TATA MOTORS LTD/FI
Form 6-K
February 11, 2019
Table of Contents

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16

of the Securities Exchange Act of 1934

For the Month of February 2019

Commission File Number: 001-32294

TATA MOTORS LIMITED

(Translation of registrant s name into English)

BOMBAY HOUSE

24, HOMI MODY STREET,

MUMBAI 400 001, MAHARASHTRA, INDIA

Telephone # 91 22 6665 8282 Fax # 91 22 6665 7799

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes No

Indicate by check mark whether by furnishing the information contained in this Form, the Registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g 3-2(b): Not Applicable

Table of Contents

TABLE OF CONTENTS

Table of Contents

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorised.

Tata Motors Limited

By: /s/ Hoshang K Sethna
Name: Hoshang K Sethna
Title: Company Secretary
Dated: February 11, 2019

Table of Contents

Table of Contents

Contents

Management s discussion and analysis of financial condition and results of operations

Table of Contents

Group, Company, Jaguar Land Rover, JLR plc and JLR refers to Jaguar Land Rover Automotive plc and its subsidiaries. Note 3 on page 16 defines a series of alternative performance measures

Adjusted EBITDA margin	measured as adjusted EBITDA as a percentage of revenue.
Adjusted EBIT margin	measured as adjusted EBIT as a percentage of revenue.
PBT	profit before tax.
PAT	profit after tax.
Net debt/cash	defined by the Company as cash and cash equivalents plus short-term deposits and other investments less total balance sheet borrowings (as disclosed in note 18 to the condensed consolidated financial statements).
Q3 FY19	3 months ending 31 December 2018
Q3 FY18	3 months ended 31 December 2017
9M FY19	9 months ending 31 December 2018
9M FY18	9 months ended 31 December 2017
China JV	Chery Jaguar Land Rover Automotive Co., Ltd.

Table of Contents

Management s discussion and analysis of financial condition and results of operations

Continued challenging market conditions in China resulted in a weaker third quarter for Jaguar Land Rover with revenue of £6.2 billion and a loss before tax and exceptional items of £273 million.

Given the muted demand scenario and the associated impact on the financials, JLR has concluded that the carrying value of capitalized investments should be adjusted down, resulting in a £3.1 billion non-cash pre-tax exceptional charge.

Key metrics for Q3 FY19 results, compared to Q3 FY18, are as follows:

- Retail sales of 144.6k units (including the China JV), down 6.4%
- Wholesales of 141.6k units (including the China JV), down 11.0%
- Revenue of £6.2 billion, down from £6.3 billion
- Loss before tax and exceptional items £273 million, down from PBT of £190 million
- Loss after tax and exceptional items £3.1 billion (primarily the impairment of capitalised investments), down from PAT of £88 million
- Adjusted EBITDA margin was 7.3% and Adjusted EBIT margin was (2.6)%
- Free cash flow was negative £361 million after total product and other investment spending of £1 billion and £130 million of working capital inflows, including £242 million of improvements in inventory

Market environment

- China s GDP growth slowed to 6.4% in Q3 reflecting trade tensions with the US which is impacting consumer confidence and lower automotive industry sales (down 15% year on year).
- US economic growth remained around 3.0% and automotive industry sales were up slightly year on year.
- UK GDP remained weaker at 1.4% in Q3, with inflation of around 2%, as the increasing risk and uncertainty surrounding a disorderly Brexit continues to weigh on the Pound. Auto industry sales were down 3.8%, with diesel sales down 21.3%.

Growth in Europe slowed to around 1.3% in Q3 reflecting weaker economic performance, including in Germany and Italy. This weaker economic growth and continuing diesel uncertainty is weighing on auto industry sales, down 8.0% year on year in Q3.

Total automotive industry car volumes (units)

	Q3 FY19	**Q3 FY18**	**Change (%)**
China	6,453,400	7,595,300	(15.0)%
Europe (excluding UK)	2,269,780	2,466,608	(8.0)%
UK	456,327	474,206	(3.8)%
US	4,360,612	4,333,491	0.6%
Other markets	3,551,059	3,392,864	4.7%

The total industry car volume data above has been compiled using relevant data available at the time of publishing this Interim Report, compiled from national automotive associations such as the Society of Motor Manufacturers and Traders in the UK and the ACEA in Europe, according to their segment definitions, which may differ from those used by JLR.

Jaguar Land Rover Q3 FY19 sales volumes year-on-year performance

Total retail sales were 144,602 units, down 6.4%, reflecting the continuing challenging market conditions in China, where retails were down 47.1%. Sales were also down 5.2% in Overseas markets but JLR outperformed the industry in other regions with significant growth in North America (up 21.1%) and in the UK (up 18.4%) with modest growth in Europe (up 0.3%). Sales of new and refreshed models were up including the Jaguar E-PACE (11.5k units), I-PACE (5.6k units), Range Rover (2.8k units) and Range Rover Sport (3.8k units) but were offset by lower sales of other models largely reflecting the decrease in the China market.

Wholesales (including the China JV) totalled 141,552 units, down 11.0%. By region, wholesales were down in China (52.7%) and Overseas (21.2%) but significantly higher in the UK (16.1%), North America (15.9%) and in Europe (7.0%).

Table of Contents

Jaguar Land Rover s Q3 FY19 retail sales (including the China JV) by key region and model is detailed in the following table:

	Q3 FY19	Q3 FY18	Change (%)
UK	26,257	22,177	18.4%
North America	39,759	32,836	21.1%
Europe	33,013	32,916	0.3%
China[1]	22,066	41,732	(47.1%)
Overseas	23,507	24,786	(5.2%)
Total JLR	**144,602**	**154,447**	**(6.4%)**
F-PACE	12,671	18,455	(31.3%)
I-PACE	5,625		n/a
E-PACE[1]	12,048	589	>99%
F-TYPE	1,502	2,381	(36.9%)
XE[1]	6,545	6,801	(3.8%)
XF[1]	5,643	10,661	(47.1%)
XJ	804	2,216	(63.7%)
Jaguar[1]	**44,838**	**41,103**	**9.1%**
Discovery Sport[1]	21,033	29,714	(29.2%)
Discovery	9,417	12,864	(26.8%)
Range Rover Evoque[1]	18,474	24,722	(25.3%)
Range Rover Velar	15,291	17,064	(10.4%)
Range Rover Sport	20,259	16,492	22.8%
Range Rover	15,290	12,488	22.4%
Discontinued Models			n/a
Land Rover[1]	**99,764**	**113,344**	**(12.0%)**
Total JLR	**144,602**	**154,447**	**(6.4%)**

1 China JV retail volume in Q3 FY19 was 12,669 units (5,568 units of Discovery Sport, 1,777 units of Evoque, 2,495 units of Jaguar XFL, 2,223 units of Jaguar XEL and 606 units of Jaguar E-PACE). China JV retail volume in Q3 FY18 was 23,388 units (11,797 units of Discovery Sport, 5,534 units of Evoque, 5,839 units of Jaguar XFL and 218 units of Jaguar XEL)

Q3 FY19 revenue and profits

For the quarter ended 31 December 2018, revenue was £6.2 billion with a loss before tax and exceptional items of £273 million, down from a profit before tax of £190 million in Q3 FY18, primarily reflecting:

17.5k units of lower wholesales (-£160 million), primarily in China, and de-stocking costs (-£82 million)

Higher incentive spending (£ -21 million) and increased quality costs (-£89 million)

Non-recurrence of the tax rebate in Q3 FY18 (-£45 million)

Higher engineering costs (-£17 million)

Higher depreciation and amortisation (-£52 million)

Unfavourable FX, commodities and other (-£16 million)

Charge savings starting to come through (+£40 million)

After exceptional items (primarily the £3.1 billion impairment) the loss before tax was £3.4 billion and the loss after tax was £3.1 billion, compared to PAT of £88 million in Q3 FY18.

Adjusted EBITDA was £455 million (7.3% margin) compared to £685 million (10.9% margin) in Q3 last year. The loss before interest and tax (Adjusted EBIT) was £(159) million (-2.6% Adjusted EBIT margin) versus Adjusted EBIT of £164 million (2.6% margin) in Q3 FY18.

Revenue was £17.1 billion in the 9 months to 31 December 2018 compared to £18.2 billion for the same period last year, generating a loss before tax and exceptional items of £627 million compared to a profit before tax and exceptional items of £705 million in the prior period. Including exceptional items the loss before tax for the 9 months to 31 December 2018 was £3.7 billion, compared to PBT of £1.1 billion (which included a £437 million one-off pension credit) for the same period last year. Adjusted EBITDA for 9M FY19 was £1.3 billion (7.6% margin) compared to £1.9 billion (10.3% margin) for the prior period, and the loss before interest and tax (Adjusted EBIT) was £391 million (-2.3% margin), compared to an Adjusted EBIT of £562 million (3.1% margin) for the same period last year. The loss after tax and exceptional items in 9M FY19 was £3.7 billion compared to a profit after tax and exceptional items of £846 million in 9M FY18 (which included a £437 million one-off pension credit).

Table of Contents

Cash flow, liquidity and capital resources

Q3 FY19 free cash flow was negative £361 million after £1 billion of total product and other investment spending and £130 million of working capital inflows, including £242 million in inventory improvements. Of the investment spending £907 million was capitalised and £113 million was expensed through the income statement.

Cash and financial deposits at 31 December 2018 stood at £2.5 billion (comprising £1.7 billion of cash and cash equivalents and £0.8 billion of short term deposits and other investments) after the £361 million negative free cash flow, proceeds from the $1 billion syndicated loan and repayment of a $700 million bond. The cash and financial deposits include an amount of £303 million held in subsidiaries of Jaguar Land Rover outside of the United Kingdom. The cash in some of these jurisdictions is subject to impediments to remitting cash to the UK other than through annual dividends. As at 31 December 2018, the Company also had an undrawn revolving credit facility totalling £1.9 billion, maturing in July 2022, and £41 million equivalent for an unutilised short-term uncommitted receivable factoring facility.

Debt

The following table shows details of the Company s financing arrangements as at 31 December 2018:

(£ millions)	**Facility amount**	**Amount outstanding**	**Undrawn amount**
£400m 5.000% Senior Notes due Feb 2022**	400	400	
£400m 3.875% Senior Notes due Mar 2023**	400	400	
£300m 2.750% Senior Notes due Jan 2021	300	300	
$500m 5.625% Senior Notes due Feb 2023*	393	393	
$500m 4.250% Senior Notes due Nov 2019**	393	393	
$500m 3.500% Senior Notes due Mar 2020**	393	393	
$500m 4.500% Senior Notes due Oct 2027	393	393	
650m 2.200% Senior Notes due Jan 2024	584	584	
500m 4.500% Senior Notes due Jan 2026	449	449	
$200m Syndicated Loan due Oct 2022	157	157	
$800m Syndicated Loan due Jan 2025	627	627	
Revolving 5 year credit facility	1,935		1,935
Invoice discounting facilities***	232	191	41
Finance lease obligations	31	31	
Subtotal	**6,686**	**4,710**	**1,976**
Prepaid costs		(36)	
Fair value adjustments****		(5)	
Total	**6,686**	**4,669**	**1,976**

*

Issued by Jaguar Land Rover Automotive plc and guaranteed by Jaguar Land Rover Limited, Jaguar Land Rover Holdings Limited, Land Rover Exports Limited, JLR Nominee Company Limited and Jaguar Land Rover North America LLC.

** Issued by Jaguar Land Rover Automotive plc and guaranteed by Jaguar Land Rover Limited and Jaguar Land Rover Holdings Limited.

*** $295 million uncommitted receivables factoring facility with Jaguar Land Rover Limited as the borrower and guaranteed by Jaguar Land Rover Holdings Limited.

**** Fair value adjustments relate to hedging arrangements for the $500m 2027 Notes and 500m 2026 Notes

Table of Contents

Risks and mitigating factors

There are a number of potential risks which could have a material impact on the Group s performance and could cause actual results to differ materially from expected and/or historical results, including those discussed on pages 80-83 of the Annual Report 2017-18 of the Group (available at www.jaguarlandrover.com) along with mitigating factors. The principal risks discussed in the Group s Annual Report 2017-18 are competitive business efficiency, global economic and geopolitical environment, brand positioning, environmental regulations and compliance, diesel uncertainty, unethical and prohibited business practices, information and cyber security, rapid technology change, exchange rate fluctuations and product liability and recalls.

Acquisitions and disposals

There were no material acquisitions or disposals in Q3 FY19.

Off-balance sheet financial arrangements

In Q3 FY19 the Company had no off-balance sheet financial arrangements (see note 23) other than to the extent disclosed in the condensed consolidated financial statements in this Interim Report, starting on page 8.

Post balance sheet items

On the 10 January 2019, the Group announced a voluntary redundancy programme. The estimated costs of £200 million in respect of this will be recognised in the quarter ending 31 March 2019.

Related party transactions

Related party transactions for Q3 FY19 are disclosed in note 26 to the condensed consolidated financial statements disclosed on page 31 of this Interim Report. There have been no material changes in the related party transactions described in the latest annual report.

Employees

At the end of Q3 FY19, Jaguar Land Rover employed 43,507 people worldwide, including agency personnel, compared to 42,448 at the end of Q3 FY18.

Board of directors

The following table provides information with respect to the current members of the Board of Directors of Jaguar Land Rover Automotive plc:

Name	Position	Year appointed as Director
Natarajan Chandrasekaran	Chairman	2017
Professor Dr. Ralf D. Speth	Chief Executive Officer and Director	2010

Andrew M. Robb	Director	2009
Nasser Mukhtar Munjee	Director	2012
Mr P B Balaji	Director	2017
Hanne Sorensen	Director	2018

Table of Contents

Condensed Consolidated Income Statement

(£ millions)	Note	Three months ended 31 December 2018	Three months ended 31 December 2017 *Restated	Nine months ended 31 December 2018	Nine months ended 31 December 2017 *Restated
Revenue	5	**6,223**	**6,310**	**17,080**	**18,231**
Material and other cost of sales excluding exceptional item		(4,056)	(4,033)	(10,981)	(11,599)
Exceptional item	4				1
Material and other cost of sales		(4,056)	(4,033)	(10,981)	(11,598)
Employee costs		(721)	(680)	(2,158)	(1,998)
Employee costs pension past service (cost)/credit	22	(17)		(17)	437
Other expenses excluding exceptional item		(1,433)	(1,435)	(4,061)	(4,083)
Exceptional item	4, 14	(3,105)		(3,105)	
Other expenses		(4,538)	(1,435)	(7,166)	(4,083)
Engineering costs capitalised	6	391	402	1,235	1,167
Other income		7	154	107	342
Depreciation and amortisation		(598)	(546)	(1,699)	(1,474)
Foreign exchange (loss)/gain and fair value adjustments		(49)	6	(120)	(1)
Finance income	7	11	9	26	25
Finance expense (net)	7	(32)	(22)	(73)	(68)
Share of (loss)/profit from equity accounted investments		(16)	25	17	163
(Loss)/profit before tax		**(3,395)**	**190**	**(3,749)**	**1,143**
Income tax excluding tax on exceptional item		18	(102)	61	(297)
Tax on exceptional item		248		248	
Income tax credit/(expense)	12	266	(102)	309	(297)
(Loss)/profit for the period		**(3,129)**	**88**	**(3,440)**	**846**
Attributable to:					
Owners of the Company		(3,131)	87	(3,444)	845
Non-controlling interests		2	1	4	1

* See note 2 for details of the restatement due to changes in accounting policies.

The notes on pages 13 to 31 are an integral part of these consolidated financial statements.

Table of Contents

Condensed Consolidated Statement of Comprehensive Income and Expense

(£ millions)	Three months ended 31 December 2018	Three months ended 31 December 2017 *Restated	Nine months ended 31 December 2018	Nine months ended 31 December 2017 *Restated
(Loss)/profit for the period	**(3,129)**	**88**	**(3,440)**	**846**
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit obligation	(46)	(1)	103	(43)
Gain on effective cash flow hedges of inventory	39		90	
Income tax related to items that will not be reclassified	(4)	2	(41)	8
	(11)	**1**	**152**	**(35)**
Items that may be reclassified subsequently to profit or loss:				
(Loss)/gain on cash flow hedges (net)	(143)	195	(178)	1,974
Currency translation differences	21	8	17	
Income tax related to items that may be reclassified	25	(36)	32	(373)
	(97)	**167**	**(129)**	**1,601**
Other comprehensive (expense)/income net of tax	**(108)**	**168**	**23**	**1,566**
Total comprehensive (expense)/income attributable to shareholders	**(3,237)**	**256**	**(3,417)**	**2,412**
Attributable to:				
Owners of the Company	(3,239)	255	(3,421)	2,411
Non-controlling interests	2	1	4	1

* See note 2 for details of the restatement due to changes in accounting policies.
The notes on pages 13 to 31 are an integral part of these consolidated financial statements.

Table of Contents

Condensed Consolidated Balance Sheet

As at (£ millions)	Note	31 December 2018	31 March 2018 *Restated	31 December 2017 *Restated
Non-current assets				
Equity accounted investments		533	516	582
Other financial assets	9	253	414	328
Property, plant and equipment	14	6,337	7,417	7,020
Intangible assets	14	5,631	6,763	6,644
Other non-current assets		173	82	161
Deferred tax assets		477	413	409
Total non-current assets		**13,404**	**15,605**	**15,144**
Current assets				
Cash and cash equivalents		1,660	2,626	1,648
Short-term deposits and other investments		796	2,031	2,066
Trade receivables		1,229	1,612	1,207
Other financial assets	9	424	494	443
Inventories	10	4,168	3,767	3,976
Other current assets	11	732	630	593
Current tax assets		10	10	17
Total current assets		**9,019**	**11,170**	**9,950**
Total assets		**22,423**	**26,775**	**25,094**
Current liabilities				
Accounts payable		6,322	7,614	6,377
Short-term borrowings	18	583	652	679
Other financial liabilities	15	1,147	1,189	1,399
Provisions	16	802	758	638
Other current liabilities	17	796	547	658
Current tax liabilities		79	160	188
Total current liabilities		**9,729**	**10,920**	**9,939**
Non-current liabilities				
Long-term borrowings	18	4,055	3,060	3,133
Other financial liabilities	15	320	281	403
Provisions	16	1,142	1,055	917
Retirement benefit obligation	22	295	438	1,034
Other non-current liabilities		481	454	441
Deferred tax liabilities		180	583	373

Total non-current liabilities		**6,473**	**5,871**	**6,301**
Total liabilities		**16,202**	**16,791**	**16,240**
Equity attributable to shareholders				
Ordinary shares		1,501	1,501	1,501
Capital redemption reserve		167	167	167
Reserves	20	4,546	8,308	7,174
Total equity attributable to shareholders		**6,214**	**9,976**	**8,842**
Non-controlling interests		7	8	12
Total equity		**6,221**	**9,984**	**8,854**
Total liabilities and equity		**22,423**	**26,775**	**25,094**

* See note 2 for details of the restatement due to changes in accounting policies.
The notes on pages 13 to 31 are an integral part of these consolidated financial statements.

These condensed consolidated interim financial statements were approved by the JLR plc Board and authorised for issue on 7 February 2019.

Company registered number: 06477691

Table of Contents

Condensed Consolidated Statement of Changes in Equity

(£ millions)	Ordinary share capital	Capital redemption reserve	Other reserves	Equity attributable to shareholders	Non-controlling interests	Total equity
Balance at 1 April 2018 *Restated	**1,501**	**167**	**8,308**	**9,976**	**8**	**9,984**
Adjustment on initial application of IFRS 9 (net of tax)			(27)	(27)		(27)
Adjusted balance at 1 April 2018	**1,501**	**167**	**8,281**	**9,949**	**8**	**9,957**
(Loss)/profit for the period			(3,444)	(3,444)	4	(3,440)
Other comprehensive income for the period			23	23		23
Total comprehensive (expense)/income			**(3,421)**	**(3,421)**	**4**	**(3,417)**
Amounts removed from hedge reserve and recognised in inventory			(110)	(110)		(110)
Income tax related to amounts removed from hedge reserve and recognised in inventory			21	21		21
Distribution to non-controlling interest					(5)	(5)
Dividend			(225)	(225)		(225)
Balance at 31 December 2018	**1,501**	**167**	**4,546**	**6,214**	**7**	**6,221**

(£ millions)	Ordinary share capital	Capital redemption reserve	Other reserves *Restated	Equity attributable to shareholders *Restated	Non-controlling interests	Total equity *Restated
Balance at 1 April 2017	**1,501**	**167**	**4,913**	**6,581**		**6,581**
Profit for the period			845	845	1	846
Other comprehensive income for the period			1,566	1,566		1,566
Total comprehensive income			**2,411**	**2,411**	**1**	**2,412**
Dividend			(150)	(150)		(150)
Acquisition of non-controlling interest					11	11
Balance at 31 December 2017	**1,501**	**167**	**7,174**	**8,842**	**12**	**8,854**

* See note 2 for details of the restatement due to changes in accounting policies.
The notes on pages 13 to 31 are an integral part of these consolidated financial statements.

Table of Contents

Condensed Consolidated Cash Flow Statement

(£ millions)	Note	Three months ended 31 December 2018	Three months ended 31 December 2017	Nine months ended 31 December 2018	Nine months ended 31 December 2017
Cash flows generated from operating activities					
Cash generated from operations	25	548	364	271	1,117
Dividends received				22	53
Income tax paid		(19)	(35)	(197)	(210)
Net cash generated from operating activities		**529**	**329**	**96**	**960**
Cash flows used in investing activities					
Purchases of other investments		(6)	(3)	(7)	(24)
Investment in associates		(1)		(3)	
Investment in other restricted deposits		(3)	(4)	(16)	(12)
Redemption of other restricted deposits		11	4	26	12
Movements in other restricted deposits		8		10	
Investment in short-term deposits		(462)	(1,269)	(1,582)	(3,864)
Redemption of short-term deposits		484	1,403	2,909	4,376
Movements in short-term deposits		22	134	1,327	512
Purchases of property, plant and equipment		(406)	(542)	(1,297)	(1,532)
Proceeds from sale of property, plant and equipment		1		2	
Cash paid for intangible assets		(494)	(427)	(1,449)	(1,267)
Acquisition of subsidiary (net of cash acquired)			(5)		7
Finance income received		8	8	24	25
Net cash used in investing activities		**(868)**	**(835)**	**(1,393)**	**(2,279)**
Cash flows generated from financing activities					
Finance expenses and fees paid		(52)	(26)	(138)	(103)
Proceeds from issuance of long-term borrowings		765	373	1,214	373
Proceeds from issuance of short-term borrowings		129	173	535	398
Repayment of short-term borrowings		(137)	(94)	(516)	(400)
Repayment of long term borrowings		(547)		(547)	
Payments of finance lease obligations			(1)	(2)	(2)
Dividends paid				(225)	(150)
Distribution to non-controlling interest		(3)		(3)	
Net cash generated from financing activities		**155**	**425**	**318**	**116**

Net decrease in cash and cash equivalents	**(184)**	**(81)**	**(979)**	**(1,203)**
Cash and cash equivalents at beginning of period	1,833	1,724	2,626	2,878
Effect of foreign exchange on cash and cash equivalents	11	5	13	(27)
Cash and cash equivalents at end of period	**1,660**	**1,648**	**1,660**	**1,648**

The notes on pages 13 to 31 are an integral part of these consolidated financial statements.

15

Table of Contents

Notes (forming part of the condensed consolidated interim financial statements)

1 Accounting policies

Basis of preparation

The financial information in these interim financial statements is unaudited and does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The condensed consolidated interim financial statements of Jaguar Land Rover Automotive plc have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting under International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The balance sheet and accompanying notes as at 31 December 2017 have been disclosed solely for the information of the users.

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial instruments held at fair value as highlighted in note 19.

The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 March 2018, which were prepared in accordance with IFRS as adopted by the EU.

The condensed consolidated interim financial statements have been prepared on the going concern basis as set out within the directors report of the Group s Annual Report for the year ended 31 March 2018.

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 March 2018, as described in those financial statements except as described below.

Change in accounting policies

The Group has had to change its accounting policy and make retrospective adjustments as a result of adopting the following new standards:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from contracts with customers

The impact of the adoption of these standards and the new accounting policies are disclosed in note 2.

Estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group s accounting policies and the key sources of estimate uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 March 2018.

Note 14 provides further details of the exceptional impairment charge recognised in the three month period ended 31 December 2018, including disclosing additional sensitivities performed. In undertaking the impairment review, the following judgements, estimates and assumptions were considered:

Assessment of cash-generating units: The Group has determined that there is one cash-generating unit. This is on the basis that there are no smaller groups of assets that can be identified with certainty which generate specific cash flows that are independent of the inflows generated by other assets or groups of assets.

Impairment of intangible and tangible fixed assets: The Group tests annually whether indefinite-lived intangible fixed assets have suffered any impairment, or on a more frequent basis if an indicator of impairment is identified. The recoverable amount of the cash-generating unit is based on the higher of value in use and the fair value less costs of disposal. Value in use is calculated from cash flow projections generally over five years using data from the Group s latest internal forecasts, and extrapolated beyond five years using estimated long-term growth rates. Key assumptions and sensitivities for impairment are disclosed in note 14.

16

Table of Contents

Notes (forming part of the condensed consolidated interim financial statements)

2 Change in accounting policies

This note explains the impact of the adoption of *IFRS 9 Financial Instruments* and *IFRS 15 Revenue from Contracts with Customers* on the Group s financial statements which have been applied from 1 April 2018.

IFRS 9 Financial Instruments addresses the classification, measurement and recognition of financial assets and financial liabilities and introduces a new impairment model for financial assets and new rules for hedge accounting.

The Group has undertaken an assessment of classification and measurement on transition and has not identified a material impact on the financial statements given that equity investments which are not equity accounted are valued at fair value through profit or loss.

The Group has undertaken an assessment of the impairment provisions, especially with regards to trade receivables and has applied the simplified approach under the standard. For all principal markets, the Group operates with major financial institutions who take on the principal risks of sales to customers and consequently the Group receive full payment for these receivables between 0 30 days. Therefore the Group has concluded that there is no material impact under the standard for remeasurement of impairment provisions.

The Group has undertaken an assessment of its hedge relationships and has concluded that the Group s current hedge relationships qualified as continuing hedges upon the adoption of IFRS 9. The Group has identified a change with respect to the treatment of the cost of hedging, specifically the time value of the foreign exchange options and foreign currency basis included in the foreign exchange forwards and cross-currency interest rate swaps. The time value of foreign exchange options and the foreign currency basis included in the foreign exchange forwards and cross-currency interest rate swaps is now recorded in a separate component of the statement of comprehensive income. Foreign exchange gains/(losses) for non-financial items will now be recognised as an adjustment to that non-financial item (i.e. inventory) when recorded on the consolidated balance sheet and this adjustment has been made on a prospective basis from 1 April 2018. A transition adjustment has been recognised for this.

As required under the transition rules of IFRS 9, comparative periods have been restated only for the retrospective application of the cost of hedging approach for the time value of the foreign exchange options and also voluntarily application for foreign currency basis included in the foreign exchange forwards and cross-currency interest rate swaps. Accordingly, the information presented for prior periods is not wholly comparable to the information presented for current year. The financial impact of this change is as follows:

Balance sheet item (£ millions)	Change as at 31 March 2018 as a result of adoption of IFRS 9	Reason for change
Retained earnings	(22)	Time value of options recognised in Cost of Hedge Reserve as per IFRS 9.
Hedge reserve	64	Basis spread adjustment recognised as a separate component of OCI.
Cost of hedge reserve	(46)	Time value of options and basis

spread adjustment recognised as a separate component of OCI.

In addition, under the published change issued by the IASB in February 2018 regarding the modification of financial liabilities, an additional charge of £5 million has been recognised for the financial year ended 31 March 2018 representing the loss recognised on the modification of the Group s undrawn revolving credit facility.

The income statement impact for the adoption of IFRS 9 was a reduction in profit before tax of £29 million and a £23 million reduction in profit after tax for the 9 month period ended 31 December 2017.

IFRS 15 Revenue from Contracts with Customers replaces IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations (such as IFRIC 13 Customer Loyalty Programmes).

The Group has applied the modified retrospective application approach and has not restated prior comparative financial information.

The primary impact on the Group relates to consideration payable to customers, which the standard defines as discounts, rebates, refunds or other forms of disbursement to customers (such as retailers) or end customers (as part of the overall distribution chain), where a service is not received in return and, if a service is received in return, where it cannot be fair-valued. The treatment of such items is a reclassification of marketing expenses to revenue reductions and this totalled £61 million for the 9 month period ended 31 December 2018.

Table of Contents

Notes (forming part of the condensed consolidated interim financial statements)

2 Change in accounting policies (continued)

Other specific impacts on the Group relates to the treatment of associated vehicle sale performance obligations, and the assessment of principal versus agent in providing or arranging for storage, freight and in-transit insurance alongside the sale of a vehicle. These transport arrangements are made when delivering vehicles to retailers across the global network. The Group has determined that it is an agent in providing these services, and has amended the presentation of these amounts from a gross basis (i.e. revenues and costs separately) to a net basis (where consideration received will be presented net of associated costs in the income statement). The financial impact of this change is a reclassification of costs against revenue of £245 million for the 9 month period ended 31 December 2018.

The Group has reclassified royalty income and incremental income from customers from Other income to Revenue and this totalled £92 million for the 9 month period ended 31 December 2018. The result of the changes discussed above has not materially impacted profit before tax or the Group s adjusted EBIT for the 9 month period ended 31 December 2018.

3 Alternative Performance Measures

In reporting financial information, the Group presents alternative performance measures (APMs) which are not defined or specified under the requirements of IFRS. The Group believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information on the performance of the business.

The APMs used within this Annual Report are defined below.

Alternative Performance Measure	Definition
Adjusted EBITDA	Adjusted EBITDA is defined as profit before income tax expense, exceptional items, defined benefit pension past service cost/credit, finance expense (net of capitalised interest), finance income, gains/losses on unrealised derivatives and debt, gains/losses on realised derivatives entered into for the purpose of hedging debt, share of profit/loss from equity accounted investments, depreciation and amortisation.
Adjusted EBIT	Adjusted EBIT is defined as for adjusted EBITDA but including share of profit/loss from equity accounted investments, depreciation and amortisation.
Free cash flow	Net cash generated from operating activities less net cash used in investing activities (excluding movements in short-term deposits) and after finance expenses and fees and payments of lease obligations. Free cash flow before financing also includes foreign exchange gains/losses on short-term deposits and cash and cash equivalents.

Total product and other investment	Cash used in the purchase of property, plant and equipment, intangible assets, investments in equity accounted investments and other trading investments, acquisition of subsidiaries and expensed research and development costs.
Operating cash flow before investment	Free cash flow before financing excluding total product and other investment.
Working capital	Changes in assets and liabilities as presented in note 25. This comprises movements in assets and liabilities excluding movements relating to financing or investing cash flows or non-cash items that are not included in adjusted EBIT or adjusted EBITDA.
Retail sales	Jaguar Land Rover retail sales represent vehicle sales made by dealers to end customers and include the sale of vehicles produced by our Chinese joint venture, Chery Jaguar Land Rover Automotive Company Ltd.
Wholesale sales	Wholesales represent vehicle sales made to dealers. The Group recognises revenue on wholesales.

The Group uses adjusted EBITDA as an APM to review and measure the underlying profitability of the Group on an ongoing basis for comparability as it recognises that increased capital expenditure year-on-year will lead to a corresponding increase in depreciation and amortisation expense recognised within the consolidated income statement.

The Group uses adjusted EBIT as an APM to review and measure the underlying profitability of the Group on an ongoing basis as this excludes volatility on unrealised foreign exchange transactions. Due to the significant level of debt and currency derivatives, unrealised foreign exchange distorts the financial performance of the Group from one period to another.

Table of Contents

Notes (forming part of the condensed consolidated interim financial statements)

3 Alternative Performance Measures (continued)

Free cash flow is considered by the Group to be a key measure in assessing and understanding the total operating performance of the Group and to identify underlying trends.

Total product and other investment is considered by the Group to be a key measure in assessing cash invested in the development of future new models and infrastructure supporting the growth of the Group.

Operating cash flow before investment is used as a measure of the operating performance and cash available to the Group before the direct cash impact of investment decisions.

Working capital is considered by the Group to be a key measure in assessing short-term assets and liabilities that are expected to be converted into cash within the next 12-month period.

Reconciliations between these alternative performance measures and statutory reported measures are shown on the next pages.

Adjusted EBIT and Adjusted EBITDA

		Three months ended		Nine months ended	
		31 December	31 December	31 December	31 December
(£ millions)	**Note**	**2018**	**2017 *Restated**	**2018**	**2017 *Restated**
Adjusted EBITDA		**455**	**685**	**1,291**	**1,873**
Depreciation and amortisation		(598)	(546)	(1,699)	(1,474)
Share of (loss)/profit from equity accounted investments		(16)	25	17	163
Adjusted EBIT		**(159)**	**164**	**(391)**	**562**
Foreign exchange (loss)/gain on derivatives		(11)	6	(32)	63
Unrealised (loss)/gain on commodities		(37)	29	(56)	70
Foreign exchange (loss)/gain and fair value adjustments on loans		(48)	1	(109)	34
Foreign exchange gain on economic hedges of loans		3	3	8	19
Finance income	7	11	9	26	25
Finance expense (net)	7	(32)	(22)	(73)	(68)
Pension past service (cost)/credit		(17)		(17)	437
Exceptional items	4,14	(3,105)		(3,105)	1

(Loss)/profit before tax	**(3,395)**	**190**	**(3,749)**	**1,143**

Retail and wholesales

	Three months ended		Nine months ended	
Units	**31 December 2018**	**31 December 2017**	**31 December 2018**	**31 December 2017**
Retail sales	144,602	154,447	419,999	441,600
Wholesales*	130,016	133,739	356,421	382,989