables us to proactively anticipate forthcoming issues to inform our strategy creation process.
## OUR PRINCIPAL RISKS

The principal risks faced by Jaguar Land Rover are outlined below. The risks discussed are not exhaustive and Jaguar Land Rover may be subject to other risks not specifically outlined in this Annual Report.

<table>
<thead>
<tr>
<th>Risk driver</th>
<th>Potential consequences</th>
<th>Mitigating these risks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. GLOBAL ECONOMIC AND GEOPOLITICAL ENVIRONMENT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our expanding global presence increases our exposure to global economic and geopolitical risks and external factors such as the recent UK referendum to leave the EU, political instability, wars, terrorism, natural disasters, fuel shortages, epidemics and labour strikes which may impact our operations. Uncertainty from inconsistencies and ambiguity in economic and government policies as well as commercial employment practices may also impact our business.</td>
<td>We derive a significant proportion of our revenues from China, North America and continental Europe as well as domestic sales in the UK. Therefore we are exposed to potential fluctuations in the demand for our vehicles and disruption to our supply chain driven by global and geopolitical shocks which may have a direct impact on sales volumes and our financial results.</td>
<td>We aim to avoid an over-reliance on any one market by continuing to expand our international presence (i.e. manufacturing in Slovakia and Austria) and maintain a balanced sales portfolio of circa 20 per cent of retail volume from each key region. We recognise the risks inherent in increasing sales to new markets and we factor such risk into our business planning process. We continue to closely monitor geopolitical and wider global economic developments and we will be closely monitoring developments following the UK referendum to leave the EU.</td>
</tr>
<tr>
<td><strong>4. BRAND POSITIONING</strong></td>
<td></td>
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</tr>
<tr>
<td>Building on the strength of our two world renowned brands is imperative to current and future success. Brand positioning is becoming increasingly challenging as the wider automotive market and digital environment develops where new competitors are emerging and existing competitors are evolving.</td>
<td>Our inability to successfully position and maintain brand strength in the future could impact customer demand for our products. Failing to meet customer preferences, develop new products in line with market trends or suffering delayed products launches could drive existing and potential customers to choose competitor products.</td>
<td>Recent successful model launches have broadened our product offering to existing and new customers in existing and new segments. Furthermore, we also regularly monitor brand health to quickly identify risks and/or opportunities that may arise as well as supporting initiatives designed to manage residual values.</td>
</tr>
<tr>
<td><strong>7. GLOBAL EXPANSION</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As our international sales and manufacturing footprint increases we become increasingly exposed to such external factors as geopolitical risks, natural disasters, epidemics, inconsistency and ambiguity of economic and governmental policies, the interpretation of local laws and regulations and taxation systems.</td>
<td>As a consequence of these external factors, our sales and production operations could be subject to various forms of disruption resulting in a reduction of sales/production volumes or losses which could materially impact our financial results and ultimately could impact on our ability to fund future investment.</td>
<td>We currently have a balanced sales profile with the five key sales regions, each accounting for circa 20 per cent of retail volumes. We continue to expand our international manufacturing base to complement our international sales profile and closely monitor geopolitical and wider global economic developments.</td>
</tr>
</tbody>
</table>

## OPERATIONAL RISKS

**5. PRODUCT LIABILITY AND RECALLS**

We are subject to risks associated with product liability and recalls affecting our products. This may cause existing and potential customers to question the quality of Jaguar Land Rover products, the negative reputational ramifications of which could be exacerbated through social and other media.

Operational anomalies that impact quality are likely to drive higher incidence of product recalls and an increase in related costs as well as warranty claims. In addition, our reputation could be adversely impacted and we could be the subject of class actions or other large-scale product liability and/or other lawsuits as a consequence.

We regularly monitor the service data of our vehicles, via our global dealer network, and take appropriate actions to manage recalls and minimise warranty claims. The Company also issues technical updates to the dealer network to provide awareness of known vehicle faults, in line with general industry practices.

**8. DISTRIBUTION CHANNELS**

Our products are sold and serviced through a network of authorised dealers, service centres and distributors in markets around the world. We maintain strong relationships with our sales network to ensure that a consistent high quality of customer service is maintained. However, there is a risk that our customer service could deteriorate.

Our sales network is key to our success; therefore, any factors that impact those relationships or any underperformance from our sales network could impact sales volumes and our business results. If customer service and customer experience falls short of expectations, future sales and customer retention could be impacted.

We monitor the performance of our dealers and distributors and provide them with support to ensure a high quality of service is maintained in line with our and customers’ expectations. We also maintain a customer-first approach in conjunction with our dealers and other distribution channels.
### Risk driver

### Potential consequences

### Mitigating these risks

#### LEGAL RISKS

**2. ENVIRONMENTAL REGULATIONS AND COMPLIANCE**

We are subject to numerous laws, regulations and policies covering environmental aspects related to our vehicles and production facilities, including greenhouse gas emissions and fuel economy, and this regulatory environment is constantly changing, exacerbating the risks we face. In addition, a number of our production facilities also require permits and/or licences to continue to operate.

We may incur additional investment spending to upgrade products and manufacturing facilities, as well as increased running costs, to comply with policies and regulations to avoid facing significant civil penalties. Price pressures may also increase as various jurisdictions adopt fuel consumption or CO₂ based vehicle taxation systems and our competitors may gain a competitive advantage by adopting new emissions and fuel efficient technologies before we do.

We have invested substantially in lightweight architecture, developed a family of efficient four-cylinder engines and we continue to develop electrification technologies with plans to deploy plug-in hybrid and battery electric vehicles in future. We also retain an EU derogation, permitting more lenient fleet average CO₂ targets under a certain sales threshold and we also hold ISO 14001 certification, the international standard for environmental management systems.

#### 9. PATENT AND IP (INTELLECTUAL PROPERTY) PROTECTION

New product launches and substantial investment in R&D to support the development of new products has resulted in higher accumulation of intellectual property that may be desirable to other organisations and we may be vulnerable to a breach of intellectual property (i.e. patents, copyright, designs & trademarks).

If we are unable to protect our intellectual property, a material breach occurs or if we are restricted from using intellectual property obtained from others there could be an adverse effect on our operations. In addition, we could be held legally liable for infringing the intellectual property rights of others in the development, manufacture and sale of our products.

We own (by way of patents and trademarks) or otherwise the legal rights in respect of a number of patents, copyrights, industrial designs, trademarks and other intellectual property relating to the design and manufacture. Furthermore we have a dedicated team of in-house specialists that manage matters relating to intellectual property.

#### 10. UNETHICAL AND PROHIBITED BUSINESS PRACTICES

The accelerated growth of our business has resulted in the expansion of our operations overseas, increasing the complexity of the legal environments under which we operate. As we expand our international footprint we will become more exposed to the potential risks associated with different ethical standards and cultural norms.

Non-compliance with ethical and/or legal practices may materially impact our reputation and could result in restrictions being placed on our operations (i.e. licences withheld) as well as regulatory investigations that could cause business disruption and potentially lead to the imposition of fines.

To mitigate unethical and illegal behaviour we have a number of policies relating to anti-bribery/corruption and whistleblowing as well as sanctions and export controls. Our code of conduct and comprehensive training programmes support these policies and employees are required to certify their compliance on an annual basis.

### FINANCIAL RISKS

#### 3. COMPETITIVE BUSINESS EFFICIENCY

Jaguar Land Rover has initiated programmes to optimise operating efficiency in response to the dynamic external environment including existing and emerging competitive challenges. However, there is a risk that these programmes do not deliver projected efficiencies and anticipated benefits may not accrue as expected.

If we are unable to deliver the desired benefits from the planned efficiency programmes, our business results may be adversely impacted. Furthermore, Jaguar Land Rover’s ability to compete successfully over the longer term and sustain profitable growth may be affected.

Jaguar Land Rover has launched certain initiatives to reduce product and business complexity. We have robust project management processes in place to continually track progress against set targets and to address any issues that may arise immediately, complemented by external consultation as required.

#### 6. EXCHANGE RATE FLUCTUATIONS

Approximately 80 per cent of our revenue is derived from sales outside of the United Kingdom and we source a significant proportion of our components from suppliers in the Eurozone, however our reporting currency is Pounds Sterling. This drives significant exposure to fluctuations in foreign currency, notably sales denominated in US Dollars and Chinese Renminbi as well as costs denominated in Euro.

Generally, a relatively stronger Pound Sterling could adversely impact earnings as the value of overseas sales is eroded. Longer-term strategic, translation and economic currency risk exists where there is a structural misalignment in the denomination of costs and revenues which exposes the Company to longer-term foreign exchange trends beyond our currency hedging programme.

We manage transaction risk through the use of foreign currency derivatives to hedge forecast exposures in line with the currency hedging policy approved by the Board. Where possible, we aim to align our sourcing base with our international sales profile. The proportion of our debt denominated in US Dollars also provides a natural hedge, through revaluation, against our US Dollar denominated sales.
FINANCIAL REVIEW

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Chief Financial Officer’s statement 56
Financial performance 57
Fiscal 2016 has been another strong year for Jaguar Land Rover with record sales volumes and revenue as well as solid profitability and strong positive cash flow.”

Kenneth Gregor, Chief Financial Officer

Record retail volumes of 521,571 units and revenue of £22.2 billion in Fiscal 2016 marks the sixth successive year of growth for Jaguar Land Rover. The retail volumes represent a 13 per cent year-on-year increase with strong growth in the UK, North America and Europe, driven by the success of new products such as the Discovery Sport and the Jaguar XE.

EBITDA was a solid £3.3 billion (14.9 per cent margin) before one-time reserves and charges of £166 million for the US recall of potentially faulty passenger airbags supplied by Takata, doubtful debts and previously capitalised investment. This EBITDA and margin reflects the higher revenue as well as the generally favourable foreign exchange and commodity price environment, offset by less favourable market and product mix.

Profit before tax of £1.6 billion was driven by the solid EBITDA, profits from our China Joint Venture, lower finance expense as well as lower revaluation of US Dollar debt and unrealised FX and commodity hedges. Offsetting these were higher depreciation and amortisation, a net exceptional charge of £157 million for vehicles destroyed or damaged in the Tianjin port explosion and £166 million for other one-time reserves and charges.

Free cash flow was £791 million after total investment spending of £3.1 billion, before financing. We also paid a dividend of £150 million, out of free cash flow, to our parent Tata Motors in June 2015. Cash and financial deposits at 31 March 2016 were £4.65 billion and total liquidity was £6.5 billion, including an undrawn revolving credit facility of £1.87 billion.

In Q3 Fiscal 2016 we announced our intent to build a manufacturing facility in Slovakia with an initial investment of £1 billion to add 150,000 units of annual capacity from late 2018. A potential further £500 million investment in the Slovakia plant could expand capacity to 300,000 units per annum. In addition, we announced incremental investment of £450 million to double capacity at our Engine Manufacturing Centre in the UK.

Looking to Fiscal 2017, we plan to continue to deliver on our growth plans supported by the launch of recent and new products including the US launch of the Jaguar XE, the long wheel base Jaguar XF-L into the China joint venture, the Evoque Convertible and the Jaguar F-PACE, as well as other products yet to be announced.

Investment spending in Fiscal 2017 is expected to be in the region of £3.75 billion as we continue to invest in new products and technology as well as capacity expansion to deliver profitable growth. We expect to continue to fund investment spending from operating cash, supported by proven access to capital markets as required.

Kenneth Gregor
Chief Financial Officer
Jaguar Land Rover Automotive plc

18 July 2016
FINANCIAL PERFORMANCE
CONSOLIDATED INCOME STATEMENT

Revenue in Fiscal 2016 was £22.2 billion, up from the £21.9 billion in Fiscal 2015 primarily reflecting strong retail sales of 521,571 units (including sales from the China joint venture), up 13 per cent year-on-year, partially offset by less favourable market and product mix. The higher retail sales were driven by strong sales of the new Jaguar XE and Discovery Sport as well as higher sales in the UK, North America and Europe. The lower retail sales in China predominantly reflect the softer economic conditions there at the beginning of the year, the timing of new product launches and the transition of Evoque and Discovery Sport production to the China joint venture. We maintained a balanced portfolio of sales across our five geographical regions during the fiscal year and continue to grow our global sales presence.

EBITDA was a solid £3,313 million (14.9 per cent margin) in Fiscal 2016, before one-time reserves and charges, compared to the record high EBITDA of £4,132 million (18.9 per cent margin) in the previous fiscal year. Lower profitability primarily reflects less favourable model and market mix as well as unfavourable revaluation of Euro payables, partially offset by higher sales volumes. Reported EBITDA was £3,147 million (14.2 per cent margin) after £166 million of one-time reserves and charges for the US recall of potentially faulty passenger airbags supplied by Takata, doubtful debts and previously capitalised investment.

Profit before tax after was £1,557 million in Fiscal 2016, after the £166 million of one-time reserves and charges and a net £157 million exceptional charge related to vehicles destroyed or damaged in the Tianjin port explosion in August 2015. The profit before tax was down from a record £2,614 million in Fiscal 2015, reflecting the lower EBITDA described above. Higher depreciation and amortisation (£367 million) was more than offset by more favourable revaluation of US Dollar debt and mark-to-market of unrealised derivatives (£347 million), joint venture profits (up £70 million, primarily our share of profits from the China joint venture) and lower net interest expense (£35 million).

Profit after tax was £1,312 million in Fiscal 2016 compared to the £2,038 million in the previous fiscal year. The effective tax rate of 16 per cent in Fiscal 2016 was lower than the 22 per cent in Fiscal 2015 primarily reflecting a £74 million deferred tax credit resulting from tax deductions available under the UK’s Patent Box tax legislation, and a favourable one-time deferred tax credit of £63 million for enacted future reductions in the rate of UK Corporation Tax (from 20 per cent to 19 per cent for FY18–FY20 and 18 per cent thereafter).
FINANCIAL PERFORMANCE
CONSOLIDATED CASH FLOW

CONSOLIDATED CASH FLOW (£ millions)

<table>
<thead>
<tr>
<th>Description</th>
<th>2015-16</th>
<th>2014-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>£3,113m</td>
<td>£3,147m</td>
</tr>
<tr>
<td>Expensed investment</td>
<td>+318</td>
<td>+318</td>
</tr>
<tr>
<td>Working capital and non-cash accruals</td>
<td>+413</td>
<td>+166</td>
</tr>
<tr>
<td>Tax Paid</td>
<td>(166)</td>
<td>(166)</td>
</tr>
<tr>
<td>Total product and other investment</td>
<td>(3,135)</td>
<td>(3,135)</td>
</tr>
<tr>
<td>Other²</td>
<td>+48</td>
<td>+48</td>
</tr>
<tr>
<td>Free cash flow (before financing)</td>
<td>791</td>
<td>111</td>
</tr>
<tr>
<td>Changes in debt</td>
<td>(111)</td>
<td>(111)</td>
</tr>
<tr>
<td>Finance expenses and fees</td>
<td>(142)</td>
<td>(142)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(150)</td>
<td>(150)</td>
</tr>
<tr>
<td>Net change in cash &amp; financial deposits</td>
<td>388</td>
<td>804</td>
</tr>
</tbody>
</table>

1. ‘Working capital and non-cash accruals’ includes an adjustment for one-time reserves and charges of £166 million for the US recall of potentially faulty passenger airbags supplied by Takata, doubtful debts and previously capitalised investment.
2. ‘Other’ includes £40 million of finance income received.

OVERVIEW

Free cash flow before financing was £791 million in Fiscal 2016 as solid EBITDA and positive working capital were more than sufficient to fund total investment spending of £3,135 million. The net increase in total cash and deposits at the fiscal year end was £388 million after £150 million dividend to our parent Tata Motors Limited and a £111 million reduction in debt.

KEY DRIVERS

TOTAL PRODUCT AND OTHER INVESTMENT
£3,135m
FY15: £3,147 MILLION

Positive inflows related to working capital and other non-cash accruals were £413 million during the year primarily reflecting a favourable movement of £443 million in accounts payable.

WORKING CAPITAL AND NON-CASH ACCRUALS
£413m
FY15: £116 MILLION OUTFLOW

An increase of £477 million in inventory was more than offset by favourable movements in other liabilities, including pensions, warranty and other reserves.

FREE CASH FLOW BEFORE FINANCING
£791m
FY15: £842 MILLION

Free cash flow was £791 million in Fiscal 2016 driven by the solid £3,313 million EBITDA (including £318 million of expensed R&D) and positive working capital less taxes paid of £166 million, which funded total investment spending of £3,135 million as depicted above. In Fiscal 2016 other income of £48 million, primarily interest earned on cash and financial deposits, was also received within the year.

CHANGE IN CASH AND FINANCIAL DEPOSITS
£388m
FY15: £804 MILLION

The net change in cash and financial deposits in Fiscal 2016 was £388 million. The increase reflects free cash flow of £791 million less a £150 million dividend paid to Tata Motors limited in June 2015, a £111 million reduction in debt (including the redemption of the remaining 8.25 per cent March 2020 Sterling bonds and lower utilisation of a short-term debt facility), and finance expenses and fees of £142 million.
LIQUIDITY

Total cash at 31 March 2016 was £4,651 million (21 per cent of revenue), comprising cash and cash equivalents of £3,399 million and £1,252 million of financial deposits. This compares to total cash of £4,263 million at the end of Fiscal 2015. The majority of cash at 31 March 2016 was held in the UK with £528 million held in subsidiaries overseas.

Our revolving credit facility (‘RCF’) was successfully refinanced with a syndicate of 30 banks in July 2015, with a maturity of five years and committed credit of £1,870 million. At 31 March 2016 this remained fully undrawn.

With total cash of £4,651 million and the undrawn RCF of £1,870 million we had total liquidity of £6,521 million at 31 March 2016, up £773 million compared to the £5,748 million of liquidity at the end of the previous fiscal year.

In addition, we renewed our invoice discounting arrangements in April 2015, including a $350 million committed facility (£116 million equivalent was drawn at 31 March 2016) and a $200 million uncommitted facility which was undrawn at the end of Fiscal 2016.

BORROWING, INDEBTEDNESS AND NET CASH

At 31 March 2016 we had £2,500 million of debt outstanding, comprising £2,392 million of long-term unsecured bonds (less £19 million of deferred fees capitalised on the balance sheet related to the outstanding bonds), £116 million equivalent of short-term discounted receivables and £111 million of finance leases. Of the £2,392 million face value of bonds, circa £1,592 million is denominated in US Dollars and £800 million is denominated in Pounds Sterling. Almost half (48 per cent) of our debt matures after five years, 28 per cent in three to five years and the remaining 24 per cent within three years.

On 15 March 2016 we redeemed the remaining £58 million of 8.25 per cent Sterling bonds maturing 2020 by exercising a call option, the majority of which was successfully tendered and redeemed in March 2015.

After total cash of £4,651 million and total indebtedness of £2,500 million we had net cash at 31 March 2016 of £2,151 million compared to £1,713 million at the end of Fiscal 2015.

1 The face value of outstanding bonds are reflected and excludes £19 million of deferred fees capitalised on the balance sheet.
2 FY (Fiscal Year) refers to a 12 month period ending on 31 March. CY (Calendar Year) refers to a 12 month period ending on 31 December.
3 The outstanding 8.125 per cent Senior Notes (circa £58 million equivalent) maturing May 2021 were fully repurchased under the optional redemption terms of the bond on 16 May 2016.