



SEAT

TECHNOLOGY TO ENJOY

SURPRISING SEAT

ANNUAL
REPORT
2016

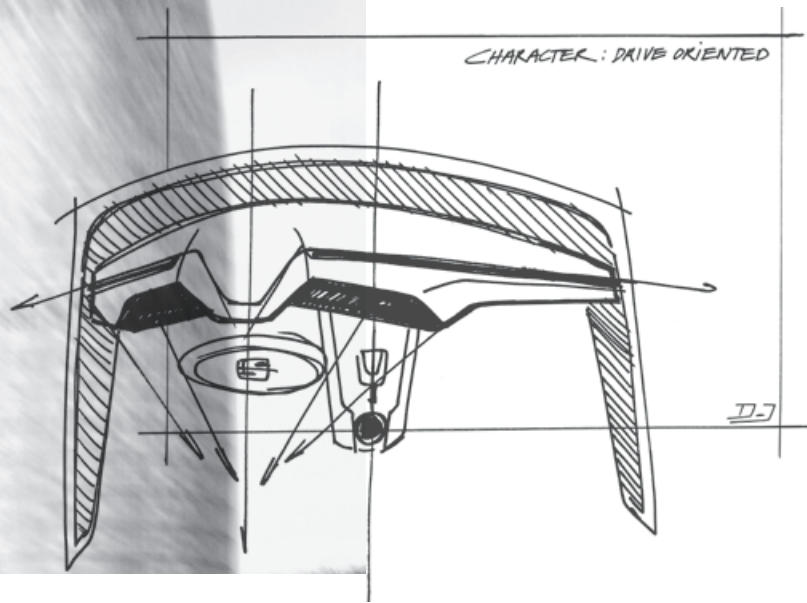


DREAMS ARE DREAMS

All the lines of the new SEAT Ateca have been meticulously designed to create an SUV with a beautiful exterior design that allows the driver to enjoy a marvellous daily routine.

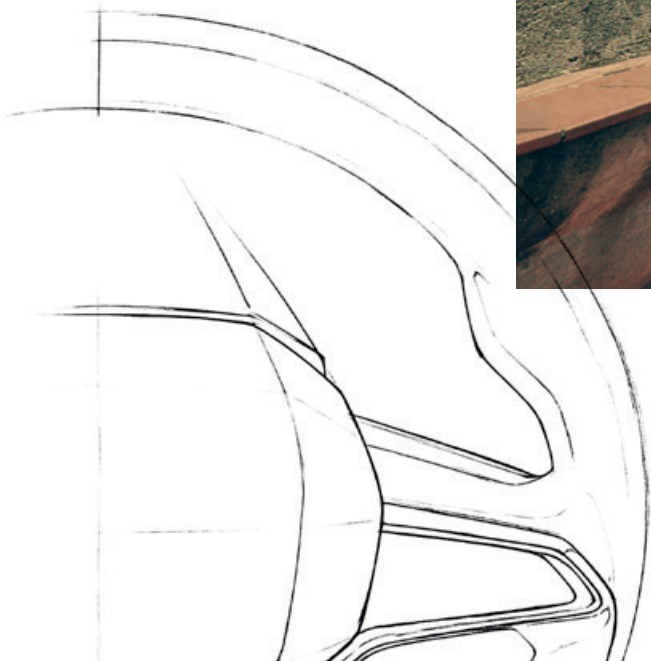


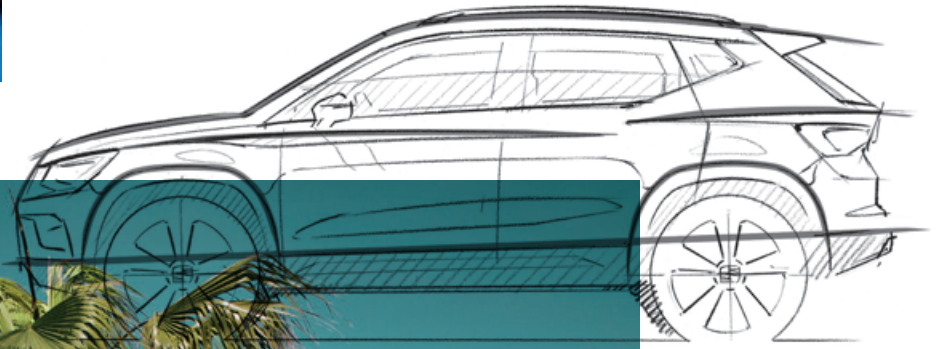
UNTIL THEY COME TRUE



WELCOME TO SEAT'S SUV EXPERIENCE

The most remarkable innovation.
The Ateca offers the ultimate
in connectivity and permanent
contact with the digital world.





WHAT DOES SEAT'S SUV EXPERIENCE MEAN FOR YOU?

The new SEAT Ateca tackles day-to-day adventures full of confidence thanks to its distinctive and dynamic style. In its interior, everything has been conceived to turn routine tasks into a fantastic experience.

Marvellous routine



MAKING WHAT IS DIFFERENT SIMPLE

Pure emotion in the soul of a vehicle.
Great versatility, dynamism and excellent
quality. It is the evolution of the language
of design.



SEE VIDEO

ANNUAL SUMMARY

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Visit the Microsite of the SEAT Annual Report 2016
Publication available at: www.seat.com

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Website



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1. Take a picture
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07

ANNUAL SUMMARY

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SURPRISING SEAT

Much more than you imagine—**20**

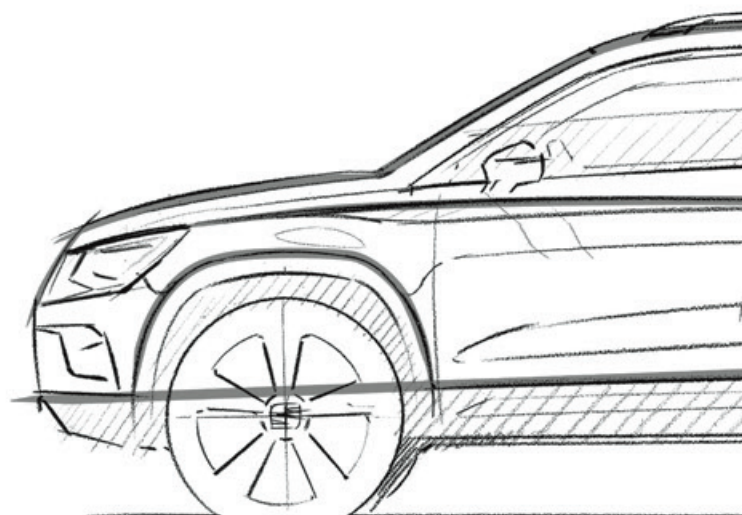
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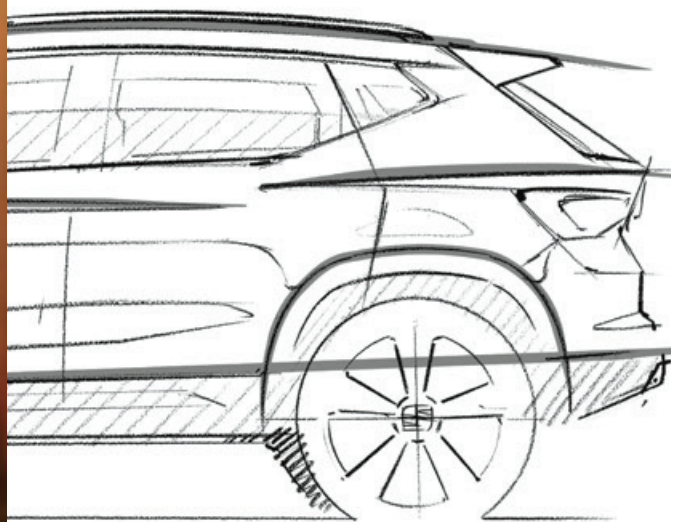
Created in Barcelona—**44**

**DREAMS
ARE
DREAMS...**





...
**UNTIL
THEY COME
TRUE**



AN EXCITING TIME FOR SEAT



10 February SEAT'S FIRST SUV

SEAT unveils the new Ateca, the first model of the largest product offensive in the brand's history, which offers the most advanced connectivity and driver assistance systems.



22 February SEAT AND THE CONNECTED CAR

The company presents innovative car connectivity concepts at the Mobile World Congress in Barcelona to offer a perfectly integrated user experience.

1 March THE ATECA, A STAR IN GENEVA

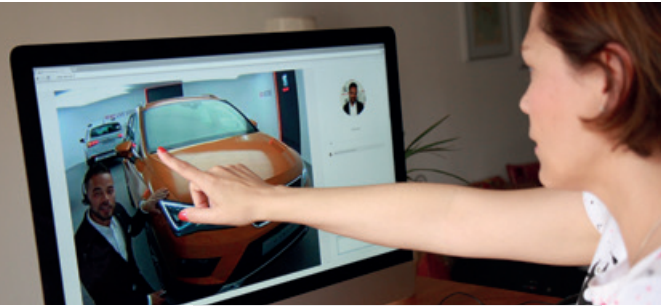
SEAT's new compact SUV is one of the stars of Geneva Motor Show. The Ateca is destined to become the third pillar of the brand.



16 March SEAT RETURNS TO PROFITABILITY

The firm closes 2015 with a profit after tax of 6 million euros. The growth in sales and a product mix with a larger contribution margin are the main drivers of the change.





27 May
SEAT LIVE STORE, THE FIRST VIRTUAL SHOWROOM

As part of its digital transformation project, SEAT offers a virtual showroom experience for the first time. During the year, it launched other innovative projects such as the new SEAT Store in London and the agreement with Amazon France.



19 July
AGREEMENT BETWEEN SEAT AND CONECTOR

SEAT Accelerator by Conector backs six startups in its first acceleration programme. With this alliance, the entrepreneurs have the car company's support to develop their business projects.



20 June
A COLLECTIVE AGREEMENT FOR INDUSTRY 4.0

SEAT's Management and unions sign a collective labour agreement that promotes competitiveness and profit distribution and consolidates a stable environment for the next five years.



29 September
SEAT SURPRISES IN PARIS

SEAT announces the creation of the Easy Mobility Team to anticipate the challenges of the future and innovates with the Ateca X-PERIENCE and with an interactive 4D stand, allowing visitors to live and feel the brand and the city of Barcelona.



19 October
THE LEON JOINS THE PRODUCT OFFENSIVE

The brand makes progress in expanding and renovating its range of models with the update of the Leon, one of SEAT's three pillars. The Leon takes a step forward in technology and quality.



16 November
SMART CITY TERRITORY

SEAT shows its commitment to connected and shared mobility with the Ateca Smart City and the Connected Sharing and Digital Sharing projects, which it presents during the Smart City Expo held in Barcelona.



14 December
BARCELONA WILL WELCOME
THE VOLKSWAGEN GROUP'S
METROPOLIS:LAB

Barcelona City Council and SEAT join forces to promote innovation, sustainable mobility and industrial competitiveness. The first project of this agreement is the Metropolis:Lab Barcelona.



15 December
THE SEAT ATECA, CROWNED
IN EUROPE

The brand's first SUV obtains international recognition as the "Best Buy Car of Europe in 2017" in the AUTOBEST 2017 awards, one of the most prestigious in the continent.



DR. FRANCISCO JAVIER GARCÍA SANZ
CHAIRMAN OF THE BOARD OF
DIRECTORS OF SEAT

**“SEAT WILL
CONTINUE TO
SURPRISE”**

SEAT



LUCA DE MEO
CHAIRMAN OF THE EXECUTIVE
COMMITTEE OF SEAT

DR. FRANCISCO JAVIER GARCÍA SANZ, CHAIRMAN OF THE BOARD OF DIRECTORS OF SEAT, AND LUCA DE MEO, CHAIRMAN OF THE EXECUTIVE COMMITTEE OF SEAT, TALK ABOUT SEAT AND THE FUTURE OF THE CAR.

Mr. de Meo, you came, you saw and you conquered. In 2015, SEAT became profitable for the first time in years and in 2016 it has settled onto the path of sustainable profitability. Who is to thank for this?

DE MEO/ All of SEAT's professionals are to thank, those that are here today and those that have passed through this company. The last few years have been difficult and the return to profitability is having a very beneficial effect within the company. Now we are making money and people's mentality has changed. We have entered into a virtuous circle of value creation. This is no surprise, since before we were dedicating a large part of our efforts to fighting fires and now, those efforts are dedicated to thinking about future projects and continuous improvement. The hard work is paying off.

Mr. García Sanz, you chair the Board of Directors of SEAT and are a member of the Management Board of the Volkswagen Group. Can we say that SEAT has finally found its space within the Group?

DR. GARCÍA SANZ/ It has always had its space. I joined the Executive Committee of SEAT in 1995 and, for example, two years earlier Volkswagen had made a large investment to build the most modern factory in Europe in Martorell (Barcelona). And now we have the biggest product offensive the company has ever launched before us, with an investment of 3,300 million euros between 2015 and 2019. In Wolfsburg there have never been any doubts about SEAT.

Does the expansion of the range of cars guarantee SEAT's future profitability?

DE MEO/ Profitability has to extend beyond 2019 and the current investments planned. It must be sustainable. What gives me the most confidence is that we have achieved these results before having our new models. The SEAT Ateca, launched in mid-2016, is selling very well and in 2017 the new Ibiza and the Arona, our urban SUV, will arrive. And the SUV offensive will not end there. SEAT will continue to surprise.



Mr. García Sanz, as head of the Purchases division of the whole Volkswagen Group, how do you assess SEAT's contribution to auxiliary industries in Spain? What do you think of the Martorell factory being the first one to implement the new modular platform of the Volkswagen Group for its urban cars, the MQB A0?

DR. GARCÍA SANZ/ The implementation of the new platform shows that SEAT's plan for the future, both as a brand and from an industrial point of view, is perfectly integrated into the business strategy of the Volkswagen Group. At the same time, this is going to allow synergies to be established between different models of the Group and to increase its profitability, as well as increasing our ability to find suppliers in the Iberian Peninsula. In other words, it is going to prove beneficial for component companies located in Spain. SEAT already makes 60% of its purchases from national suppliers, some 4,000 million euros each year, and in the future we will see how the volume of billing of these suppliers continues to grow.

The new Ibiza and the Arona will be introduced in 2017, the Audi A1 will arrive in 2018, and the Leon family has just been renovated. How many vehicles will Martorell be able to produce?

DR. GARCÍA SANZ/ SEAT has one of the largest factories of the Volkswagen Group in the world and, what is more, it is one of



“SEAT'S PLAN FOR THE FUTURE IS PERFECTLY INTEGRATED INTO THE BUSINESS STRATEGY OF THE VOLKSWAGEN GROUP”



the most efficient. It is also the factory that produces the most cars in Spain, which is the eighth largest manufacturer worldwide. But what is more, SEAT is the only Spanish automotive company that creates, develops, manufactures and sells cars. The Technical Centre, with over 1,000 highly-qualified employees, works on projects of all the brands of the Group, and SEAT is the largest Spanish investor in R&D. Our company generates almost 100,000 direct, indirect and induced jobs. We export to the tune of over 7,000 million euros, around 3% of Spain's total exports, and our turnover reached almost 8,600 million, nearly 1% of the national GDP. That's not bad at all.

DE MEO/ In 2016 we produced almost 450,000 cars and since 2009, production has grown by 50%. And we have done so while improving quality. In SEAT, we have reached the highest levels of quality in the Group. For example, here we manufacture the Audi Q3 and, if we look at consumers' assessments, that is one of the best models of the Audi range. And, of course, what passes through Martorell is not the only thing that matters. SEAT is more than one factory and the goal in the next few years is to internationalise the brand much more. From Barcelona to the world.

Let's leave production to one side and let's focus on sales. The figures are now similar to those of 2007, the year before the start of the financial crisis. Are you satisfied?

DE MEO/ We have closed 2016 with a balance of almost 410,000 cars sold, 2.2% more than last year. In the last four years, sales to final customers have increased by nearly 30%. We are satisfied by the excellent reception that the Ateca has had. In hardly six months since its launch, we sold some 25,000 units. The Leon and the Alhambra have also performed very well and have achieved the highest sales in their history. Furthermore, the Ibiza has reached the end of its fourth generation with a very high volume of sales. With the renovation of the Leon, the launch of the fifth generation of the Ibiza and the new Arona, 2017 is going to be a very special year for SEAT.

"2017 IS GOING TO BE A VERY SPECIAL YEAR FOR SEAT"

The automotive industry is undergoing a second industrial revolution. Electrification, automated driving and the connected car are transforming not only the car but manufacturers' business model. Giants such as Google and Apple want a portion of the business, and Uber and car-sharing businesses also call into question the need to buy a car. What is SEAT's vision?

DR. GARCÍA SANZ/ Electric mobility, full connectivity, automated driving and new





consumer trends will change the face of the sector as we know it, and will bring a future that was unthinkable a few years ago. There is no doubt that these are the major challenges facing the car industry. SEAT will benefit from the advances that the Volkswagen Group makes in the fields of the electrification of models and automated driving. In the field of the connected car, we want SEAT to be a frontrunner within the Group.

DE MEO/ Our great challenge is to turn the car into a new piece of interconnection hardware in which the driver can continue to manage their life while they travel. The car must become the command centre of the so-called Internet of Things and its driver must feel that they command it with ease, through voice sensors or opting for automated driving when they consider it necessary. And SEAT wants to be there, among the group of companies that will lead the transformation that the sector is undergoing with the connected car. Just as our brand motorised Spanish society in the 60s, now we want to play an active role in the proliferation of the connected car. We have younger customers than the rest of the European manufacturers, digital natives, so

they are more connected and accustomed to consuming digitally. That is why we want to become a benchmark when it comes to giving them what they are asking for.

You have announced that in 2017 you will open a new research centre in Barcelona for the development of these new technologies. How many people will work there? What is the purpose behind the creation of this centre?

DR. GARCÍA SANZ/ That's right.

In 2017 we will open in Barcelona the sixth international research centre, the Metropolis:Lab Barcelona, which will be added to the network of digital hubs of the Volkswagen Group. The other five are in the headquarters in Wolfsburg (two), in Berlin, in Munich and in San Francisco, linked to Silicon Valley. The one in Barcelona will be under the management of SEAT and will work for all the brands of the Group. It will employ 50 engineers and qualified staff and its objective is to lead in all matters related to urban mobility. The Metropolis:Lab Barcelona will combine mobile and data technology to create solutions that facilitate and make safer the relationship between residents, the smart city and the mobility systems of the cities of the future.

How important has Barcelona been in taking this decision?

DE MEO/ To help us achieve the objective that we have set ourselves, we have Barcelona, the city where we were born as an automotive company and which today is the fifth most digital city in Europe. This is why we have signed an agreement with the city's council to tackle challenges together, such as promoting innovation, sustainable mobility, setting up entrepreneurial projects and industrial competitiveness. Barcelona has 15 universities, two of the best business schools in the world, 10 of the major start-ups in Europe and, of course, the Mobile World Congress and the Smart City Expo, the two most important technological trade shows in the world in their respective sectors. It is an ideal breeding ground to develop a technological project such as ours, with the firm intention that SEAT, Barcelona and Spain can be leaders in car connectivity.

Internally, how is SEAT tackling the digitalisation process? Have you identified new business models?

DE MEO/ As a company, at SEAT we are in the midst of a digital transformation process. For this reason, we have created the Easy Mobility Team, a cross-departmental team whose objective is to lead the company's digital transformation based on three areas of work: digitalisation and R&D, customer experience and business development. We are working on the concept of Easy mobility. In 2017 we are going to launch a car sharing service pilot project for our employees. The project is known as SEAT Connected Sharing and it



“THE EASY MOBILITY TEAM WAS BORN TO LEAD THE SEAT’S DIGITAL TRANSFORMATION”

will incorporate various mobility solutions based on shared transport. The system will allow the corporate fleet of cars to be used when they are not in operation, as well as allowing the exchange of vehicles among individuals and the possibility for employees to share them in their journeys.

DR. GARCÍA SANZ/ The car is undergoing its most profound transformation in the last hundred years, not only in the vehicle itself but also in the possibility to generate new services around the car, that is, to create a mobility ecosystem. This generates new opportunities for SEAT since the need for mobility exists and will continue to exist.

In the industrial sphere, digitalisation has also arrived. There is talk of the so-called Industry 4.0. How is SEAT approaching this challenge?

DR. GARCÍA SANZ/ Up to now, the technical innovations provided efficiency and greater productivity to the manufacturing processes. However, now digital technology provides the possibility to process the thousands and thousands of pieces of data that are created in hundreds of devices – data generated by machines, customers, suppliers or competitors. Industry 4.0 creates systems to order,



process and distribute the information in order to make the most efficient decisions. The interconnection of machines with data systems will allow us to adapt to each of our customers’ needs.

DE MEO/ The automotive industry is facing changes that will completely transform its activity, which is why it is key that the staff are ready to respond to these challenges and to the new demands of industry 4.0. As such, in 2016 we signed a new collective labour agreement which is modern and flexible, consolidates a stable labour framework and will help us to consolidate ourselves as a strong and competitive company. SEAT is also a benchmark in labour relations in Spain, which we mustn’t forget is the fourth largest economy in Europe.

In an increasingly interconnected world, you suddenly announce the creation of a ‘flagship store’ in Barcelona. Despite becoming increasingly digital, do customers in the end still want to feel the product?

DE MEO/ Of course, and not just feel it. Cars are sensory and involve all the senses. With the flagship store that we will open in Barcelona, and with all our dealership network, we want to be even closer to customers, to anticipate their demands and to provide them a unique, easy and digital brand experience from the very moment they consider buying a car. Customers

have different needs and we must adapt to them. This is why last year we launched the SEAT Live Store, the brand’s first virtual showroom, and we will also open a physical shop in a shopping centre in London to increase our visibility and to access the more than 26 million visits it receives each year. The customer has been, is and always will be our priority. SEAT’s digital strategy has customers at the centre of the experience.

What will the future bring us? How would you define the car of the future in an idea?

DR. GARCÍA SANZ/ The future of the car will involve electrification, the autonomous vehicle and full connectivity, as well as making our customers’ driving experience increasingly easy. SEAT is in ‘pole position’ in the connected vehicle and in smart mobility services.

DE MEO/ SEAT is in the midst of a comprehensive transformation that will take us to another level in the space of just a few years. Our ambition is to be a leader in the development of the connected car. We want to make things EASY!





BOARD OF DIRECTORS

Chairman

Dr. Francisco Javier García Sanz

Board Members

Dr. Oliver Blume

Luca de Meo

Bernd Osterloh

Dr. Stefan Piëch

Mark Philipp Porsche

Klaus-Gerhard Wolpert

Secretary and Legal Counsel

Luis Comas Martínez de Tejada

The Extraordinary Shareholders' Meeting, held on 1 January 2016, approved the appointment of Dr. Oliver Blume to the Board of Directors of the company, with effect as of the same day, replacing Matthias Müller.

The Extraordinary Shareholders' Meeting, held on 7 September 2016, accepted the resignation submitted by Martin Mahlke by means of a resignation letter dated 26 April 2016 as member of the Board of Directors of the company with effect as of 30 April 2016.



EXECUTIVE COMMITTEE

The Board of Directors appointed Wayne Anthony Griffiths as Sales & Marketing Vice-President of SEAT, with effect from 1 September 2016, replacing Dr. Andreas Offermann.

1 Luca de Meo	Chairman
2 Holger Kintscher	Finance, IT & Organisation
3 Wayne Anthony Griffiths	Sales & Marketing
4 Ramón Paredes	Governmental & Institutional Relations
5 Dr. Matthias Rabe	Research & Development
6 Xavier Ros	Human Resources
7 Dr. Andreas Tostmann	Production
8 Klaus Ziegler	Purchases

SURPRIS SEAT



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SEAT IS GOING THROUGH ONE OF THE SWEETEST TIMES IN ITS HISTORY - ONCE AGAIN MAKING PROFITS, IN THE MIDST

OF THE BIGGEST PRODUCT OFFENSIVE SINCE ITS CREATION IN 1950 AND WITH THE AMBITION TO BE A FRONTRUNNER IN CONNECTED CAR AND SMART MOBILITY SOLUTIONS, AND ALL OF THIS IN ONE OF THE MOST ADVANCED SMART CITIES IN THE WORLD, BARCELONA.

Today, SEAT is undergoing a transformation without precedent - a transformation that sets out to make things “easier” and which ranges from the digitalisation of its facilities to improving its customers’ experience.

But SEAT is not just figures and challenges... SEAT is much more. Did you know that it is the company with the highest exports in the whole of Spanish industry? Or that SEAT is the only company to design, develop, manufacture and sell vehicles in Spain? Or even that the company has its own sound logo?

Welcome to SEAT!



MUCH MORE THAN YOU IMAGINE

At SEAT, every detail counts. As the “Discover SEAT” campaign reflects, when we take a step back and see the company from the outside, as a whole, we discover SEAT’s spectacular potential. Everything is assembled to perfection and forms a harmonic image that makes up one of the benchmark brands in the automotive sector in Europe. These details convey innovation, technology, employability, productivity, sustainability and leadership.

SEAT IS MUCH MORE

Manuel Vázquez Montalbán, the prestigious writer from Barcelona whose books are read all around the world, said that “the day that Spaniards got into the 600 (the first iconic model of the brand), they started to distance themselves from their past and began a weekend excursion which they still haven’t returned from”. SEAT, just like Vázquez Montalbán, projects the creative and non-conformist spirit of the city of Barcelona to the world. And it has known how to turn its cosmopolitan, innovative and dynamic values into a reality that translates into one of the cornerstones of the brand. Just like the third most visited city in Europe, SEAT surprises all those that dare to get to know it up close.

Throughout these more than 60 years, SEAT has become the main industrial driver at a local and national level and acts as a driver for development among companies, engineers, universities and technological partners of the company. Part of the Volkswagen Group, today SEAT

symbolises a young and dynamic spirit and aspires to have a more leading role in the European car industry. The company, whose turnover represents almost 1% of Spain’s GDP, has consolidated in 2016 the path towards success begun in the last few years. SEAT has completed its best financial period in recent years and has surpassed the milestone of 400,000 cars sold for the second consecutive year. Specifically, the automotive company delivered nearly 410,000 vehicles around the world. In the last four years, SEAT’s sales have increased by more than 27%, which represents almost 90,000 vehicles more than in 2012. And this is only the beginning.

SEAT has grown and evolved to the point of fully entering Industry 4.0, a concept that above all implies a technological push by its manufacturing plants (Martorell, Barcelona and El Prat de Llobregat), but which, in reality, is an attitude that is embedded in the whole company.

SEAT is the company with the highest exports in the Spanish industry. The company’s exports represent almost 3% of the total for Spain and it exports to more



than 80 countries. SEAT is also synonymous with a young spirit (it is the brand with the youngest customers in the sector), commitment to quality in its vehicles' features and it is one of the main proponents in Europe of the connected car within an efficient and smart urban mobility network.

After an excellent 2016, with an unprecedented product offensive and with the Ateca as the protagonist, three more models are coming in 2017: a version of the Leon with more features, the new Ibiza and the SEAT Arona.

THE LARGEST INDUSTRIAL INVESTOR IN R&D IN SPAIN

The figures show that SEAT is the leading automotive brand in Spain and the only company in the sector to design, develop, manufacture and sell cars in the country.

SEAT is the largest industrial investor in R&D of what is currently the fourth largest economy in Europe and it is one of the companies that allocates the most resources to this field. In 2015, SEAT invested almost 400 million euros in activities related to research, development and innovation, which represents 4.5% of its revenues and 2.9% of the total amount spent on R&D in Spain. No other industrial company comes close to these figures.

A large part of the result of this investment materialises in the SEAT Technical Centre. This centre of excellence, established in 1975 in the industrial complex that includes the Martorell factory, is today a hub of knowledge from which innovation is pushed in the company. The Technical Centre was born with the goal of guaranteeing the brand's progress, creating an identity and a distinctive style and constantly incorporating the most advanced technologies into its models. At present, more than 1,000 engineers, designers and technicians work there and it is the only centre of its kind in Southern Europe and one of the most cutting edge in the continent.



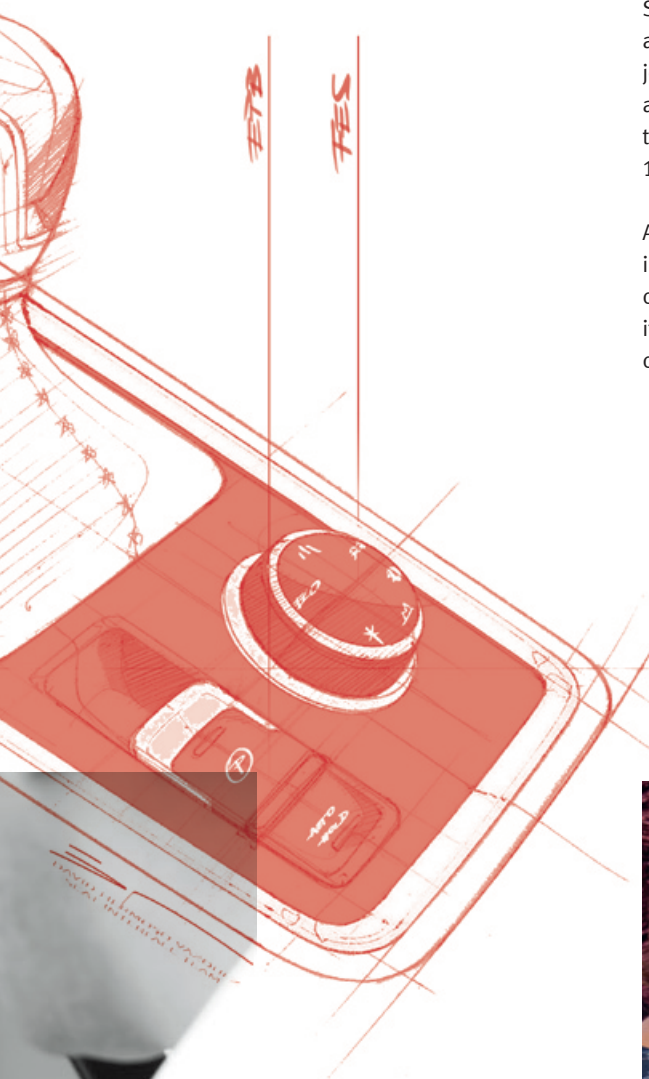
TOP EMPLOYER: QUALITY EMPLOYABILITY

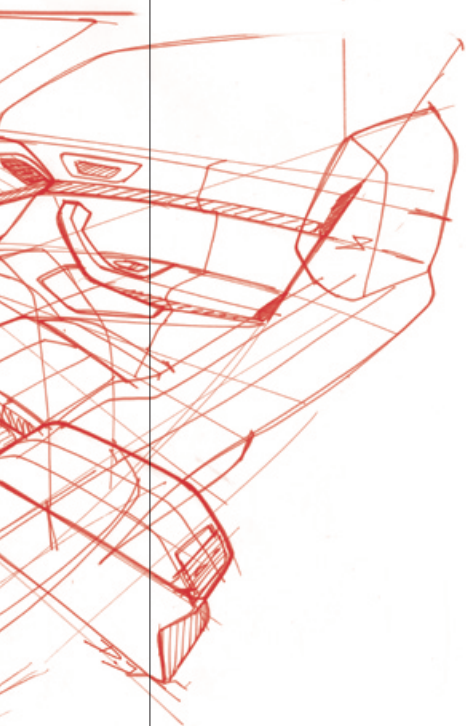
SEAT is the largest employer in the sector and one of the largest in Spain. For every job created directly by SEAT, a total of seven are generated. In all, SEAT contributes to employment in Spain with nearly 100,000 jobs.

As well as being the leading employer in the sector, SEAT is also one of the best companies to work for, which has made it the "Top Employer" for the third consecutive year.

In the field of employment, one of the main areas that SEAT promotes is equality between men and women. 21% of the company is made up of women and the number of women at the SEAT factory is approximately double the average for car factories in Spain (11%). This mentality has been present for decades. In fact, the SEAT factory was the first to include women on its production lines.

There is also a firm commitment to young people. SEAT is constantly searching for young talents for the various areas of the company, and it is a pioneer and a benchmark in dual training, making a significant contribution to job creation in this age bracket. In a general context of youth unemployment, in 2015 more than half of new hires were under 30 years of age.





THE MOST EFFICIENT FACTORY IN EUROPE

In its Martorell factory, SEAT has one of the many examples that demonstrate why the company is “much more than you imagine”. It is one of the most modern factories in Europe. With a surface area of more than 2,800,000 metres squared (which is equivalent to 400 football pitches), of which 260,000 correspond to green areas, the factory has put SEAT and its vehicles among the top positions in the productivity rankings, as well as receiving prestigious prizes such as the Lean Award and the Lean & Green Management award, which certifies the Martorell factory as the most efficient of the sector in Europe.

A factory of 15 buildings for some 7,000 people, who produce around 2,100 vehicles every day with the help of 2,400 robots, today the Martorell plant is a “smart factory”. In the last few years, the company has implemented the latest and most advanced technologies for digitally simulating the vehicle production process, or augmented reality functions, and almost

all tasks are automated. All of this allows the company to offer a quality product, capable of satisfying customers’ needs.

This “smart factory” is also home to “SEAT al Sol” (SEAT in the Sun), the largest solar plant of the car industry in the world, with 53,000 solar panels assembled across 276,000 metres squared. SEAT’s “Ecomotive Factory” has become the flagship of the company’s environmental commitment, and has made it one of the most sustainable and environmentally responsible industrial companies in all of Europe.

Furthermore, the Martorell facilities have 2 train lines totalling 40 km which connect the company with the rest of the world. They are used to transport vehicles directly to the Port of Barcelona and components from the facilities of Barcelona’s Zona Franca district. At the same time, they reduce lorry transportation by some 50,000 journeys each year and avoid the emission of 2,000 tonnes of CO₂.

Today, we can look back on more than 60 years of history of an unstoppable brand that reinvents itself and surprises every day. Sometimes you have to take a step back to value what you have around you. The commander of the Apollo 8 mission said so when the spacecraft crossed the dark side of the moon and they saw the Earth rise: “We were all surprised to have travelled 240,000 miles to see the moon, when the Earth was what was really worth contemplating”.



WHAT DOES SEAT SOUND LIKE?

Engine, spark plugs, the steering wheel when you make a turn, the change of gears, the windscreen, the hazard lights... When we think of a car, thousands of different sounds come to mind. But really, what is the sound that best defines a car? Can a single sound really represent the experience of driving? And represent an entire brand?

For SEAT there are no limits to the imagination. "If we have a logo that everyone knows, why not have a logo that everyone can listen to?"

Said and done. In March last year, SEAT became a music producer and made an appeal to the best musical talents in the world to help it to find its own sound logo, inspired by the city of Barcelona.

After receiving 1,924 pieces of music from 1,185 contestants, from seven different countries, the brand chose the 14 best proposals to perform a Musicathon in Berlin, a 48-hour musical marathon to develop the projects with the advice of experts from the music industry. After an intense competition and without any respite, SEAT chose three finalists who travelled to Los Angeles, mecca of the global music industry, to develop the company's new sound logo.

Today, the whole world knows a brand that never ceases to surprise. From 2017, it will also know what it sounds like.



ATECA, **SEAT'S** THIRD PILLAR





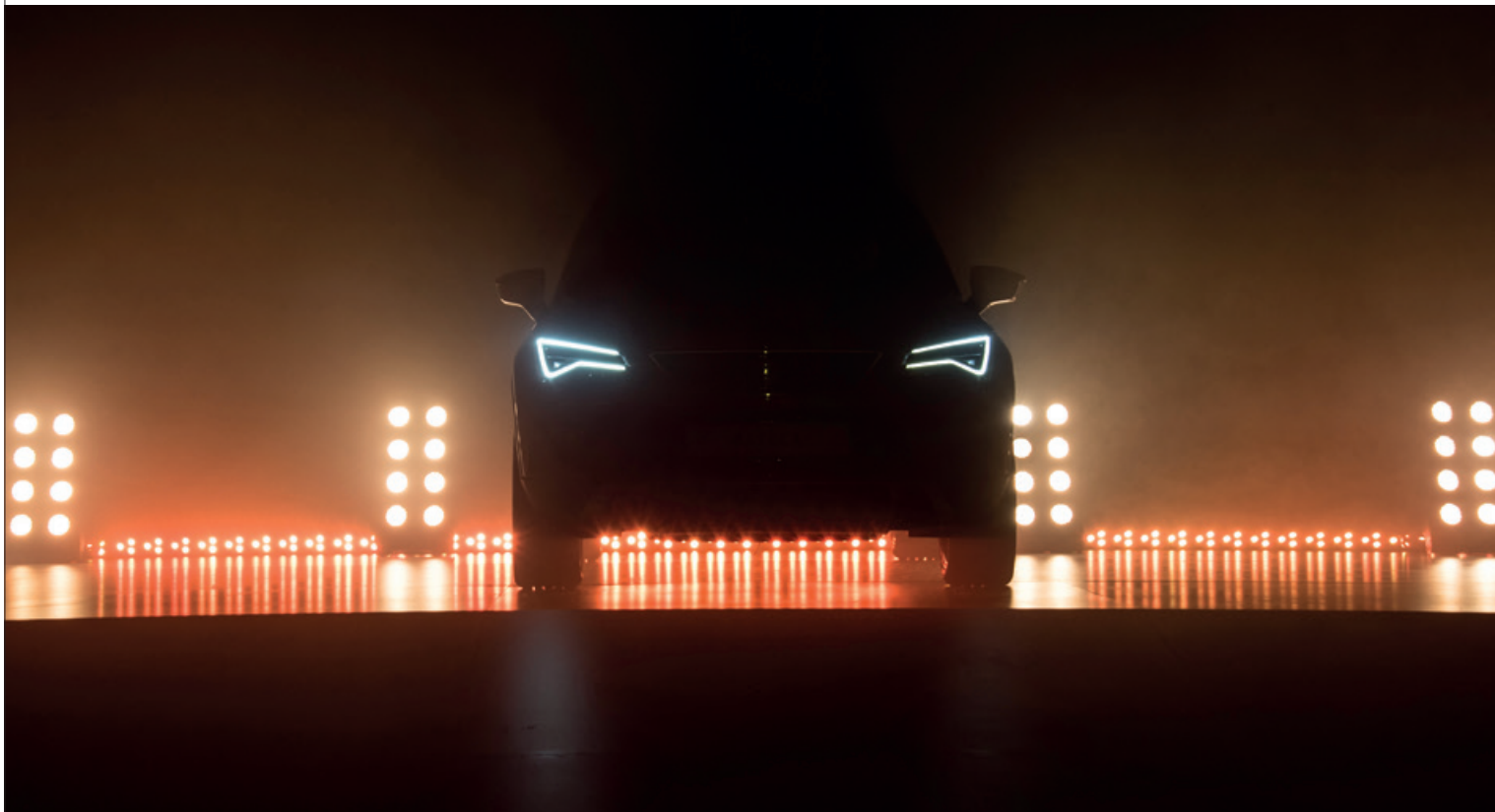
Gaudí, Miró and Tàpies. Three great names that mark a before and after in the history of the city of Barcelona. Three geniuses of the art world that have contributed to projecting the image of Barcelona and turning it into an artistic and cultural icon around the world. Just like the city, a source of inspiration for the company, since 2016 SEAT also has three key names. First came the SEAT Ibiza, the model that marked a before and after in the brand's history; then the Leon, the turning point that has strengthened sales in the last few years; and now comes the Ateca, SEAT's first SUV, to complete a range that shows the consolidation of the brand's innovative nature and value around the world.

The commitment is clear. SEAT's three pillars want to become the brand's winning card in the coming years. The third pillar, the Ateca, has entered the scene and has become an integral part of the brand. The spotlights pursue it, the suitors take notice of it. A star has been born.

THE SUV THAT IS COMING TO TRIUMPH

In a globalised world, the origin of a product, gaining a local foothold and being praised from the outside is becoming more and more important in order to succeed.

This is the case of the SEAT Ateca, the SUV that incorporates the values of design, dynamism, innovation and technology that characterise the city of Barcelona and which form the brand's DNA. It is a car that has revolutionised the international panorama, due to its exquisite and refined features, as well as its ground-breaking image and the attention paid to every detail of a successful product.



The international vocation of the Ibiza, the young spirit of the Leon and the technological innovation of the Ateca shape SEAT's consolidation as a company positioned to seize the revolution of the automotive sector – a revolution that the market demands and which SEAT is responding to today with its trident.

TECHNOLOGICAL HEART

The challenge is to put technology at the service of passion for driving. SEAT has achieved this by allowing technology to be the beating heart of the Ateca for anyone that drives it.

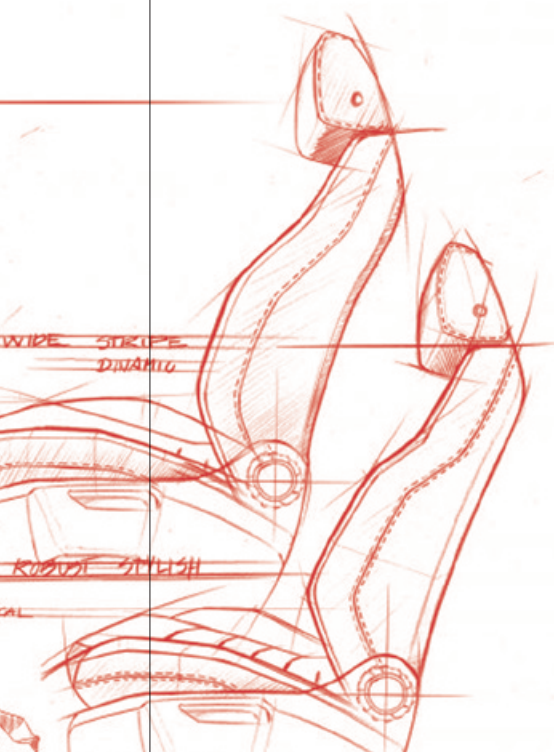
The ignition and start up button lights up and starts to pulse to indicate that the vehicle is ready to take you to another level. The SEAT Drive Profile system allows the car to adapt to the driving situation, the conditions of the terrain and the driver's personal preferences at all times.

But the surprises do not end here. It also includes Traffic Jam Assist, a semi-autonomous driving function which accelerates, brakes and maintains the distance from the vehicle in front in traffic jams and at speeds below 60 km/h, turning for us and even coming to a full stop. In the Ateca, passion is also safety.

Another new feature in this area is the Emergency Assist: if the driver is inactive for a certain period of time, it emits a visual signal and then an acoustic one, finally followed by a brief pressing of the brakes.

It also comes equipped with 360-degree view cameras, Park Assist, road sign recognition systems and monitoring of vehicles in the blind spot.

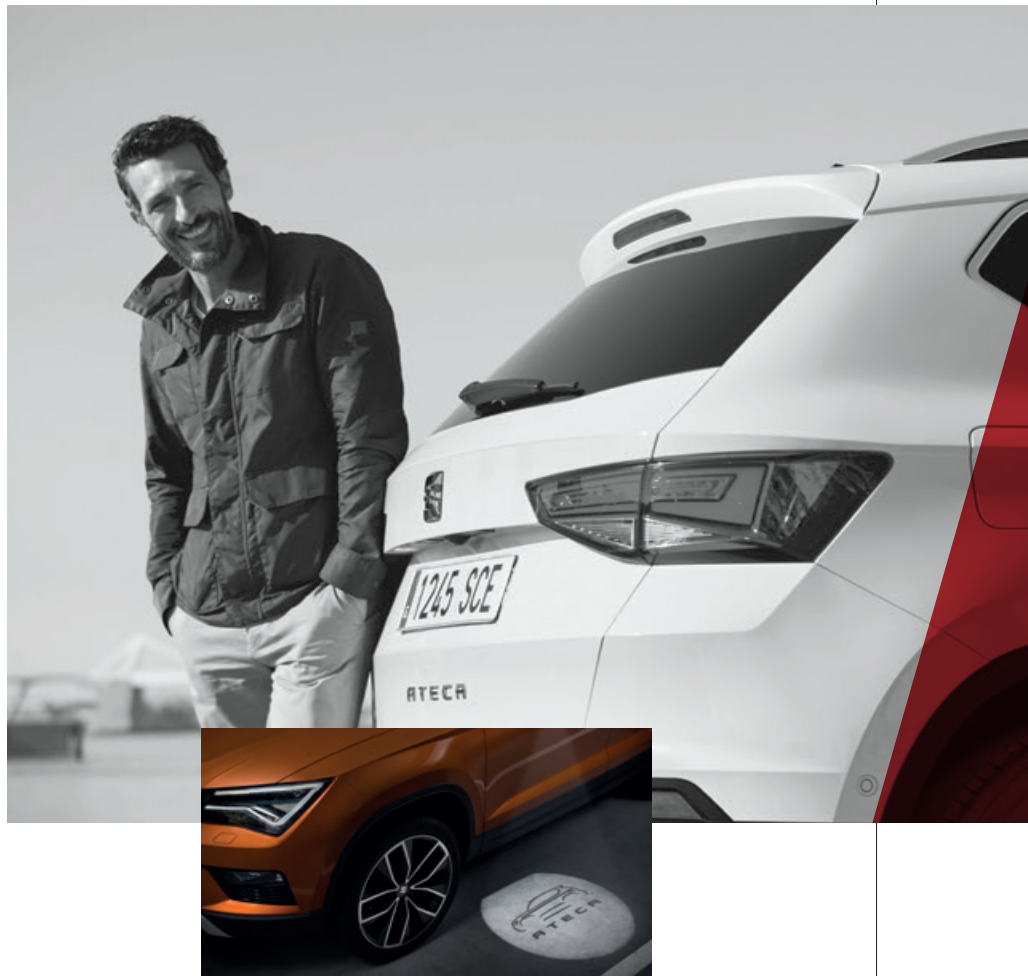
The Ateca is a digital native, like the new generations of young people who are entering the world of the car. SEAT responds to them with tangible solutions. Its connectivity is not a promise, it is already there, and it is already driving in the connected world.



For example, the SEAT Full Link connection allows the 8-inch screen of the SEAT Media System Plus infotainment system to be the extension of our mobile phone. We can use it with MirrorLink connection or using Android Auto/Apple CarPlay, depending on our operating system.

A SUCCESS FROM DAY ONE

Laying down foundations and exploring a ground-breaking formula, the Ateca has been a resounding success. The first SUV in the history of SEAT has entered the market in a big way, and it has been one of the sensations of the European automotive sector in 2016, exceeding all expectations. Thousands of customers bought the Ateca even before it reached dealerships and at the end of the year, almost 25,000 were already able to drive it.





The good work and the impact that SEAT's third pillar has had has been reflected in the different prizes that it has received. SEAT's first SUV has been crowned with the Autobest 2017 Prize as "Best Buy Car of Europe in 2017", one of the most prestigious awards in the continent with a panel of judges represented by 31 countries and which confirms the Ateca

as the most complete and innovative option for European drivers. The Ateca has also been designated "Car of the Year in Spain", awarded by a panel of 33 specialist journalists selected by the newspaper ABC, and it has also been awarded with the Euro NCAP Five Stars, among many other recognitions.





FROM THE SKY TO THE ATECA, WITH A PARAGLIDER

Jean-Baptiste Chandelier, paraglider and SEAT ambassador in France, touched the roof of the Ateca while flying. In one of the most exciting challenges of his career, Chandelier took his paraglider and challenged the laws of gravity to touch the top of the vehicle. Maximum precision.

The ease with which he controls the paraglider is, in effect, the closest thing to a bird that we can see in the sky. Or rather, as he says himself, it is like having “the superpowers of Superman or Peter Pan”.

Although he has wondered the skies of countries such as New Zealand, Brazil, Peru, Chile, Morocco and Namibia, Chandelier described the experience of the Ateca as one of the most satisfying in his life: “Being able to descend so many metres at once and coming into contact with the speed of the vehicle is a unique sensation”.

The conjunction between man and machine. The precision of the Ateca and the courage of Chandelier achieved a unique symbiosis. An action that demonstrates the Ateca’s capacity to give a unique response to any challenge put before it.



“The sense of freedom is incredible”.

JEAN-BAPTISTE CHANDELIER



ALWAYS CONNECTED



Ensure everything goes smoothly and that life does not stop when you step into a SEAT. This has become the company's slogan to lead the new challenges faced by the automotive sector and to make its customers' buying and driving experience easier. This new philosophy can be summarised in a quote by the genius Leonardo da Vinci: "Simplicity is the ultimate sophistication".



Car adverts tend to look ahead to imagine the future. However, when a new-generation model appears on the market, there is usually a development process behind it that goes back three or four years. Seen like this, a large part of the scenes from the TV advert for the car of tomorrow are played out in SEAT's workshops on a daily basis and encapsulate a philosophy on life: it is not just about predicting the future, but making it possible.

The script that SEAT is following is based on the idea that in the interior of a car, the different spheres of life come together. That is, that we can continue to be connected with our friends, work or family, in such a way that the vehicles are able to converse with their occupants and think for themselves and also to connect with other vehicles, even with the places they pass through.

In other words: when you step into a car manufactured by SEAT, you will continue to relate to the outside. The connected car will become something like "an extension of our mobile phone", foresees Leyre Olavarría, head of Connected Car & Infotainment at SEAT, or a "four-wheeled personal assistant", she adds.

If this prediction is confirmed, the car, or automobile as it is also known, could be closer than ever to living up to its name and becoming an "auto-mobile", that is, a privileged place for optimising the time spent on journeys thanks to connectivity.

"THE SCENES FROM THE TV ADVERT FOR THE CAR OF TOMORROW ARE PLAYED OUT IN SEAT'S WORKSHOPS ON A DAILY BASIS"



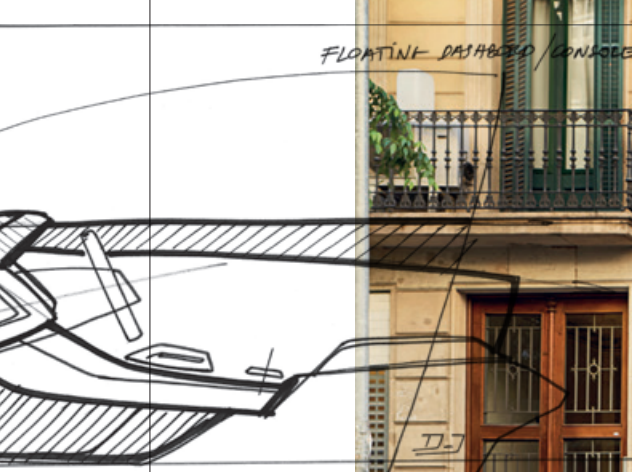


In other words, whereas today the main brands distinguish themselves through design, power and features, what will mark the difference in the future will be making “what is difficult, easy” and incorporating cutting-edge technologies into the car that are intuitive and easy to use. At SEAT, this idea is translated into the creation of the Easy Mobility Team, a multi-disciplinary team that aims to make the most of the brand’s dynamism to create a digital ecosystem around the customer and to lead the sector.

With its sights set on this objective, SEAT is developing applications such as SEAT Connect and MySEAT, which execute verbal orders and allow the user to respond to emails or tweets, or to book appointments with repair garages, without touching the screen. It has also been the first brand in the automotive industry worldwide to create an application (DriveApp) that allows the user to manage the content of an iPhone from the car’s screen.

Thanks to these applications, for example, drivers can use their smartphone to find out their tyre pressure, or to record routes and review them at home to evaluate the fuel consumption or the time spent getting to work with different routes. Nevertheless, this is just the first step of the journey to the heart of the customer that the brand has embarked on.

“WHEN YOU STEP INTO A CAR MANUFACTURED BY SEAT, YOU WILL CONTINUE TO RELATE TO THE OUTSIDE. THE CAR WILL BE AN EXTENSION OF OUR MOBILE PHONE, OR A FOUR-WHEELED PERSONAL ASSISTANT”.





If the first goal of this journey is to achieve full connectivity, the second stage is to make any vehicle manufactured by SEAT an accurate reflection of the temperament of whoever is driving it. According to David Gendry, director of Customer Journey at SEAT, thanks to artificial intelligence the company is on course to enable its cars to learn from the user's preferences, with the focus on configuring the design (such as the type of seats or the materials) according to its occupant's personality, which will without doubt contribute to creating new emotional links between the driver and the vehicle.

Within this scenario, the "millennials" generation, which in 2020 will make up the most significant demographic force on the planet (59%), will have a lot to say. For a few years now, an uncountable number of studies have been trying to categorise how these young people perceive consumerism, technology and finances. With regard to the automotive industry, it appears that the idea of "one car, one occupant" will lose prominence. This will lead, explains Arantxa Alonso, head of Business Development at SEAT, to new

mobility services appearing, such as pay per use, and to more and more individuals advertising their journey to share it, which will make it possible to share the costs, cut pollution (by reducing the number of cars on the road) and reduce traffic congestion. Besides this, it will be possible to rent your car out to other people when it is not in use and to obtain additional income. It is even highly possible that "flat rates" will appear that include the use of the vehicle, parking, insurance or financing. If this is the case, the leading firms of the sector will not sell cars but rather, above all, mobility services.

To fill this landscape with content, SEAT, whose customers are ten years younger than the average of its competitors in Europe, is promoting concepts such as the "Digital Key", an innovative solution that involves sending a copy of your car key via your mobile phone so that it can be used by someone else. That said, if the owner of the vehicle wants to, they can limit the speed of the person they are giving it to or confine their movements to a certain radius. The underlying idea is to generate new benefits from the ordinary use of the product.

“WHAT WILL MARK THE DIFFERENCE IN THE FUTURE WILL BE MAKING WHAT IS DIFFICULT, EASY AND INCORPORATING CUTTING-EDGE TECHNOLOGIES INTO THE CAR THAT ARE INTUITIVE AND EASY TO USE”.





THE SEAT LABORATORY TO CONVERT BARCELONA INTO THE SMARTEST CITY IN EUROPE

Starting in 2017, SEAT will manage the sixth IT-lab of the Volkswagen Group, the Metropolis:Lab Barcelona, which will be added to those in Munich, Berlin, San Francisco and the two located in Wolfsburg.

Based in Barcelona, this is the first project to come out of the agreement signed with the City Council to work together to promote innovation, sustainable mobility, the implementation of entrepreneurial projects and industrial competitiveness, among other areas of activity.

In this laboratory, more than 50 engineers and highly-qualified professionals will analyse and seek smart solutions to the challenges faced by the mobility of the future, combining data from the vehicle and its environment to develop applications that all the brands of the Volkswagen Group will use. The combination of mobile technology and big data will create solutions that make the relationship between the citizen, the smart city and services related to mobility easier, safer and more efficient in the cities of the future.

Nevertheless, any plan to relaunch the sector arises because the car makes life easier for its users. A simple figure: according to Fabian Simmer, head of Digitalisation at SEAT, in the major cities of Europe, around 25% of drivers are driving around looking for a parking space. In view of this and other challenges, SEAT, Volkswagen Group Research and the Polytechnic University of Catalonia (Universitat Politècnica de Catalunya, or UPC) have chosen Barcelona as the testing ground for testing different models of urban mobility, taking advantage of the fact that this city has an invaluable amount of information on traffic patterns, parking

spaces and air pollution, which it gathers through sensors installed on the streets. The challenge is to learn how to manage all aspects of cities that will have an ever-increasing population.

The new research cluster is called the “Cooperative Automotive Research Network” (CARNET) and it has been proposed to develop an emerging concept: microcities. The idea is to convert traditional parking spaces into service centres, such that when a member of the public travels to the heart of a large city, they can leave their vehicle at the entrance to the city or in particular areas to benefit



“THANKS TO ARTIFICIAL INTELLIGENCE, THE COMPANY IS ON COURSE TO ENABLE ITS CARS TO LEARN FROM THE USER’S PREFERENCES, WHICH WILL WITHOUT DOUBT CONTRIBUTE TO CREATING NEW EMOTIONAL LINKS BETWEEN THE DRIVER AND THE VEHICLE.”



EASY MOBILITY TEAM: GREAT SOLUTIONS FOR GREAT CHALLENGES

With the goal of being one of the frontrunners of the “change of cycle” that the automotive sector is undergoing, SEAT has created the Easy Mobility Team, a multi-disciplinary team created to lead the company’s transformation based on three fundamental areas: digitalisation and R&D, customer experience and business development. This is a team that has set itself the goal of striving step by step, without paying too much attention to the timetable, to win the most prized trophy: customers’ trust. Precisely because it encompasses different areas instead of one specific discipline, the Easy Mobility Team intends to draw on different gaming systems in order for SEAT’s vehicles to be more than just a car. In effect, as well as guaranteeing the notorious reliability of its vehicles, the company

is already working on the creation of a digital ecosystem around the hardware that guarantees full connectivity at all times, solves the present and future mobility problems and allows it to establish partnerships with companies that are leaders in their respective operating segments in order to develop new business models with them. These are some of the strengths SEAT has that will enable it to become one of the frontrunners in this transformation, according to the opinion of some members of this team: “being a highly agile company that has been able to reinvent itself several times in its history” (Arantxa Alonso), “forming part of the largest automotive group in the world and having access to the latest technology” (Fabian Simmer), “having put together a team that helps the paths between departments to be very short, instead of safeguarding silos or self-contained areas” (Leyre Olavarria) and “being a young and dynamic company” (David Gendry).

from services such as a maintenance service. This will also give them an incentive to leave their car there, while they travel on to other places and continue their journey by metro, bicycle or an electric vehicle. But this is not the only interesting project that SEAT is researching in this hub focused on the automotive sector. It is also developing a mobile application called Parkfinder, which allows the user to locate available parking spaces in real time and to guide the vehicle to them.

But beyond specific projects, SEAT’s stance is that you have to understand the essence of a business in depth in order to bet on what is really important in a changing environment. SEAT is working on all of this on a daily basis, in order to become one of the frontrunner companies in car connectivity.



HIGHLY PERSONAL ROBOTS

The road to manufacturing 4.0 includes the development of the most advanced technology. SEAT is one of the companies that wants to lead and interpret this new 4.0 reality with its own distinct personality. Technological advances will go hand in hand with the idea that workers and machines will interact, side by side, in achieving the same goal.



In SEAT, it is easy to be left astounded when you see dozens of articulated arms moving at the same time, the majority to solder the different parts of the bodywork. Some deal with the planing and sanding; others even wield drills or measuring instruments. You only have to close your eyes for a symphony of sounds to take over the factory and to hear how hundreds of robots move to the sound of the musical score that the company has composed in order for technological advances to contribute to building cars that are increasingly human.

Just over every 30 seconds, more than two thousand perfectly synchronised robots that are in constant motion start work on a new car. Some even have a name. In fact, there is no shortage of workers that admit to having a special relationship with these artificial minds, as if metals could also have a soul.

The biggest robots measure up to six metres, without their pulse being felt by more than 0.1 millimetres. But there are robots of all shapes, sizes and colours. This is the case, for example, of the stealthy “setillas” (little mushrooms) – one of the nicknames by which the driverless vehicles that transport heavy loads around the interior of the workshops

are known – which strive to deliver the necessary material to each point of the production line. Very close by, other collaborative robots briskly and precisely assemble the nearly 3,000 parts that a car contains, while various people monitor the installations in real time, analysing and checking the behaviour of each machine.

Through this shared intelligence, a certain kind of digital talent seems to be emerging from one of the largest smart factories that the Volkswagen Group has in the world. But the fourth industrial revolution is much more than a neatly finished product. It is also the ability to turn components into smart objects, as well as digitalising information and placing it on a network. The idea is that life should not stop when you get into a vehicle, which is why we need to transform it and equip it with new services to continue to enjoy the driving experience.

Like a gentle wind, this objective seems to reach all corners of SEAT, obliging the new generation of robots to face up to the challenge of unfolding themselves naturally in unknown spaces. But without doubt, it is the workers of SEAT who have best captured that breath that is capable of taking the company forward.



The use of artificial intelligence and connectivity between different environments, together with new forms of production and design, have allowed SEAT to become a leader within its sector. The goal is to carry out more projects in less time and to deal with the growing demand for customisation, supported by the immense possibilities offered by new digital technologies.

Through this *entente cordiale* between people and machines, more and more SEAT employees now dedicate part of their day to controlling the processes that allow for the optimisation of decision-making, while the robots take care of the more laborious and routine tasks. Nevertheless, the new generation of these machines come equipped with sensors that allow the robots to connect with each other and gather data, as well as to learn from their actions (machine learning). To this end, they have algorithms that review the past records and predict future behaviours, something which is sometimes complemented with movement detection or vision programs. They are, therefore, self-teaching robots with the ability to interact with humans and take on SEAT's challenge of being one of the frontrunner companies in the fourth industrial revolution.

In this new reality, each workspace opens the doors to a new world: cyber-physical systems, 3D printing, algorithms that identify any kind of error in the process based on the history, smart logistical systems, smart glasses that offer virtual assistance and communicate with the software installed in the machinery, and so on.

“YOU ONLY HAVE TO CLOSE YOUR EYES FOR A SYMPHONY OF SOUNDS TO TAKE OVER THE FACTORY AND TO HEAR HOW HUNDREDS OF ROBOTS MOVE TO THE SOUND OF THE MUSICAL SCORE THAT THE COMPANY HAS COMPOSED”.



“The robots will be able to have algorithms that review the past records and predict future behaviours, something which will be complemented with movement detection or vision programs”.

“SEAT WANTS TO BECOME A FRONTRUNNER WITHIN THE SECTOR IN THE USE OF BIG DATA AND CONNECTIVITY”.

However, besides the machines, flesh and blood experts assemble and thoroughly review the doors, headlights, bumpers, windows and other details to ensure that everything is perfect, with that human touch being what finally marks the difference.

Whereas a number of years ago SEAT staff were still responsible for carrying out the more physical tasks, now, on the other hand, they acquire skills in process management in order to programme the robots so that they are the ones that take care of those tasks. But this is not the only change that has taken place. Whereas

the first robots to step foot in SEAT’s facilities in Martorell were as robust as they were unwieldy, today’s robots are lighter and more versatile. In a matter of seconds, it is possible, for example, to programme a robotic arm to go from one exact point to another and to mount the tabs of a headlight and then to proceed to screw it in with a second movement that is equally as reliable. This ease of use is expected to become the quintessence for manufacturing on demand, a trend which not only affects the automotive industry but also other sectors that are seeking to make their production lines more flexible in order to adapt to changing environments.

SEAT is in the midst of a digital transformation process without precedents, which will lead the company to the automation of its facilities and to fully enter Industry 4.0. This will involve robots and machines that are increasingly smart, prepared, digital and interconnected... but which will never be able to compete with SEAT’s most important asset: people.





CARS ON DEMAND

Nevertheless, as sophisticated as robots have become, they are still a long way off conveying passion in the product. This is where people and SEAT's clear commitment to industry 4.0 come in. The goal is to pre-empt a scenario which is starting to take shape. In the future, most probably, customers will want to receive their vehicle in a shorter timeframe, which will oblige factories to begin production based on this order as quickly as possible. We don't have to consult a crystal ball to guess that implementing instantaneous modifications in the production processes will be key to stay ahead of rivals and to be competitive.

This is, without doubt, the great challenge that SEAT has ahead of it: interconnecting increasingly prepared human beings with machines that are capable of learning new skills, so that the final customer is the one to benefit from and enjoy the greatest revolution the car has undergone in its history.

“SEAT’S GREAT CHALLENGE IS TO INTERCONNECT INCREASINGLY PREPARED HUMAN BEINGS WITH MACHINES THAT ARE CAPABLE OF LEARNING NEW SKILLS”.





LOGISTICAL SIMULATOR

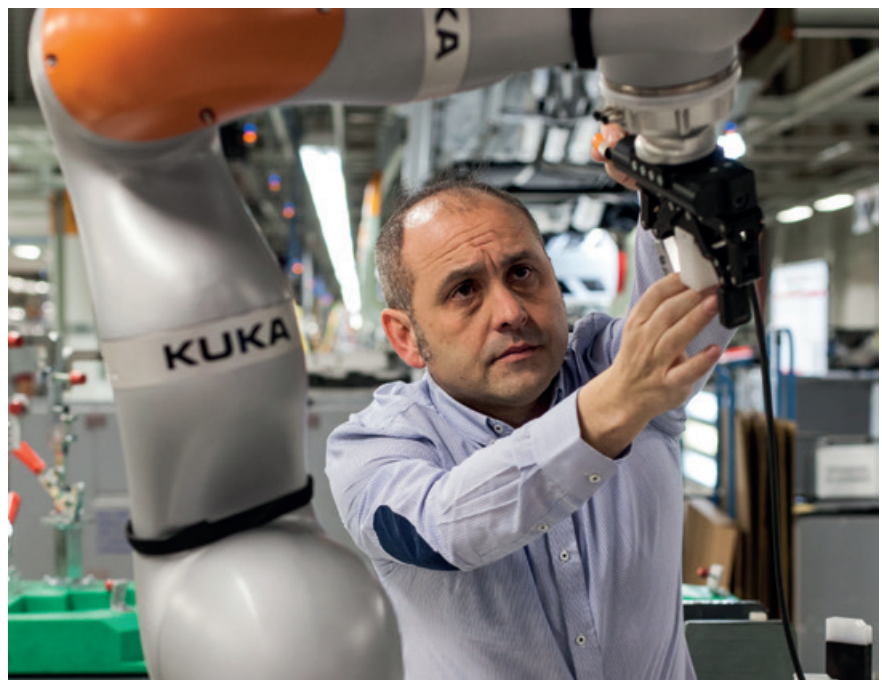
“Thanks to this machine, SEAT’s employees can familiarise themselves with driving and perform different journeys on demand around the various areas of the workshops so that, when the day comes that they have to do this work for real, they know how to cope in different circumstances despite never having been there”, explains Iris Ambrosius, head of new technologies for logistical training in SEAT. To this end, the simulator has a virtual reality headset which allows staff to travel through the corridors of the workshop, get used to the usual traffic and load and unload parts. As well as getting close to the workstation in virtual reality, the simulator provides personalised training, as well as on-demand journeys around workshops that are sometimes more than 20,000 metres squared.

“What kind of relationship do I have with the machine? It is a loyal helper with a lot of patience. It is so patient, it could be my friend”.

HEADLIGHT PRE-ASSEMBLY

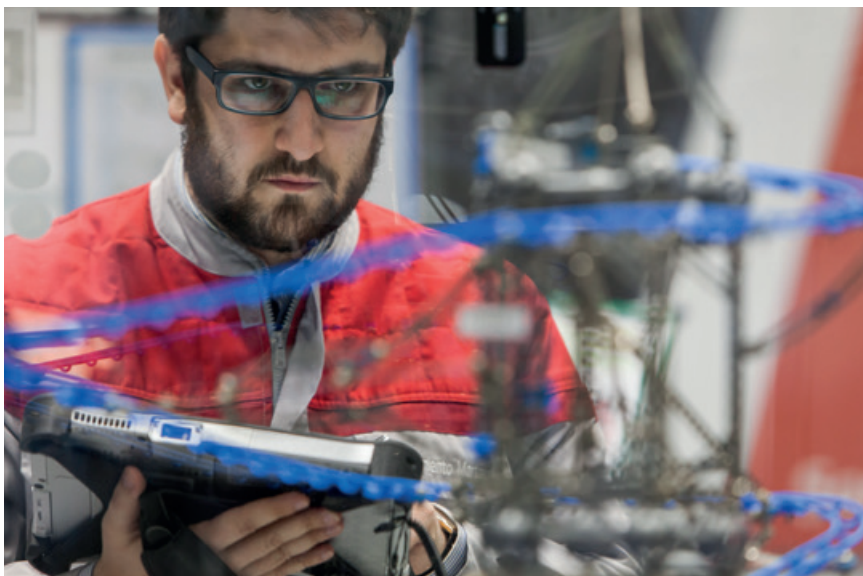
The articulated arm collaborates with the worker to fit a vehicle’s headlights. “In a day it can perform 1,250 fittings”, states Juan Carlos Rubio, process analyst. “One of the characteristics of this robot is that it works together with a person at all times, something that was unthinkable up until not long ago for safety reasons”, he adds. Perhaps this is why this robot has become another member of the family. “In the end, it’s about developing a partnership between the strength and reliability of the robot and the ability to make decisions that a human being has”. Thanks to this robot, today almost twice the number of headlights are assembled than in the past, also providing higher quality in the finish.

“We are in a period of technological change in which machines, rather than replacing people, will collaborate with them”.



AUGMENTED REALITY

The tablet computer that Joan Rubio, a SEAT technology expert in augmented reality, carries with him allows him to recognise the different elements of an electrical cabinet using an application and to obtain precise information on each element, whether they are 3D designs, videos or graphs, whatever is needed at any given place and time. Rubio works in Maintenance together with another 400 people, whose mission is to ensure the availability of SEAT's production facilities. To achieve this, it is necessary to know any of SEAT's technologies, machines or installations in detail, hence training and practice are essential and new technologies, such as augmented reality, can be great allies in this mission. In the Maintenance Training Centre, staff are working on the maintenance technologies of today and of tomorrow. Augmented reality allows staff to focus on any installation and to obtain information and data in real time, combining the real world



with the world of data. "The cornerstone of the maintenance of the future is predictive maintenance, that is, using information to predict the state of the installations", he foresees.

"That is what augmented reality consists of: seeing the real world with added information. In our case, we use this technology to recognise and interact with our installations".



AUTOMATED GUIDED VEHICLES (AGVs)

"AGVs participate in processes in which the monitoring of the material is very important and where on-time delivery is essential".

In contrast to the intense activity in workshop number 9, driverless vehicles quietly circulate back and forth with gearboxes, engines and all kinds of components, only stopping when their sensors detect a person or when they receive orders from the devices that regulate the flow of vehicles within the

facility. The AGVs guarantee a safer environment for the workers: "There has never been an accident involving a person since we start working with AGVs", confirms Bernabé Haro, a technician in logistical planning who professes to being a fan of his work. "Thanks to the software they have installed in them, they conduct cyclical routes" – describes Haro – "following the layout of magnetic guidelines hidden under the ground". The one hundred or so AGVs that SEAT uses in the Martorell factory are known by the employees of the assembly workshops by names as diverse as "setillas" (little mushrooms) or "margaritas" (daisies), depending on who names them. Besides protecting the workers and preventing them from handling heavy items, the AGVs prevent the product from being damaged and confirm the location of each load using the workshop's monitoring system.

CREATED IN BARCELONA

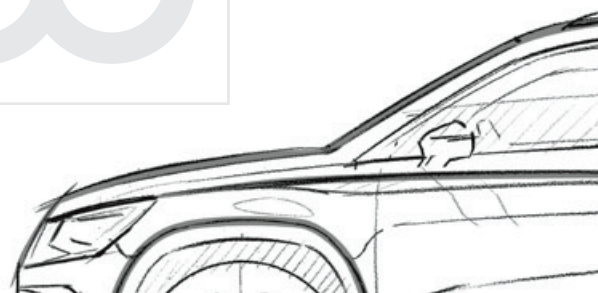
Creative, cosmopolitan, lively, artistic, young, dynamic, ground-breaking... Barcelona is a unique city and a source of inspiration for everyone, especially for SEAT. In the city that has seen geniuses grow such as Gaudí, Picasso, Miró and Leo Messi, life is lived differently and things are also made differently. Barcelona is a place where you breathe creativity, passion and design, but also innovation, precision and perfectionism, and today it is the world's second smart city, after Singapore, the fourth most creative city in the world, the fifth largest digital hub in Europe and the world's mobile capital.

SEAT and Barcelona share something more than just a place in the world. Barcelona is the mirror in which the company has looked at itself since its beginning, more than 60 years ago, and with which it shares values, its philosophy and a way of doing things that is admired throughout the world.



“Barcelona is a never-ending source of inspiration. Especially for us”.

LUCA DE MEO, CHAIRMAN OF SEAT



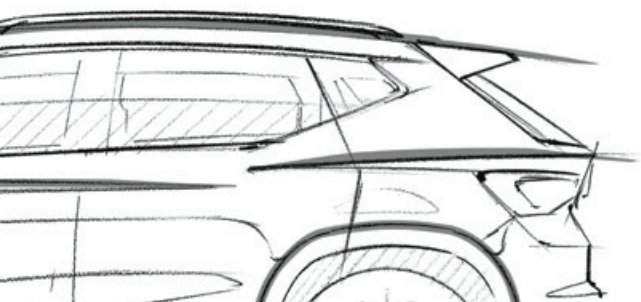
trend and design



TADAO KAMEI

Japanese architect, chairman of the architectural firm Nikken Sekkei, responsible for the design, in collaboration with Joan Pascual – Ramón Ausió Arquitectes, of the future stadium of FC Barcelona ‘Nou Camp Nou’

“Barcelona is the largest metropolis in the Mediterranean and a great source of inspiration. It has a spectacular architectural richness; a mix of modernism, contemporary architecture and urban design, and it is the city of architects such as Gaudí and Domènech i Montaner”.





creative and cultural



CARME RUSCALLEDA

Chef with the most Michelin stars in the world (7), native of the town of Sant Pol de Mar in the Barcelona area

“There are cities with a special personality, magic and creativity, which win you over. Barcelona means ‘love at first sight’. It hooks you and invites you to visit it again to live it... and above all, to eat it!”.



ALEIX VALLS

Barcelona native, CEO of Mobile World Capital Barcelona and driving force of the global platform of entrepreneurs and startups '4YFN'

“Being the world’s mobile capital, a European leader in innovation and one of the powerhouses in the field of digital creation has allowed Barcelona to be a key city at a global level. Between all of us, we have made Barcelona a synonym for talent, but also for challenge, evolution and future”.

*enterprising and
dynamic*



*urban,
young and
cosmopolitan*



SARA PI

Singer from Barcelona and model.
Icon of the new wave
of soul and R&B, and one of the greatest
talents of the moment

*“Being able to live in a
city with a good climate
all year round, which is
lively, dynamic and on
the sea is a privilege. You
breathe history and culture
with every step and in
every corner of the city.
Barcelona is a city that I
rediscover every day”.*



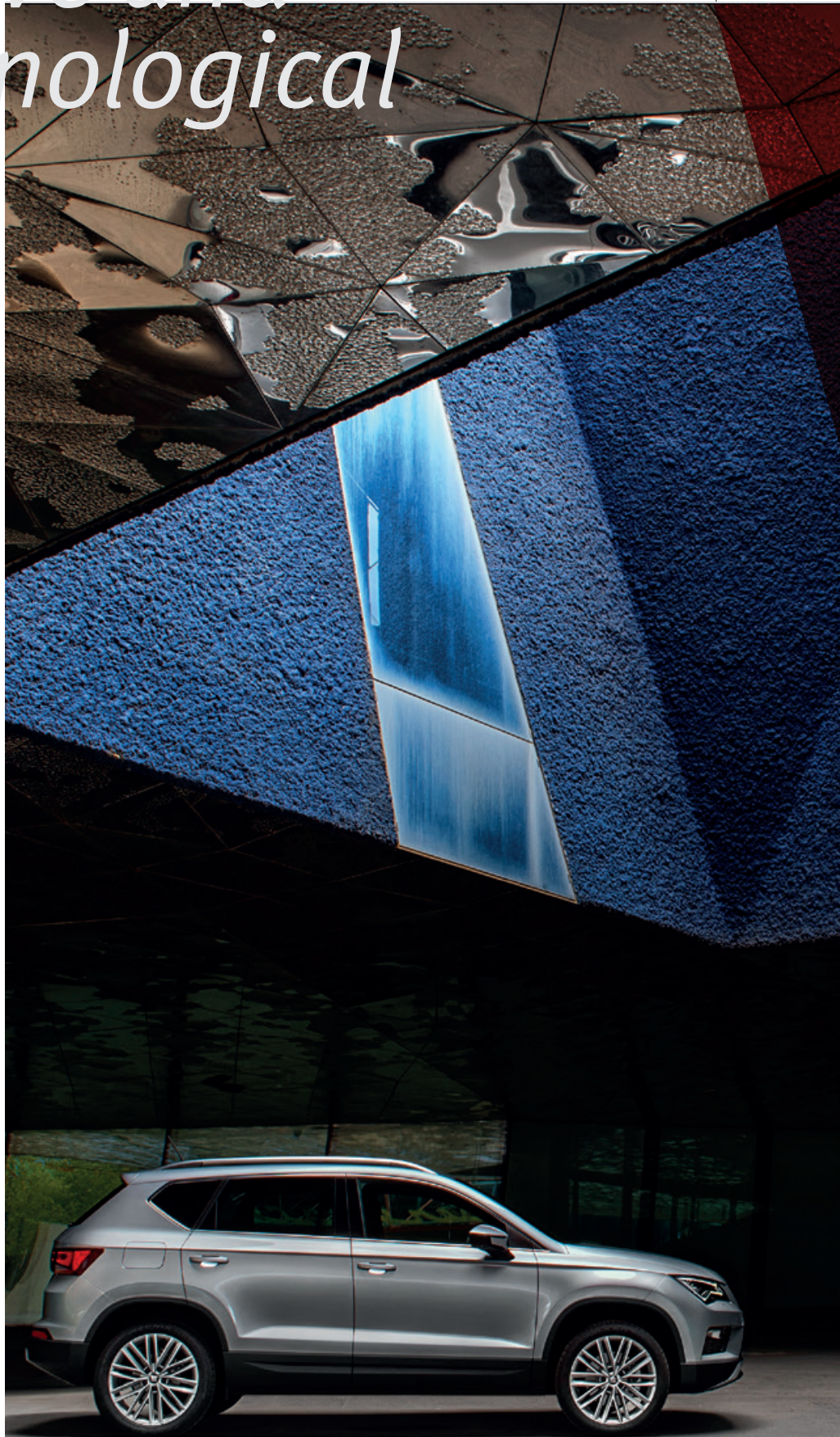
innovative and technological



JOHN HOFFMAN

CEO of GSMA, the entity that organises the Mobile World Congress Barcelona, the most important mobility and mobile technology convention in the world

“Barcelona is a ‘living lab’ that illustrates what digital transformation means for citizens, companies and institutions. In just a few years, we have seen how the city has attracted international talent, knowledge, innovative projects and ground-breaking initiatives that have positioned Barcelona as a key player in digital transformation”.



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SOCIOECONOMIC IMPACT

Do you know the Socioeconomic Impact
of SEAT in the Spanish economy?—**53**

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MANAGEMENT REPORT

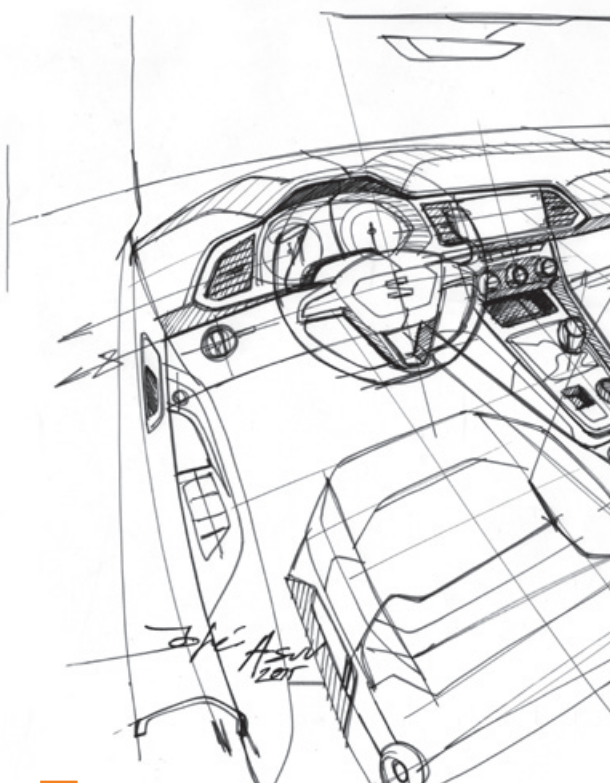
Teamwork—**56**
Corporate Social Responsibility—**62**
Production and Quality—**82**
Purchases—**90**
Sales and Marketing—**96**
Research and Development—**114**
Human Resources—**126**
Governmental and Institutional Relations—**134**
Finance, IT and Organisation—**140**

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SEAT, S.A. ANNUAL ACCOUNTS

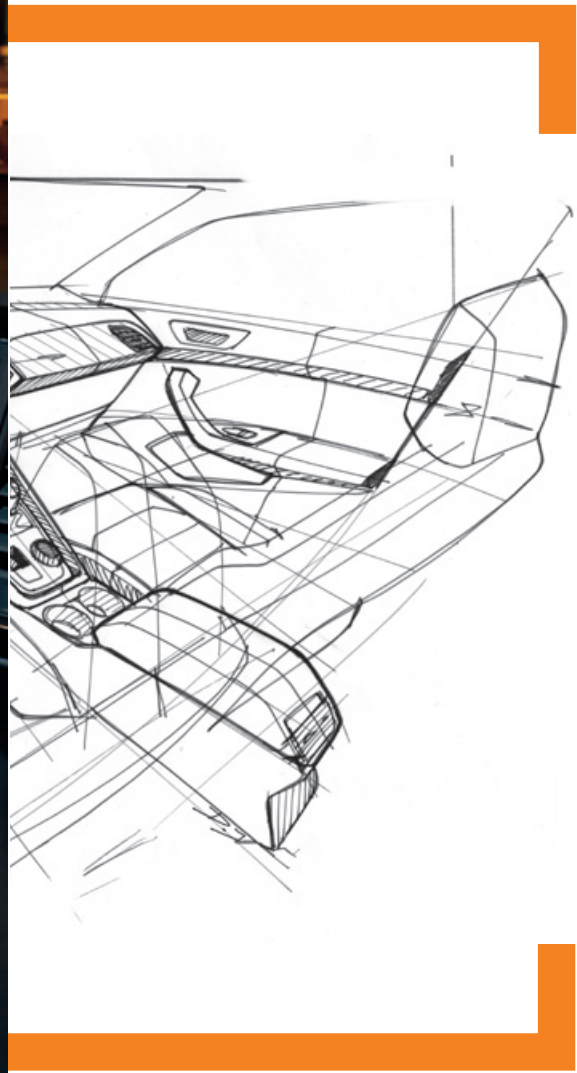
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ENJOY.....





...
THE RIDE



DO YOU KNOW THE SOCIOECONOMIC IMPACT OF SEAT IN THE SPANISH ECONOMY?

FIGURES FOR THE 2015 FINANCIAL YEAR

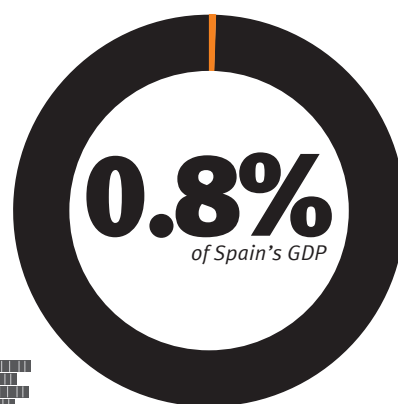
Summary of the study performed by PricewaterhouseCoopers (PWC) based on the consolidated figures of SEAT, S.A. and Centro Técnico de SEAT, S.A. for the 2015 financial year, in order to highlight the company's contribution in economic, fiscal, social and environmental terms, and in aspects such as innovation, quality and design.

In 2016, SEAT, S.A. completed the merger by absorption of the company Centro Técnico de SEAT, S.A. (see note 23 of the Notes to the Annual Accounts).

STRENGTH OF THE COMPANY

/ Turnover reached 8,400 million euros, which represents 0.8% of national GDP.

In terms of turnover, SEAT is the 13th largest company in Spain, the largest in Catalonia and the largest in the automotive sector.



BUSINESS AND ECONOMIC DRIVER
SEAT is one of the largest companies at a national, regional and sectoral level in terms of turnover.

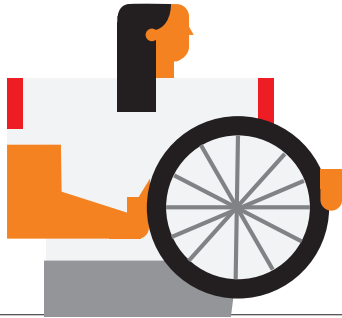
/ Exports, at around 7,000 million euros, represented 2.8% of Spain's total exports.

SEAT is the company with the highest exports in the Spanish industry and the Martorell factory produces the most cars in Spain.



SEAT exports of approximately
7,000
million euros

+2.8%
OF THE TOTAL IN SPAIN

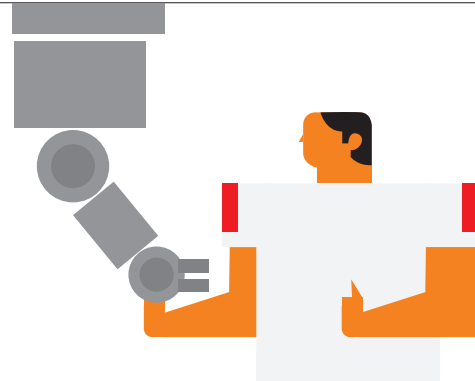


CONTRIBUTION TO R&D

Largest industrial investor in R&D in Spain, through the SEAT Technical Centre (CTS).

/ The improvement in productivity levels allowed the production cost per unit to be reduced by 10.6% compared with 2012.

SEAT has positioned its vehicles at the top of the productivity rankings, as well as receiving prestigious awards such as the Lean Award and Lean & Green Management Award, which certifies the Martorell factory as the most efficient in the sector in Europe.



/ The resources allocated to total investment and R&D expenses amounted to around 600 million euros, 7% of revenues. Between 2011 and 2015, the funds used totalled 2,700 million euros.

SEAT is one of the largest investors in Spain.



/ More than 370 million euros were allocated to activities related to R&D, which represented 4.5% of revenues and 2.9% of the total resources allocated to R&D in Spain.

SEAT is the largest industrial investor in R&D in Spain and the fourth largest Spanish company in terms of resources allocated to R&D.

/ The company's fiscal contribution was more than 700 million euros: VAT collected, company Social Security payments, employee Social Security payments, employees' Personal Income Tax, Corporation Tax and local taxes (*).

SEAT is one of Spain's major contributors in terms of taxes.

(*). The contribution with regard to VAT refers to the tax collected by SEAT, S.A. and by Centro Técnico de SEAT, S.A. The Corporation Tax corresponds to that of the consolidated tax group.

TOP EMPLOYER



/ The company's contribution to employment in Spain (direct, indirect and induced) is close to 100,000 jobs.

SEAT is the largest employer in the sector and one of the largest in the country. For every job created directly by SEAT, a total of 7 new jobs are created in Spain.



for every direct job at SEAT



7
new jobs nationally

/ 97% of the contracts drawn up were permanent and voluntary staff rotation was just 0.5%.

SEAT exceeds the industrial sector average by 17 percentage points and the average in Spain by 22 points. Voluntary staff rotation is eight times lower than the average of the Top Employer companies in Spain.



97%
permanent contracts in SEAT

75%
national average of permanent contracts

/ 24% of employees are millennials. 53% of new joiners were under 30 years of age and the number of permanent contracts in this age bracket was 30 points above the national average.

In a context of high youth unemployment, SEAT is committed to hiring young employees.

53%
of all new hires were under 30 years of age



21%
women in SEAT's factories

11%
women in car factories in Spain

The number of women at the SEAT factory is approximately double the average for car factories in Spain (11%).

SUSTAINABILITY

/ The investment allocated to reducing the company's environmental impact was over 17 million euros.

The resources allocated to activities to mitigate the environmental impact reached an average of more than 1,200 euros per employee.

€1,200

the financial resources allocated to environmental protection per SEAT employee

€400

average for the automotive sector in Spain

/ The initiatives carried out with regard to energy efficiency since 2011 have allowed the company to avoid the consumption of more than 100,000 MWh, which is equivalent to the annual consumption of more than 10,200 Spanish households.

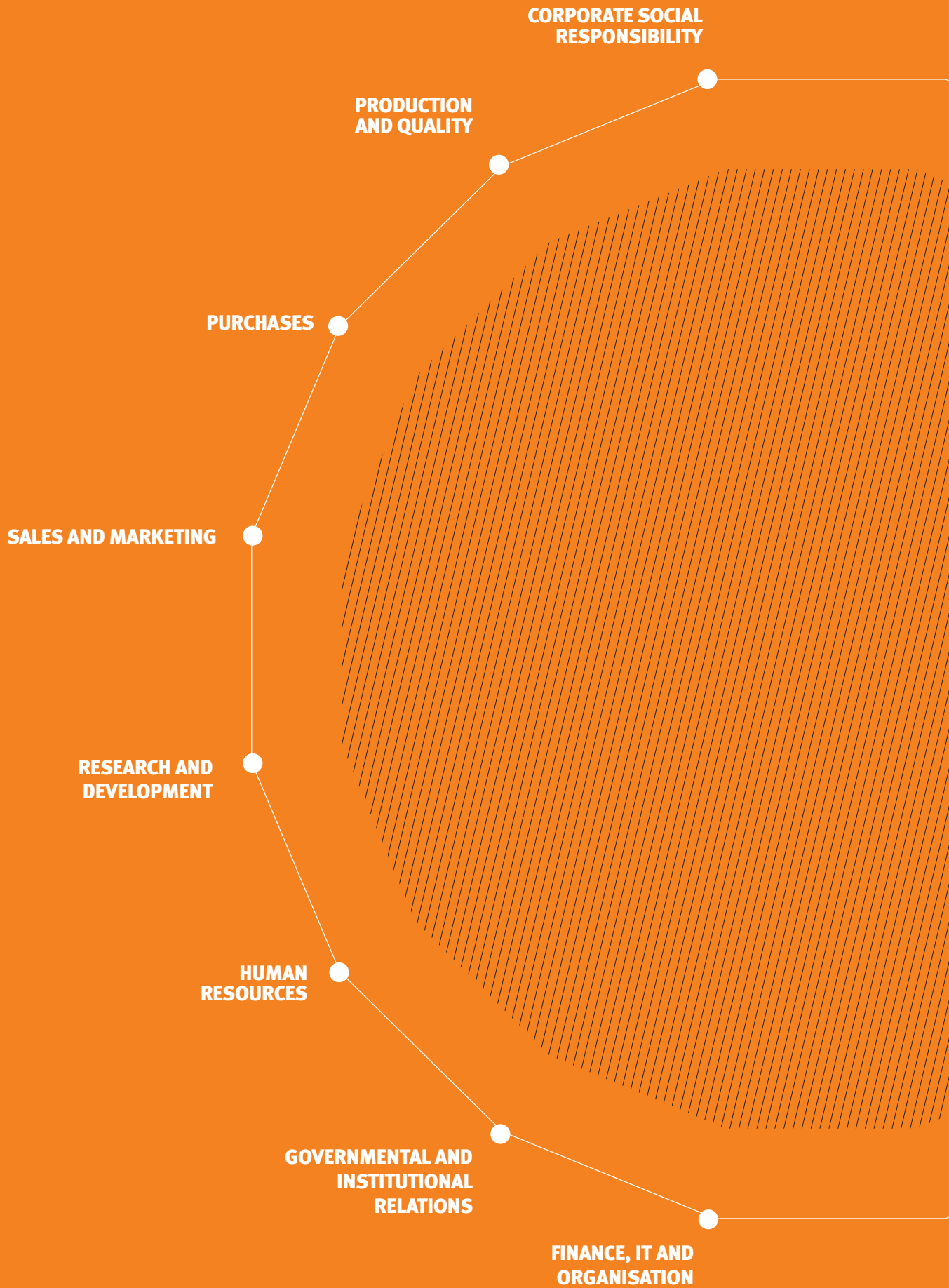
The Ecomotive Factory Plan is aimed at optimising the company's resources and reducing the key environmental indicators per vehicle produced.



1

TEAMWORK

SEAT ATECA



SEAT's first SUV is the brand's most ambitious and global project in recent years. All areas of the company have aligned around a common goal to develop and launch the new star of the SEAT range: the success of the Ateca is a success for everyone.





PRODUCTION AND QUALITY

The industrialisation and production of the Ateca have put the small Czech town of Kvasiny and its 1,500 inhabitants on SEAT's map. Its factory has been producing cars since 1934 and in 1947, the first ŠKODA vehicle left its production line.

The Quality division's goal is to ensure quality in the manufacturing processes and to guarantee that the quality of all parts of the Ateca is perfect.

To this end, it subjects SEAT's new model to an exhaustive examination to test its quality, even in the finest detail.

PAGE 82



PURCHASES

The Purchases area has worked intensively since 2012 to make the Ateca a reality today and is responsible for ensuring that all the parts supplied comply with the quality requirements, deadlines, costs and production capacity. This is the first project in which Purchases is responsible for procurement (together with ŠKODA) and the launch of a car that is not produced in Martorell.

Once assembly line production has begun, Purchases ensures the optimisation of costs and supplier deliveries.

PAGE 90

SEAT ATECA TIMELINE



March 2014 THE ANNOUNCEMENT

During the annual results conference in front of the media, it is announced that SEAT will have its first SUV. The designers and the engineers of the SEAT CTS begin to give it shape.

June 2014 THE PRODUCTION

SEAT's Executive Committee confirms that the SUV will be manufactured at the ŠKODA factory in Kvasiny (Czech Republic).

October 2014 THE ENCOUNTER

SEAT and ŠKODA strengthen ties: more than 20 SEAT employees are transferred to Kvasiny to work on the perfect launch.

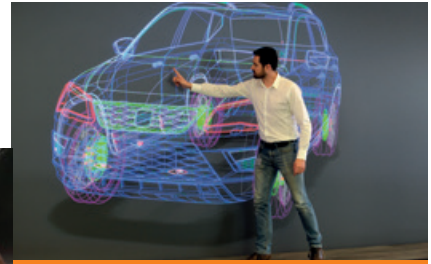
SALES AND MARKETING

More than 2,400 people from 59 countries attended the presentation of SEAT's strategy and future plans for its global dealerships network at the end of May – a route marked by the entry into a new segment with the Ateca.

All departments of the Sales and Marketing division have worked on this launch, into which a great deal of effort and passion have gone, with the common goal of enticing drivers.

The Sales and After sales networks are ready to offer the best service to SEAT Ateca customers.

PAGE 96



RESEARCH AND DEVELOPMENT

The Ateca has been developed 100% in the SEAT Technical Centre in Martorell (CTS). To varying degrees, practically all the engineers of the CTS have been involved in this project.

The Ateca is characterised by its distinctive SEAT design, with perfectly defined lines that highlight its character and sturdiness, and also by its magnificent dynamic performance, 100% true to SEAT's DNA.

A number of innovations have been introduced in the SEAT Ateca, from design elements such as the welcome light in the rear-view mirror, the Infotainment systems and the electric handbrake, to the driving aids such as Emergency Assist, Traffic Jam Assist and Lane Assist and other aids that increase comfort, such as Park Assist and Top View.

PAGE 114



**February 2016
IT'S CALLED ATECA**

The official presentation of the SUV is held at the Port of Barcelona: 130 journalists get a preview and the Chairman reveals its name.



**March 2016
'WORLD PREMIERE'**

More than 10,000 journalists and 687,000 visitors to the Geneva Motor Show get the privilege to see SEAT's SUV for the first time in public.

**April 2016
VERSATILITY, ON THE MOVE**

The Ateca is debuted on the road.



HUMAN RESOURCES

The exchange of specialist staff between SEAT and ŠKODA has been essential in ensuring the launch of the Ateca.

The Human Resources division has contributed to its success by managing the transfer and the integration of all the SEAT staff that have gone to the Czech Republic and the ŠKODA staff that have joined SEAT. This transfer of talent has enabled the Ateca's production in Kvasiny to be a success.

PAGE 126



GOVERNMENTAL AND INSTITUTIONAL RELATIONS

SEAT's first SUV is named after the Aragonese city of Ateca. With this vehicle, SEAT has continued the tradition of naming the brand's new models after Spanish towns and cities. The Ateca made its debut in the city in which it was conceived, Barcelona, and with which it shares the brand's attributes. The presentation, which was held at the Port of Barcelona, brought together more than 130 journalists.

PAGE 134



FINANCE, IT AND ORGANISATION

Making the project profitable, taking into consideration the market and the competition, is one of the tasks performed by the staff of the Finance department. That is, defining measures to guarantee the Ateca's profitability.

The price of a vehicle is one of the key elements for ensuring its commercial success. It is essential that the price of a new model fits the current market as well as possible, while always considering the commercial positioning goals for this product.

PAGE 140

April 2016 TAKING ORDERS

The network begins to market and sell the Ateca. It raises a lot of interest.



April 2016
THE FIRST ATECA
The first unit of the SUV leaves the Kvasiny production line.

June 2016 IT REACHES DEALERSHIPS

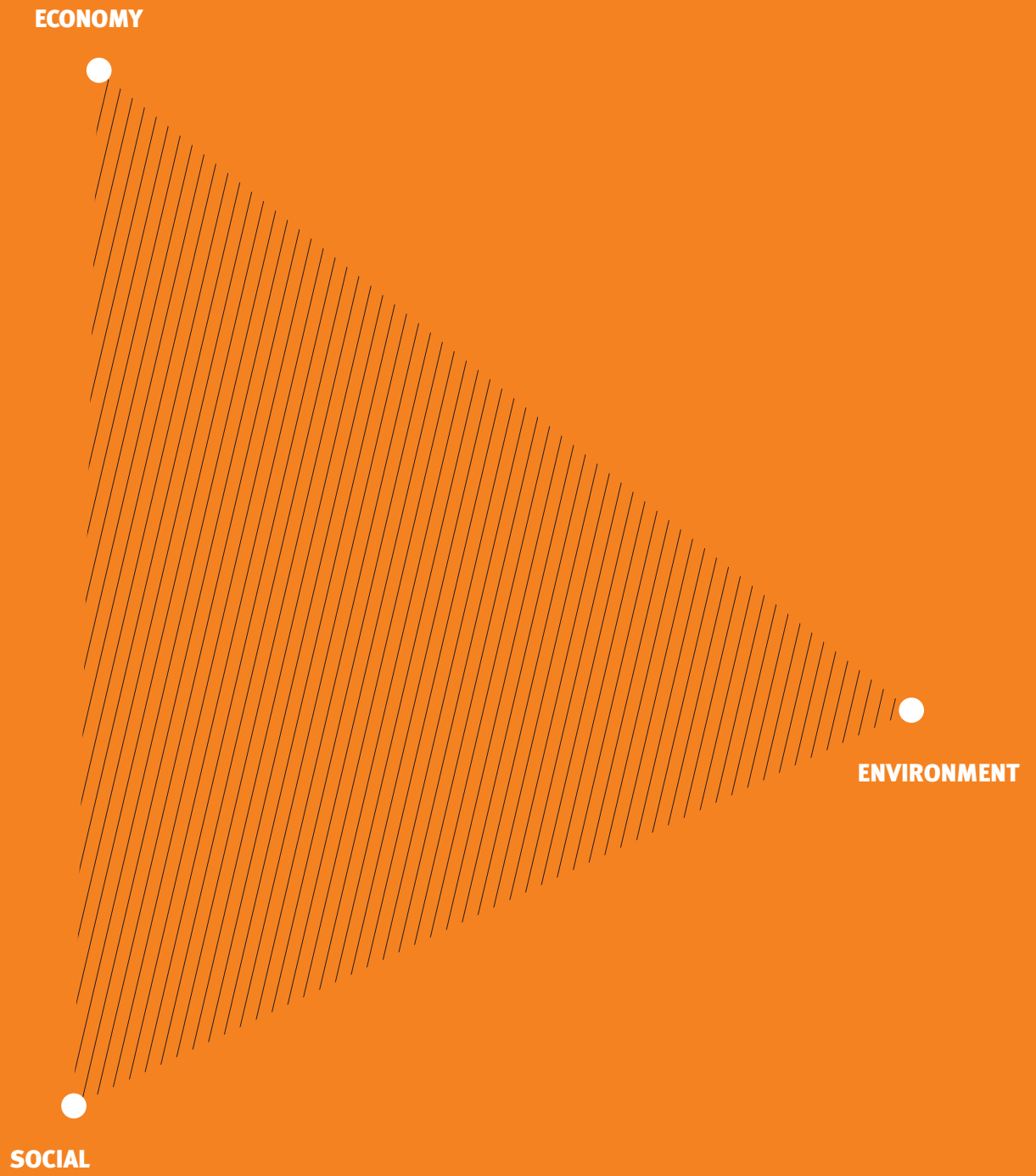
Dealerships prepare for the occasion of receiving the new model.



2

**THE FUTURE
BEGINS TODAY**

CORPORATE SOCIAL RESPONSIBILITY



COMMITTED TO SUSTAINABILITY

SEAT has consolidated its sustainability strategy during 2016. In the social sphere, the company repeated the success of winning the Top Employer award and even improved the result achieved last year. Significant efforts were also made in the field of gender equality and, through projects such as the Women in Management programme, SEAT is showing this commitment. The collaborations with universities and business schools through the SEAT Chair at the UPC, the SEAT Chair in Innovation at IESE and the SEAT scholarships at ESADE are also of note.

The environment is another of the company's pillars of corporate social responsibility in which significant steps were taken. In the Martorell factory, the second ECOMOTIVE FACTORY Day was held. This gathering allowed the company to showcase the most significant projects carried out during the year and to set the company's environmental goals up to 2025. In 2016 a significant goal was also achieved in the development of the brand's vehicles and their environmental impact, upon receiving the Eco-design certificate in accordance with ISO standard 14006. Furthermore, the Ateca became the first SEAT model for which a complete analysis of its life cycle has been published.

The third pillar of the company's sustainability strategy lies in the financial sphere. In 2016, SEAT became profitable and demonstrated its capacity to generate sustainable economic growth. An essential factor for ensuring this growth is quickly identifying and minimising the potential risks that might arise, so a new process of quarterly reporting of operating risks was put in place. Lastly, this year activities were held to mark the 5th anniversary of the company's Code of Conduct. The fundamental values that form part of SEAT's DNA are yet another display of ethics, integrity and social responsibility.

IN 2016, SEAT BECAME PROFITABLE AND DEMONSTRATED ITS CAPACITY TO GENERATE SUSTAINABLE ECONOMIC GROWTH



SEAT stakeholders universe



CUSTOMERS
/ Dealers
/ Fleet Operators



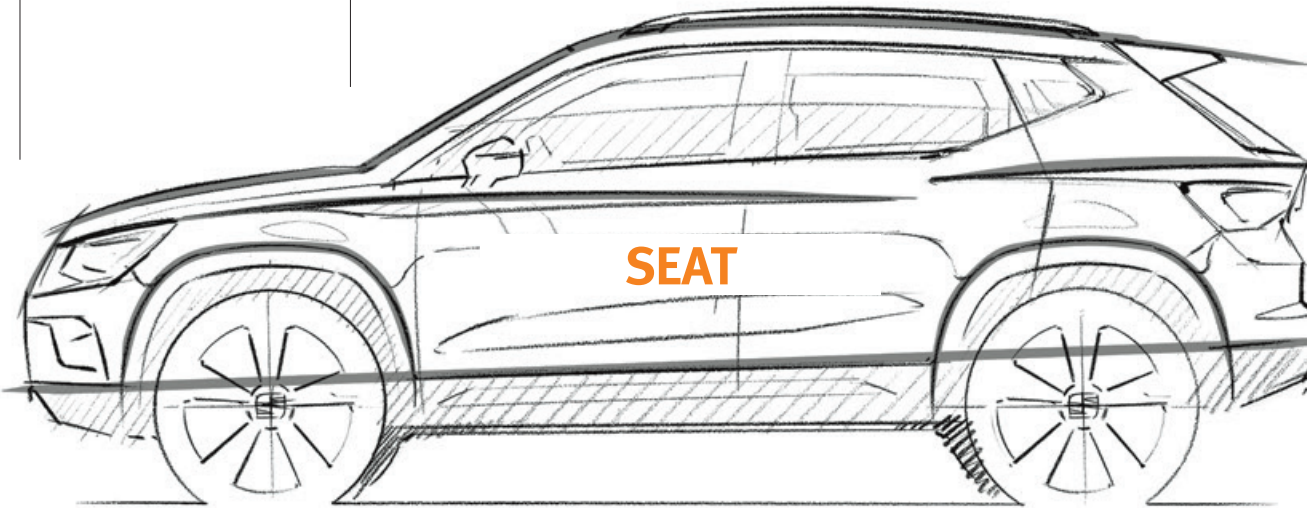
SUPPLIERS
/ Suppliers throughout
the Supply Chain



EMPLOYEES
/ Employees
/ Unions
/ Management



INVESTORS
/ Volkswagen Group
/ Financial Markets



EDUCATION
/ Universities
/ R&D Centres



MEDIA
/ Mass Media
/ Social Media



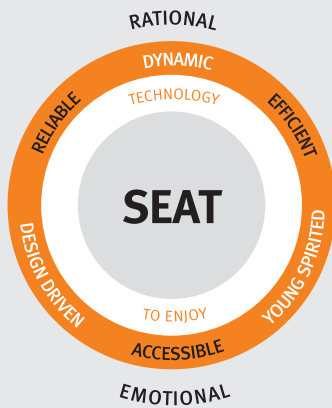
ADMINISTRATION
/ Government
/ Legislators



SOCIETY
/ NGOs
/ Foundations
/ Associations
/ Neighbours

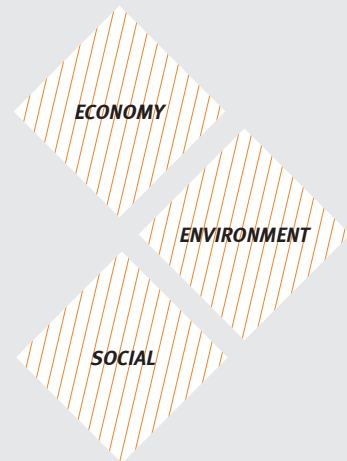
Sustainability strategy

The sustainability strategy is related to the company values and based on three pillars

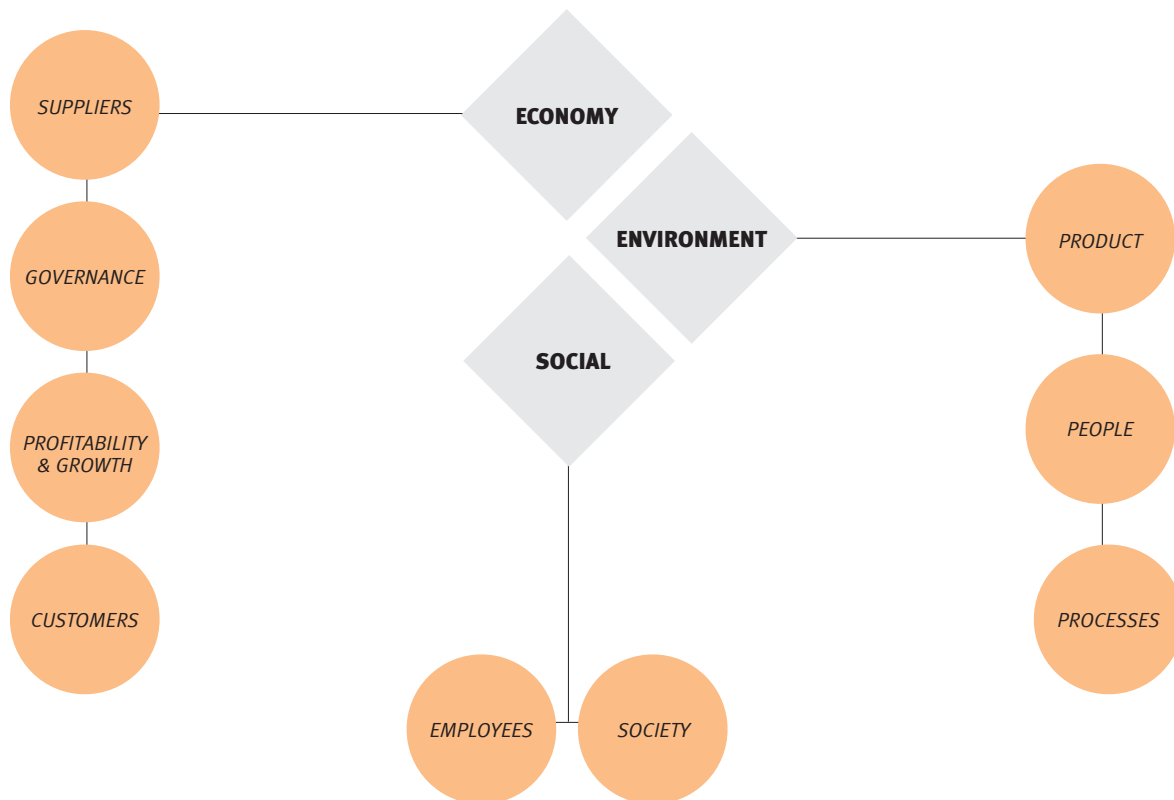


SUSTAINABILITY IN SEAT

VISION/ To be acknowledged by our stakeholders as one of the most sustainable companies in the automotive industry.
 "SEAT brings sustainable mobility to life"



Focus Areas



AUDIT, COMPLIANCE AND GOOD GOVERNANCE COMMITTEE

From 17 June 2016, with Act 22/2015 of 20 July on Financial Statement Audits coming into force, SEAT, as a “public interest entity”, has created an Audit Committee. Additionally, following the company’s transparency policies, and given that corporate governance best practices recommend listed companies to have an executive committee of the Board of Directors in charge of supervising the rules of good governance, the social responsibility policy and regulatory compliance, SEAT’s Board of Directors agreed that as a public interest entity, the company should have a committee within it that assumes these responsibilities.

In order to simplify and rationalise structures, it was considered that the committee could formerly assume the functions of supervising legal compliance and good governance. Therefore, on 11 March 2016, SEAT’s Board of Directors adopted the agreement to create within it the so-called Audit, Compliance and Good Governance Committee (ACGGC), which has been assigned the functions of supervising the rules of good governance and regulatory compliance, as well as the functions of the Audit Committee in the law. This committee has more extensive powers than those determined by the law and is fully independent.

To this end, SEAT ensures that the ACGGC has sufficient resources and an adequate structure for the proper supervision and control of the matters it is responsible for.

These decisions, adopted following careful consideration based on the compliance model implemented to date and taking into consideration the best practices in the market, were taken within the context of SEAT’s desire to continue to promote transparency and good governance, as well as the commitment assumed for the entire organisation to promote the performance of its work while upholding ethical values.



Functions of the Audit, Compliance and Good Governance Committee



COMPLIANCE

MONITOR THE SUITABILITY OF THE COMPANY'S COMPLIANCE AND RISK-MANAGEMENT MODELS

MONITOR THE EFFECTIVENESS OF THE CONTROLS OVER FINANCIAL REPORTING

MONITOR THE INDEPENDENCE AND EFFECTIVENESS OF THE INTERNAL AND EXTERNAL AUDITORS

MONITOR THE TRANSPARENCY OF FINANCIAL REPORTING



AUDIT OF FINANCIAL STATEMENTS



GOOD GOVERNANCE

MONITOR COMPLIANCE WITH THE COMPANY'S GOOD GOVERNANCE POLICIES



ON 11 MARCH 2016, SEAT'S BOARD OF DIRECTORS ADOPTED THE AGREEMENT TO CREATE WITHIN IT THE SO-CALLED AUDIT, COMPLIANCE AND GOOD GOVERNANCE COMMITTEE (ACGGC)



RESPONSIBLE AND SUSTAINABLE BUSINESS

Financial sustainability

In the last few years, an action plan has been carried out focused on controlling the cost and profitability of products, to ensure the sustained growth of the business. As a result of the work performed and the continuous monitoring of financial measures, in 2016 SEAT returned to being profitable.

The company's future economic development depends on a robust financial strategy. In this sense, during 2016 various work groups were set up to define the company's new strategic plans to adapt to the renewed challenges that the car industry faces. As part of this initiative, a cross-departmental team was created, responsible for identifying and developing new business models.

Risk management and compliance

SEAT has an organisational and management model that includes monitoring and control measures to prevent business risks and criminal offences from being committed. In this model, the Risk Management and Compliance departments encourage the efficient management of risks and regulatory compliance in all areas of the company, through different training and advisory activities in order to achieve goals and to guarantee SEAT's sustainable financial success.

Fifth Anniversary of the Code of Conduct

The Code of Conduct is the guide that sets out SEAT's principles and values, and which all those that form part of the company are required to comply with. Its first edition was published five years ago and during that period the Compliance department has carried out communication campaigns aimed at the entire workforce and general or specific training on specific subjects from it. The Compliance department celebrated the Code's fifth anniversary by focusing its awareness campaign on its most significant principles and values, through illustrated editions sent to all members of staff, as well as leaflets and slogans distributed across all of SEAT's facilities. This action was supported at all times by the Executive Committee and the Company Committee, showing their commitment to act in accordance with the principles and values of the Code.



Every year, the Risk Management department carries out the GRC (Governance Risk and Compliance) process in which all divisions of the company perform an analysis of the status of SEAT's systematic risks and of the controls established to prevent and minimise them. This process has been strengthened since its implementation and has been consolidated as a monitoring and transparency tool for SEAT's management.

In 2016, a new process was established that allows Management to know all the operating risks that can affect the company in the short term and to thereby improve their management. All divisions of SEAT report quarterly on their most significant specific risks in terms of their financial, legal and reputational impact. The Risk Management department leads this process and ensures coordination and monitoring of the evolution of the risks and of the action plans reported.

The Compliance department is also responsible for carrying out communication, training and advisory campaigns, according to the needs detected in the company, in order to foster at all times a culture of integrity in the daily actions of all those that form part of SEAT. The Compliance department offers support to all the divisions to answer questions related to the Code of Conduct, rules, processes or Compliance guidelines. The results are very positive, since the number of enquiries sent to the inbox compliance@seat.es is growing exponentially every year. In 2016, the number increased by 26% compared to the previous year. Also, the number of reports of irregularities or infringements received through the channels provided increased proportionally.

It is also important to underline the SEAT Group's commitment to assuming its social responsibility by meeting its fiscal obligations, in accordance with the laws and basic principles established in the Code of Good Tax Practices. The corresponding Tax Policy of the SEAT Group can be found in the Annual Accounts (note 18. Tax situation).



RISK MANAGEMENT IN THE DAILY WORK ROUTINE

In order to bring the benefits of risk management closer to all members of staff, SEAT employee Prudencio Segura shows in a video how risk management is part of the daily working routine, by making a comparison between personal and professional life.



GRC awards

In September 2016, the second global GRC conference of the Volkswagen Group was held. Different experiences on the various activities related to risk management and compliance issues were exchanged. Of particular note were the awards won by SEAT in two of the four categories of the GRC Awards organised by the GRC department of the Volkswagen Group. The Risk Management team won an award for the improvement achieved on the analysis of the production risk map, while the Compliance team was awarded with the Compliance Special GRC Award for the Anti-corruption programme. Furthermore, in 2016, the Compliance department was awarded with the Iberian Lawyer Gold Award, which recognises it as the Best Compliance Team of the year in Spain.

Sustainability in supplier relations

Compliance with the Sustainability Requirements of the Volkswagen Group has been an essential requirement to form part of SEAT's supply chain, as well as for the adjudication and renewal of projects.

During 2016, the company increased supplier training and awareness in the field of company ethics, environment, labour conditions and human rights. Furthermore, the controls on complying with these requirements for the companies that make up the supply chain were reinforced.

The controls, applied through audits and compliance declarations of the suppliers themselves, allow the company to detect cases of non-compliance that are analysed internally by SEAT's team of experts. In the event that an issue is detected, the supplier must apply a series of corrective measures in order to assure its place within the supply chain. If serious cases of non-compliance occur, the contracts are immediately terminated.

The increased stringency of the sustainability policy among suppliers and their controls, through various tools such as corporate social responsibility audits initiated in 2015 and extended in 2016, has provided greater visibility and control of the supply chain, as well as a greater capacity to react in the event of possible cases of non-compliance. To do this, it has been essential and indispensable to have the cooperation of all of SEAT's suppliers, since they have committed in writing to complying with the Sustainability Requirements of the Volkswagen Group.

DURING 2016, THE COMPANY INCREASED SUPPLIER TRAINING AND AWARENESS IN THE FIELD OF COMPANY ETHICS, ENVIRONMENT, LABOUR CONDITIONS AND HUMAN RIGHTS

RSC of North African suppliers

SEAT has intensified and increased relationships with Moroccan suppliers, so it has been necessary to take a closer look at the legal, financial and administrative obligations that the companies are subject to in order to perform the future analyses of their compliance with Sustainability Requirements in a realistic and effective manner. In October, SEAT took part in the Business Mission to Morocco of the Automotive Sector, promoted by the Catalan Government (Generalitat de Catalunya) and the Automotive Industry Cluster of Catalonia (Clúster de la Indústria de Automoció de Catalunya), in which several interviews were held with authorities, suppliers and local experts. The purpose of the meetings was to gather all sorts of information on the operation, procedures, uses and customs of the automotive sector and of the supply chain in Morocco. In this way, SEAT has taken the first steps for the Volkswagen Group on the future analyses of sustainability and corporate social responsibility of the automotive suppliers in North Africa.



Customer satisfaction

SEAT continues to work so that its customers feel satisfied and keep visiting and recommending the network of authorised dealerships and service centres. The company's goal is for customers to enjoy an excellent experience, both with the brand's vehicles and with its services. SEAT's priority is to assure the loyalty and trust of its current customers and also to attract new ones. With this goal in mind, particular attention is paid to comments published in various studies on the brand and its network of authorised dealerships and service centres.

The analysis of these studies serves as the basis for establishing action plans aimed at continuing to improve the experience of the brand's customers.

SEAT continues to support new technologies in its relationship with its customers. The new management tools developed in the digital field allow the company to improve how it measures customers' satisfaction, while also providing a more pleasant experience by responding to surveys on the brand and the service provided in the network of authorised dealerships and service centres.

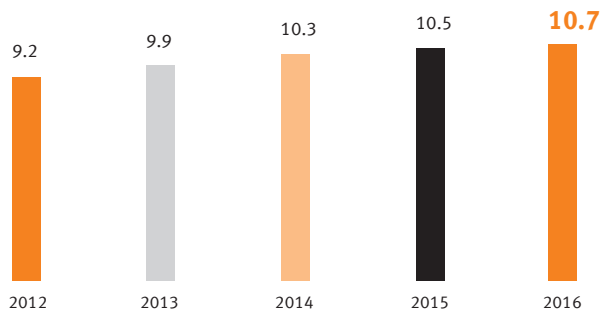
Among the most important actions being carried out regularly, of particular note are: the satisfaction surveys that are sent by email, the assessment of the quality of the service received using Mystery Shopping and Phantom Test, as well as an extensive training programme that guarantees the professionalism of the commercial network. The use and analysis of this varied range of tools allow the company to adapt to customers' needs and to offer them a better experience.

The greater professionalism and dedication of the entire human team of the network of authorised dealerships and service centres have allowed the improvements achieved to be sustained over time and have made SEAT a leader in customer satisfaction among its main competitors, in its most important markets. According to the latest data available from the Customer Satisfaction Survey (CSS), the reference index in the area of sales has achieved significant growth in the period 2012-2016, going from 9.2 to 10.7. Furthermore, in the same period the after sales CSS index increased from 8.1 to 9.4, reflecting a considerable increase in customer satisfaction (the sales and after sales CSS index ranges between -4 and 12).

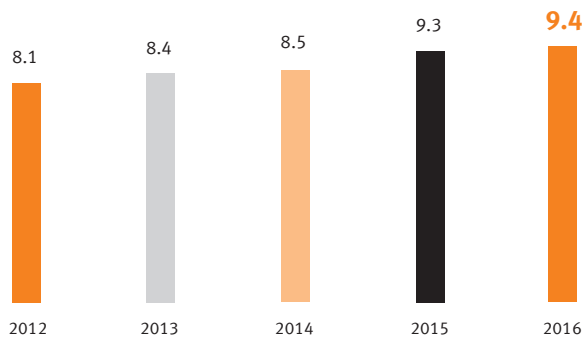
THE COMPANY'S GOAL IS FOR CUSTOMERS TO ENJOY AN EXCELLENT EXPERIENCE, BOTH WITH THE BRAND'S VEHICLES AND WITH ITS SERVICES



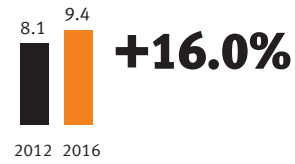
Customers (Customer Satisfaction Survey)



CSS index of sales



CSS index of after-sales



AT EMPLOYEES' AND SOCIETY'S SIDE

Participation and values

SEAT continued to promote the participation of the workforce and their family members in all kinds of initiatives. The launch of the new Ateca model provided the opportunity to get to know the product first hand. More than 300 employees from all the divisions of the company involved in its development and production enjoyed the Ateca Driving Day in May, a day on which they had the opportunity to drive the new Ateca on tarmac and dirt tracks. The Ateca experience was expanded in July when family members, friends and employees had the opportunity to become ambassadors of the model for an entire weekend, in the dynamic presentation that took place in Barcelona. These initiatives combine two goals: to reinforce employees' commitment and to strengthen the brand image. With these actions, SEAT helps staff to get to know the product better and to feel proud of the result of their work.

The Barcelona-Catalunya circuit hosted the Formula Student Spain, a competition that SEAT sponsored for the seventh consecutive year, in which young university students competed with the single-seater cars designed, developed and built by themselves. This latest edition involved 1,750 engineering students from 14 countries, distributed among 70 teams that took part. The proximity between SEAT and the students was also a constant. The company opened its doors to 5,000 students to make a very special visit to its facilities, during which they had the opportunity to get to know the company with their schools and universities. The number of visits by young people increased in 2016 by 60% over the previous year.

The company continued to support sport as a vehicle for cohesion of teamwork and solidarity. The ninth edition of the SEAT Cup, the football tournament for company employees, had a successful turnout once again.

Another means of participation was through the Ideas for Improvement programme, promoted by the company among the workforce for many years to encourage and award their proposals for financial and energy savings or general improvements in their working environment. In 2016, this programme achieved savings of 13.8 million euros, almost 0.3 million more than the savings of the previous year.

Also worthy of note in 2016 are the successful levels of participation and satisfaction in the Working Environment Survey (*Stimmungsbarometer*) aimed at the entire workforce. In 2016, this participation platform used a new format for the first time, with 22 questions divided into four blocks, aimed at getting to know employees' opinions in more depth and the areas for improvement in all aspects of their work.

Formula student


1,750
engineering students


14
countries


70
teams

Ideas for Improvement 2016 results


13,693
Ideas received

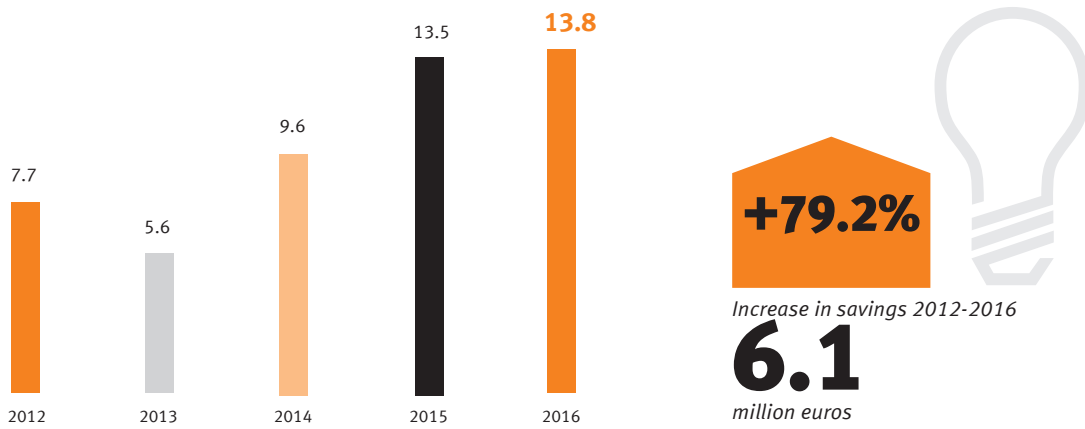
5,987
Ideas rewarded

1,995,927
Prize money in euros

38.4%
Participation

13,786,961
Savings in euros

Savings of the Ideas for Improvement programme (millions of euros)



Greater presence of women in positions of responsibility

SEAT focuses its efforts on promoting a greater number of women to managerial positions. To this end, a series of actions that will be implemented to achieve this goal were defined in a workshop organised by Human Resources, which was attended by a representation of female executives from various divisions of the company. These actions include providing mentoring, training and attending “conversations” with Management, in order to share experiences and learn from the pioneers in the management field. The initiative aims to facilitate a cultural change in the company through a pilot test, called Women in Management, with a small group of women to encourage their professional development.

SEAT IS THE SPANISH CAR MANUFACTURER WITH THE HIGHEST FEMALE PRESENCE IN ITS WORKFORCE (20.6%)

Equal opportunities

SEAT is the Spanish car manufacturer with the highest female presence in its workforce (20.6%). To mark the celebration of International Women’s Day, all employees were sent a leaflet summarising the origin and history of this significant day.

The initiative, aimed at promoting equal rights and encouraging gender equality, also served to increase awareness among staff of the importance of SEAT’s Equality Plan.

This stance in favour of equal treatment and opportunities has been included in SEAT’s 19th Collective Labour Agreement, in a specific clause that includes this principle as one of the company’s values, undertaking to make progress towards achieving equality in the company and women’s access to positions of responsibility.

Altruism and solidarity

Commitment to society is also one of the goals of the company and its employees, who take part in various campaigns and charitable activities, sometimes arranged by themselves. On 19 and 20 October, to mark International Breast Cancer Awareness Day, SEAT once again collaborated in a fund-raising campaign with the Spanish Association Against Cancer (known as AECC). The workforce contributed with the mass-purchase of pink sunglasses designed for the occasion, as well as by publishing their photos on social networks to spread awareness of the campaign. The company also contributed with a financial donation. Also in keeping with the company’s commitment to health and wellbeing, SEAT participated in the AIDS Gala, organised by the Fight AIDS Foundation, in order to contribute to the research in the fight against this disease performed by its founder, Dr. Bonaventura Clotet.

The collaboration with the Talita Foundation, which promotes the social integration of people with different disabilities, was also renewed. A donation of textile material with the SEAT image was also made to the organisation San Juan de Dios Solidaridad. In addition to these campaigns were the now regular campaigns among employees and their networks known as *We are SEAT*, *We are Charitable* and *Humanitarian Alliance for Children's Food*, in which staff collaborated with the Red Cross by collecting food and donations for those most in need over the Christmas period.

Providing training to the youngest in society is another of the company's commitments. SEAT continued the tradition of donating vehicles and equipment for educational purposes to different educational centres, museums and universities. Of particular note are the deliveries of vehicles to the Autonomous Community regions of Madrid, Cantabria and Catalonia; the loan of half a car body for the *Vestir el automóvil* exhibition of the Museo de Mataró, which ended up at the School of Technical Engineering of the UPC; and the donation of the surplus design equipment to the University of Design of La Coruña, so that students can train with the latest-generation equipment.

With regard to the digitalisation transformation process that society is currently undergoing, SEAT reaffirms the importance of access to new technologies for school-age children. In this field, the company acquired interactive whiteboards, which it delivered to the German School. Furthermore, as part of the CSIO Barcelona 2016, a world-renowned show jumping competition held in the Catalan capital, SEAT donated 35 tablet computers to the Ramón Berenguer III school in Barcelona, given to the centre and its students as winners of the competition sponsored by the #BCNalgalop initiative.



SEAT AND ESADE JOIN FORCES TO TRAIN THE EXECUTIVES OF THE FUTURE

SEAT signed a collaboration agreement with the business school and became an honorary member of the ESADE Foundation. Through this agreement, SEAT executives take part in ESADE's various training programmes. Two students of the Degree in Business Administration - BBA of ESADE received the new SEAT grant.

SEAT AND IESE LAUNCH A CHAIR IN INNOVATION FOR FUTURE EXECUTIVES

The two organisations will collaborate on integrating aspects related to innovation applied to different business models. Furthermore, company executives will take part in training programmes and seminars organised by IESE.



SEAT with those most in need

At SEAT, it is people that move us. That is why the company signed a collaboration agreement with Talita, an entity dedicated to caring for people with disabilities and their family members. The company made a financial contribution to support projects of this entity, such as its charity calendar, and to help it to achieve its primary objective: to increase the inclusion of young people and children with different disabilities. Equal opportunities start with changing society's view of and behaviour towards people with disabilities.



ENVIRONMENTAL FRIENDLINESS

In processes

The measures applied as part of the Ecomotive Factory project have achieved significant progress in the main environmental indicators. The overall goal of this programme is to reduce the main environmental indicators and the consumption of resources of producing a vehicle by 25% in the period 2010-2018. At the end of the 2016 financial year, significant improvements have been noted in all the variables and in 2 of them, the goal established has already been exceeded.

/ Energy consumption: the energy saving and efficiency measures applied in the period have achieved a reduction equivalent to 23,410 MWh. The actions carried out include: the replacement of electric motors with other highly efficient motors with variable-speed drives; the introduction of LED lights in outdoor areas, open spaces and workshops; the replacement of high-efficiency incinerators in the painting ovens; the improvement in the insulation of plants and workshops; as well as the installation of regulator systems for the automated and demand-based supply of efficient energy to the factories.

/ CO₂ emissions: the proposals introduced to improve energy efficiency, together with the green energy supply contract that guarantees that it comes from sources certified as 100% renewable and high-efficiency cogeneration sources, as well as the supply of external heat produced with biomass in the SEAT Barcelona factory, reflect some of the measures that have allowed the company to continue to reduce CO₂ emissions.

Accumulated percentage improvement in environmental indicators 2010-2016



21.7%
Energy



41.4%
Waste



66.2%
CO₂



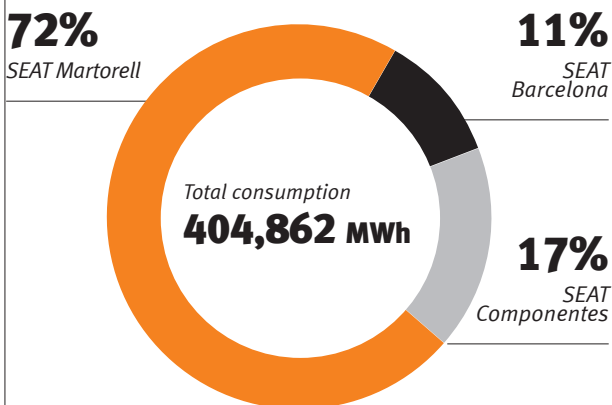
16.2%
Solvents



22.4%
Water

AT THE END OF THE 2016 FINANCIAL YEAR, SIGNIFICANT IMPROVEMENTS HAVE BEEN NOTED IN ALL THE VARIABLES AND IN 2 OF THEM, THE GOAL ESTABLISHED HAS ALREADY BEEN EXCEEDED

Electricity consumption at SEAT factories 2016



Clean energy sources

Primary uses in SEAT
Production process
Air conditioning
Lighting
Compressed air



100% of electricity comes from renewable, zero-emission sources

The six photovoltaic facilities of SEAT al SOL generated close to 17,170 MWh of electricity in 2016. The Martorell factory has a total of 10.6 MW of power from the solar panels located on the roofs and the vehicle parks for the generation of clean energy, free of CO₂.

/ Water consumption: the savings achieved through the application of various projects were due to savings and optimisation initiatives, such as the regulation of the water inputs for passing over bodywork in treating surfaces, or the improvement in the canalisation of the water used in the leak test of vehicles for its subsequent recovery.

/ Solvent emissions (volatile organic compounds): among the projects carried out that have contributed the most to the reduction are: the replacement of robotic paint sprayers for others that are more efficient, which reduce the consumption of paint and the emissions produced in applying paint to the bodywork, and the replacement of products for cleaning painting circuits with others that have a low solvent content.

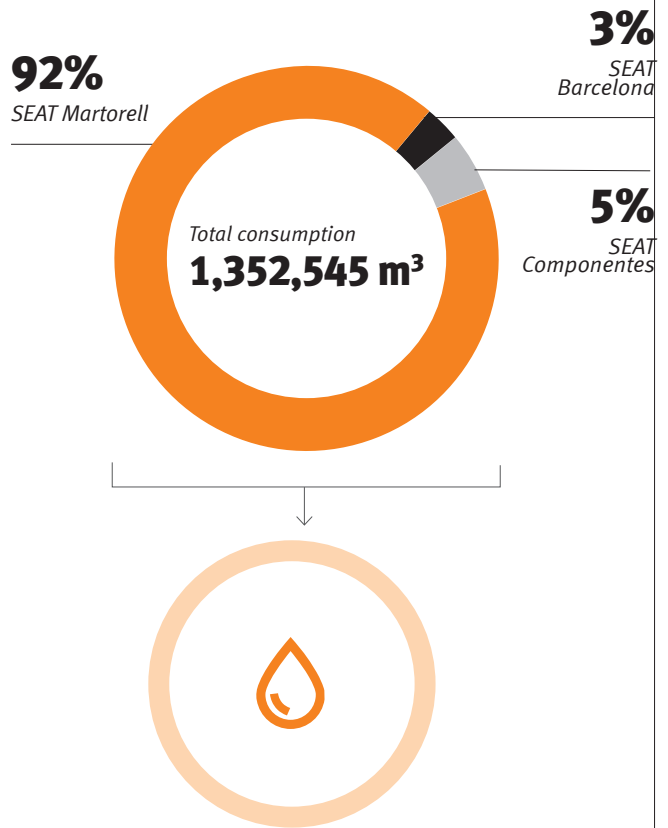
/ Waste removal: the measures adopted in the prevention of waste, the increase of selective classification in the assembly workshops and the efficiency measures in the paint sprayers have allowed the waste that is sent to removal plants or controlled deposits to be reduced.

As part of the Green Logistics project, which seeks to reduce CO₂ emissions in the transport of parts and vehicles, various initiatives have been carried out, including:

/ The introduction of lorries that run on LNG (Liquefied Natural Gas) or CNG (Compressed Natural Gas) on the Madrid-Martorell route. With this measure, 480 tonnes of CO₂ emissions are reduced each year.

/ The introduction of the Megatruck, a type of articulated lorry measuring 25.25m and weighing 60 tonnes for the transportation of parts, which increases the loading capacity (weight/volume) by 50%. This measure is being extended to different long-distance routes, which enables a reduction of up to 200 tonnes of CO₂ per year. SEAT is the first company in Spain to use transport of this kind.

Water consumption at SEAT factories 2016



THE MEGATRUCK STARTS UP IN SPAIN

The Megatruck drove for the first time in Spain in a pilot test promoted by the Automotive Industry Cluster of Catalonia and with the participation of SEAT as leader of the project.


New Ateca: performance and ecology

Built on a modified version of the MQB-A platform, the New SEAT Ateca has been designed bearing in mind our commitment to the environment. Efficiency and versatility in equal measure.

ENVIRONMENTAL OBJECTIVES OF THE TECHNICAL DEVELOPMENT PROCESS

- ☀️ Climate protection
- 🍃 Resources conservation
- ♥️ Health protection

ENGINES

A lower fuel consumption and a reduction in CO₂ emissions of between **10%** and **20%**. ☀️ 🍃 ♥️ 

A modular-type configuration that allows for the reduction of components and assemblies, ultimately achieving a weight reduction of up to **30%**. ☀️ 🍃 ♥️

Acoustic improvements in all engine types. ♥️

START & STOP technology is integrated into all engines. ☀️ 🍃 ♥️



BUMPERS ☀️ 🍃 ♥️
Making bumpers sleeker to reduce their weight.



PROMOTES ECOLOGICAL DRIVING ☀️ 🍃 ♥️

ECO TIPS
The car sends the driver recommendations for a more efficient and ecological driving experience.

ECO TRAINER
This feature helps the user to have a more efficient driving experience, indicating unnecessary accelerations and braking.

SEAT DRIVE PROFILE
Offers an ECO profile option that puts the vehicle into a particularly low fuel consumption mode.

AERODYNAMICS ☀️ 🍃 ♥️

A reduction in the aerodynamic coefficient of up to **0.33**.

Average emissions: **120 gCO₂/km**.

INTEGRATED LED HEADLIGHTS ☀️ 🍃 ♥️

Integrated Full LED headlights, considerably reducing their electrical consumption, increasing their lifespan and illumination power.

FRONT END ☀️ 🍃 ♥️

Made of plastic without sheet metal reinforcements, therefore, reducing its weight and making it easier to recycle.

CROSSBARS ☀️ 🍃 ♥️

Their weight is reduced through a hot stamping process.



INTERIOR AIR QUALITY

The materials used in the interior have been designed to achieve low emission levels.

In particularly contaminating environments, a sensor temporarily shuts off the vehicle's entry air vents. The Pure Air system shuts out the exterior air and avoids the presence of allergens.



CLIMATE CONTROL

A humidity sensor reduces consumption by disconnecting the compressor when it is not necessary, achieving a consumption reduction of **0.05 l/100 km**.



AIR CONDITIONING


A new coolant is used that reduces its impact on global warming by **99.7%**.



ACOUSTICS


Complies with the new European noise regulation directive "**2007/46/CE (< 72 dBA)**", with a reduction in the interior noise levels thanks to measures applied to the exhaust pipe and to the acoustic package.


EXHAUST PIPE


With integrated silencers. 
Volume and weight optimised to reduce consumption.



TYRES

Low rolling resistance. 

They are made of **natural rubber**, representing 75% of the total amount of rubber found in the vehicle. 

Indirect Tyre-pressure monitoring system (TPMS) to detect loss of tyre pressure, reducing fuel consumption and the tyre's wear and tear. 

MATERIALS Renewable

The total of weight of renewable materials used can reach **13 kg**.

Less lead

Lead has been eliminated in the shock absorbers, in the welding of electric, electronic and glass components, and in dielectric ceramic materials of capacitors.




STEERING WHEEL


All versions include a magnesium - injected wheel skeleton that optimises the weight.

DOORS

The weight of the doors has been reduced by decreasing their thickness.

FRONT WHEEL ARCHES

The front wheel arches and spare wheel compartment lining are made of **100% recycled** PP (Polypropylene). 

The soundproofing materials are made of PET felt (Polyethylene terephthalate). 

CHASSIS

Using **84%** high-resistance steels together with hot stamping technology, allows for the reduction in thickness without compromising any mechanical properties.

MUDGUARDS

Their weight has been reduced thanks to a thinner metal sheet.



EXTERIOR AIR QUALITY

The four-wheeled traction engines integrate catalytic converters into their exhaust systems.

ALLOY WHEELS

Subjected to fatigue and stress tests, they have been designed with the lowest possible weight.

SEATS

Their weight has been reduced achieving optimised **4.5 kg**.





In vehicles

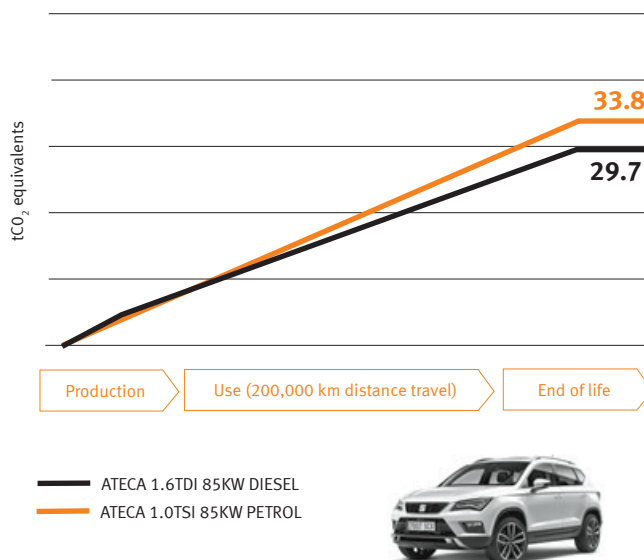
2016 has brought a new member into the SEAT family: the Ateca. Built on a modified MQB-A platform, the Ateca has been designed taking the commitment to the environment into account.

The best tool for measuring a product’s environmental impact is the life cycle analysis (LCA). For the Ateca, this study has been performed in accordance with the standards ISO 14040 and ISO 14044 and has been certified by TÜV Rheinland. The analysis covers the entire process of the vehicle, known as “from cradle to grave”: the materials and the energy consumption necessary in the phases of production, use (including the supply of fuel and emissions whilst driving) and the end of life treatment (recycling, recovery and landfill disposal).

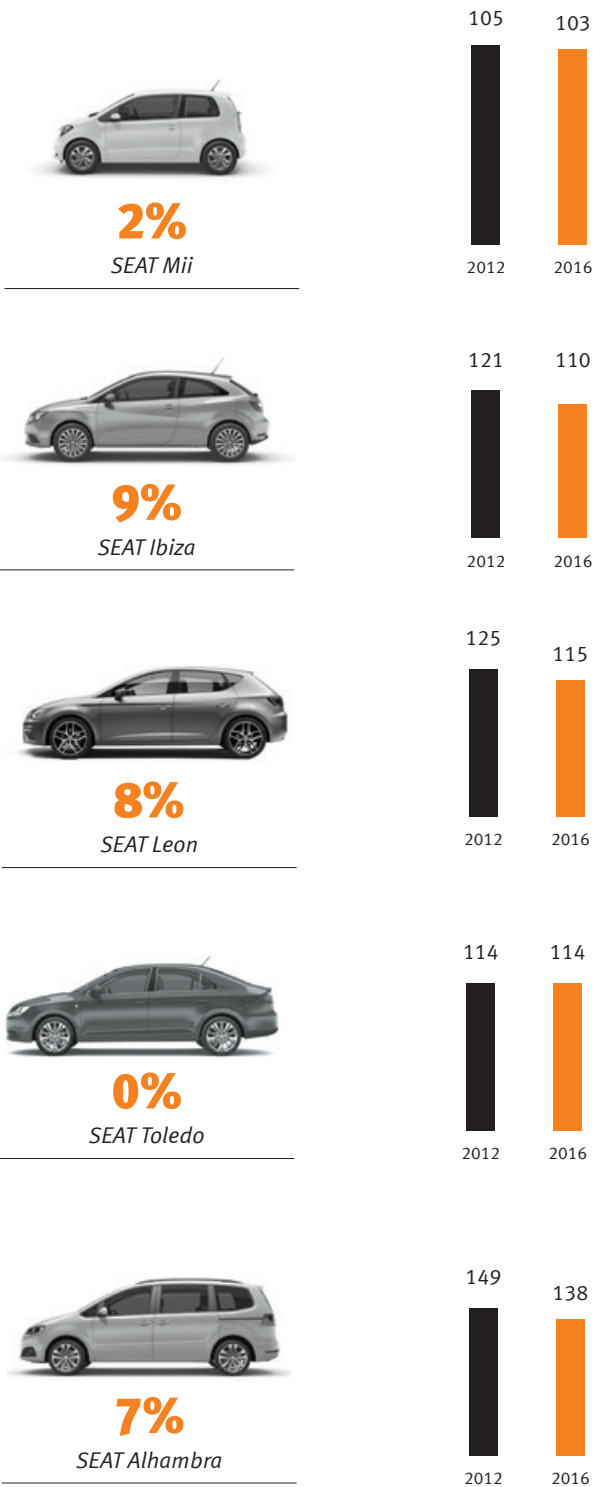
In order to perform this analysis, the data has been obtained in relation to the extraction of raw materials, their consumption and the energy required throughout the vehicle’s life cycle. This information is essential for evaluating the most important categories of environmental impact in the automotive sector: greenhouse gases (potential for global warming), photochemical smog (implications for the health of human beings and for ecosystems), acidification (damage to forests, animals, buildings, etc.), depletion of the ozone layer (destruction of the protection against UV radiation) and eutrophication (high production of nutrients and reduction of O₂).

To make the company more competitive, “eco-innovation” is required, and to achieve this, “eco-designs” are needed. This is why SEAT has certified its vehicle design and development process in accordance with the ISO 14006 standard, which takes environmental aspects into consideration in the development of vehicles. Therefore, since September 2016, SEAT is certified by the TÜV Rheinland in Eco-design and has become the first company to hold the certification in accordance with the ISO 14006 standard in the automotive sector in Spain.

The greenhouse effect over Life Cycle



Reduction of average CO₂ emissions in SEAT's range of models (g/km)



Engines, for the good of the planet

ECOMOTIVE

The Ecomotive range offers excellent fuel consumption and low emissions. The Ateca can cover 100 km with only 4.3 litres of fuel.

MOTOR ACT

During low acceleration, the ACT system reduces fuel consumption and reduces emissions by deactivating two cylinders.

IBIZA ECOTSI

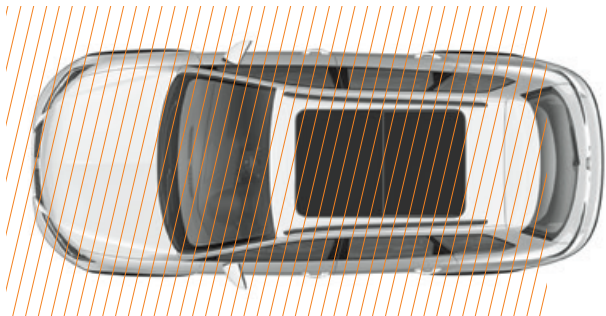
This powerful engine emits only 98 g of CO₂ per km, such that its emissions will always be low.

LEON TGI

The Leon TGI's 110 HP engine uses compressed natural gas (CNG) and has a range of up to 1,360 km adding together the capacity of the deposit of CNG and of unleaded petrol.

Compliance with the recycling rates

The recycling and recovery rate is **95%**



3

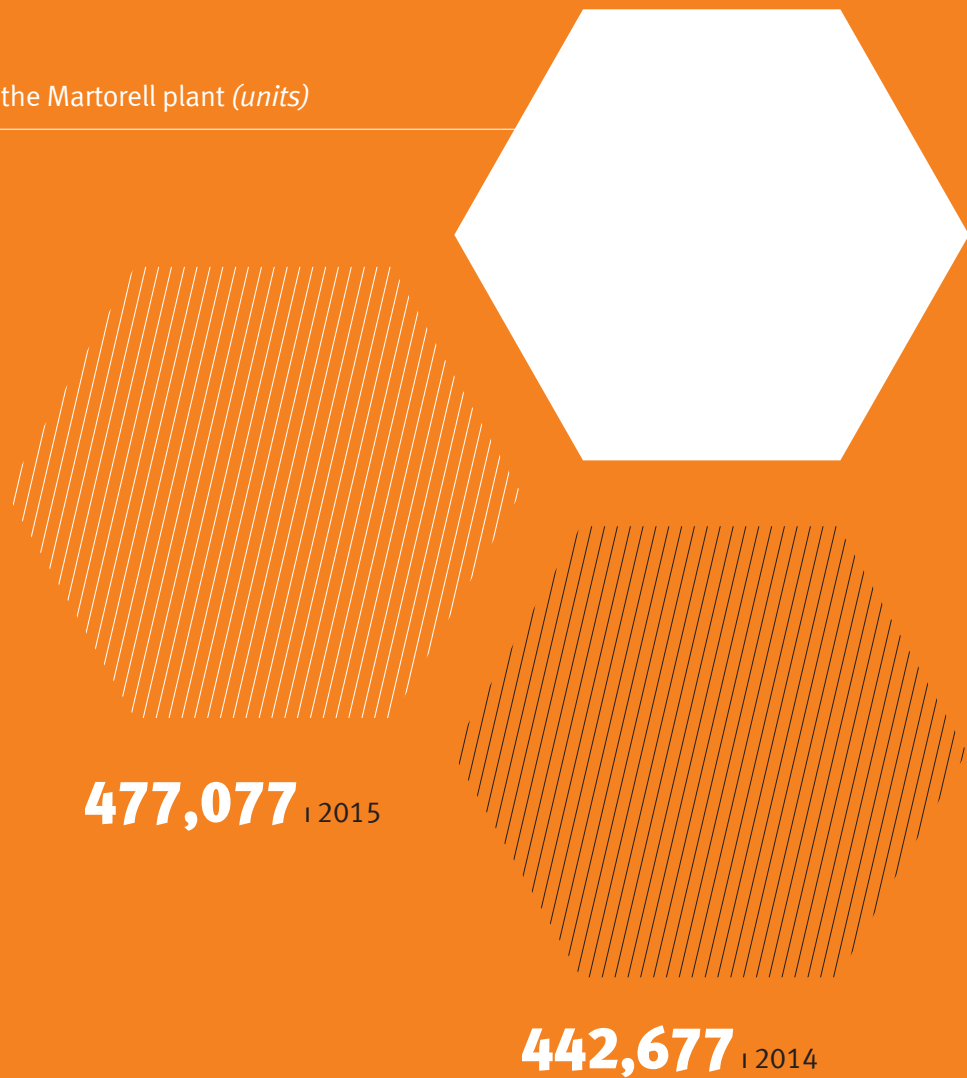
THE SMART FACTORY

PRODUCTION AND QUALITY

449,063

2016

Production at the Martorell plant (*units*)



EFFICIENCY: SEAT'S COMPETITIVE ADVANTAGE



Order to delivery 4.0

The strategic project Order to Delivery 4.0, which will make its debut in 2017 with a pilot test in the Austrian market, is cross-disciplinary and involves the whole company. Through this project, SEAT is seeking a new way to turn delivery time into one of the company's competitive advantages. This is in response to change in a society in which delivery time is now a key factor in the purchasing decision, providing greater flexibility and stability to the production process.

The launch of the Ateca in Kvasiny, the factory located in the Czech Republic, was a resounding success thanks to the close collaboration between the Production and Quality teams of the SEAT and ŠKODA brands. The market's excellent response to the model enabled a production volume of 35,883 units to be reached since its launch in April 2016. The Ateca is thus added to the external manufacturing of the SEAT brand: 18,720 units of the Mii in Bratislava (Slovakia), 18,029 Toledo in Mladá Boleslav (Czech Republic) and 31,214 Alhambra in Palmela (Portugal). In Spain, the Martorell factory closed the year with a volume of 449,063 vehicles. The 5.9% reduction on the production reached in 2015 (the highest figure in the last 13 years) was primarily due to the lower volumes of the Ibiza, mainly because of the works carried out to adapt the new generation of this model, and to the discontinuation of the Altea family, of which around 13,000 units were produced in 2015.

The bestselling Ibiza, in its penultimate year prior to the launch of the new model in 2017, maintained its position among the best-selling vehicles in its segment for another year, thanks to its advanced technology and excellent quality. The introduction of new electronic features, new engines and more finishes allowed

Production of SEAT models in Volkswagen Group plants

Bratislava (Slovakia)

18,720

SEAT vehicles

Martorell (Spain)

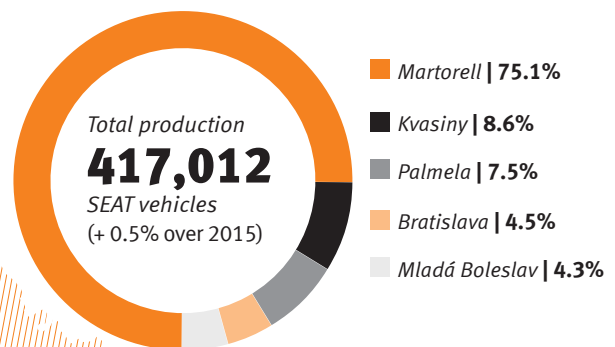
313,216

SEAT vehicles

Palmela (Portugal)

31,214

SEAT vehicles



Mladá Boleslav (Czech Republic)

18,029

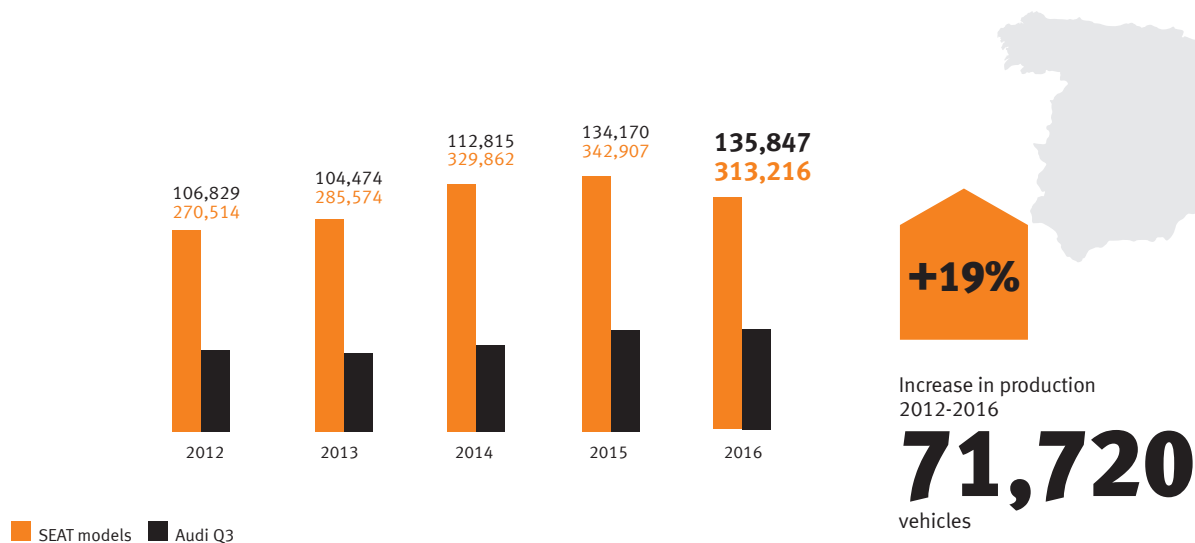
SEAT vehicles

Kvasiny (Czech Republic)

35,833

SEAT vehicles

Production at the Martorell plant (units)



it to maintain a high level of production thanks to its extensive acceptance on the market. In July, after 148,434 units had been produced since 2010, manufacturing of the Sport Tourer (ST) version of the Ibiza ceased. The Leon, on the other hand, continues to be one of the pillars of SEAT. At the end of 2016, the Martorell factory launched a facelift (PA) of this model with some excellent quality standards. Furthermore, in the Spring of 2016, the 500,000th unit of both the Q3, the first car of the Audi brand produced at the factory, and the MQB-A, the platform used to put the Leon together, left the assembly line.

The dedication of the Production and Quality teams to the efficiency of the process allowed the productivity and stability of the manufacturing programmes to increase for yet another year. The training activities carried out, together with the improvements in the management of ideas and a programme tailored to the needs of the assembly line, managed to increase the productivity of the Martorell factory by 7.4% compared with 2015. This success would not have been possible without daily teamwork and a common strategy known as PQT, which is promoted by the Production and Quality areas in order to permanently improve quality and productivity in the manufacturing process.

The PQT strategy is based on three pillars (Productivity, Quality and Team) and is supported by 10 initiatives developed to reach a specific goal: to make SEAT the number 1 company in Europe in production and quality in 2025. In January 2016, the team responsible for implementing this strategy met to assess the progress made in the last few years and to debate the future challenges in the changing industrial environment in which the automotive sector finds itself.



Ready to take on the fourth industrial revolution

Industry 4.0 will lead to a new way of organising production resources through the interconnection of objects, people and systems. SEAT is working to create a smart, digitalised and coordinated factory that will be able to adapt to production needs and processes, and that will manage resources and communication between the different areas of the company more effectively.

For the first time in its facilities, the Centre for Prototype Development (CPD) carried out the prototype phase of an Audi model manufactured in the Martorell factory. The A1 represents the completion of an integrated process of development, planning and production of a model of another brand for the first time in the Production division. Furthermore, the CPD has the most advanced virtual reality and simulation resources, which allows it to assess the project without the need for a physical car, with significant repercussions in the quality and precision of the product. This technology has been employed in the development phase of the new Ibiza, and achieved a 30% reduction in the time taken to manufacture a prototype.

Production at the Martorell plant (units)

	2016	2015	Variation	
			Absolute	%
SEAT models	313,216	342,907	(29,691)	(8.7)
Ibiza	149,988	160,451	(10,463)	(6.5)
Altea	0	13,001	(13,001)	-
Leon	163,228	169,455	(6,227)	(3.7)
Audi models	135,847	134,170	1,677	1.2
Q3	135,847	134,170	1,677	1.2
Total production (*)	449,063	477,077	(28,014)	(5.9)

* Figures for 2016 and 2015 do not include 103,796 and 72,169 SEAT vehicles produced at other Volkswagen Group plants, respectively.



The SEAT Leon is the most produced car in the Martorell factory

163,228
units

Furthermore, the optimisation of the logistical processes in general, and of the distribution process in particular, managed to free up an area of more than 12,500 m² of one of the sections of the Martorell factory, which will allow part of that area to be adapted for other uses.

In 2016, the activities of the Training Centre for the SEAT Production System (SPS) focused on various areas. The first was the completion of the PQT III modular training (“Quality in the process”) aimed at all manufacturing staff and various indirect divisions in the company, with more than 10,300 participants and 438 direct production teams being trained in situ with personal training on the production line. The second area of focus was the intensification of the specific training in the various manufacturing divisions for the launch of the new MQB-A0 platform, of which SEAT is a pioneer in the Volkswagen Group. This same pursuit of advanced training is evident in the



Martorell, factory of the year in “outstanding quality”

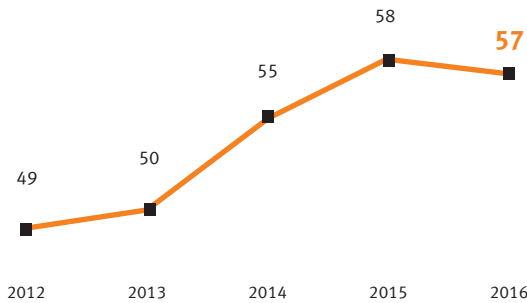
The brand’s main factory, Martorell, was recognised by the German magazine Produktion and the prestigious consultancy firm AT Kearney with the Award for factory of the year in the category of “outstanding quality”. This prize awards the continuous strive for excellence in the quality of its processes and recognises the work of the entire Production and Quality team of SEAT’s main factory, as well as the dedication of the whole company to achieve the utmost quality standards.

Centre for Logistical Training, whose team continues to strive for it to be recognised as a centre of excellence. In this field, of particular note is the training in new technologies and pilot technologies, such as 3D simulation to assure the quality of the process, prior to their implementation in the production line.

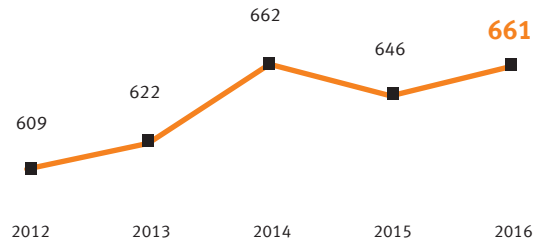
The SPS also completed its overhaul of ergonomics at the workstation, both within the direct and indirect areas. In the direct employees area, an ergonomic map of all the workstations was drawn up and those considered vulnerable to risks were reduced by 24%. Within the indirect area, more than 900 locations were assessed, with a particular emphasis on the anatomical position of the employee at their workstation, the temperature, ambient noise and the performance of relaxation exercises to achieve better satisfaction/wellbeing among the staff. Also, in addition to the uniform implementation of the Shopfloor Management programme (in situ management) in the direct areas of the Martorell, SEAT Componentes and SEAT Barcelona factories, the programme has begun to be implemented in the indirect areas as well, with the same goal of obtaining greater efficiencies by improving information flows and the resolution of incidents.

The phenomenon of digitalisation is having a significant impact on the industry and SEAT hopes to be a leader in this field. With this goal in mind, the PQT strategy has begun the Smart Factory programme, led by its technological innovation team. This programme of actions consists of three fundamental branches. Firstly, the generation of a new culture of innovation that seeks to maximise the team’s performance by taking advantage of the collective intelligence. Secondly, the development of experts in the new technological fields, such as mobile, collaborative and sensitive robotics, augmented and virtual reality, the interconnection of smart objects and the analysis and processing of big data. The third branch consists of the development and implementation of streamlined methods for developing ideas in innovation projects, together with the promotion of a network of external collaborations with start-ups and technology centres.

Production at SEAT Barcelona
(millions of parts)



Production at SEAT Componentes
(thousands of gearboxes)



+16.1%

Increase in production
2012-2016

8

millions of parts



+8.5%

Increase in production
2012-2016

52

thousands of gearboxes



In 2016, the SEAT Barcelona factory produced 56.7 million parts and maintained the production levels of the previous year. Since 2012, the volume of the plant has increased by 16.1%. This positive trend has allowed productivity to also increase in 2016 by 5.6%. As part of the PQT strategy, the factory has begun a thorough process of change and modernisation in various fields (infrastructure, organisation, product and attitude of the workforce) in order to make it more efficient and competitive. Furthermore, work began on installing the new PXL press assigned to SEAT Barcelona. This new facility, which will come into operation in the third quarter of 2017, represents an investment of 30 million euros. The SEAT Componentes factory, for its part, produced a total of 661,277 gearbox units, with an 8.8% improvement in its productivity, and in February it celebrated the production of its 13,000,000th gearbox. The units produced by these two factories are used both by the Martorell factory and by other centres of the Volkswagen Group.

THE PHENOMENON OF DIGITALISATION IS HAVING A SIGNIFICANT IMPACT ON THE INDUSTRY AND SEAT HOPES TO BE A LEADER IN THIS FIELD



SEAT Componentes, the best factory in Spain according to IESE

Located in El Prat de Llobregat, the SEAT Componentes factory won the Award for Industrial Excellence from the CELSA Chair of IESE. The award recognises the Spanish companies that contribute to economic competitiveness and that support the most advanced and value-generating business strategies for society.

The factory carries out all the processes for the manufacture of gearboxes (casting, tooling and assembly) for different models of the Volkswagen Group and supplies factories in 13 countries. In 2014, it was recognised with the EMAS Certification of the European Commission for its excellence in environmental management of the production process.

TOWARDS PERFECTION IN QUALITY

The Quality department is present in the conception, development, production and after sales of a car, from the first drafts to the delivery to the final customer and the subsequent guarantee period. Analyses and checks are performed constantly and perfection is the result of hard work, passion and attention to detail. This premise is what allows the strict tests to be passed and customers' expectations to be met at all times. To this end, besides continuously reducing the number of complaints, SEAT provides added value in the quality perceived by the customer. This commitment is reflected in the results of the NEVQS survey (New European Vehicles Quality Survey), in which SEAT was classified as the top brand for customer satisfaction with the product in Germany.

With the goal of achieving quality levels to match customers' demands, SEAT spreads awareness of the importance of quality not only among its staff but also throughout the supply chain involved in the manufacture of its products. Through different activities, such as Supplier Day or Ibiza Day, the company's main suppliers are informed about the evolution of the quality of the components they supply and their influence on the overall quality of the brand's vehicles, while nurturing their commitment to meeting the goals established.

One of the most significant aspects of the launch of the Ateca was the surface finish of its components. The new model has strengthened the links between ŠKODA and SEAT. The experience of working together with different structures and working methods has strengthened the brand and has shown once again that a successful launch can be completed, just as it was for the Audi Q3 and it will be for the new Audi A1, which will be manufactured in Martorell.

Encouraging work and collaboration between the factories of the Group is a common objective. For this reason, the Quality Processes programme has been carried out in the Volkswagen Group once again, which was attended by three members of the SEAT team over the course of four months to acquire a



deeper knowledge of the tools of the Consortium. Furthermore, the Manufacturing Quality lines 1 and 2 and the Product Audit departments have new facilities attached to the Workshop 11 building, which offer them significant operating and logistical improvements to facilitate their operations. A new investment of 5.5 million euros was also made for the extension of the Cubing and Meisterbock centre, where SEAT's new models are given their shape.



QUESTION OF SMELL

We use our senses every day, including when getting into a car. The Quality division performs more than 400 tests per year to guarantee that the materials of a vehicle do not give off any unpleasant odour.



Investments made in quality in the period 2012-2016

12.3
million euros



Reduction of customer complaints in the period 2012-2016

49%



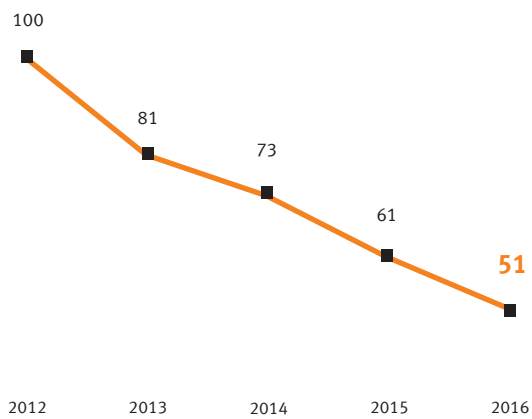
On 6 October, the Production and Quality Academies were established. Their role is to assure the transfer of knowledge and to develop the skills of these divisions' professionals through innovative learning techniques in order to develop specialists and experts in the company's key technologies.

The Audi Q3 and the Martorell factory win the JD POWER award

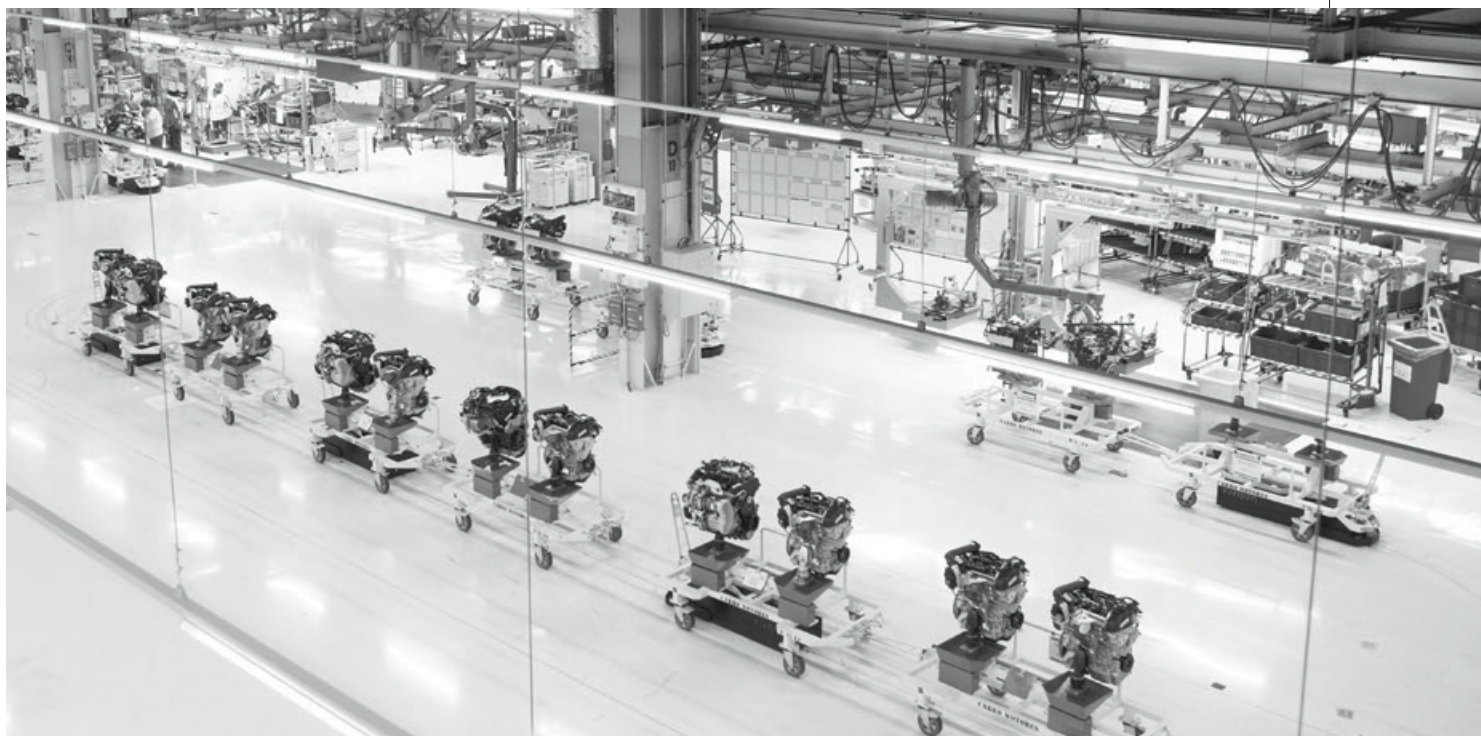
The Audi Q3, which is manufactured in the Martorell factory, was once again one of the winners in the Initial Quality Study (IQS) carried out by the consultancy firm J. D. Power and Associates and for the second consecutive year, it prevailed in the Small Premium SUV category.

The consultancy firm also awarded the silver award for quality in the Europe/Africa region to the Martorell factory for the manufacture of the Audi Q3. The IQS is one of the most influential studies in the sector for the North American industry and consumers.

Complaints / 1,000 end customers (base 100)



PERFECTION IS THE RESULT OF HARD WORK, PASSION AND ATTENTION TO DETAIL



44

**OPTIMAL
MANAGEMENT
OF RESOURCES**

PURCHASES

6,770

2016



Volume of purchases managed
(millions of euros)

6,904 | 2015



5,791 | 2014



PURCHASES MANAGEMENT

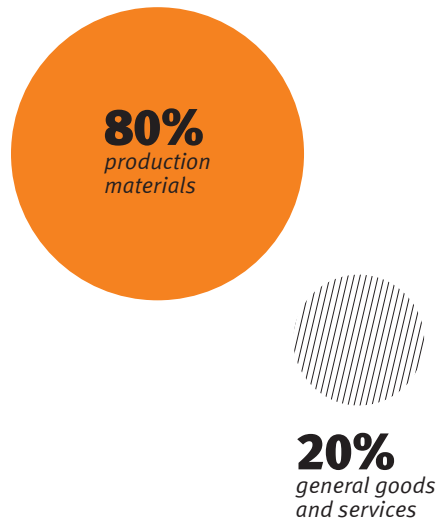
In 2016, the Purchases division managed 6,770 million euros for the acquisition of products, goods and services. Of this amount, 80% related to manufacturing materials, spare parts and accessories and 20% related to the acquisition of general goods and services.

The total volume of the purchases managed also includes the components and materials necessary for producing SEAT vehicles and the purchases for the Audi Q3 model, which is also manufactured at the Martorell factory.

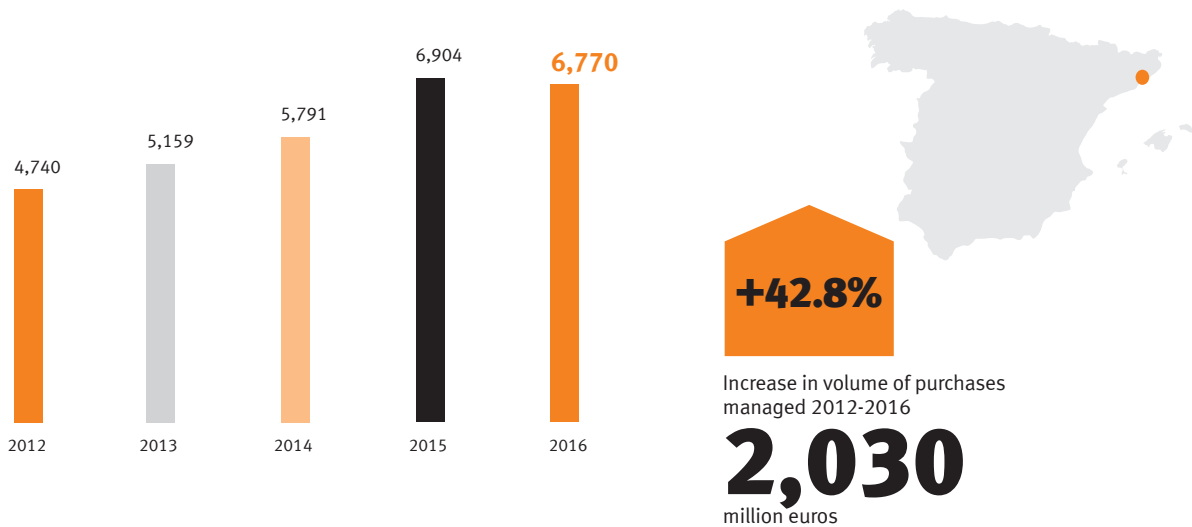
One of the cornerstones of the optimisation of production material costs is the FMK programme (Service Cost Forum), which the Purchases and the Research and Development areas work on together, supported by all the other areas of the company. Through this programme, during 2016 improvement proposals were carried out on purchases amounting to 2,025 million euros and savings of 85 million euros were achieved, with the work performed in the family of the Ibiza and Leon models being particularly noteworthy.

Distribution of purchases in 2016

Purchases destination



Volume of purchases managed (millions of euros)





Purchases management, a decisive tool

The Purchases division always aims to acquire components with the highest quality and at the best prices, paying particular attention to delivery dates. Logistical costs are also fundamental, so it works closely with suppliers and the other areas of the company to optimise the logistical chain. The exhaustive analysis of potential suppliers' capacities and of the company's needs enables us to choose the option that combines the best service at the best price.

The FSK programme (Service Cost Form) aims to reduce the costs of services used by the company. With this goal in mind, Purchases works together with the Finance division and with all the areas that require these services. In this programme, improvements were proposed on a total purchase volume of 117 million euros and savings of 7 million euros were achieved.

The launch of the Ateca model represented a new challenge for the Purchases division. One of the top priorities was to ensure that in the model's launch, the suppliers complied with all the requirements regarding costs, deadlines, capacity and quality. This work was particularly important due to the fact that the vehicle is manufactured at the Kvasiny factory located in the Czech Republic.

During 2016, the Purchases team played an active role in preparing for the brand's upcoming launches, which will take place in 2017: the fifth generation of the Ibiza and the new Arona. In both cases, the work performed with suppliers focused primarily on negotiation and on assigning the parts of these two new vehicles, as well as on managing the various modifications made, controlling their costs and deadlines to ensure the launches went as smoothly as possible.

Purchases area programme

Material Cost Forum Programme

Ideas implemented

155

Savings in millions of euros

85



Another major milestone will be the addition of the Audi A1 model to the list of vehicles to be manufactured in Martorell. This will be a new challenge and another step in the collaboration with the Audi brand in the development and launch of a new model, following the success of the Audi Q3. As well as being responsible for negotiating all the modifications in the project with the suppliers, the Purchases division is also responsible for acquiring the new equipment and facilities that will enable the future production of the A1 in Martorell. As such, it creates an additional opportunity for SEAT's local suppliers.

**IN 2016, THE PURCHASES DIVISION
MANAGED 6,770 MILLION EUROS
FOR THE ACQUISITION OF PRODUCTS,
GOODS AND SERVICES**



Management of purchases in the new SEAT Ateca model



Suppliers from
19
countries



Number
of suppliers
118



Management of
2,936
new parts



SEAT ATECA: AN ENTIRELY NEW EXPERIENCE

Fun at the wheel is one of SEAT's core criteria. The new Ateca offers a unique combination of design, versatility and dynamic driving that allows the driver to enjoy every day and every kilometre as if they were a completely new experience.

IBERIA SOURCING PROJECT

The aim of this joint project between SEAT and the Volkswagen Group is to prioritise and identify suppliers in the Iberian Peninsula and North Africa. It is in this context that the visits to different supplier associations were carried out during 2016 to establish contact with potential candidates, find out their capacity and present the company's needs.

In July, the company took part in the eleventh edition of the BAI 2016 (Basque Automotive Industry) event at the facilities of the AIC (Automotive Intelligence Center), located in Bilbao and managed by the Automotive Cluster of the Basque Country (ACICAE). The conferences presented the map of advanced manufacturing of the automotive sector for the Basque Country in 2025. Furthermore, practical industrial examples were shown of improved competitiveness through the implementation of advanced manufacturing strategies.

In September, a team from Purchases together with strategic suppliers met in Morocco with the Moroccan Association for the Automotive Industry and Commerce (AMICA) and a group of suppliers belonging to that association. The workshops served to establish contact and were named the Supplier Conference 2016. This visit forms part of the process of building relationships and communicating with suppliers in the region and was a continuation of the visit made in July 2015.

In both forums (Basque Country and Morocco), SEAT emphasised the multiple qualities that the company needs from its suppliers: sustainability, quality, capacity to innovate, competitiveness, productivity, stability, assurance of supplies, flexibility, financial liquidity, as well as the capacity to manage and carry out projects.

THE PURCHASES ACADEMY



Continuous and specialist training is a tool that helps to optimise working processes and staff motivation. This is why all divisions of the company carry out specific activities in this field.

The Purchases Academy, which was established two years ago, continued carrying out its training activities and added a new instrument, known as “Conversations” (*Charlas por perfil de competencia*), for assessing employees’ skills in order to learn more about the division’s staff. Throughout the year, one-on-one discussions were held with each employee, in which the skills profile of each position and specialist training needs were analysed.

At the same time, the Purchases Experts Committee held several specialist training sessions on topics such as Supplier Risk Management, Capacity Management and Cost Management. The functions of this committee focus on the transfer of knowledge that allows the company to improve employees’ skills and their professional development.

DIGITALISATION OF SYSTEMS AND PROCESSES

Collaboration with suppliers is one of the priorities of the Purchases division. In June 2016, Supplier Interaction Day was held, a day in which a team of SEAT representatives met with forty of its main suppliers. The purpose of the event was to improve the systems and processes used on the shared digital platform.

The different workshops organised throughout the day allowed the suppliers to contribute their experiences and points of view. All the contributions were collected and analysed and they served as a basis for planning future improvements as part of the company’s overall digitalisation strategy.

The organisation of these workshops forms part of a wider programme that includes all the brands of the Volkswagen Group, which aims to achieve in the medium term the complete digitalisation of all the processes and systems, both internal and with suppliers.

COLLABORATION WITH SUPPLIERS IS ONE OF THE PRIORITIES OF THE PURCHASES DIVISION

5

**PRODUCT
OFFENSIVE**

SALES AND MARKETING

536,462
2016

Wholesales of new vehicles (*units*)

531,786 | 2015

489,896 | 2014

DELIVERIES TO FINAL CUSTOMERS

In 2016, the global economy consolidated its growth. The significant improvement in consumer spending was reflected in the sales of the automotive sector. Vehicle registrations grew globally by 4.3% compared to 2015, while in the European Union they grew by 6.8%. The main European markets recorded increases: 15.8% in Italy, 10.9% in Spain, 5.1% in France, 4.5% in Germany and 2.3% in the United Kingdom.

SEAT, for the fourth consecutive year, increased its sales compared to the previous year. Deliveries to final customers totalled 408,703 units, representing a 2.2% improvement on 2015. This is a significant increase, considering that the brand stopped manufacturing the Altea model in 2015 and that the launch of the new SUV Ateca took place in mid-2016. In the final quarter of the year, sales to final customers grew by 4.5%.

In Europe, SEAT once again improved its sales to final customers by 2.3% and consolidated the growth begun in previous years in most of its markets: 31.3% in Sweden, 23.6% in Finland, 22.1% in Poland, 17% in Portugal, 12.9% in Austria, 12.9% in Ireland, 11.1% in Hungary, 3.9% in Italy, 2.5% in Germany and 0.1% in Spain, among others. Also of note is the growth achieved by the brand in the markets of Turkey (41.5%) and Israel (6.2%) and the consolidation of Mexico as the brand's fourth largest market.

With regard to the models, the Leon range topped SEAT's sales for another year with 165,148 units, which represents 40% of the total. The Ibiza range, meanwhile, joined the Leon as a solid pillar of the brand, with 151,424 units sold and 37% of total sales. The

Alhambra played a major role with 30,683 vehicles delivered (the highest figure in its 20-year history) and the recent arrival of the Ateca showed that it is now the brand's third pillar, with its 24,031 units sold in just a few months on the market.

From a product point of view, 2016 was a key year for the company. In April, SEAT launched its first SUV, the Ateca, which allowed the brand to enter the fastest growing segment in Europe. The new model received very good reviews from the international press and its orders are proving successful. The Ateca includes a new trim, XCELLENCE, which gives SEAT access to customers seeking distinction, comfort and the latest innovations.



SEAT delivered
worldwide
408,703



Increase in deliveries
to final customers
2.2%



CUPRA RANGE: 20 YEARS MAKING DREAMS REALITY

The CUPRA range celebrates 20 years making customers' dreams reality. They are vehicles with the performance of a premium sports car that allow you to achieve a dream.



In June, the commemorative version of the Alhambra was introduced to celebrate its 20th anniversary, with a wealth of features and an exclusive design. The model also included a variant in its most powerful TDI engine, with a DSG gearbox and 4Drive.

In October, the new Leon was presented with changes in its exterior design that accentuate its sportiness and with new Full LED headlights. It also includes new driver assistance systems that increase safety, such as the pedestrian detector and a redesigned interior with improvements in comfort, including the electric handbrake, the 8" touchscreen and the wireless charger. The model also offers the new XCELLENCE trim, another reason that will allow it to achieve many successes.

Another new product added at the end of the year was the Mii by Cosmopolitan, a city car that has the most advanced technology and design offered by SEAT, designed in collaboration with Cosmopolitan magazine, which gives the model a unique personality.

New SEAT Ateca: an authentic compact and sporty SUV

The new Ateca is one of the most innovative SUVs in its segment. Continuing with the brand's tradition, it is named after a Spanish town that is located in the province of Zaragoza.

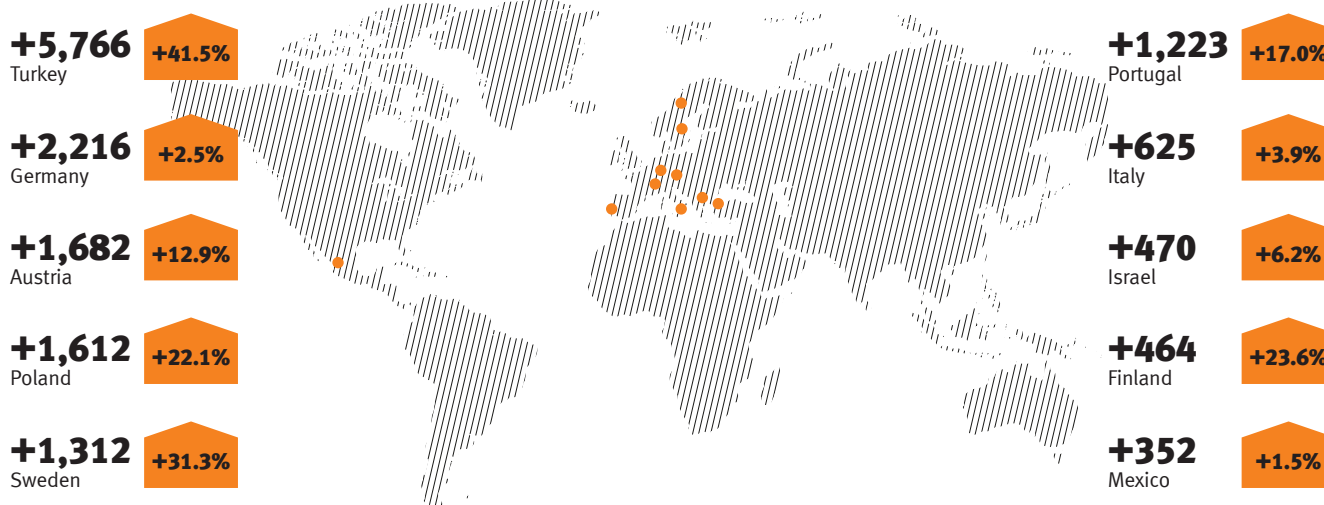
The new model is the protagonist of the brand's strategy, since it guarantees its continued growth and the improvement of its image. The Ateca marks the starting gun of the largest product offensive that SEAT has undertaken to date. The SUV segment is the fastest-growing segment and the Ateca symbolises a major step forward to become the brand's third pillar, together with the Ibiza and the Leon.



DELIVERIES TO FINAL CUSTOMERS TOTALLED 408,703 UNITS, REPRESENTING A 2.2% IMPROVEMENT ON 2015

Top ten in growth of sales to end customers

(Unit increase over 2015)



SEAT, a global brand

Distribution of 2016 retail sales among main markets

80

COUNTRIES

Total retail sales

2016 | **408,703**



165,148

SEAT Leon



151,424

SEAT Ibiza



30,683

SEAT Alhambra



19,522

SEAT Mii



24,031

SEAT Ateca



17,500

SEAT Toledo



395

SEAT Altea

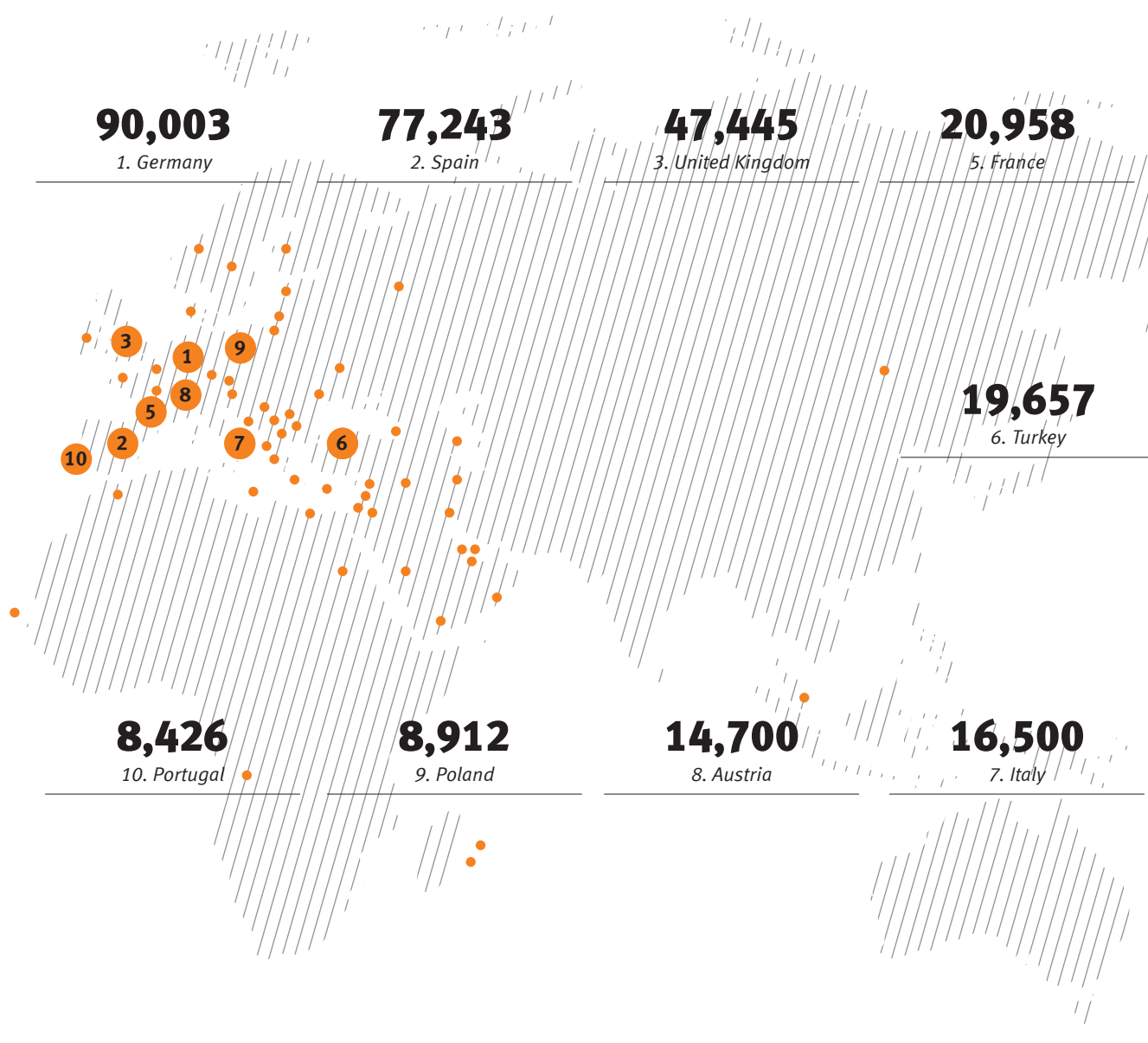
24,500

4. Mexico

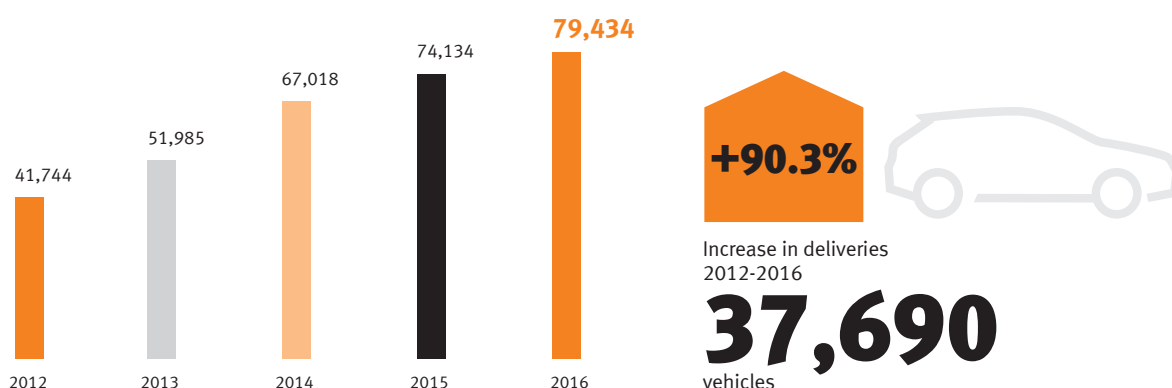
4

Countries

Albania	Cyprus	Ireland	Palestine	Spain
Algeria	Czech Republic	Israel	Peru	Switzerland
Andorra	Denmark	Italy	Poland	Syria
Angola	Dominican Republic	Jordan	Portugal	Sweden
Austria	Ecuador	Kuwait	Qatar	Tunisia
Bahrain	Egypt	Latvia	Republic of Azerbaijan	Turkey
Belgium	Estonia	Lebanon	Republic of Macedonia	Ukraine
Bolivia	Finland	Libya	Republic of Mauritius	United Arab Emirates
Bosnia-Herzegovina	France	Lithuania	Republic of Moldavia	United Kingdom
Bulgaria	French Guiana	Luxembourg	Réunion Island	Uruguay
Cape Verde	Georgia	Malta	Romania	Venezuela
China	Germany	Martinique	Russia	Yemen
Colombia	Greece	Mexico	Saudi Arabia	
Costa Rica	Guadeloupe	Morocco	Serbia	
Croatia	Guatemala	Netherlands	Singapore	
Cuba	Hungary	Norway	Slovakia	
Curaçao	Iran	Oman	Slovenia	



Deliveries in the fleets channel (units)



In the fleets channel, the company maintained the strategy that provided continuous growth in the brand’s deliveries. During 2016, the company sold a total of 79,434 units through the sale to companies and leasing (true fleet) channel, which represents a 7% improvement compared with the previous year. The most notable growths were registered in Mexico (61%), Poland (40%) and Italy (27%).

Thanks to the success achieved since its launch in 2013, the specialist fleets programme for SMEs (Dealer Fleet Program), designed to improve training in dealership networks, continues its expansion into new markets. It is currently established in 12 countries, with a total of 244 specialist dealerships.

Furthermore, in the used car market, the multi-brand used car programme of the Volkswagen Group (Das WeltAuto.) continues its expansion, with a network of 400 dealerships across 10 markets.



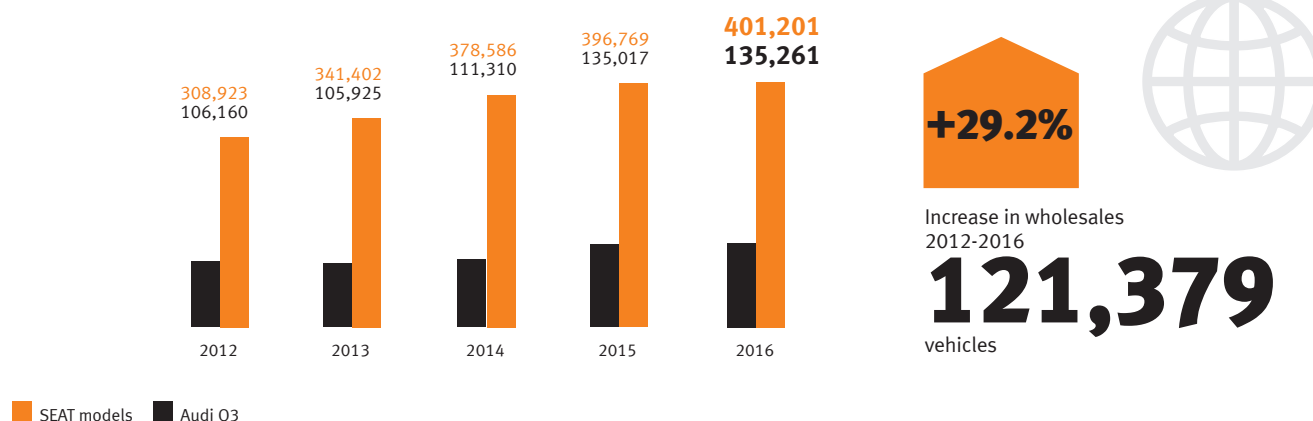
An “EASY” purchase process

SEAT and Amazon France joined forces to offer an exclusive sales campaign called #DeliveryToEnjoy. This initiative, aimed at selling 15 units of the Mii by Mango Limited Edition model online, consisted of placing the order for the vehicle directly on *Amazon.fr* and receiving it at home within just 72 hours, under the supervision of the nearest SEAT dealership. The two companies provided consumers a unique, simple, innovative and fast buying experience, adapting to new demands. The campaign was a success and was increased from 15 to 24 units of the Mii by Mango.



COMMERCIAL NETWORK

Wholesales of new vehicles (units)



AT THE END OF 2016, SEAT'S COMMERCIAL NETWORK HAD A TOTAL OF 1,716 DEALERSHIPS AND OFFICIAL SHOWROOMS, DISTRIBUTED ACROSS 80 COUNTRIES

At the end of 2016, SEAT's commercial network had a total of 1,716 dealerships and official showrooms, distributed across 80 countries. The brand has added five new markets (Costa Rica, Ecuador, Iran, Singapore and Uruguay) and now has the challenge of strengthening the current structure, maintaining stability, improving its profitability and adapting to new technological advances.



The SEAT Leon is
the best-selling vehicle
156,212
units

Wholesales of new vehicles (units)

			Variation	
	2016	2015	Absolute	%
SEAT models	401,201	396,769	4,432	1.1
Mii	18,227	24,291	(6,064)	(25.0)
Ibiza	144,961	152,433	(7,472)	(4.9)
Altea	294	12,385	(12,091)	(97.6)
Leon	156,212	161,981	(5,769)	(3.6)
Toledo	17,350	18,375	(1,025)	(5.6)
Ateca	33,423	0	33,423	-
Alhambra	30,734	27,304	3,430	12.6
Audi models	135,261	135,017	244	0.2
Q3	135,261	135,017	244	0.2
Total wholesales (*)	536,462	531,786	4,676	0.9

* Figures for 2016 and 2015 do not include 11,482 and 12,722 used vehicles, respectively.

Following on from this, the company has launched its first SEAT Store, an innovative multi-channel concept located in the Lakeside shopping centre in London. The project is part of the brand's strategy to become more accessible and to adapt to new consumer trends and habits. The SEAT Store also has its own online space (www.seat-store.co.uk/Lakeside) that allows visitors to digitally configure their favourite model, calculate financing, obtain a valuation for their current car and book test drives. The store can be accessed in multiple ways, at the shop itself or from smartphones, tablets or computers. Among the innovations this new space includes, besides the unaccompanied test drives available to users, of particular note is the possibility for buyers to have the vehicle delivered to them within seven days.

SEAT also offers potential customers a virtual showroom experience for the first time, through the pioneering platform SEAT Live Store. This innovative online communication system allows the user experience to be taken to a new digital dimension to help the customer choose the vehicle. During the call, an expert from the brand in the showroom gives a guided tour in which they show the user the inside and outside of the cars using various cameras and answers questions on the spot related to the features, technology and design of the Ateca, Leon and Ibiza models. They also show all the vehicle's details, offer online product videos, provide a configuration of the vehicle in real



The first SEAT store opens its doors in London

In 2016, SEAT launched its first SEAT Store, an innovative concept located in the Lakeside shopping centre, in London. This new project forms part of the company's overall strategy, which sets out to get even closer to customers, anticipate their demands and provide them with a unique, easy and digital brand experience. The SEAT Store allows visitors to search for and digitally configure the model that best suits their preferences, calculate its financing and request test drives on the spot or on future dates.

time and locate the customer's nearest dealership. The virtual showroom studio is located in Barcelona and is ready to service the Spanish and German markets.

Customers are proving to be increasingly satisfied with SEAT's dealership network. General satisfaction with dealerships (CSS) increased 0.95% compared with the same period last year. Customers' recommendation of the company, which is one of the main business drivers, remained stable and declared loyalty increased by 0.93%.

Information regarding the comercial network



The brand is operating in

80
countries



The brand is present in

1,716
dealerships and showrooms



Customer satisfaction in sales increase by

0.95%
over 2015



Declared customers loyalty increased by

0.93%
over 2015



THE CUSTOMER IS ALWAYS RIGHT

Product clinics are a test in which potential customers, between approximately 300 and 500 people split into small groups, evaluate a model in its development phase in order to identify aspects for improvement.



MUSICATHON

Los Angeles, the global mecca for the music industry, played host to the third and last stage of the Musicathon, the international co-creation competition organised by SEAT to develop the brand's musical logo.

AFTER SALES NETWORK

The data transfer capacity of new technologies is allowing SEAT's after sales network to break its dependency on fixed facilities. At present, there are already a number of remote services available, such as "Flashing Mobile", that allows software updates outside the official service centres, and the direct sale of software to customers, as part of the range of products integrated into the vehicle without the need for technical support. **Accessibility to data, regardless of geographical location, brings the opportunity to create new services and functions for customers.** In this sense, the car diagnosis application "Mycheck", available with the new Ateca model, has achieved great success as a result of the strong teamwork throughout the manufacturer-importer-dealer chain. This software tool helps workshops to check all relevant items of the vehicle and after it is used, it provides customised reports by centre and/or market based on the results obtained.

The new after sales Apps allow us to improve not only customer service but also the training provided to the company's own staff. Among these applications, "Online Booking" stands out. This is a programme implemented in seven countries that allows users to book appointments at services centres. Also worth mentioning is "Gamification", an application that reinforces the quality of training, by bringing concepts and teaching closer to each job, with answers to the exact question being posed and thus guaranteeing the professionalism offered.

The launch of the Ateca has enabled the company to prove the success of a new way of defining, designing and developing the vehicle's original line of accessories, with a complete range of accessories, both interior and exterior, already available from the very first day of sale on the market. **The first line of lifestyle products, known as SEAT Collection, has also been developed and is grouped into three collections: *Essentials*, with branded generic articles; *Ateca*, aligned with the emblematic colours and style of the model; and *Motorsports*, consisting of items with a notably sporty look.**

THE NEW AFTER SALES APPS ALLOW US TO IMPROVE NOT ONLY CUSTOMER SERVICE BUT ALSO THE TRAINING PROVIDED TO THE COMPANY'S OWN STAFF



SEAT wins the Eventplus 2016 silver award

SEAT won the silver award in the best space category of the Eventplus 2016 awards for the Ibiza Central Launch Training. This event, held in 2015 in PortAventura, set out to offer the dealership network complete training on the new model, as well as to motivate the network staff and allow them to live the brand.

The silver award recognises the excellence of the spaces created (which include conference rooms, a workshop area and a test track) to achieve the goals of this programme.



BRAND ADVERTISING



New SEAT Ateca: Marvellous routine

With the new Ateca, SEAT is seeking to bring the brand to people that live their daily lives in the city. Aimed at all those that make the very most of every minute of their routine, who are always thinking about enjoying themselves and see a life full of opportunities. Therefore, the company needed a campaign that showed the world that by **changing one's point of view, routine tasks can become something marvellous.**

ATECA receives 21% of visits to the SEAT website



More than 15 million people saw the launch advert in Spain



Engagement on social media has increased by 120%



Average SEAT engagement

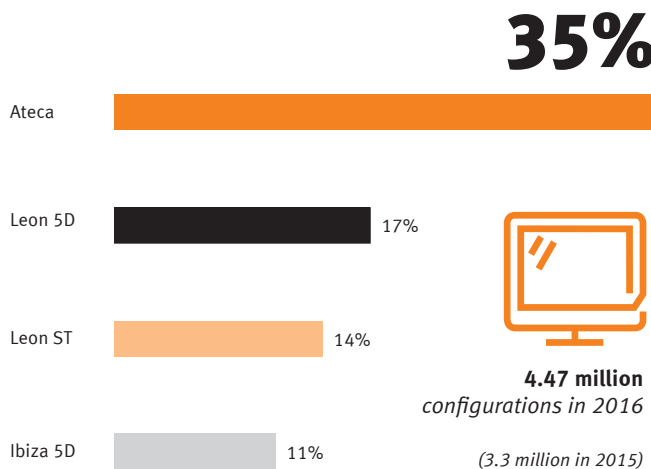


+120%

ATECA engagement



Ateca now represents 35% of all configurations



The TV Ad tells the story of a woman that lives her life as all the versions of herself that she wants to be. The new SEAT Ateca and all its technology help her to enjoy each one of the roles, turning her routine into something marvellous, and to successfully overcome all the challenges of the city.

The campaign has had a number of offline and digital assets for all phases. Furthermore, the Ateca model will have a new TV Ad in 2017 that will transmit the concept to a wider audience, focused on showing the public that every routine can be marvellous.



SEAT ATECA
Scan the QR
code to see the
campaign advert.



“Discover SEAT”

The campaign “Discover SEAT” was launched with the goal of strengthening the brand’s image and publicising its values, as well as the importance of the company in the car industry and in the Spanish economy. All of this with the new Ateca as the protagonist, a vehicle full of technology with which SEAT is entering the compact SUV segment for the first time.

The touching campaign shows the journey to the Moon of Apollo 8 where, far from marvelling at landing on it, what really surprised the crew was the beauty of planet Earth and its terrain. It was at that moment that they realised the endless number of places there were to enjoy and feel proud of.

The same thing happens with SEAT: an unforgettable past, a brilliant present and a promising future. This is our brand and that is why the company invites people to discover SEAT and to appreciate everything it has to offer. Because sometimes a different point of view makes you realise the great things around you.



THE NEW ATECA IS THE MOST ADVANCED CAR THAT SEAT HAS EVER DESIGNED. ITS COMBINATION OF DESIGN, VERSATILITY AND THE MOST ADVANCED TECHNOLOGY MAKE IT THE PERFECT CAR TO TURN DAY TO DAY TASKS INTO A MARVELLOUS ROUTINE

READY TO MOVE INTO THE FUTURE

The future is EASY

The world is changing and SEAT wants to be at the forefront of that change. The company has begun a new stage with a great challenge: digitalisation, especially with regard to connectivity, in order to meet people's needs through technology and make their life easier and more comfortable.

SEAT has one of the key platforms for this change: the car. The car will be a technological tool for people, like the mobile phone, which has gone from simply making and receiving calls to being the centre of everyone's daily experience.

To respond to this challenge, SEAT has created the Easy Mobility Team, a cross-departmental team summoned to lead the company's transformation. The Easy Mobility Team consists of three pillars: the connected vehicle with its respective functions and services and the future concepts of urban mobility, fields in which SEAT wants to be a leader; the connected client, who in the future will be placed at the centre of the ecosystem; and the creation of new business models through different initiatives and establishing partnerships with external companies or startups.

As a member of the Volkswagen Group, SEAT will take part in the various initiatives there are in mobility. Furthermore, within the various businesses and services that SEAT promotes, future innovations will be added in order to develop Easy mobility solutions.

BARCELONA, ONE OF THE MOST CREATIVE AND SMARTEST CITIES IN THE WORLD, IS OUR TEST CITY. WE CANNOT THINK OF A BETTER PLACE TO PUT OUR NEW CONCEPT FOR EASY MOBILITY INTO ACTION THAN HERE, IN OUR HOME





PRESENTATIONS AND MOTOR SHOWS

2016 stood out for being a year loaded with emotions for SEAT. At the Geneva Motor Show held in March, the long-awaited Ateca was presented, being one of the most innovative SUVs in its segment that offers a unique combination of technology, design, versatility and dynamic driving. A special 20th Anniversary edition of the Alhambra was also presented at this same show, to celebrate the first generation of the Alhambra presented two decades ago.

At the Paris Motor Show, SEAT added the *Created in Barcelona* concept as a central theme for its exhibition. The brand surprised with an innovative format consisting of two spaces:

- / A stand with a 4D interactive amphitheatre, made up of 48 movable seats and their respective interactive Samsung glasses, in which visitors had the opportunity to enjoy a visit to Barcelona through a virtual experience. It also included a car configuration tool with Bitbrain technology, in which users could configure the SEAT Ateca to best suit their emotions, simply through their physiological response to different visual stimuli.
- / In an outdoor area, a building was constructed that brought a piece of Barcelona to the heart of Paris, as part of a concept for a social area for visitors to the show. Through its design and decorative elements, based on famous designers and architects from Barcelona, visitors were able to directly connect with the

city that represents the spirit and inspiration of the brand and its design, as well as with the Ateca model shown in the stand. The atmosphere created could turn the everyday into something extraordinary and turn routine into something marvellous.

SEAT also presented at the Paris Motor Show the most adventurous version of its first SUV, the Ateca X-PERIENCE. This exercise in design, with an exceptional off-road performance, shows that the brand can overcome any limit and it was presented with a matte olive green colour associated with nature.



SEAT INTRODUCES THE NEW ATECA AT THE GENEVA MOTOR SHOW

SEAT presented its new compact SUV at the Geneva Motor Show. The Ateca has been designed and developed 100% in Barcelona.

Presentations at International Motor Shows

Brussels Motorshow

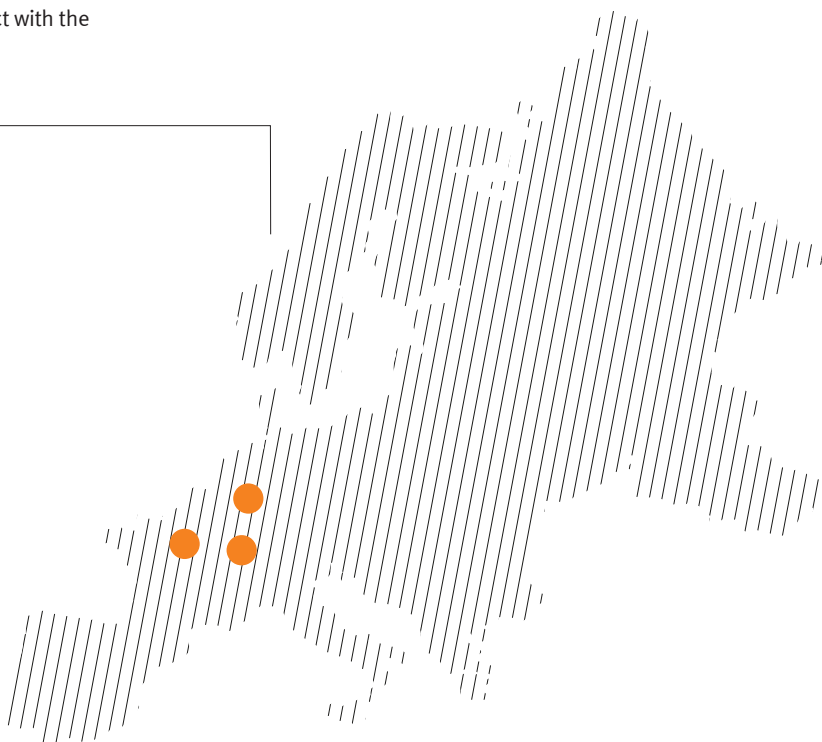
*From 12 to 24 January
Presentation of the Showcar
Leon SC Cross*

Geneva Motorshow

*From 1 to 13 March
Presentation of the SEAT Ateca,
and Alhambra 20th anniversary*

Paris Motorshow

*From 29 September to 16 October
Presentation of the Ateca X-PERIENCE*



SPONSORSHIPS AND OTHER EVENTS

SEAT carries out its sponsorship activity to give visibility to the brand, communicate its values and bring its products to the customer. The initiatives carried out in the spheres of music, football and other sporting events serve as a link to connect with society. Once again, in 2016 the company upheld its commitment as the main sponsor of the largest music festivals in Germany. In total, more than 160,000 spectators attended the Rock am Ring and Rock im Park festivals.

SEAT continued to support football in Spain and was once again the official sponsor of the 2016 final of the Copa del Rey (King's Cup), which saw FC Barcelona take on Sevilla FC. More than 33 million spectators followed the match on television. The 54,000 lucky ones that filled the Vicente Calderón stadium had the opportunity to enjoy the good football and a special spectacle presented by the new SEAT Ateca. In Germany, the brand maintained its successful collaboration with the football team Eintracht Braunschweig.

The company's relationship with sport was made even stronger by once again sponsoring the Euroleague, the most important basketball tournament at a European level, through its Turkish automotive partner.

The company's link with elite sport was also highlighted by continuing its commitment to the Real Club de Polo de Barcelona, a sports institution with 10,500 members that it has been linked to for the last seven years. For yet another year, SEAT sponsored the CSIO, the world's most important show jumping competition for national teams. More than 60,000 visitors came to the emblematic club in Barcelona during the four days of competition and had the opportunity to enjoy the new PoloPark, a public space of more than 18,000 m² with live music, a varied range of food and activities for all ages.

Motor racing was represented by the SEAT Leon Eurocup, which completed its third season in Barcelona, the company's home city. More than 12,000 employees accompanied by their families and motor sport fans united to see off its third edition, which everyone will remember for its thrilling final.



SEAT UNVEILS THE MII BY COSMOPOLITAN AT LONDON FASHFEST

It is the first time the company presents a car in London and outside of the usual circuit of the sector. It represents the culmination of a co-creation process between SEAT and the global creative team of Cosmopolitan, the directors of the magazine in each country and its readers in Europe. The Mii by Cosmopolitan is a car suited to today's lifestyle.



SEAT RANGE

When we manufacture SEAT models, every little detail counts. We immerse ourselves in the very essence of the design to express our values and our nature. In doing so, we take perfection to the next level and make beauty another one of our skills.

ENGINEERS OF BEAUTY



SEAT RANGE

When we manufacture SEAT models, every little detail counts. We immerse ourselves in the very essence of the design to express our values and our nature. In doing so, we take perfection to the next level and make beauty another one of our skills.

Mii

The SEAT Mii is the perfect ally for the city, compact on the outside but surprisingly spacious on the inside. With the ultimate in technology and Smartphone Integration, the Mii comes equipped with everything you need for an easy and safe drive. Now it offers more combinations, colours, details and customisation options to make it unique and suited to any lifestyle.



SEE WEBSITE



SEE WEBSITE



IBIZA

The SEAT Ibiza updates its range with the launch of the Colour Edition action model, reinforcing its comfort with exclusive packages of exterior and interior colours and a range of accessories created and designed especially for this model. Furthermore, to improve the Ibiza's technological image and strengthen co-branding with Samsung, the CONNECT action model has been extended to the most basic version of the vehicle.

SEAT RANGE

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LEON

The SEAT Leon has updated its exterior design with new bumpers and Full LED headlights, and its interior with a new central console that incorporates the electric handbrake. The new model adds numerous innovations such as traffic jam assist, pedestrian detector, wireless charger for smartphones and the new 8" colour touchscreen. The new Leon includes improvements in design, technology, comfort and safety for enjoying the driving experience even more.

TOLEDO

The SEAT Toledo combines the elegance of a coupé with the versatility of a family car. It incorporates driver assistance systems such as the rear-view camera or the Front Assist and the multi-collision brake system, which make the journey more comfortable and safer. It also comes with maximum connectivity, including Full Link to make the journey more enjoyable. Safety, comfort and entertainment to make every journey an unforgettable experience.



SEAT RANGE

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ATECA

The New SEAT Ateca tackles day to day tasks full of confidence thanks to its distinctive and dynamic style created by the sharp lines of its exterior design. In its interior, everything has been designed to turn your daily routine into a marvellous experience. From its ergonomic central console to its more-than-generous space, this SUV makes your day to day life exceed all expectations.

ALHAMBRA

The SEAT Alhambra commemorates its 20th anniversary with an exclusive model that incorporates technology and comfort. Among its features we find a navigator with reverse camera, Blind Spot Detection and exclusive Alcantara leather seats.

Moreover, the Alhambra model now combines its most powerful diesel engine with 4Drive and a DSG gearbox with levers on the steering wheel, making driving even safer.



 [SEE WEBSITE](#)



SEAT RANGE

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AWARDS



SEAT IBIZA

Best-selling utility vehicle in Spain in 2015 for the Ibiza, in the first edition of the *Oscar del motor - Premios Alcobendas 2016* car Oscar awards for its young and sporty spirit, its design, its excellent features, the efficiency of its range of engines and the advanced technology it incorporates. The award confirms the attraction of the model, which has been an uninterrupted leader in its segment in Spain since 2001.

Best urban car 2016 in Spain for the Ibiza, in the fifth edition of the awards of the specialist website *www.coches.net*, included in the Schibsted Motor Awards 2016 organised by the Norwegian media group Schibsted, for its sportiness and magnificent value for money. The Ibiza is a SEAT icon and the most highly-produced and best-selling model in SEAT's history.



SEAT LEON

Estrella Luike Motor Award in Spain for the Leon at the Madrid Motor Show, for being the best-selling car in the greater Madrid Community region. This is a distinction that confirms the model's success in the Spanish market and its leadership in its segment.

Fleets award 2016 in Spain for the Leon, awarded by AEGFA (the Association of Car Fleet Managers) for its excellent rate of sales in the company channel, which has allowed it to become the undisputed leader in this channel.

Seal of approval in the Auto Express New Car Awards in the United Kingdom for the Leon, the winner on three previous occasions, in the Compact Family Car category; the Leon ST, in the Family Car category; and the Leon CUPRA, which also repeats its success in the Sports Car category.

Best Automatic Car in the United Kingdom for the Leon, awarded by the publication *carbuyer.co.uk*, for the advanced technology of its gearbox (DSG).

Best Compact Car in the Top Car Mapfre awards in Mexico for the Leon, awarded by Mapfre together with the publications *Autos y Más*, *Autocosmos*, *Autoexplora* and *Autopistas*, based on their readers' votes.

Best Station Wagon of the Year in Turkey for the Leon ST, awarded by *Top Gear* magazine for its excellent sporty and technological qualities.



SEAT ATECA

Best Buy Car of Europe in 2017 for the Ateca in the sixteenth edition of the AUTOBEST 2017 awards, which represents a major international recognition from one of the most prestigious awards in the continent. The judges' panel, made up of specialist journalists from 31 countries, indicates the following attributes that make the Ateca the best buy: design, comfort, driveability, value for money and commercial and service network.

Best Crossover in the United Kingdom for the Ateca, in its first appearance in the Auto Express New Car Awards for its style, features, functionality and value for money. The award came just after the model received five stars in the first driving test on British roads carried out by the publication *Auto Express*. The Ateca has made a triumphant entrance into its category and represents a spectacular achievement for SEAT.

Top Gear mag's Best Cars in the World 2016 award in the United Kingdom for the Ateca in the Modern Families category, awarded by the publication *Top Gear* for its connectivity, design and dynamism.

Auto Trophy Awards in Germany for the Ateca in the Best Imported SUV up to 25,000 euros category, chosen by readers of the magazine *Auto Zeitung*, underlining its success in the German market.

Innovation award in France for the Ateca in the Design category, awarded by the French magazine *Auto Moto* for its aesthetics, dynamism and originality.

Best Compact SUV in Portugal for the Ateca, in the Gold Steering Wheel awards organised by the Portuguese magazine *Autofoco* and chosen based on the votes of its readers. An award that strengthens the success of the launch of the Ateca in Portugal.

SUV2017 Car in Spain for the Ateca, a prize awarded by the readers of the magazines *Car and Driver* and *DeViajes* for its efficiency, habitability and dynamic qualities. This award confirms the excellent reception of the model among the public and professionals of the sector.

Best Car of the Year ABC 2017 in Spain for the Ateca, in the 45th edition of the ABC Best Car of the Year award, the most prestigious award of the automotive sector in Spain, chosen by a specialist panel of judges after having been selected as a finalist by the readers of *ABC.es*.

Readers' Best Car of the Year 2017 in Spain for the Ateca, awarded by the readers of the Editorial Prensa Ibérica Group's newspapers and the newspaper *La Vanguardia*.

Best Car of the Year in Catalonia 2017 for the Ateca, awarded by the Motor Press Association of Catalonia. The judges' panel, made up of 46 professionals from different forms of media, has taken a positive view of aspects such as its design and its both active and passive safety features.



SEAT ALHAMBRA

Seal of approval in the Auto Express New Car Awards in the United Kingdom for the Alhambra, in the MPV category.

Best MPV in the Tow Car Awards of the United Kingdom for the Alhambra, awarded by the publication *Tow Car* thanks to its excellent performance and equipment.

Best MPV of 2016 in the United Kingdom for the Alhambra, chosen by the magazine *Professional Driver* through a panel of judges made up of experts of the sector and the team of editors, for its efficiency and optimal value for money.

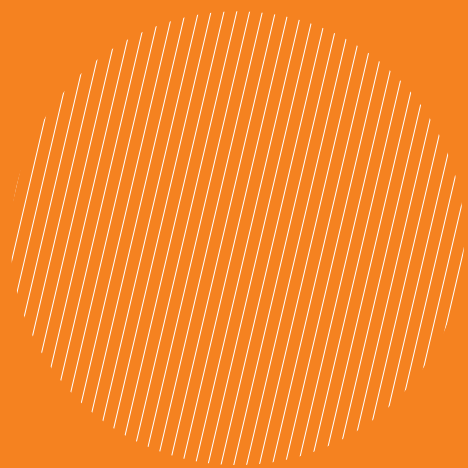
Auto Trophy Awards in Germany for the Alhambra in the Best Imported MPV category, chosen by readers of the magazine *Auto Zeitung* for its qualities that make it a practical and spacious vehicle.

Eurotax Award 2016 in Switzerland for the Alhambra in the MPV category, awarded by Eurotax, a leading supplier of data, solutions and services for the European car industry.



TECHNOLOGICAL ADVANCES

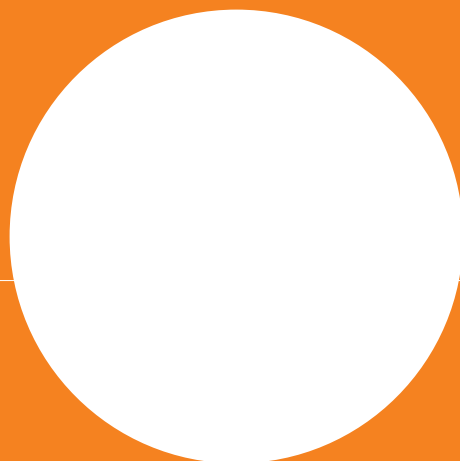
RESEARCH AND DEVELOPMENT



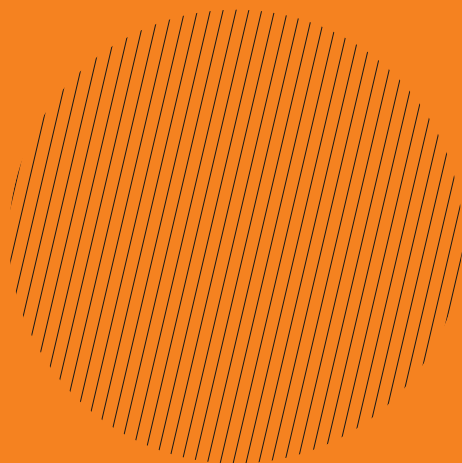
39 | 2015

38

2016



SEAT's patent registrations



42 | 2014

SEAT TECHNICAL CENTRE

After celebrating its 40th anniversary, in 2016 the SEAT Technical Centre (CTS) began a transformation process to deal with the technological challenges it will face over the next ten years. To respond to these challenges, the Technical Centre has ceased to be an independent company, becoming part of SEAT, S.A. The merger will allow for synergies and will improve the different processes for developing vehicles.

The CTS is a leading centre in R&D&I, the only one in Spain where cars are developed from start to finish. In it, some 1,000 engineers, designers and technicians work to find solutions based on electrification, digitalisation, new mobility services and the smart car. Its long history of over 40 years has made it a hub of knowledge, where the latest processes are applied to innovate in key areas such as reducing CO₂ emissions or the use of more functional and efficient designs. In doing so, the incorporation of the latest technological advances is assured and SEAT's DNA is kept alive in each and every one of the brand's vehicles.



1,400 days for a car

1,400 days, more than 1,000 sketches, 5,000 kilos of clay and 1,000 litres of paint. Those are some of the figures that sum up the design of a new model. The process lasts approximately four years and starts with a handcraft process, with a pencil and paper, until the vehicle ends up on the production line.



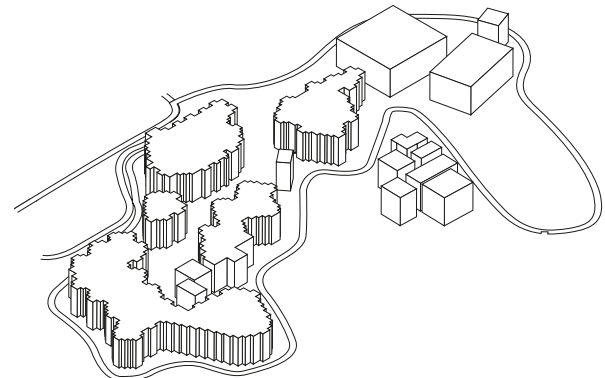
Number of designs

345



Test kms

1,300,000



Number of prototypes

82



Engineering hours

2,750,000

INNOVATION AND PRODUCT

Product

The development and launch of the Ateca model has introduced SEAT to the SUV segment, the fastest-growing segment in the market, with a vehicle loaded with technological features that is to become the third pillar of the brand, following the success of the Leon and the Ibiza.

The Ateca has a genuinely SEAT design and functional features in its interior that make it unique for its comfort and for its large boot that can be opened automatically thanks to the optional electric rear door. With regard to dynamic driving, the engineers of the Technical Centre have gone to great lengths to achieve a perfect harmony between sportiness and comfort, with a combination that is among the lightest in its segment. To strengthen its dynamic character even more, the Ateca has turbo petrol (TSI) or diesel (TDI) engines, with between 115 and 190 HP and with reduced fuel consumptions ranging from 4.2 to 5.1 litres per 100 km.

In terms of technology, the Ateca has an extensive package of driver assistance features, many of them never previously used by the brand and which make life on board easier, such as lane assist to correct unintentional movements, fatigue detection or traffic jam assist. The connectivity of the Ateca also takes on a leading role in the brand's new strategy, as it ensures that the driver can stay connected in the car with the utmost safety thanks to the 8-inch screen, the Full Link connection system and the wireless charger.

At the Paris Motor Show held in October 2016, SEAT presented the Ateca X-PERIENCE, a design exercise inspired by 4x4 vehicles which served to show the possibilities and potential of the Ateca family in the future. Aimed at the customer that wants to take their car to the extreme, the Ateca X-PERIENCE sets itself apart with a higher ground clearance, elevated suspension, off-road tyres, new bumpers and a matte olive green colour associated with nature.

SEAT's designers and engineers continue working to guarantee the success of the biggest product offensive in the brand's history. In 2017, the updated Leon will reach dealerships, the fifth generation of the Ibiza will be presented, and the new Arona will be introduced.



ONCE UPON A TIME... A NEW CAR

The pupils of the "Minions" class (7 years of age) at the Lasalle Gràcia school in Barcelona are paid a visit by an engineer and designer from SEAT to answer their questions about the process of creating a car.

THE ATECA HAS A GENUINELY SEAT DESIGN AND FUNCTIONAL FEATURES IN ITS INTERIOR THAT MAKE IT UNIQUE



Five Euro NCAP stars for the SEAT Ateca

The Ateca, the brand's first SUV, has shown its high level of safety by earning five stars, the highest score, in the Euro NCAP tests performed shortly before its arrival across the commercial network. The new model achieved an excellent result in each of the areas that make up the tests, particularly in the protection of adult occupants and in child protection, as well as in the protection of pedestrians and driver assistance systems. The effectiveness of the advanced safety systems that the Ateca includes as standard explains the success achieved in these tests.



Technological advances

The Technical Centre is the heart of SEAT's innovation, the place where the brand conceives, designs and develops its cars to satisfy its customers' needs. It is where the engineers develop the most advanced technology and designs, as well as putting all the innovations to the test to guarantee that the vehicles meet the required quality standards. Throughout this process, virtually all parts of each model of the brand are created and even assembled. This way, the engineers can study every detail and ensure that everything is ready before adding innovations.

During 2016, SEAT has made a number of technological advances a reality in its cars. In the Ateca, the company has introduced a new generation of automatic transmissions which reduce the CO₂ emissions and help to reduce the decay of the lubricant oil by reducing internal friction. This allows the frequency with which the gearbox oil requires replacement to be increased to 100,000 km, compared to the current 60,000 km. Furthermore, the new transmission significantly improves driving through the addition of a seventh gear. Internal improvements have also been made to all the diesel engines of the Ateca to achieve a reduction of CO₂. Among the most significant improvements are the development of the disconnectable alternator, the optimisation of the engine's temperature control, the reduction of the flow of circulating oil, together with the addition of an improved low-friction oil and a reduction in the backpressure of exhaust gases.

The technological advances go beyond the purely mechanical aspects. The designers and engineers of the Technical Centre are trying to achieve the perfect balance between a beautiful design and a fully reliable bodywork that offers the best protection to pedestrians and occupants of the vehicle. With the launch of the Ateca and of the Mii by Cosmopolitan during 2016, SEAT has consolidated its design language based on concepts such as dynamism, strength, safety and functionality, without forgetting everyone's more human need: to be connected.



CAN YOU DRIVE A CAR BLIND?

The Ateca's 360° camera allows the driver to have full vision thanks to the four cameras it has installed in it. A German couple takes on the challenge in Barcelona of driving a car with the windscreen and windows completely covered.



The SEAT Ateca offers multiple innovations

The Ateca is equipped with the latest innovations in driving assistance systems: the Kessy system, which allows you to unlock and start the car even with the key in your pocket or bag; an 8-inch screen and Full Link connection systems, which ensure connectivity inside the car with the utmost safety; Wireless Charger, which allows the driver to wirelessly charge electronic devices; Traffic Jam Assist, which guides the vehicle along the lane in dense traffic below 60 km/h; Emergency Assist, which emits visual and acoustic alarms to the driver or brakes when it detects that the driver is inactive for a certain amount of time; and Top View, which offers four cameras that cover the view of the whole area surrounding the car.



25,000 KM TO THE LIMIT

All SEAT models are tested in extreme conditions to check their reliability. In the case of the Ateca: 50 engineers, 80 tests, 25,000 kilometres and three weeks of work.

Connectivity

One of SEAT's priorities is to become a leading brand in the sphere of the new mobility services and smart cars. As a continuation of this strategy begun in 2015 with the first apps for use while driving produced in the Technical Centre, in 2016 SEAT has been the first car manufacturer to launch an app that is compatible with Apple CarPlay™ in Spain's Apple Store, the SEAT DriveApp. This application allows for a great connectivity experience in a simple manner, thanks to Apple's CarPlay™ technology which offers exclusive functions for users of SEAT Full Link, such as consulting the state of the vehicle, carrying out the recommended actions in the maintenance plans, viewing SEAT's service network with just a click or finding out about the offers available in the network.

During 2016, SEAT presented its future concepts around the smart car at leading events such as the Mobile World Congress and the Smart City Expo World Congress. One of the main projects is "Digital Access", a function that allows the user to access the car and transfer rights of use using their smartphone. This technology

will improve not only private customers' experience, but it will facilitate the consolidation of new shared mobility services.

Furthermore, the experience of parking will be revolutionised with three new concepts: the Ateca Smart City Car, a prototype that recognises parking spaces while you drive; and the Parkfinder and Mobile Payment applications, which allow the user to search for parking spaces by incorporating real-time data and to pay for them from the comfort of their car. In this field, cooperation between the city and smart vehicles is essential and this idea became the central theme of the SEAT stand at the Smart City Expo World Congress. This collaboration is materialised both in the cooperative parking map of Barcelona, from which the Parkfinder application takes its data (combining data from sensors around the city with data gathered by vehicles on the road), and in future mobility services based on on-demand shared transport systems.

A new driving and connectivity experience

The 11th edition of the Mobile World Congress (MWC) held in Barcelona was the perfect opportunity to showcase SEAT's new Connected Car, which includes various technological innovations.



FINGER PRINT

Security is important in connectivity. To access the new services and to make payments, the drivers must identify themselves with their finger print.



SEARCH FOR PARKING

Whenever we want to park, the new application will search for free parking spaces in the area, it will allow the driver to reserve a space and it will guide them to the car park using the GPS navigator.

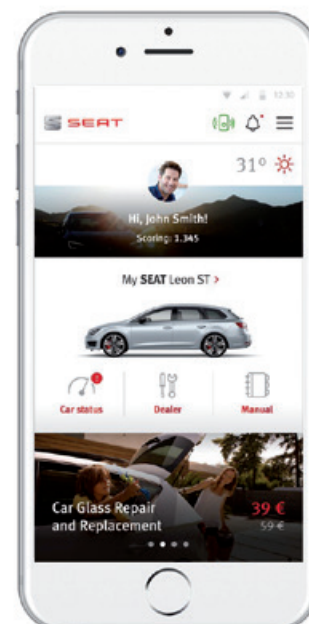


MAKE PAYMENTS WITHOUT LEAVING THE CAR

Upon finishing their stay, the driver can pay directly from the application without leaving the car. The barrier will open automatically.

DIGITAL KEY SHARING

This is an advanced concept of the Digital Key service to lock and unlock doors using a smartphone. Now it is also possible to authorise another person to use the car.



MY SEAT

During the Mobile World Congress, SEAT presented some technological innovations for the first time, such as the new generation of the customer app MY SEAT.

Smart city: a new ecosystem

In 2050 around 70% of the population will live in major urban concentrations. The goal will be to integrate the car into the new reality. This is how the mobility of the future will be.

ICITY PLATFORM

Mobility management systems and city data platforms will guide and provide vehicles with the information needed for efficient mobility.



SMART NAVIGATION

The real-time, high-definition navigator will provide information on free parking places at the nearest car parks and others further away. It will also indicate the best route to your destination. The route will be calculated considering the other vehicles on the road.



SMARTPHONE AS A DIGITAL KEY

Your car will recognise you by your fingerprint. The car's hard disk will have stored the driver profiles and will adapt to each one's preferences. The digital key will also provide access to smart parking and car sharing services, among others.



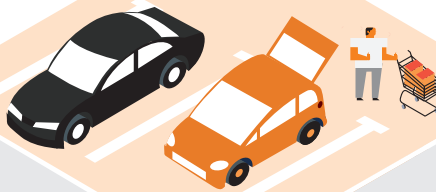
UNIVERSAL TRACKING (GEOFENCING)

Immediate location of the car within the urban road network and delimitation of its area of use (Geofencing). Service localisation: hospitals, markets, train stations and bus stops. Creation of updated interactive maps in near real-time.



LAST-MILE DEVICES

People who reach the city from the outskirts and park their vehicles in smart parking facilities will be able to continue their journey to the centre in a small vehicle that they can park when they reach their destination.



SERVICES IN SMART PARKING FACILITIES

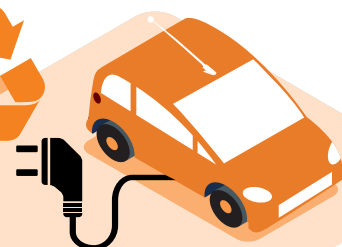
Smart parking facilities are becoming a place you can use to access services. A digital key lets a vehicle owner give service providers access to the car even when he or she isn't there. For example, to have your car checked while it is parked or for a supermarket employee to leave your shopping in the boot.

AIRPORT



DRIVERLESS CARS

Occupants are "freed up" to do other things. The vehicle can drive without passengers and pick up people and goods.



SMARTER AND MORE SUSTAINABLE CARS

Used in a more rational fashion and powered by alternative energies (electric, CNG, hybrid vehicles...)



BREAKDOWN

ACCIDENT

CAR2CAR CONNECTIVITY

Cars that are close to each other will be inter-connected when they enter a particular city area and exchange useful information which is automatically and instantly updated. The car will use this information to "select" the best possible route.

CAR SHARING TRIPS

The important thing is to have a car available to you when you need it, not to own it. New business models will be created to manage these services.



Patents

SEAT is one of the most active companies in Spain in the sphere of innovation and, therefore, protecting its industrial property is essential.

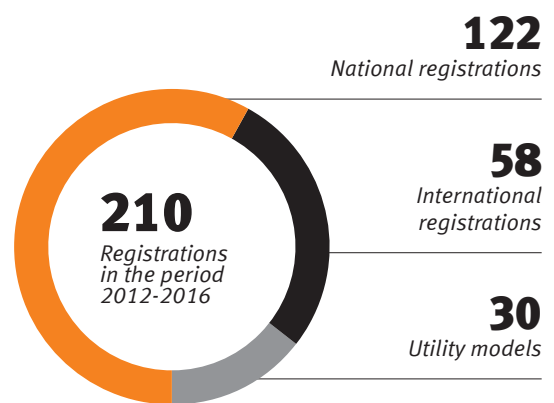
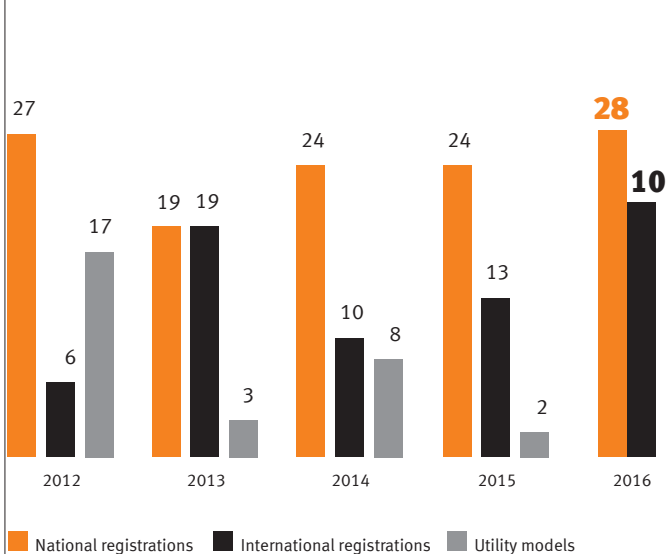
In 2016, the company completed a total of 38 registrations: 28 national patents (NR) and 10 international patents (IR). In the last five years, the company has applied for a total of 210 registrations, between utility models and patents. SEAT's current portfolio of registrations in force amounts to 301 registrations.

In order to recognise the work of the most creative and innovative people in the company, every year the Technical Centre organises the Inventors Awards. Through this initiative, SEAT sets out to recognise the importance of its team of people and awards all the inventors whose proposals are protected. In addition, three special prizes are awarded, which in the latest edition went to:

- / Best international registration: ignition switch with intermittency.
- / Best national registration: wheel angle regulator system.
- / Best innovation of the year: Parkfinder application (technological innovation) and Programmatic Buying Unit (marketing innovation).



SEAT's patent registrations



TRAINING AND AGREEMENTS

For SEAT, collaboration with universities is important for two reasons. On the one hand, it ensures future talent for the company and, on the other hand, it offers opportunities to investigate topics which in a few years are going to revolutionise the world of mobility.

In the sphere of university training, the company continues to support the CARMAT and ELTICA postgraduate courses. Through this training, which is unique in Spain, specific knowledge of car electronics, bodywork and materials has been transmitted to more than 220 students that have taken part in its various editions. Furthermore, the company maintains its collaboration with the SEAT/UPC chair through various research projects that are carried out jointly.

Furthermore, SEAT sponsored two Spanish teams that took part in the Formula Student - the UPC team ecoRacing from the ESEIAAT (UPC Terrassa) and the UPC Motorsport team from the ETSEIB (UPC Barcelona). Both managed to complete an exceptional season in which they demonstrated their ability in terms of engineering and innovation, winning at some of the most prestigious racing tracks on the tour such as Silverstone, Hockenheim and Barcelona-Catalunya.


2016 was also the starting gun for the CARNET platform (Cooperative Automotive Research Network). The collaboration between SEAT, the Polytechnic University of Catalonia (Universitat Politècnica de Catalunya, or UPC) and Volkswagen Group Research has brought to Barcelona the first major investigation and innovation hub in the field of cars and urban mobility of the future. The objective of the platform is to lead the creation of new technologies for mobility and to transform metropolitan areas into better spaces for living in. This initiative, which includes Barcelona as a focal point for the study, represents a very important project for the digital transformation plan that the company is currently immersed in.

THE OBJECTIVE OF THE CARNET PLATFORM IS TO LEAD THE CREATION OF NEW TECHNOLOGIES FOR MOBILITY AND TO TRANSFORM METROPOLITAN AREAS INTO BETTER SPACES FOR LIVING IN

CARNET platform (Cooperative Automotive Research Network)

55 
Projects linked to
future mobility

 **18**
Companies and institutions that
are members of the innovation hub

 **88**
Teachers and students
working on the projects



Award for the best training initiative

SEAT, Volkswagen Group Research and the Polytechnic University of Catalonia (Universidad Politècnica de Catalunya, or UPC) were recognised by the newspaper *l'Economista* for leading the Best Training Initiative. The prize was awarded to the Creative Lab project, in which students from the UPC take part, together with professionals from the Group, in generating creative ideas and solutions for mobility. With this project, concepts have been developed such as a function of the vehicle's navigator that helps drivers to find parking, reducing journey times as well as saving money on fuel and CO₂ emissions.

MOTOR SPORTS COMPETITION



SEAT reaffirmed its long history in motor sports competition with a new edition of the SEAT Leon Eurocup. In its third season, this single-brand championship had an average of 17 drivers per race, making it once again a championship that offers maximum sporting action to professional teams. Once again, seven Grand Prix were vied for on seven highly prestigious European circuits, three of which are Formula 1 circuits. The star of this championship was the SEAT Leon Cup Racer, a spectacular racing car with an engine capacity of 330 HP and a wide range of technological features.

The SEAT Leon Cup Racer was improved to dispute the 2016 edition and all customers were also offered the possibility of an upgrade. The improvements introduced were made in aerodynamics, brakes, engine cooling, gearbox and weight distribution. The constant evolution of the SEAT Leon Cup Racer has made it a highly sought after car by teams and drivers from around the world, even reaching markets such as Thailand, where the brand has no commercial presence. Since its launch, a total of 190 vehicles (80 of them in 2016) have been delivered to 110 teams from 23 countries, which actively participate with the SEAT brand in national and international championships.

The SEAT Leon Cup Racer also competes in the TCR International Series (Touring Car Championship), in which it made its debut in 2015 and a team of SEAT customers managed to lift the drivers' trophy at the hand of the Swiss Stefano Comini. During 2016, this championship was once again held in Europe, Asia and the Middle East, with a total of 22 races held over eleven weekends and three of the circuits being included on the Formula 1 schedule: Bahrain, Singapore and Malaysia.

At the same time as the TCR International Series, other national TCR series have appeared in which SEAT has had a significant representation in the countries where these competitions have taken place: TCR Asia, TCR Benelux, TCR Germany, TCR Italy, TCR Portugal, TCR Russia, TCR Spain, TCR Thailand, TCES, the 24 Hours Series and the Nürburgring 24 Hour Race.

SEAT Sport also continues its policy of supporting private customers, offering them technical assistance in different events and championships such as the Barcelona 24 Hour Race, the Spanish Endurance Championship (CER), the European Touring



Car Championship (ETCC), the Ibiza Cup Italy and various national championships.

In the Barcelona 24 Hour Race, SEAT's ambassador Laia Sanz, together with driver Francesc Gutiérrez, repeated for the third consecutive year the challenge of finishing the competition. The former FC Barcelona football player Eric Abidal also took part in this edition as a SEAT driver.

SEAT Sport also takes part in projects of the Volkswagen Group and provides technical support to Audi in the German Touring Car Championship (DTM) and in the development and manufacturing of vehicles for Audi Motorsport and for Volkswagen Motorsport. The company develops the Group's models with the MQB platform of the SEAT Leon for race track competitions.



Timeline of the SEAT Leon Eurocup 2016

Date	Circuit
23-24 April	Estoril PORTUGAL
14-15 May	Silverstone UNITED KINGDOM
4-5 June	Paul Ricard FRANCE
16-17 July	Mugello ITALY
10-11 September	Red Bull Ring AUSTRIA
17-18 September	Nürburgring GERMANY
5-6 November	Barcelona-Catalunya SPAIN

THE SEAT LEON CUP RACER IS A SPECTACULAR RACING CAR WITH AN ENGINE CAPACITY OF 330 HP AND A WIDE RANGE OF TECHNOLOGICAL FEATURES



SEAT sport introduces its new website

The website of SEAT Sport was renovated to adapt its contents and viewing method to users' needs. The new page is responsive, which allows for optimal browsing regardless of the device used to visit it: www.seat-sport.com



FROM THE PRAM TO THE RACING CAR

Mathilda provides the name for the racing team led by her father, the Mathilda Racing Team. Since she was a baby her father has been taking her to the races and now, at just seven years of age, she continues to go without missing a single race.

7

**THE BEST
EMPLOYER**

HUMAN RESOURCES

13,968

2016*

Basic workforce (At December 31)



12,753 | 2015

12,626 | 2014

* In 2016, Centro Técnico de SEAT, S.A. was absorbed by merger with SEAT, S.A.

A COLLECTIVE AGREEMENT FOR THE FUTURE AND MORE EMPLOYMENT

On 20 June 2016, after six months of negotiation, SEAT's 19th Collective Labour Agreement was signed. Valid for five years, its most innovative aspect is the anticipation of the new scenario of Industry 4.0. The negotiation was organised into four blocks: remuneration, organisation of work, social aspects and competitiveness. In the first block, a new variable remuneration system is introduced, through which the company shares its successes with employees based on its operating profit. The main update in the organisation of work is a pilot project on remote working, an innovative initiative for a traditional sector like the car industry. In the social field, the most notable change is the company's desire to offer staff specific training on industry 4.0,

as well as another pilot test which seeks to eliminate attendance checks through clocking in and out, replacing it with "trust-based working". Lastly, with regard to competitiveness and looking to the future, new flexible working methods have been adopted and a new category of access has been consolidated.

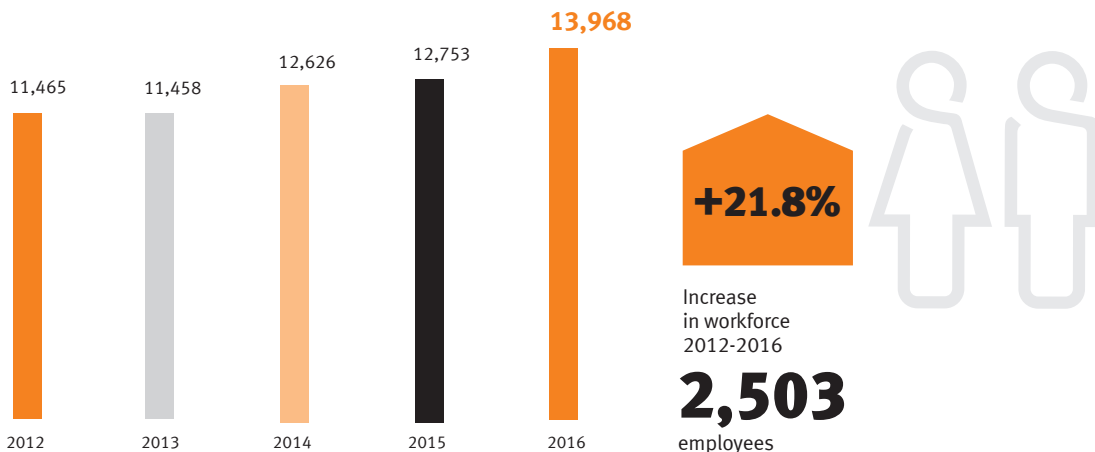
In parallel with the negotiations, the company supported job creation. A partial retirement plan was implemented, through a handover contract for 230 staff, which will generate the same number of jobs with an indefinite contract. Furthermore, 166 employees joined the Production division after having rendered their services through temporary employment agencies. Also, to guarantee the launch of Audi's A1 model in 2018, 60 new hires were taken on.



SEAT SIGNS A NEW COLLECTIVE LABOUR AGREEMENT

The new agreement is valid for five years, consolidates a stable framework in labour relations and supports competitiveness and the distribution of profits with the improvement in the variable remuneration system.

Basic workforce (At December 31)



Basic workforce by functions and centres (At December 31)

	2016	2015	Variation	
			Absolute	%
Direct	8,301	8,199	102	1.2
Martorell	6,795	6,696	99	1.5
SEAT Barcelona	673	664	9	1.4
SEAT Componentes	833	839	(6)	(0.7)
Indirect	5,667	4,554	1,113	24.4
Martorell	3,749	3,726	23	0.6
SEAT Barcelona	519	532	(13)	(2.4)
SEAT Componentes	254	253	1	0.4
SEAT Technical Centre**	1,102	0	1,102	—
Other centres	43	43	0	0.0
Total workforce (*)	13,968	12,753	1,215	9.5



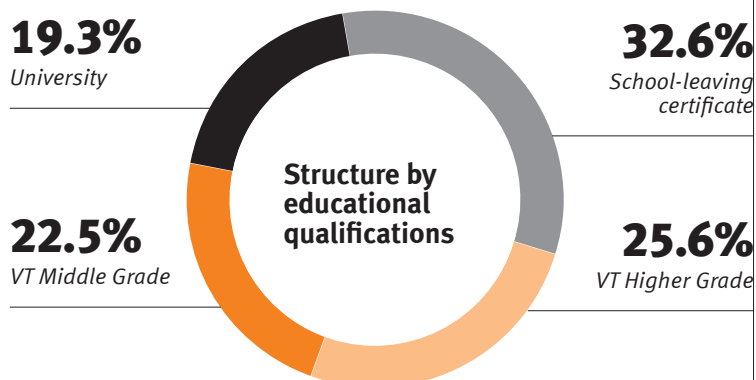
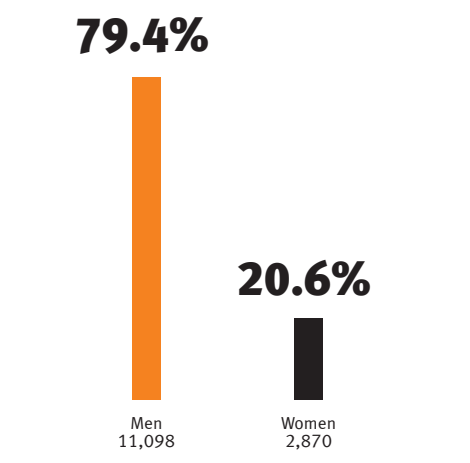
The Martorell factory is the largest manufacturing centre

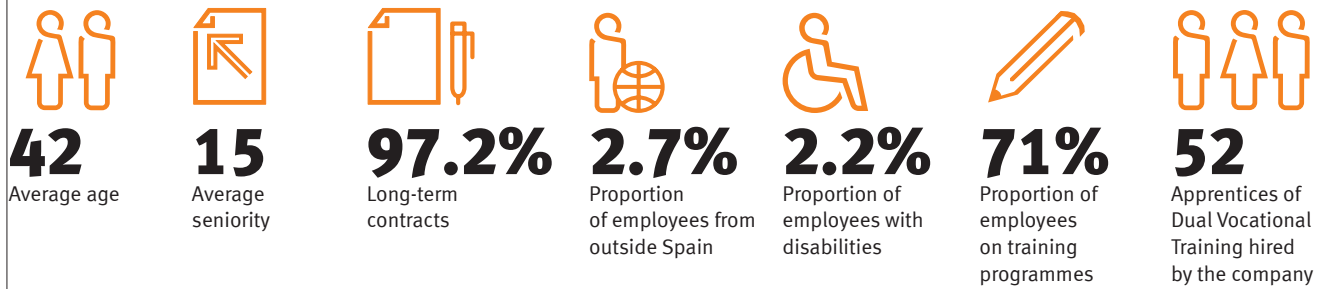
10,544
employees

* Figures for 2016 and 2015 do not include 116 and 94 employees in partial retirement, respectively. Likewise, figures for 2016 and 2015 do not include 155 and 186 apprentices with labour contracts, respectively.

** In 2016, Centro Técnico de SEAT, S.A. was absorbed by merger with SEAT, S.A.

Basic workforce structure (At December 31)



Basic workforce structure (At December 31)**VALUE OF THE TALENT POOL**

The SEAT Apprentice School started 2016 with the intake of 60 new students, selected from among more than 800 candidates received from different places around Spain. After passing the selection process, the new students began the first course of the intermediate-level training cycles, with 30 of them in the mechanics module and 30 in the electro-mechanical equipment maintenance module. In total, the School currently has 168 apprentices.

The success of the Dual Vocational Training provided in the Apprentice School lies in the opportunity the young people have to learn a trade and to develop it in a real working environment, with the possibility to join the company's workforce when they finish their training. SEAT offers a full and practical programme in the school's classrooms, laboratories and workshops, as well as in various division of the company. The high technical level of

the facilities and of the trainers leads young people from all over Spain to want to join the Apprentice School.

Since 1957, when it began its activity, **more than 2,600 students have trained in it and 11% of the company's current executives come from the Apprentice School.** These are figures that back up SEAT's training strategy and the excellent results achieved.



SEAT and the Catalan Government (Generalitat de Catalunya) sign an agreement to promote professional training

The new agreement, signed for four more years, seeks to improve professional training in Catalonia to modernise and adapt it to the new challenges of the labour market, paying particular attention to the needs of the automotive sector. The agreement will also allow the work experience and non-regulated training of SEAT's employees to be academically recognised, as well as the continuous training that is provided in its centres. Furthermore, both parties will contribute to elaborating and organising the training curricula of the occupations of the automotive sector, at the same as SEAT will collaborate in the training given by the teaching staff of the Generalitat.



A HEALTHY COMPANY WITH NEW FACILITIES

In February 2016, the first stone was placed at the Martorell factory for what will become a brand new health centre for SEAT's workforce of around 14,000 employees in 2017. In the same ceremony, which was chaired by the Minister for Business and Knowledge of the Catalan Government (Generalitat de Catalunya), Jordi Baiget, and the Vice-President of Human Resources at SEAT, Xavier Ros, the company received from the chairman of AENOR, Carlos Esteban, the Healthy Company award. SEAT is the first company in the automotive sector in Spain to receive this recognition.

The new Health Care and Rehabilitation Centre (known as CARS) will cover an area of 1,300 m², it will represent an investment of three million euros and it will cover three fields: preventative, health care and rehabilitation medicine. To carry out this work, SEAT has, among others, a team of 25 professionals that specialise in traumatology, radiology and cardiology.

The centre will also offer nearly 3,000 women in the company the possibility to undergo an annual screening for the early detection of breast and cervical cancer, making SEAT the only automotive manufacturer in Spain to provide this kind of test within the company itself. Furthermore, it will have an innovative biometric laboratory that will allow the company to take another step towards the so-called Industry 4.0, applying the latest technology in the ergonomic design of the workstations and in monitoring the progression of musculoskeletal disorders.



Healthy Company Award

SEAT received the Healthy Company Award in the "Best Communication Plan" category by the Human Resources Observatory (HRO). This award recognises the Healthy Company project of the SEAT Group, which includes all the measures necessary for the prevention of accidents, occupational illnesses and the promotion of healthy habits.



SEAT AND HARVARD UNIVERSITY CONDUCT A STUDY ON HEALTHY EATING

The objective of this alliance is to initiate a joint investigation project into working health and healthy eating related to the Mediterranean diet at SEAT.

SEAT's health in figures

1,300 m²

dedicated to prevention and caring for the employees' health

Health centres

- 6** in SEAT Martorell
- 1** in SEAT Barcelona
- 1** in SEAT Componentes
- 1** in SEAT Apprentice School

Visits

12,000
general medical examinations/year

27,000
specific medical examinations/year

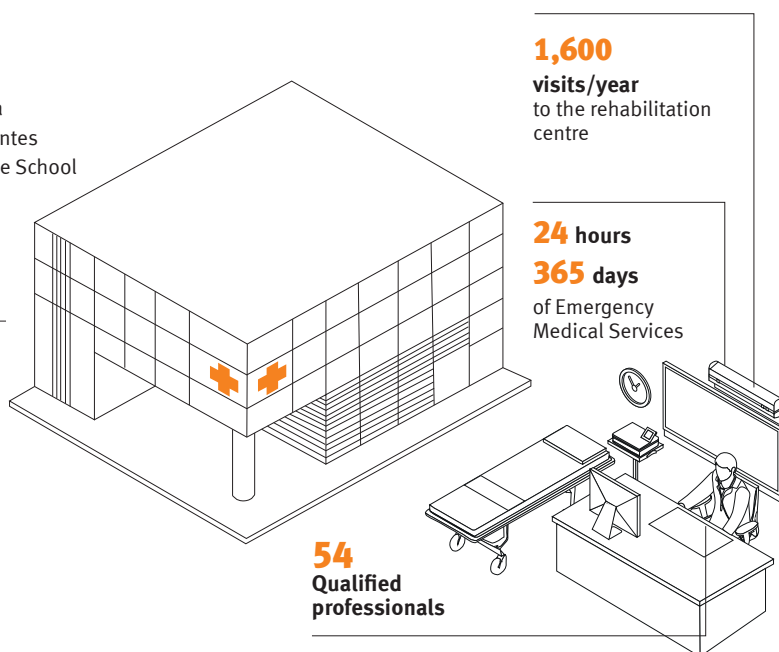
61,000
consultations/year

Ambulances

2
medical ambulances with medics

Campaigns

4,000
activities in the promotion of health campaign



A BORDERLESS WORLD OF TALENT DEVELOPMENT

SEAT continuously searches for young talent through various initiatives to attract new joiners and to offer a way of joining the company. Besides the Dual Training provided in the Apprentice School, it has other programmes that also contribute to generating employment: work placement programmes, trainee programmes, which are of an international nature and include a four-month placement at one of the brands of the Group; the doctorates programme, which drives innovation in various areas of the company; and StartUp Europe, aimed at young engineers.

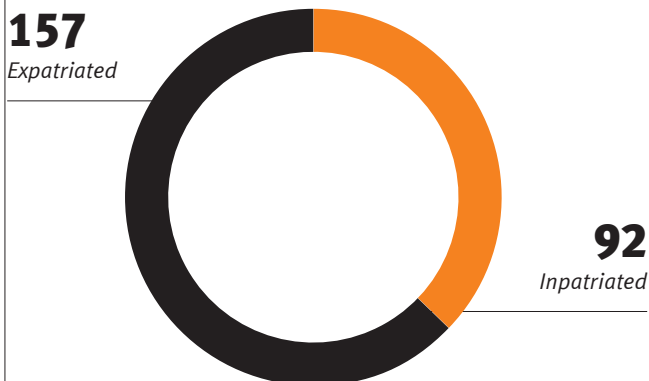
Every year, SEAT invests an average of 14 million euros in training to foster talent development. The company has a wide range of training, with technical training, leadership and language programmes and personalised development programmes standing out. It also has a learning system based on Professional Families, which in 2016 made major progress through new digital learning formats. As such, the first expert tutorial videos were edited for relaying technical knowledge and the SEAT Talks format was bolstered, inspired by the viral format of TED Talks for the transfer of interdisciplinary knowledge.

International placements are also offered, which facilitate the exchange of employees between brands of the Group. These placements allow not only the exchange of knowledge but also the development of talent, succession plans, the standardisation of processes and a maximum use of synergies and resources within the Volkswagen Group. In 2016, the first phase of the specialist employee exchange project between SEAT and ŠKODA, aimed at assuring the launch of the Ateca model, ended successfully. Within

this programme, the transfer and integration, both personal and professional, of 16 expatriates from SEAT (14 in the Czech Republic and 2 in China) and 6 inpatriates from ŠKODA was managed. In addition, for the development of another new model, the Audi A1, the transfers and integration of 22 expatriates and 17 inpatriates between Audi and SEAT were managed. On this note, in order to resolve the logical adaptation difficulties, preliminary trips are made in advance so that the employees can get to know the new country and company, search for the appropriate housing and the schools where their children are going to study. All of this is accompanied with language training for them and their family, as well as an inter-cultural course in which the most common questions are answered.

SEAT CONTINUOUSLY SEARCHES FOR YOUNG TALENT THROUGH VARIOUS INITIATIVES TO ATTRACT NEW JOINERS AND TO OFFER A WAY OF JOINING THE COMPANY

International placements managed in 2016



StartUp Europe programme



TOWARDS A DIGITAL, CONNECTED AND FLEXIBLE COMPANY

SEAT pays particular attention to the evolution and concerns of its staff. Following on from this, the significance of the arrival of “Generation Y” (the so-called millennials) on the labour market and how this is going to affect our understanding of work over the coming years is clear. This is why the company wanted to involve millennials, 24% of its staff, to jointly define how the company works in the future. The organisation of an innovative and disruptive, collaborative, digital workshop based on Facebook, under the title “The future work at SEAT”, was a resounding success. 32 young employees with a maximum age of 27 took part in it and contributed more than 300 innovative ideas. **The desire of SEAT’s millennials is to work in a fully digital, connected and flexible company.** This idea is reflected in initiatives related to the development of autonomy and flexibility in space and time, the boosting of collaborative work, continuous cross-disciplinary and digital training, as well as the drive for internal co-creation and co-working.

Specifically, four areas for improvement were analysed: culture and leadership, learning and development, remuneration and performance, and ways of working. SEAT is currently immersed in a digital transformation in all areas and millennials are the key to constructing the company of the future. **53% of the employees hired in 2016 are under 30 years of age.**



The best company to work for

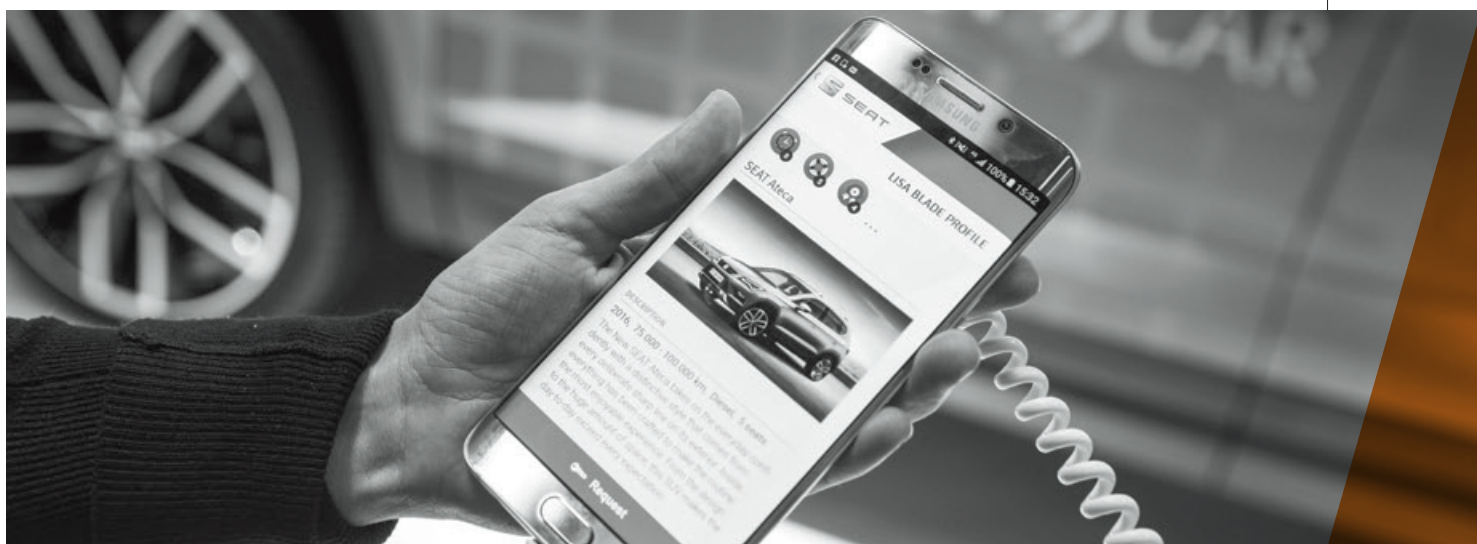
SEAT was once again recognised as one of the best companies in Spain to work for after receiving, for the second consecutive year, the Top Employer award. The company continues to be the only car manufacturer in Spain with this accreditation.

The Top Employers Institute, the organisation that globally certifies companies based on the working conditions they offer their employees, affirms that SEAT has an excellent working environment. The institution highlights the innovative programmes for attracting young talents, as well as the extensive development programmes created by the company.



SEAT'S MILLENNIALS OPT FOR A FLEXIBLE, DIGITAL AND CONNECTED COMPANY

Through a collaborative digital workshop in which more than 300 innovative ideas are contributed, SEAT's millennials defined the way of working in the company of the future.





GOVERNMENTAL AND INSTITUTIONAL PRESENCE

GOVERNMENTAL AND INSTITUTIONAL RELATIONS

INSTITUTIONAL SPHERE

During 2016, SEAT's institutional activity was focused on highlighting both the brand's Technical Centre and the investments committed by the Volkswagen Group in Martorell, as well as strengthening SEAT's connection and identification with the city of Barcelona.

The main example of SEAT's connection with Barcelona was in the collaboration agreement between the two institutions, signed by the mayor of Barcelona, Ada Colau, and SEAT's Chairman, Luca de Meo. Under this agreement, SEAT and Barcelona City Council will promote the entrepreneurial environment and business cooperation, with the company offering its knowledge on smart mobile mobility, in order to stimulate projects that improve citizens' quality of life. The first project to come out of this agreement is the Metropolis:Lab Barcelona, the Volkswagen Group's sixth laboratory, which will be managed by SEAT and will be based in Barcelona. This laboratory is expected to be brought into operation in 2017 and in it, more than 50 highly-qualified professionals will analyse and seek intelligent solutions to the mobility challenges of the future.

THE MAIN EXAMPLE OF SEAT'S CONNECTION WITH BARCELONA WAS IN THE COLLABORATION AGREEMENT BETWEEN THE TWO INSTITUTIONS, SIGNED BY THE MAYOR OF BARCELONA, ADA COLAU, AND SEAT'S CHAIRMAN, LUCA DE MEO

SEAT's commitment to Barcelona was also evident through the connection with the Barcelona Global association, whose mission is to actively contribute to making Barcelona one of the world's leading cities in attracting talent and economic activity. At an event sponsored by SEAT and chaired by the mayor of Barcelona, Ada Colau, SEAT's Chairman, Luca de Meo, told the guests of his experience as an executive living in Barcelona and highlighted the attributes of the brand and of the company's first SUV, the Ateca, which was created in this city.

The economic significance of SEAT's projects and initiatives and the brand's commitment to society also enjoyed the support and recognition of the country's main entities and institutions throughout the year.

The deputy mayor of Barcelona for Business, Culture and Innovation, Jaume Collboni, visited SEAT's facilities in Martorell together with other representatives of the city council. During the meeting with the Chairman of SEAT's Executive Committee, Luca de Meo, they discussed how encouraging the company's current momentum is and the challenges that the car industry faces in the future. The Vice-President of Governmental Relations and Institutions, Ramón Paredes, also took part in the meeting. The visit to the company included, among other facilities, SEAT's Design Centre, which is unique in Spain and where the design and quality processes were shown, as well as the brand's future models.

Furthermore, the Minister for Land and Sustainability of the Catalan Government (Generalitat de Catalunya), Josep Rull, participated in the presentation of the project led by SEAT, called Megatruck, in the scope of the Automotive Industry Cluster of Catalonia (CIAC). This initiative reinforces the importance of logistics as a key tool for the sustainability of companies and their environment. Furthermore, they highlight SEAT's leadership in relevant areas such as efficiency and environmental sustainability.





In order to strengthen the brand's image for the representatives of the countries in which SEAT is present, a visit to the Martorell facilities was organised by the official consular representatives in Barcelona. The consul generals were received by the Chairman of SEAT and had the chance to see for themselves the company's leadership in strategic areas such as innovation, employment and training.

Furthermore, SEAT continued to maintain and strengthen its links with German society and entrepreneurs present in Spain. Through the German Chamber of Commerce (AHK), representatives of Germany's most important companies had the chance to visit and get to know the Martorell facilities and to see the brand's high quality standards for themselves.



**AWARDS AND HIGHLIGHTS
 LIKE "CHARLIE IN THE SEAT FACTORY"**

Jasper, a 7-year-old boy from the United Kingdom, has his dream come true when he visits SEAT's facilities in Martorell and finds out how the brand's models are designed and built.



The Vice-President of the Catalan Government visits SEAT's facilities

The Vice-President and Minister for Economy and Finance of the Catalan Government (Generalitat de Catalunya), Oriol Junqueras, visited SEAT's facilities in Martorell in August. In his meeting with SEAT's Chairman, Luca de Meo, the Vice-President of Human Resources, Xavier Ros, and the Vice-President of Governmental and Institutional Relations, Ramón Paredes, they discussed various topics on the company's current situation and on the future challenges of the car industry, such as mobility and connectivity. SEAT's Chairman highlighted the company's desire to strengthen its relationship with the Barcelona brand and with institutions. SEAT is one of the leading companies in the country in economic and employment terms, and it is going to continue to promote innovation and the generation of wellbeing.

BUSINESS SPHERE

One of the main events of 2016 was the holding of the annual general meeting of FERRMED at the Martorell facilities, in which SEAT had the dual role of partner and host. FERRMED is a multi-sectoral association created to contribute to improving European competitiveness through the promotion of the Great Freight Railway Line between Scandinavia and the Western Mediterranean. At this meeting, a declaration in favour of promoting the so-called Mediterranean Corridor was made, with the strategic goal of improving the competitiveness of European companies. Furthermore, during 2016 SEAT remained highly involved in ANFAC, representing the brand on the political, industrial and commercial matters addressed in the Committees, Forums and Board meetings held within the organisation.

In the sphere of business cooperation, SEAT signed a collaboration agreement with the National Federation of Self-Employed Workers Associations (known as ATAs) to facilitate the mobility and transport of this group. With this agreement, preferential



SEAT awarded a prize by the Automotive Cluster of the Basque Country

SEAT received the AUTOMOCIÓN-ACICAE award, in the Vehicle Manufacturer category, awarded every year by the Automotive Cluster of the Basque Country (ACICAE). With this award, SEAT is recognised for its history as a car manufacturer connected to suppliers and for its success in its new car models. The Vice-President of Governmental and Institutional Relations of SEAT and of the Volkswagen Group in Spain, Ramón Paredes, collected the award in the company's name and gave thanks for the recognition given to the only Spanish company in the automotive sector that performs all its processes from start to finish: the design, development, manufacture and sale of its products.



The primary catalan employers' organisation recognises Dr. García Sanz

At an event chaired by His Majesty King Felipe VI of Spain and attended by the main Spanish and Catalan authorities, the primary Catalan employers' organisation, Foment del Treball Nacional, held the annual event to hand out the Medals of Honour and the Carles Ferrer Salat awards. In the 2016 edition, the Medal of Honour for the Businessman of the Year went to Dr. Francisco García Sanz, for his role as Chairman of SEAT's Board of Directors. The award recognises the great investment effort the company has made, the brand's commitment to generating wealth and employment opportunities, as well as SEAT's role as a driving force for Spain's industrial sector. The award was collected by the Chairman of SEAT's Executive Committee, Luca de Meo, on Dr. García Sanz's behalf.



conditions are made available to the self-employed, both for direct purchases and for leasing and renting. In addition, an agreement was reached giving them access to special financing conditions and a maintenance package.

SEAT also signed a collaboration agreement with FCC Aqualia to develop the innovative project known as SMART Green Gas, the purpose of which is to obtain renewable biofuel from wastewater in order to use it in vehicles that run on compressed natural gas (CNG). To this end, the company has delivered two SEAT Leon TGI vehicles to Aqualia, with which it will be able to carry out the necessary tests with the biomethane obtained from wastewaters to analyse and evaluate the use of this fuel in cars.

SEAT continued to support the promotion of CNG (Compressed Natural Gas) technology in Spain. In this way, together with its partner in this field, Gas Natural Fenosa, they delivered a Leon TGI model to the Guardia Civil (the Spanish police force), equipped with compressed natural gas and petrol, which stands out for its efficiency and reduced levels of consumption and emissions. This delivery forms part of a collaboration agreement to improve the energy efficiency of vehicles on the road and of facilities of the General Directorate of the Guardia Civil.

SEAT SIGNED A COLLABORATION AGREEMENT WITH FCC AQUALIA TO DEVELOP THE INNOVATIVE PROJECT KNOWN AS SMART GREEN GAS



SEAT's goal is to become a leading company in the field of connectivity

The Smart City Expo World Congress held in Barcelona was opened by the President of the Catalan Government (the Generalitat), Carles Puigdemont, who travelled to the exhibition venue, together with the Chairman of SEAT, Luca de Meo, driving a prototype electric vehicle, the SEAT e-Mii. The company also presented its smart mobility concept: the Ateca Smart City Car. This pioneering project boasts Smart City connectivity, which allows users to search for parking and to share their car with other users. SEAT is participating, and wants to be a key player, in the development of new urban and smart mobility concepts. In the field of smart cities, Barcelona represents the best city for investigating new solutions, due to its dimensions, industrial network and the presence of startups that boost innovation.





SUSTAINABLE GROWTH

FINANCE, IT AND ORGANISATION

8,597

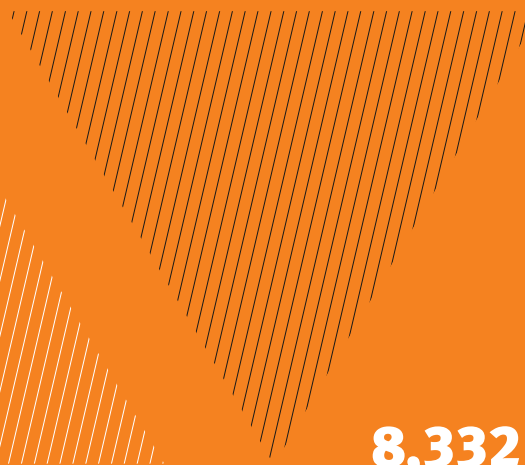
2016



Net sales (*millions of euros*)



7,497 | 2014



8,332 | 2015

ECONOMIC GROWTH

Eight years after the deep international financial crisis of 2008 began, the global economy has still not managed to fully recover. The policies applied to stimulate consumer spending, investment and growth have alleviated the negative consequences of the crisis, but they have not been able to fully restore confidence in the financial markets. The global economy recorded lower growth than expected again. The forecasts are now more volatile due to the uncertainty created by different risks. Added to geopolitical tensions are the questions surrounding the ability to correct the financial imbalances of the emerging economies. Furthermore, the consequences of the United Kingdom's departure from the European Union following the referendum held in June, in which the advocates of Brexit prevailed, are yet to be determined.

In 2016, the evolution of the global economy was marked by the moderate growth of the countries of the G8. It was also marked by the different behaviour of the emerging economies of the E7, where the progress experienced in countries such as China, India and Indonesia were offset by a new contraction suffered in the economies of Brazil and Russia. The recovery of the Eurozone, for its part, was underpinned by very favourable variables that are

gradually changing and which highlight the weakness of a growth based on the fall of the price of oil, the depreciation of the euro, low interest rates and the injection of liquidity into the financial system by the European Central Bank (ECB).

Among the main countries of the Eurozone, Spain performed particularly well, maintaining its high growth rate thanks to the strength of domestic consumption, higher exports and the strengthening of tourism. There was also progress in the labour market, both in the rate at which new jobs are being created and in the reduction of its high rate of unemployment. The sturdiness shown by the Spanish economy (it has experienced continuous growth for 14 consecutive quarters) has helped to maintain a climate of confidence abroad, which contrasts with the difficult domestic political environment. Following two general elections (December 2015 and June 2016), the various attempts by the two largest parties to form a government prolonged the period of the nation's interim Government until the end of October. The political uncertainty prevented progress from being made in fiscal consolidation and prevented new budgetary measures needed to significantly reduce the public deficit from being implemented.

AUTOMOTIVE SECTOR GROWTH

The growth of Asian markets such as China, India and South Korea, together with the momentum experienced by the European market, allowed the automotive sector to grow at a global level again, albeit below expectations. For the fourth consecutive year, Brazil (the largest market in South America) and Russia again experienced negative growth in their volumes.

The European Union also registered an increase in sales once again in almost all its member states. For the 34 months to June 2016, volumes in the single market grew continuously, only interrupted by a slight decline in the months of July and October. Furthermore, double-digit growth rates were achieved in various markets of the East, in Ireland and in countries of Southern Europe such as Spain, Italy and Portugal. The large markets such

as Germany, France and the United Kingdom also managed to improve their sales figures, but with more moderate growth rates.

In Spain, the extension until July 2016 of the Efficient Vehicle Incentives Programme (known as PIVE 8) was a key decision for the market. The extension of aids, together with the positive economic environment, the improvement in financing and the constant commercial efforts of the brands and dealerships explain the excellent result of the Spanish sector. Vehicle production reached 2.9 million units, exports amounted to 2.4 million vehicles and registrations of passenger cars exceeded 1.1 million units. These figures represent a highly significant increase in volumes: 5.6% in production, 7% in exports and 10.9% in passenger car registrations. The most optimistic analyses of the sector have

estimated that Spain's 17 car factories could produce around 3 million units in 2017. The positive trend in the figures for 2016 and the new forecasts now give rise to a new challenge for the Spanish sector: to produce 4 million vehicles in 2020.

2016 figures for the sector in Spain



Increase in vehicle production over 2015

5.6%

Increase in vehicle exports over 2015

7%

Increase in passenger car registrations over 2015

10.9%



SEAT and Conector launch a start-up accelerator specialised in the automotive and mobility sector

SEAT and Conector joined forces to launch SEAT Accelerator by Conector, an accelerator that includes six start-ups in its first acceleration programme, whose offices will be in SEAT's facilities in Martorell. The entrepreneurs will be supported and accompanied by the brand and will follow the Conector methodology.

With this alliance, SEAT has the clear goal of supporting entrepreneurs that bring new solutions to the automotive and mobility world, supporting innovation in the automotive industry. For its part, the start-up accelerator Conector consolidates its support for alliances with large companies and the promotion of corporate accelerators.

These types of partnerships are aligned with SEAT's vision of the company's future to work towards a mobility ecosystem. The acceleration of start-ups allows for the sharing of knowledge and provides access to the best talent that stimulates the company's digital transformation.



Award for SEAT Accelerator by Conector

As part of the second edition of the Awards for the 50 Best Digital Ideas held by the newspaper *Expansión*, SEAT Accelerator by Conector was given an award in the Open Innovation category. The awards are divided into ten categories and recognise the efforts of Spanish companies and institutions to adapt their processes and services to the new digital economy, through original projects with market perspective and that provide value to society.



PROFITABILITY GROWTH

Sales revenue grew again for the sixth consecutive year, reaching a new record for the brand: 8,597.3 million euros, which represents a 3.2% increase over 2015. The company's revenues incorporate a new line of business (R&D services) arising from the fusion with the subsidiary Centro Técnico de SEAT, S.A. This company, dedicated to vehicle research and development, was absorbed by SEAT, S.A. on 1 May with retrospective effect from 1 January 2016 (see note 23 of the Annual Accounts). The fusion will enable SEAT to respond more efficiently to the technological challenges it will face in the future, as well as optimising resources, improving processes and obtaining greater synergies.

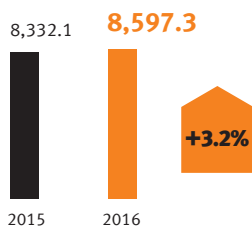
SEAT has taken a major step on its path towards sustainable profitability. In 2016, the brand achieved an operating profit of 143.5 million euros, the first operating profit generated since 2007. The success in the launch of the new Ateca, the improvement in the sales mix and reductions in costs through various efficiency plans have been key to obtain this result. Also, the increased demand for the range of models with a higher contribution margin has made the company more competitive and allowed it to optimise the quality of its revenues.



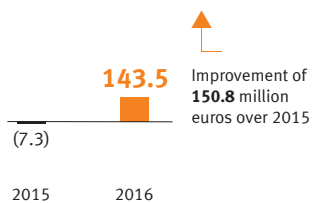
IN 2016, THE BRAND ACHIEVED AN OPERATING PROFIT OF 143.5 MILLION EUROS, THE FIRST OPERATING PROFIT GENERATED SINCE 2007

Improvement in business model (Increase over 2015)

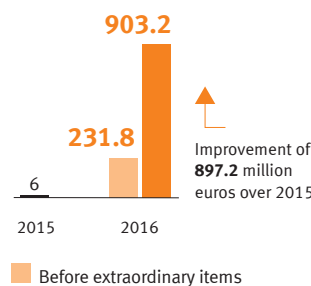
Net sales
(millions of euros)



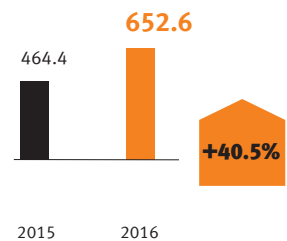
Operating result
(millions of euros)



Result for year
(millions of euros)



Investments
(millions of euros)



THE EXCELLENT PERFORMANCE OF THE BUSINESS IS REFLECTED IN THE OPERATING CASH FLOW OBTAINED OF 761.1 MILLION EUROS

Profit for the year before extraordinary items amounted to 231.8 million euros, 38 times more than that obtained in 2015 (6 million euros). This result does not include a gain of 671.4 million euros generated by the sale of the company Volkswagen Finance, S.A. and its subsidiaries (Volkswagen Renting, S.L., Volkswagen Insurance Services Correduría de Seguros, S.L. and MAN Financial Services España, S.L.) to the company Volkswagen AG. If the impact of these extraordinary items are taken into account, profit after tax amounts to 903.2 million euros, 150 times more than that obtained in 2015.

SEAT also continues to improve its capacity to generate internal resources with which to self-finance its investments and consolidate its financial structure. The excellent performance of the business is reflected in the operating cash flow obtained of 761.1 million euros. This volume of resources, which represents 8.9% of sales revenue, has allowed the company to finance all the investments it has carried out, for the fourth consecutive year, amounting to 652.6 million euros.

SEAT, a reference in shared services

SEAT hosted the 22nd meeting of the Shared Service Centres Club, which includes some of the largest multinationals in Spain, such as Bayer, BBVA, Danone, Repsol and Telefónica.

In the meeting, the company presented the shared services model of the SEAT Group, which is a reference in this field. For thirteen years, SEAT has had an administrative shared service centre that provides services to all the companies and business units of the SEAT Group.

These shared service centres allow the company to optimise processes and costs by centralising functions for the different business units or companies.



Optimisation of the organisation

Key objectives and messages



EFFECTIVENESS

We create spaces for matters geared towards the future and we strengthen competencies

- / Focus on core competencies
- / Implementation and strategic strengthening of know-how



EFFICIENCY

We reduce complexity in the workplace and we FOCUS on the essentials

- / More efficient processes and an organisational structure geared towards processes, including new models of cooperation
- / Optimal structure, with committees and reports



EMPOWERMENT

We increase personal responsibility and accelerate decisions

- / More responsibility for employees
- / Faster and more transparent decision-making processes

The company is carrying out an ambitious investment programme aimed at optimising the organisation, launching new products, integrating new technologies into the vehicles and developing new mobility services. SEAT wants to play an active role in the process of change that will revolutionise the core business of the car sector with innovations such as electrification, digitalisation and the smart car.

One of the most important aspects to lead the changes which the sector finds itself immersed in is converting SEAT into an “easy & smart” organisation by improving effectiveness, efficiency and empowerment. Digitalisation and optimisation are two of the basic principles in which the company invests time and resources. Through the digitalisation of the business processes, the work is performed more effectively, eliminating tasks without added value. The goal of process optimisation is for the company to perform its activities more quickly, by liberating resources that focus on the new challenges the company faces.

The company does not conduct and has not conducted any operations with its own shares or derivative instruments during the period. The weighted average payment period to company suppliers was 37 days in 2016. There have been no events having an impact on the financial statements after the closure of the financial year.



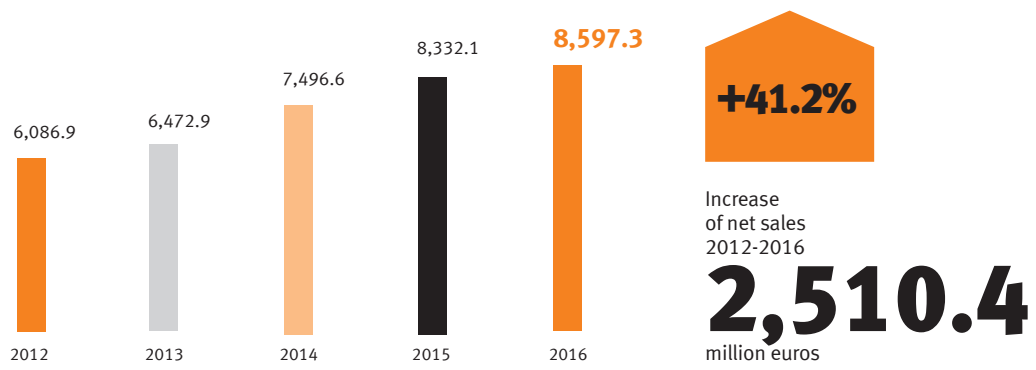
SEAT, one of the best spanish brands

SEAT is the first and only automotive brand to be included in the ranking of the 30 Best Spanish Brands 2015, drawn up by Interbrand, a leading global consultancy company with offices in more than twenty countries.

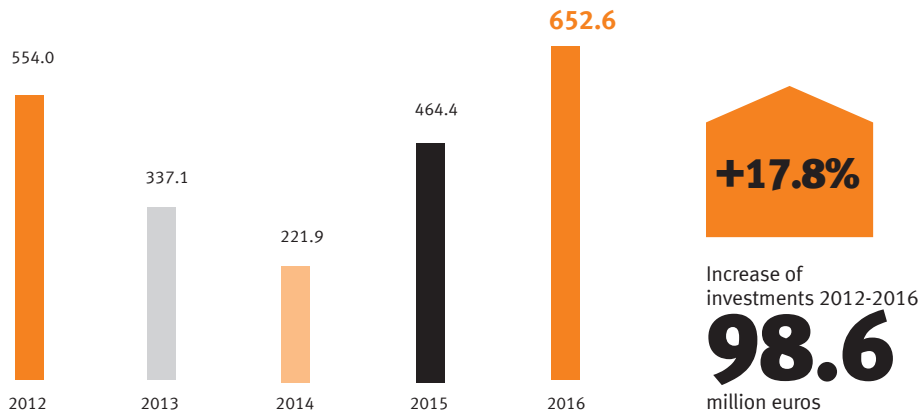
The study is published biannually and classifies brands according to their financial strength, their customer services and the possible future earnings derived from the brand.

The ability to anticipate changes and to contribute to the growth of the business through strengthening the brand is what has enabled SEAT to enter this ranking for the first time.

Net sales (millions of euros)



Investments (millions of euros)





SEAT, S.A. ANNUAL ACCOUNTS

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1

AUDITOR'S REPORT



This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation

INDEPENDENT AUDITOR'S REPORT ON ANNUAL ACCOUNTS

Report on the Annual Accounts

We have audited the accompanying annual accounts of SEAT, S.A., which comprise the balance sheet as at December 31, 2016, and the income statement, statement of changes in equity, cash flow statement and related notes for the year then ended.

Directors' Responsibility for the Annual Accounts

The company's directors are responsible for the preparation of these annual accounts, so that present fairly the equity, financial position and financial performance of SEAT, S.A., in accordance with the financial reporting framework applicable to the entity in Spain, as identified in note 3.a) to the accompanying annual accounts, and for such internal control as directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with legislation governing the audit practice in Spain. This legislation requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the annual accounts taken as a whole.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

As indicated in note 21.b) to the annual accounts, the disclosure of the remuneration of the directors and senior management is presented in aggregated, with no separation of the two groups, as required under the Spanish General Accounting Plan and the Spanish Capital Companies Act. Our audit report of the annual accounts as at December 31, 2015 and for the year then ended included a qualification in respect of this item.

.....
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 Inscrita en el R.O.A.C. con el número 50242 - CIF: B-79 031290



Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of SEAT, S.A. as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework, and in particular, with the accounting principles and criteria included therein.

Report on Other Legal and Regulatory Requirements

The accompanying directors' Report for 2016 contains the explanations which the directors consider appropriate regarding the company's situation, the development of its business and other matters and does not form an integral part of the annual accounts. We have verified that the accounting information contained in the directors' Report is in agreement with that of the annual accounts for 2016. Our work as auditors is limited to checking the directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from the company's accounting records.

PricewaterhouseCoopers Auditores, S.L.



José M Solé Farré

8 February 2017

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BALANCE SHEET

At December 31 (millions of euros)

ASSETS	Note	2016 (*)	2015
Non-current assets		3,068.5	2,938.9
Intangible assets	6b	739.1	647.1
Tangible assets	6c	1,236.0	967.1
Long-term Group company investments	6d	724.9	962.9
Long-term financial investments		1.5	1.5
Deferred tax assets	18	367.0	360.3
Current assets		1,808.6	1,060.7
Inventories	9	382.1	362.1
Trade and other receivables	10	697.5	661.8
Short-term Group company investments	11	727.1	34.8
Short-term financial investments	11	0.0	0.0
Short-term prepaid expenses		1.9	1.9
Cash and cash equivalents		0.0	0.1
Total		4,877.1	3,999.6
EQUITY AND LIABILITIES	Note	2016 (*)	2015
Equity		1,487.7	536.0
Shareholders' equity	12	1,480.9	526.1
Grants	13	6.8	9.9
Non-current liabilities		500.6	391.2
Long-term provisions	14	311.0	266.1
Long-term liabilities	15	132.5	86.9
Long-term Group company liabilities	15	0.0	0.0
Deferred tax liabilities	18	10.1	10.6
Long-term prepaid income		47.0	27.6
Current liabilities		2,888.8	3,072.4
Short-term provisions	14	897.2	799.1
Short-term liabilities	15	145.1	59.9
Short-term Group company liabilities	15	4.5	521.6
Trade and other payables	16	1,791.9	1,671.8
Short-term prepaid income		50.1	20.0
Total		4,877.1	3,999.6

(*) See Note 23.

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PROFIT AND LOSS STATEMENT

January 1 to December 31 (millions of euros)

CONTINUING OPERATIONS	Note	2016 (*)	2015
Net sales	19a	8,597.3	8,332.1
Change in inventories of finished goods and work in progress	19b	0.8	(3.2)
Material, wages and overheads capitalized as assets		165.9	229.8
Supplies	19c	(6,561.6)	(6,375.1)
Other operating income	19d	425.8	473.2
Personnel costs	19e	(823.5)	(718.7)
Other operating expenses	19f	(1,408.1)	(1,592.0)
Depreciation of fixed assets	6a	(323.3)	(311.6)
Change of grants from non-financial fixed assets and others	13	4.8	4.9
Excess of provisions		66.0	62.2
Impairment and result on disposal of fixed assets	6a	(0.6)	(108.9)
Operating result		143.5	(7.3)
Financial income	19g	67.6	62.5
Financial expenses	19h	(13.2)	(17.7)
Exchange rate differences	17	5.4	(41.8)
Impairment and result on disposal of financial instruments	19i	671.4	0.0
Financial result		731.2	3.0
Result before tax		874.7	(4.3)
Corporation tax	18	28.5	10.3
Result for year		903.2	6.0

(*) See Note 23

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STATEMENT OF CHANGES IN EQUITY

At December 31 (millions of euros)

STATEMENT OF RECOGNIZED INCOME AND EXPENSES	Note	2016	2015
A) Result of profit and loss statement		903.2	6.0
For valuation of financial instruments		0.0	0.0
<i>Financial assets available for sale</i>		0.0	0.0
<i>Other income/expenses</i>		0.0	0.0
For coverage of cash flow		0.0	0.0
Grants	13	0.0	0.0
For actuarial gains and losses and other adjustments		0.0	0.0
For non-current assets and linked liabilities, maintained for sale		0.0	0.0
Conversion differences		0.0	0.0
Taxation effect		0.0	0.0
B) Total income and expenses entered directly to equity		0.0	0.0
For valuation of financial instruments		0.0	0.0
<i>Financial assets available for sale</i>		0.0	0.0
<i>Other income/expenses</i>		0.0	0.0
For coverage of cash flow		0.0	0.0
Grants	13	(4.7)	(4.9)
For non-current assets and linked liabilities, maintained for sale		0.0	0.0
Conversion differences		0.0	0.0
Taxation effect		1.4	1.5
C) Total transfers to profit and loss statement		(3.3)	(3.4)
D) Total recognized income and expenses (A+B+C)		899.9	2.6

STATEMENT OF TOTAL CHANGES IN EQUITY	Subscribed capital	Share premium	Reserve	Profit/loss from prev. years	Profit/loss for year	Subventions	Total
Final Balance 2014	0.1	1,008.1	107.8	(530.2)	(65.7)	13.3	533.4
Adjustments for changes of criterion	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjustments for errors	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted Balance beginning 2015	0.1	1,008.1	107.8	(530.2)	(65.7)	13.3	533.4
Total recognized income and expenses	0.0	0.0	0.0	0.0	6.0	(3.4)	2.6
Operations with partners or owners	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Capital increase</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>Capital reduction</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>Conversion of financial liabilities into equity</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>Distribution of dividends</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>Operations with own shares or participations (net)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>Variation in equity due to business combinations</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>Other operations with partners or owners</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Other variations in equity	0.0	0.0	0.0	(65.7)	65.7	0.0	0.0
Final Balance 2015	0.1	1,008.1	107.8	(595.9)	6.0	9.9	536.0
Adjustments for changes of criterion	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjustments for errors	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted Balance beginning 2016	0.1	1,008.1	107.8	(595.9)	6.0	9.9	536.0
Total recognized income and expenses	0.0	0.0	0.0	0.0	903.2	(3.3)	899.9
Operations with partners or owners	0.0	0.0	51.6	0.0	0.0	0.2	51.8
<i>Capital increase</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>Capital reduction</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>Conversion of financial liabilities into equity</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>Distribution of dividends</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>Operations with own shares or participations (net)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>Variation in equity due to business combinations (*)</i>	<i>0.0</i>	<i>0.0</i>	<i>51.6</i>	<i>0.0</i>	<i>0.0</i>	<i>0.2</i>	<i>51.8</i>
<i>Other operations with partners or owners</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Other variations in equity	0.0	0.0	0.0	6.0	(6.0)	0.0	0.0
Final Balance 2016	0.1	1,008.1	159.4	(589.9)	903.2	6.8	1,487.7

(*) See Notes 12 and 23.

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CASH FLOW STATEMENT

January 1 to December 31 (millions of euros)

	2016	2015
A) Cash flow from operating activities	761.1	781.3
Result before tax	874.7	(4.3)
Adjustment of result	(275.3)	553.2
<i>Depreciation of fixed assets</i>	323.3	311.6
<i>Valuation corrections due to impairment</i>	15.8	126.9
<i>Variation of provisions</i>	125.0	137.5
<i>Accounting entry of grants</i>	(6.5)	(6.1)
<i>Results of disposal of fixed assets</i>	0.6	0.0
<i>Results of disposal of financial instruments</i>	(671.4)	(3.4)
<i>Financial income</i>	(67.6)	(62.5)
<i>Financial expenses</i>	13.2	9.1
<i>Exchange rate differences</i>	(5.4)	41.8
<i>Valuation at reasonable value in financial instruments</i>	0.0	0.0
<i>Other income and expenses</i>	(2.3)	(1.7)
Changes in current capital	102.0	145.0
<i>Inventories</i>	(34.3)	(11.3)
<i>Trade and other receivables</i>	68.7	(165.9)
<i>Other current assets</i>	0.2	(0.3)
<i>Trade and other payables</i>	29.0	306.5
<i>Other current liabilities</i>	38.4	16.0
<i>Other non-current assets and liabilities</i>	0.0	0.0
Other cash flow in operating activities	59.7	87.4
<i>Payment of interests</i>	(4.1)	(5.6)
<i>Collection of dividends</i>	69.7	59.6
<i>Collection of interests</i>	0.4	0.4
<i>Collection (payment) for corporation tax</i>	(6.3)	33.0
<i>Other payments (collections)</i>	0.0	0.0

	2016	2015
B) Cash flow from investment activities	(472.3)	(470.2)
Payments for investment	(1,281.4)	(475.0)
<i>Group and associated companies</i>	(699.5)	(2.5)
<i>Intangible assets</i>	(206.2)	(262.1)
<i>Tangible assets</i>	(375.3)	(209.9)
<i>Other financial assets</i>	(0.4)	(0.5)
Collection for disinvestments	809.1	4.8
<i>Group and associated companies</i>	808.3	0.5
<i>Intangible assets</i>	0.2	0.1
<i>Tangible assets</i>	0.1	3.7
<i>Other financial assets</i>	0.5	0.5
<i>Non-current assets available for sale</i>	0.0	0.0
C) Cash flow from financing activities	(294.3)	(269.2)
Collection and payments for equity instruments	1.8	1.2
<i>Acquisition of own equity instruments</i>	0.0	0.0
<i>Disposal of own equity instruments</i>	0.0	0.0
<i>Grants</i>	1.8	1.2
Collection and payments for financial liability instruments	(296.1)	(270.4)
<i>Issue</i>	0.0	0.1
<i>Borrowing from credit institutions</i>	0.0	0.0
<i>Borrowing from Group and associated companies</i>	0.0	0.0
<i>Other liabilities</i>	0.0	0.1
<i>Repayment and depreciation of</i>	(296.1)	(270.5)
<i>Borrowing from credit institutions</i>	0.0	0.0
<i>Borrowing from Group and associated companies</i>	(266.2)	(260.3)
<i>Other liabilities</i>	(29.9)	(10.2)
Payments for dividends and remuneration of other equity instruments	0.0	0.0
<i>Dividends</i>	0.0	0.0
<i>Remuneration of other equity instruments</i>	0.0	0.0
D) Effect of exchange rate variations	5.4	(41.8)
E) Net increase/decrease in cash or equivalents (A+B+C+D)	(0.1)	0.1
Cash or equivalents at beginning of year	0.1	0.0
Cash or equivalents at end of year	0.0	0.1

6

NOTES

Notes to the Annual Accounts (Financial year ending December 31, 2016)

1. Company activity

a) Registered offices and legal form

SEAT, S.A. was legally incorporated on May 9, 1950, and is currently included in the Barcelona Mercantile Register, Volume 23,662, Folio 1, Page B 56,855, CIFA-28049161. On June 7, 2006, the Ordinary Shareholders' meeting changed the company's registered offices, with effect the same day, to its present site at: Autovía A2, Km 585 (E-08760 Martorell).

b) Business aim and activities

The company's business aim is the manufacture and sale of cars, parts, spare parts, accessories, R&D services, and any other complementary or related services, including technical assistance and service. Through its subsidiaries SEAT also undertakes commercial sales and marketing activities.

2. Exemption from presenting consolidated Annual Accounts

The General Shareholders' Meeting, held on June 20, 1991, voted for the exemption of the companies making up the SEAT Group, pursuant to the terms of Article 43 of the Code of Commerce, from presenting Consolidated Annual Accounts. In accordance with the provisions of the above-mentioned Article 43, SEAT, S.A. (Single Shareholder Joint Stock Parent Company of the SEAT Group) is exempt from the obligation of presenting Consolidated Annual Accounts, as it is a wholly-owned subsidiary of Volkswagen Finance Luxemburg S.A. (its sole shareholder, with registered offices in Luxembourg), and indirect subsidiary of VOLKSWAGEN AG (with registered offices in Wolfsburg, Germany); the pertinent financial statements, together with those of its subsidiaries, are included in those of the Volkswagen Group, of which VOLKSWAGEN AG is the parent company.

From the aforementioned agreement, the Consolidated Annual Accounts of VOLKSWAGEN AG, as well as the Consolidated Management Report and the Group's Auditors' Report, are presented in their Spanish translation for deposition at the Barcelona Mercantile Register.

3. Presentation basis of Annual Accounts

a) True and fair view

The Annual Accounts — comprising the Balance Sheet, Profit and Loss Statement, Statement of Changes in Equity, Cash Flow Statement and Notes — have been prepared on the basis of the company's accounting records, and are presented in accordance with the Spanish General Accounting Plan approved by Royal Decree 1514/2007 of November 16, in addition to subsequent modifications to said Plan by Royal Decree 1159/2010 of September 17 and Royal Decree 602/2016 of December 2.

The Annual Accounts give a true and fair view of the company's equity, its financial situation and results of business, cash flow and changes in equity.

b) Comparability of information

The figures contained in the Annual Accounts are expressed in millions of euros.

The company merged on May 1, 2016 (with retroactive effect from January 1, 2016) with Centro Técnico de SEAT, S.A., hence the current annual accounts for the period ending December 31, 2016 include explanations of the amounts incorporated due to said merger in the Notes to the Annual Accounts.

As explained in Note 23, the company carried out the merger by absorption of Centro Técnico de SEAT, S.A., wholly owned by SEAT, S.A., by means of dissolution without liquidation of the company absorbed. The operation was executed on the basis of the Balance Sheet at December 31, 2015, of all equity elements comprising the assets and liabilities of the company absorbed, entailing wholesale transfer of its equity to the absorbing company.

c) Grouping of headings

In order to present the figures clearly, the headings are grouped together in the Balance Sheet and the Profit and Loss Statement and broken down in the Notes (Art. 256 of new Capital Company Act).

d) Items appearing under several headings

There are some items whose amounts are shown under different headings of the Balance Sheet, due to their being credits or liabilities whose collection arises in different financial years, with the items receivable or payable in the next year shown as short-term items, while amounts that will fall due in the forthcoming years are shown as long-term.

e) Measurement and estimation of uncertainty

In preparing the Annual Accounts, company management was required to make estimates and assumptions that may affect the accounting policies finally adopted as well as the value of assets, liabilities, income, expenditure and breakdowns related thereto.

Estimates and hypotheses are based, inter alia, on past experience or other factors considered reasonable in view of the factors or circumstances considered at the balance sheet date, the result of which constitutes the basis for decisions concerning the book value of the assets and liabilities which cannot be determined immediately in any other fashion. Actual results may differ from initial estimates.

Some accounting estimates are considered significant if the nature of the estimates and assumptions is material, and if the impact of the estimates and assumptions on the financial position or the operative performance is material. Details are provided below of the principal estimates made:

- / Useful life of elements of fixed assets (see Notes 5a, 5b and 6).
- / The calculation of taxes on profits requires interpretations of tax legislation applicable to the company. The company assesses the recoverability of deferred taxes assets on the basis of the existence of future tax bases against which it is possible to realize said assets (see Notes 5i and 18).

/ Provisions are recognized when it is probable that a current obligation, the result of past events, gives rise to an outflow of resources and the amount of the obligation can be estimated in a reliable fashion. To comply with the requirements of accounting standards, significant estimates are necessary. The company makes estimates by evaluating all information and relevant events concerning the probability of occurrence of the contingencies as well as the amount of the liability to be settled in the future (see Notes 5g and 14).

4. Application of results

At its meeting on February 6, 2017, the Board of Directors formulated a proposal to the General Shareholders' Meeting whereby profit generated in 2016 (903.2 million euros) be allocated as follows: 589.9 to the compensation of losses from previous years, 250 to dividends and 63.3 to voluntary reserves.

In compliance with the new Capital Company Act, dividends which reduce the balance of reserves below outstanding balances for R&D expenses amortization may not be distributed.

5. Recognition and measurement standards

a) Intangible assets

Those specifically individualized development projects which present sound motives for technical success and economic-commercial profitability are capitalized as intangible assets. Projects will be amortized according to their useful life (see Appendix 1).

Software is valued at acquisition price and the cost is amortized over a three-year period. Likewise, expenditure related to software maintenance is accounted for as such when incurred.

When the book value of an asset is higher than its estimated realizable value, its net value is reduced immediately to its recoverable amount. Those assets subject to depreciation are subjected to impairment test, provided that any event or change in circumstances indicate that the book value may not be recoverable. A loss due to impairment is recognized by the excess of book value of the asset over its recoverable amount, the latter being understood as the fair value of the asset less the retail costs or value in use, whichever is the greater. With a view to valuing losses due to impairment, assets are grouped together at the lowest level so as to provide separately identifiable cash flow (cash generating units). Non-financial assets, other than goodwill, which are seen to have undergone loss due to impairment, are submitted to periodical reviews at each Balance Sheet date in case there have been possible reversals of the loss.

The costs related to SEAT's participation in the manufacturing of tooling needed for the production of shared parts for the platforms of the Volkswagen Group, which incorporate the new models of the Group's different brands, are shown under this heading and will have a linear amortization over a maximum period of five years from the date of the model's launch. Finance costs (estimated at 2% in 2016 and 1.3% in 2015) assigned to long-term projects involving R&D developments by Group companies are also shown under this heading.

b) Tangible assets

Tangible assets are valued at their acquisition price or production cost. Assets acquired before December 31, 1983 were revalued in accordance with the provisions of Act 76/1961, Decree 12/1973, Act 1/1979, Act 74/1980 and Act 9/1983.

When an asset's book value is greater than its estimated realizable value, its net value is reduced immediately to its recoverable value (see previous Note).

Repair and maintenance expenses are posted as expenses when incurred. Expenses that represent an improvement or lengthening of the useful life of assets are capitalized and depreciated over the new estimated useful life. Depreciation is calculated using the straight-line method, based on the estimated useful life of the assets.

c) Leases*I. When the company is lessee*

Leases of tangible assets in which the company substantially has all the risks and rewards deriving from ownership are classified as finance leases. They are capitalized at the beginning of the lease period at the fair value of the property leased or the current value of the minimum payments agreed for the lease, whichever is the lesser. The interest rate implicit in the contract is used to calculate current value; failing that, the company's usual interest rate in similar transactions is applied. Each lease payment is distributed between liabilities and financial charges. Total financial charges are distributed over the duration of the lease operation and are booked to the Profit and Loss Statement of the financial year in which they accrue, applying the method of effective interest rate. Contingent quotas are costs of the financial year in which they are incurred. The corresponding obligations for the lease operation, net of financial charges, are included under 'Creditors for financial leasing'. The fixed assets acquired under finance leases are depreciated during their useful life.

Those leases in which the lessor maintains a substantial part of the risks and rewards of ownership are classified as operating leases. Payments for operating leases (net of any incentive received from the lessor) are booked to the Profit and Loss Statement during the financial year when they accrue, on a straight-line basis for the duration of the leasing period.

II. When company is lessor

When assets are leased under operating leases, the asset is entered on the Balance Sheet in accordance with its nature. Income deriving from leases is recognized on a straight-line basis for the duration of the lease operation.

d) Financial instruments*I. Investments in group, multigroup and associate companies*

These instruments are valued at their cost less the accumulated amount of any impairments of value, where applicable. However, when an investment exists prior to it becoming classified as a group, multigroup or associate company, the cost of the investment is taken to be its net book value prior to this new classification. Any previous valuation adjustments recognized directly in equity are maintained in equity until they are cancelled.

If there is objective evidence that the net book value is not recoverable, the appropriate valuation adjustments are applied for the difference between its net book value and the recoverable amount, which is understood as the higher of its fair value less costs to sale and the present value of the cash flows derived from the investment. Unless better evidence exists for the recoverable amount in estimating the impairment of these investments, the subsidiary's equity, adjusted for any unrecognized increases in value on the valuation date, is taken. The valuation adjustment, and where applicable its reversal, is recognized in the Profit and Loss Statement in the period in which it occurs.

II. Loans and accounts receivable

Loans and receivables are non-derivative financial assets with receipts that are fixed or that can be determined, which are not quoted in an active market. They are included in current assets, except for maturities exceeding 12 months from the balance sheet date, which are classified as non-current assets.

These financial assets are initially recognized at their fair value, including the transaction costs that are directly attributable to them. They are subsequently valued at their amortized cost, recognizing the accrued interest according to their effective interest rate, understood as the discount rate that equates the instrument's net book value with the total of its estimated cash flows to maturity. Nevertheless, accounts receivables from commercial operations with a maturity within one year are valued at their nominal value, both upon their initial recognition and thereafter, provided that the effect of not discounting the cash flows is not significant.

At least at the end of each financial year, the necessary valuation adjustments due to impairment are applied if there is objective evidence that not all the amounts due will be collected.

The amount of the loss due to impairment is the difference between the asset's net book value and the present value of the estimated future cash flows, discounted at the effective interest rate at the time of the initial recognition. Valuation adjustments, and where applicable their reversal, are recognized in the Profit and Loss Statement.

III. Debts and accounts payable

This category includes amounts payable from commercial operations and non-commercial operations. These funds owed to third parties are classified as current liabilities, unless the company has an unconditional right to defer their settlement until at least 12 months after the balance sheet date.

These debts are initially recognized at their fair value, adjusted for directly attributable transaction costs, and they are subsequently valued at their amortized cost according to the effective interest rate method. This effective interest rate is the discount rate that equates the instrument's net book value with the expected flow of future payments up until the liability's maturity.

Nevertheless, accounts payable from commercial operations with a maturity within one year and which do not have any contractual interest rate are valued at their nominal value, both upon their initial recognition and thereafter, when the effect of not discounting the cash flows is not significant.

e) Inventories

Inventories are valued at cost or net realizable value, whichever is less, with the pertinent value corrections being made. The following methods are used to determine the cost of inventories:

- / Raw materials: At acquisition cost, applying the FIFO method (first in, first out).
- / Work in progress, vehicles, gearboxes and spare parts produced by the company: At raw material cost, according to the method described previously, adding labor costs and other direct and indirect manufacturing expenses of production.
- / Acquired spare parts: At acquisition cost as per invoice (plus customs, insurance and transport costs), applying the FIFO method.

The vehicle fleet utilized by the company for its own use, whose useful life or sales period is considered lower than one year, is maintained within the year's inventory and is not shown under tangible assets, registering the corresponding valuation correction.

Vehicles handed over to rental car companies with a purchase commitment are recorded in this section with the corresponding depreciation applied. The amount of the consideration received at the time of initial delivery of the vehicles is booked on the liability side of the balance sheet. The difference between the amount received and the agreed repurchase price is transferred to the Profit and Loss Statement on a straight-line basis in the period ranging between the initial delivery and the repurchase date.

f) Grants

Capital grants are posted to equity, at the amount granted when they are not repayable. These grants are transferred to the Profit and Loss Statement as a function of the depreciation of the assets associated to the subsidized projects. For their part, non-repayable grants related to specific costs are recognized on the Profit and Loss Statement in the same financial year in which the corresponding costs accrue, with those granted to offset an operating loss being recorded in the financial year in which they are granted, except when given to offset an operating loss in future years, in which case they are entered during said financial years.

g) Provisions and risks

Provisions for environmental restoration, restructuring costs and litigation are recognized when the company has a present obligation, whether legally or implicitly, as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are valued at the present value of the payments that are expected to be necessary to settle the obligation, using a pre-tax discount rate that reflects the current market's assessments of the time value of money and the specific risks of the obligation. Adjustments to the provision to unwind the discount are recognized as a finance cost as and when they accrue.

h) Foreign currency transactions

The conversion into euros (functional currency) of the cost of fixed assets and inventory items whose original value was expressed in foreign currency is conducted at the going exchange rate on the date of acquisition.

Positive and negative differences which may arise between payables and receivables and their corresponding exchange rates in force on the closing date are recorded in the Profit and Loss Statement in the year in which they arise.

i) Corporation tax

The company is subject to corporation tax under the consolidated tax regime, which includes all Group companies that fulfill the requirements required by current legislation.

The Profit and Loss Statement includes as corporation tax income or expenses attributed to the company arising from tax consolidation, calculated according to the criteria established for groups of companies with consolidated taxation (see Note 18).

The expense (income) for taxes on profits is the amount that accrues under this item in the financial year, and which comprises both the expense (income) for current as well as deferred tax.

The expense (income) for both current and deferred taxes is recorded on the Profit and Loss Statement. This notwithstanding, the tax effect related to items directly recorded in equity is recognized in equity.

Deferred taxes are recorded with the liability method, based on time differences arising between taxation bases of assets and liabilities and their book values.

Deferred taxes are determined by application of the rules and tax rates approved or about to be approved at the Balance Sheet date, and which are expected to be applied when the corresponding deferred tax asset is realized or when deferred tax liability is settled.

Deferred tax assets are recognized insofar as it is probable that there will be future taxable income which can be used to offset time differences.

j) Income and expenses

Income and expenses are posted when realized or incurred, for the reasonable value of the consideration received, and represent the amounts receivable or payable for goods delivered and services rendered, less returns, reductions, discounts and value added tax.

Income from dividends is entered as income on the Profit and Loss Statement when the right to receive payment is established. In the event of coming from results generated prior to the date of acquisition it is entered by reducing the book value of the investment.

k) Severance payments

Severance payments are paid by the company to employees as a result of the decision to terminate their labor contract. The company recognises this compensation when it has committed itself demonstrably to terminating the contracts of employees in accordance with a formal detailed plan.

l) Environmental expenses

Expenses deriving from business activities aimed at protecting and improving the environment are posted as expenses in the financial year in which they are incurred. Said expenses are posted as an increase to the value of fixed assets when involving additions to tangible assets whose objective is minimizing environmental impact and protecting the environment.

m) Related party transactions

As a general rule, transactions between Group companies are initially accounted at their fair value. In the event that the agreed price is different from the fair value, the difference is recorded with consideration for the economic reality of the operation. Subsequent valuation is carried out in accordance with the applicable standards.

n) Business combinations

Merger, demerger and non-monetary contribution operations of any deal between group companies are accounted for in accordance with the criteria established for related party transactions (Note 5m).

Merger and demerger operations other than the above, as well as business combinations arising from the acquisition of all the assets and liabilities of a company or of a part that constitutes one or more business, are accounted for in accordance with the acquisition method.

In the case of business combinations arising as a result of the acquisition of shares or holdings in the share capital of a company, the company recognizes the investment in accordance with the criteria established for investments in group, multigroup and associate companies (Note 5d).

o) Greenhouse gas emission rights

Greenhouse gas emission rights, obtained for consideration are valued at acquisition price. Rights received via the National Allocation Plan are valued at the beginning of the calendar year they correspond to, in line with a Group-wide uniform single policy.

As gas emissions are generated, the company reflects the cost deriving from the obligation to return the corresponding rights by establishing a balance within 'Short-term provisions'. The rights have been received gratis by the company, so the amount of the subsidy posted should be applied, in general, as the emissions associated with the rights received gratis are booked against costs.

On November 15, 2013 the Spanish Cabinet approved the definitive individual assignment of emission rights for greenhouse gases for 2013-2020. SEAT, S.A. obtained a free assignment of 304,122 tonnes of CO₂ for the above-mentioned period.

On July 17, 2015 a modification was approved affecting the assignment of emission rights for greenhouse gases for 2015-2020. SEAT, S.A. obtained a free assignment of 401,899 tonnes of CO₂ for the above-mentioned period.

During the financial year acquisitions of 121,000 emission rights (EUAs), to the value of 589,926 euros, have been made (34,000 emission rights, to the value of 272,204 euros in 2015).

6. Non-current assets

a) Evolution of non-current assets

Movements of the items included in non-current assets are detailed in Appendix 1 of these Notes.

b) Intangible assets

At the year end, there is no correction due to impairment (68.6 million euros in 2015). Said corrections are linked to the estimate of future sales volumes of the vehicles comprising the model range. The current value of the margin of contribution to sales during the life cycle of the models has been calculated on the basis of an annual discount rate of 6.5% in 2016 (6.5% in 2015). A variation of ± 10 percentage points in the hypotheses used would not have a significant effect on these annual accounts. The sum total of investments capitalized under R&D is acquired from Group companies.

During the year, 21.3 million euros (25.2 in 2015) corresponding to the use of tooling and technology of the Group, were capitalized under sub-section 'Payments on account and intangible assets in progress'.

The value of fully depreciated and in-use assets amounts to 1,281.6 million euros (1,245.6 in 2015).

At the end of the financial year, the company has firm commitments for the purchase of goods to the amount of 0.6 million euros (0.5 in 2015).

In 2016 and 2015 no grants for the acquisition of R&D assets were received.

c) Tangible assets

The estimated useful life of the goods in tangible assets are as follows: buildings and other constructions, from 10 to 50 years; technical equipment and machinery, from 4 to 18 years; other facilities, tooling and office equipment, and other assets, from 1.3 to 35 years.

At the year end, there is no correction due to impairment (43.7 million euros in 2015). Said corrections are linked to the estimate of future sales volumes of vehicles in the model range. The present value of the sales contribution margin during the life cycle of the models has been calculated on the basis of an annual discount rate of 6.5% in 2016 (6.5% in 2015). A variation of ± 10 percentage points in the hypotheses used would not have a significant effect on these annual accounts.

The land and buildings heading includes the gross value of both in a single section. Of the total amount, 6% corresponds to land, and the remaining 94% to buildings (6% and 94% respectively in 2015).

In 2016 and 2015, goods unrelated to operations, amounting to 3.5 million euros, are fully depreciated, and value of goods fully depreciated and still in use amounting to 3,430.9 million euros (3,399.9 in 2015). Of these 141.4 million euros relate to buildings (130.8 in 2015).

Likewise, in 2016 investment in tangible assets acquired from VW Group companies amounted to 42.3 million euros (15.7 in 2015).

The principal amounts of assets (listed according to origin, utilization and location) are as follows:

Millions of euros	2016		2015	
	Gross Value	Depreciation	Gross Value	Depreciation
Tangible assets acquired from VW Group companies	465.1	343.3	426.0	310.0
Tangible assets used by VW Group companies	49.4	33.9	48.7	32.7
Tangible assets used by non-Group suppliers	1,397.9	1,281.1	1,326.5	1,254.7
Tangible assets placed abroad	217.9	151.4	146.4	131.8

The financial year results deriving from disposal of tangible assets totaled –0.6 million euros (3.4 in 2015).

The company has taken out various insurance policies to cover risks to which tangible assets are subject. The coverage of these policies is considered sufficient.

At the year end the company assumed firm commitments to purchase capital goods to the value of 311 million euros (216 in 2015).

d) Long-term Group company investments

The companies in which SEAT, S.A. has an investment of 20% or more in the share capital are listed in Appendix 2 of these Notes. None of the companies are quoted on the Stock Exchange.

7. Leases and other similar operations

a) Finance leases

The breakdown of the rights over goods under the system of finance leases included in the section ‘Land and Buildings’ of tangible assets is as follows:

Millions of euros		Length of contract (years)	Cost	Purchase option value	Quotas pending payment 2016	Quotas pending payment 2015
Corporate building	(02.02.05)	10	21.1	0.0	0.0	0.9
Dining building	(20.09.06)	10	2.0	0.0	0.0	0.2
T-Systems building	(20.09.06)	10	3.4	0.0	0.1	0.5
SAT building	(20.09.06)	10	5.2	0.0	0.1	0.7
Smelter building	(30.11.06)	10	5.0	0.0	0.0	0.6
Desing building	(22.01.08)	10	4.2	0.0	0.6	1.1

The present values of the quotas pending payment are distributed by maturity date in the following way: 0.76 million euros in 2017 and 0.04 million euros between 2018-2021. The impact of discounting said quotas amounts to 0.02 million euros.

b) Operating leases

The company also has operating leases. The amounts paid for rent to other Group companies or third parties, excluding those already mentioned in the previous paragraph, and comprising mainly information technology, land, buildings, fork-lift trucks, containers, fields and warehouses, total 14.7 million euros (14.8 in 2015). Rents received, mainly for buildings, fields and warehouses, amounted to 5.9 million euros (6.4 in 2015). Future amounts to be paid and received, in the event of early cancellation of contracts, are calculated not to be substantially different from those in the current financial year.

8. Financial instruments

a) Impact on financial situation and results

I. Balance Sheet

The categories of financial assets and liabilities appearing on the company's Balance Sheet can be broken down thus:

Millions of euros	Equity instruments		Borrowing securities		Credits, derivatives and others	
	2016	2015	2016	2015	2016	2015
Long-term financial assets						
Group company investments (Note 6a)	724.9	962.9	0.0	0.0	0.0	0.0
Financial investments (Note 6a)	0.0	0.0	0.0	0.0	1.5	1.5
Short-term financial assets						
Loans and receivables	0.0	0.0	0.0	0.0	1,312.3	586.5
<i>Trade and other receivables (Note 10)</i>	0.0	0.0	0.0	0.0	585.2	551.7
<i>Group company investments (Note 11)</i>	0.0	0.0	0.0	0.0	727.1	34.8
<i>Financial investments (Note 11)</i>	0.0	0.0	0.0	0.0	0.0	0.0
Long-term financial liabilities						
Debt						
Long-term financial liabilities						
Debts and other payables	0.0	0.0	0.0	0.0	132.5	86.9
<i>Group company liabilities (Note 15)</i>	0.0	0.0	0.0	0.0	0.0	0.0
<i>Third-party liabilities (Note 15)</i>	0.0	0.0	0.0	0.0	132.5	86.9
Short-term financial liabilities						
Debts and other payables	0.0	0.0	0.0	0.0	1,906.0	2,221.0
<i>Group company liabilities (Note 15)</i>	0.0	0.0	0.0	0.0	4.5	521.6
<i>Third-party liabilities (Note 15)</i>	0.0	0.0	0.0	0.0	145.1	59.9
<i>Trade and other payables (Note 16)</i>	0.0	0.0	0.0	0.0	1,756.4	1,639.5

During the financial year, SEAT did not hold any own shares, and therefore carried out no related operations; neither was this the case in 2015.

II. Profit and Loss Statement and equity

In 2016 and 2015 there is no correction due to impairment of financial interests in Group companies.

III. Other information

SEAT has formalized various commercial surety contracts jointly with other companies within the Group, for the issue of guarantees covering the refundable advances made by government bodies, and covering third parties, to a maximum total amount of 295.3 million euros (295.3 in 2015).

b) Nature and level of risk

The company's activities are exposed to various financial risks: market risks (including exchange rates, interest rates and prices), as well as credit and liquidity risks. The company's global risk management program centers on managing the uncertainty of financial markets and aims to minimize potential adverse effects on financial profitability.

Risk management is under the purview of company Management, which identifies, assesses and covers financial risks in accordance with the policies approved by the Board of Directors. The Board provides guidelines for global risk management, as well as for more specific areas such as exchange rate risk, interest rate risk, liquidity risk, the use of derivatives and non-derivatives as well as investment of excess liquidity.

The company has the necessary financing for its business operations via financial support provided by the Group.

*I. Market risk**I.I Exchange rates*

As an operator with global reach, the company is exposed to exchange rate risk via currency operations, especially with the US dollar, pound sterling, Swiss franc, Japanese yen, Polish zloty, Russian rouble, Chinese yuan, as well as Czech, Danish, and Swedish crowns. The exchange rate risk emerges from future commercial transactions, recognized assets and liabilities, and net investment in operations abroad. This notwithstanding, the risk is covered by the Volkswagen Group through centralization of foreign currency operations management.

I.II. Price

The company is not exposed to the risk of the price of securities since it does not include in its Balance Sheet investments held for sale or at a fair value with changes in the Profit and Loss Statement. The company limits its risk exposure to the price of commodities by participating in hedging operations applied at a Volkswagen Group level so as to ensure the price of certain metals such as aluminum, copper and lead.

I.III Interest rates

Since the company does not possess any major remunerated assets, income and cash-flow from its business activities are substantially unaffected by changes in market interest rates.

II. Credit risk

Credit risk arises out of cash and equivalents, deposits with banks and financial institutions, and clients. With regard to banks and financial institutions, independent creditworthiness scales are used. If clients have been assessed independently, the resulting scale is used; failing an independent creditworthiness check, credit control assesses the client's creditworthiness, taking into account their financial situation, previous experience and other factors. Individual credit limits are established on the basis of internal and external credit qualifications, with regular monitoring of the use of said limits.

III. Liquidity risk

Precaution in the management of liquidity risk involves maintaining sufficient cash and tradable securities as well as financing availability via a sufficient amount of committed credit facilities. Management undertakes close scrutiny of forecasts of the company's liquidity reserves on the basis of expected cash-flows.

9. Inventories

Millions of euros	31.12.16	31.12.15
Acquired products	100.9	70.7
Raw materials and other supplies	39.6	53.8
Work in progress and partly-finished goods	60.7	60.2
Finished goods	180.9	177.4
Total	382.1	362.1

At the year end the impairment of inventory amounted to 159.2 million euros (141.7 in 2015), with provision for the financial year totaling 16.6 million euros (15.7 in 2015).

The additions of inventories and impairment of value deriving from the merger of the company with Centro Técnico de SEAT, S.A. (see Note 23) total 2.4 and 0.9 million euros respectively.

The company maintains a commitment to purchase cars invoiced to rental car companies (see Note 5e) to the value of 27.5 million euros (31.9 in 2015).

The company has taken out various insurance policies to cover risks to which inventories are exposed. Coverage provided by these policies is deemed sufficient.

10. Trade and other receivables

Millions of euros	31.12.16	31.12.15
Trade receivables	58.0	71.9
Group company receivables	522.7	476.1
Other receivables	3.4	3.0
Personnel	1.1	0.7
Current tax assets	53.4	20.6
Government bodies	58.9	89.5
Total	697.5	661.8

Impairment of the value of receivables from commercial operations totaled 0.4 million euros (1.3 million in 2015).

The additions and disposals of trade and other receivables deriving from the merger of the company with Centro Técnico de SEAT, S.A. (see Note 23) total 70.9 and 33.6 million euros respectively.

11. Short-term investments

Millions of euros	31.12.16	31.12.15
Group companies	727.1	34.8
Loans	2.7	2.4
Other financial assets	724.4	32.4
Third-party	0.0	0.0
Loans	0.0	0.0
Other financial assets	0.0	0.0
Total	727.1	34.8

Additions in short-term investments deriving from the merger of the company with Centro Técnico de SEAT, S.A. (see Note 23) total 250 million euros. This amount corresponds mainly to balances with Group companies and includes two loans granted by Centro Técnico de SEAT, S.A.: one to Volkswagen Group Services (VGS) for 27 million euros, and another to SEAT, S.A. for 200 million euros.

The 'Loans in Group companies' section includes loans at current market interest rates, while 'Other financial assets in Group companies' includes mainly the cash pooling (see Note 19i) and the net value of balances generated on an annual basis by the tax assessment bases of the Group companies subject to corporation tax under the consolidated tax regime applicable to SEAT (see Note 18).

During the fiscal year the company has maintained loans and deposits with Group companies and credit institutions at a weighted average interest rate of 0.0069% (0.0008% in 2015).

12. Shareholders' equity

The breakdown and evolution of company equity may be found in the Statement of Changes in Equity.

On February 25, 2010, the sole shareholder of SEAT, S.A., the German company Volkswagen AG, transferred its shareholding (100%) in SEAT's share capital to the Dutch company Volkswagen International Finance N.V. On May 13, 2014, Global VW Automotive B.V. became sole shareholder of SEAT, by means of a partial division ('split-off') from VW International Finance N.V. Later, on June 28, 2014 Volkswagen Finance Luxemburg S.A. became sole shareholder of SEAT, by means of cross-border absorption of its subsidiary Global VW Automotive B.V.

The share capital amounts to 120,200 euros which represents 20,000 shares at 6.01 euros per share, entirely subscribed and paid up by the sole shareholder Volkswagen Finance Luxemburg S.A. Share premium totals 1,008.1 million euros and legal reserves, recognized in full in compliance with current legislation, total 24,040 euros.

Reserves deriving from the merger of the company with Centro Técnico de SEAT, S.A. (see Note 23) total 51.6 million euros.

13. Grants

Non-repayable capital grants appearing on the Balance Sheet in this section have been provided by central and autonomous regional governments for projects in production process improvement as well as new product development. The movement is as follows:

Millions of euros	2016	2015
Initial balance	9.9	13.3
<i>Addition for merger</i>	<i>0.2</i>	<i>0.0</i>
<i>Addition</i>	<i>0.0</i>	<i>0.0</i>
<i>Transferred to results</i>	<i>(3.3)</i>	<i>(3.4)</i>
End balance	6.8	9.9

Additions of non-repayable capital grants deriving from the merger of the company with Centro Técnico de SEAT, S.A. (see Note 23) correspond to income from loans with subsidized interest granted by central government for the execution of development projects for new products.

The company has also received operating grants, basically to cover costs associated with R&D projects as well as activities relating to training, commercial development and energy efficiency (see Note 19d).

The total of operating grants amounts to 1.7 million euros (1.2 in 2015).

14. Provisions and risks

Millions of euros	Balance 01.01.16	Addition for merger 01.01.16	Addition 2016	Disposal 2016	Balance 31.12.16
Trade operations	491.1	0.0	189.0	(97.6)	582.5
Personnel benefits	32.8	7.9	46.9	(39.0)	48.6
Environmental activities	4.7	0.0	1.6	(0.2)	6.1
Other provisions	536.6	7.6	164.0	(137.2)	571.0
Total	1,065.2	15.5	401.5	(274.0)	1,208.2

At the year end, provisions amounted to 1,208.2 million euros, of which 311 million euros were long-term (discounted at a market interest rate) and 897.2 million euros were short-term.

Additions of provisions deriving from the merger of the company with Centro Técnico de SEAT, S.A. (see Note 23), correspond to personnel benefits (7.9 million) and other provisions (7.6 million).

The 'Trade operations' section includes mainly provisions for vehicle warranties. The estimated cost of warranties has been calculated on the basis of historic ratios held by the company on vehicles sold.

The 'Environmental activities' section includes those activities aimed at recycling vehicles based on the 2000 European directive on end-of-life vehicles (see Note 20b), as well as those provided for concerning emission rights (see Note 5o). The estimated cost for the provision of vehicle recycling has been based on two factors – the average useful life of vehicles per country and cost of scrapping. Provision for emission rights is calculated on the basis of annual consumption of the same.

The 'Other provisions' section covers basically provisions for production, legal and trading risks. The estimated cost of these provisions has been based on the probable settlement of claims received, as well as the likely risks to be assumed by the company.

Calculations of provisions have been discounted to present value at a rate of 0.04% in 2016 (0.4% in 2015).

15. Liabilities

Millions of euros	31.12.16	31.12.15
Group companies	4.5	521.6
Third-party	277.6	146.8
Financial institutions	0.0	0.0
Financial leasing	0.8	2.7
Other financial liabilities	276.8	144.1
<i>Official loans with granted interest</i>	162.9	98.9
<i>Bonds and deposits received</i>	0.4	0.6
<i>Suppliers of fixed assets</i>	113.5	44.6
Total	282.1	668.4

At the year end liabilities amounted to 282.1 million euros, 4.5 million euros with Group companies (short-term), and 277.6 million euros with third parties (132.5 long-term and 145.1 short-term).

Liabilities (mainly with official organizations at zero interest rate) are distributed according to maturity date as follows: 149.6 million euros in 2017, 85.6 million euros for 2018-2021 and 46.9 million euros in later financial years (581.5, 41.5, and 45.4 respectively in 2015).

Additions of liabilities deriving from the merger of the company with Centro Técnico de SEAT, S.A. (see Note 23) total 86.6 million euros (0 with Group companies and 86.6 with third parties). Of the total of additions, 85.2 million euros correspond to official credits with subsidized interest rates (see Note 13).

When granting a loan to the company financial institutions apply current market interest rates applicable at time of authorisation. Likewise, interest rates applied to liabilities with Group companies are also subject to market conditions.

Credit lines granted to the company by Group companies totaled 1,100 million euros on December 31, 2016 of which 0 million euros were used (1,800 and 309 respectively in 2015).

16. Trade and other payables

Millions of euros	31.12.16	31.12.15
For third-party suppliers	955.8	877.9
For Group companies suppliers	675.3	628.0
Other payables	30.8	65.5
Personnel (remunerations pending)	94.5	68.1
Current tax liabilities	0.1	0.0
Government bodies	35.4	32.3
Total	1,791.9	1,671.8

Additions and disposals regarding trade and other payables deriving from the merger of the company with Centro Técnico de SEAT, S.A. (see Note 23) total 101.1 and 55.8 million euros respectively.

Payment periods to suppliers comply with limits established by Act 15/2010 of July 5, modifying Act 3/2004 concerning late payments in commercial operations.

Said law stipulates a limit for payment of 75 days for 2012, and 60 days from January 1, 2013 onwards. At the year end, payments made within the legally established time-frame totaled 9,099.1 million euros and pending payments totaled 828.4 million euros (8,860.7 and 731.3 respectively in 2015). Furthermore, the weighted average payment period to company suppliers was 37 days, with the ratio of transactions paid being 38 days and the ratio of transactions pending payment, 28 days (37, 37, and 28 respectively in 2015).

17. Foreign currency

The net value of balances in foreign currency totaled a debit balance of 51.5 million euros on December 31, 2016 (credit balance of 12 million euros in 2015), held mainly in US dollar, pound sterling, Swiss franc, Mexican peso, Japanese yen, Polish zloty, Russian rouble, Chinese yuan, as well as Czech, Danish and Swedish crowns. Of this total, 20.2 million euros correspond to credit balances with Group companies and other suppliers, and 71.7 million euros to debit balances with Group companies and other customers (21.6 and 9.6 respectively in 2015). The amounts attributed to income and expenses for exchange rate differences during the year total 38 and 32.6 million euros, respectively (43.3 and 85.1 in 2015).

Amounts (in millions of euros) of the main transactions carried out in foreign currency are as follows:

Millions of euros	2016	2015
Purchases	124.0	118.2
Sales	1,432.1	1,543.6
Services received	56.7	67.5
Services rendered	3.6	5.0

18. Tax situation

a) SEAT Group Corporate Tax Policy

I. General Principles

The SEAT Group, within the framework of tax risk management and the Volkswagen Group's guidelines on Governance Risk and Compliance (GRC), as well as the endorsement of the Code of Good Tax Practices of the Spanish Tax Agency, adopts a non-aggressive conservative position in the assumption of tax risks.

The SEAT Group is committed to assuming its social responsibility by complying with its tax obligations, in line with the laws of each country and the agreements reached with the Authorities, thus maintaining a transparent and collaborative position.

The tax planning projects must have an economic base or essence and be based on the company's business operations.

This corporate tax policy has been approved in line with these basic principles, with the objective of laying out the SEAT Group's tax strategy, as well as the integration of processes and principles that are to guide the tax policy.

This policy includes the recommendations from the Code of Good Tax Practices (hereinafter CGTP), promoted by the Spanish Tax Agency and which the SEAT Group adhered to in 2010.

II. Tax strategy

The main objective of the SEAT Group's tax strategy is to ensure compliance with the tax legislation and all the tax obligations in each of the jurisdictions it operates in, all within a framework of respect toward the corporate principles of integrity, transparency and achievement of social interest.

Similarly, the SEAT Group is committed to maintaining a relationship of cooperation with the different Public Administrations.

III. Good tax practices

In order to include the above points in the corporate tax policy, as well as the recommendations included in the CGTP, the SEAT Group assumes the following practices:

III.I Prevention of tax risk

Without prejudice to an optimal business management, the SEAT Group will always respect the tax legislation:

- / Promoting and implementing both processes and practices leading to the prevention, reduction and elimination of tax risk at a global company level.
- / Informing the Board of Directors on the tax implications of any operations and/or matters that are to be submitted for its approval.
- / Adopting decisions on tax matters on the basis of a reasonable interpretation of the rules and, where applicable, avoiding possible conflicts of interpretation through the use of instruments provided by the relevant Tax Authorities, such as prior consultations, assessment agreements, etc.
- / Avoiding the use of opaque or artificial structures, as well as the acquisition of companies in tax havens with the aim of evading the applicable tax burdens.
- / Making a preliminary assessment of investments and/or operations that carry a particular tax risk.

III.II Relations with Tax Administrations

The relations of the SEAT Group with the relevant Tax Authorities will be governed by the principles of transparency, mutual trust and good faith. Specifically, the following good tax practices will be assumed:

- / Collaborating with the relevant Tax Administration to detect and search for solutions regarding fraudulent tax practices in the countries where the SEAT Group operates.
- / Providing information and documentation that is relevant for tax purposes when it is requested by the Tax Authorities, in the shortest time possible and in a comprehensive manner.
- / Promoting as much as possible agreements with the competent Tax Administrations.

III.III Reporting to the Board of Directors

The SEAT Board of Directors assumes powers such as the approval of the tax strategy, the supervision of the internal tax risk control system that forms part of the general company risk control system (RICORS), as well as the approval of investments and/or operations that represent a particular tax risk due to their nature.

The principles mentioned throughout this document, which are to govern the activities of the SEAT Group in tax and corporate matters, will be drafted and executed by the SEAT Tax Department, establishing the internal control mechanisms and rules required to ensure they are complied with.

The Tax Department will report the results of the actions taken in relation to tax risk control and management to the Audit Commission, so that it can inform the Board of Directors appropriately.

III.IV Communication of the corporate tax policy and good tax practices

The Board of Directors will promote the communication of the corporate tax policy, not only through its Chairman, but also through its senior managers. Similarly, the SEAT tax policy will be communicated:

- / By being included in the SEAT Group's annual report.
- / By being added to the SEAT corporate website.
- / By being published on the SEAT intranet.

b) Corporation tax

SEAT, S.A., has been integrated in the SEAT Group since 1988, under the consolidated tax system of corporation tax, with No. 2/88.

In the 2015 financial year, as a result of the application of the new Corporation Tax Act, the Tax Group of which SEAT was the parent company has expanded to include all of the Spanish companies in which Volkswagen AG holds an investment that meet the requirements established by this Act, with SEAT having been named its representative. Furthermore, the Group has agreed the inclusion of financial entities in it, meaning that the Group pays tax at the rate of 30%. SEAT has compensated Volkswagen Navarra, S.A. and Volkswagen Group España Distribución, S.A. for the economic loss arising from applying a higher tax rate totaled 1.8 and 1.3 million euros, respectively.

In 2016, the taxable profit of the SEAT Group deriving from its consolidated corporation tax totaled 73.8 million euros, after offsetting negative tax assessment bases for previous years amounting to 51.1 million euros, and applying fiscal deductions amounting to 73.8 million euros.

The reconciliation of the posted result with the tax assessment base for the corporation tax for SEAT, S.A., including eliminations and adjustments from tax consolidation, is as follows:

Millions of euros	Profit and Loss Statement			Equity		
	Increase	Decrease	Total	Increase	Decrease	Total
Result for year	903.2	0.0	903.2	0	0	0
Corporation tax	0.0	(28.5)	(28.5)	0	0	0
Permanent differences	0.0	(738.6)	(738.6)	0	0	0
Specific to the company	0.0	(671.4)	(671.4)	0	0	0
From consolidation adjustment	0.0	(67.2)	(67.2)	0	0	0
Timing differences	365.1	(308.3)	56.8	0	0	0
Specific to the company	363.0	(305.8)	57.2	0	0	0
<i>Originating in the year</i>	362.6	(0.9)	361.7	0	0	0
<i>Originating in previous years</i>	0.4	(304.9)	(304.5)	0	0	0
From consolidation adjustment	2.1	(2.5)	(0.4)	0	0	0
<i>Originating in the year</i>	0.0	(2.5)	(2.5)	0	0	0
<i>Originating in previous years</i>	2.1	0.0	2.1	0	0	0
Tax assessment base	1,268.3	(1,075.4)	192.9	0	0	0

Corporation tax comprises income of 27.6 million euros of current tax and expenses of 0.3 million euros of deferred tax.

Additionally, due to the adjustments from the previous year and as a result of the tax inspection process, an income has been accrued and posted on the Profit and Loss Statement for corporation tax of 1.2 million euros.

47.5 million euros in SEAT, S.A. negative tax assessment base corresponding to previous years have been applied to the consolidated corporation tax settlement, as well as 71.2 million euros in fiscal deductions.

As a consequence of consolidated taxation, the total reciprocal debts and loans between the Group companies amount to 103.9 million euros.

At December 31, 2016, the accumulated deferred tax assets amounted to 367 million euros, all of them arising from timing differences.

For their part, deferred tax liabilities amount to 10.1 million euros, of which 7.2 million euros arise from timing differences, basically due to the tax depreciation of assets acquired under the system of finance leases, and 2.9 million euros are related to equity items.

Variation during the fiscal year on deferred tax assets and liabilities totals 6.7 and –0.5 million euros respectively. The detailed breakdown of the net movement of the same is as follows:

Millions of euros	2016	2015
Initial Balance	349.7	397.8
<i>Addition for merger (see Note 23)</i>	3.6	0.0
<i>Deferred taxes entered directly to profit and loss statement</i>	2.2	(49.6)
Deferred taxes entered directly to equity	0.0	0.0
<i>Deferred taxes transferred to profit and loss statement</i>	1.4	1.5
End Balance	356.9	349.7

At December 31, 2016, SEAT, S.A. tax credits or tax incentives for the following items and amounts in millions of euros were left pending application:

Millions of euros	Maturity date						
	Addition for merger 01.01.16 (*)	Balance 31.12.16	2017	2018	2019	2020	Later
R&D	36.0	234.7	0.0	0.0	0.0	0.0	234.7
Export companies	0.0	1.8	0.0	0.0	0.0	0.0	1.8
Environmental investment	0.0	0.7	0.0	0.0	0.0	0.0	0.7
Vocational training	0.1	1.2	0.0	0.0	0.0	0.0	1.2
Pension plans contributions	0.0	0.2	0.0	0.0	0.0	0.0	0.2

(*) See Note 23.

These tax credits and incentives will be applied in accordance with consolidated settlements of the Group, within the legal period established for each one.

The company is open to an administrative audit for non-prescribed taxes for the period 2013-2016, with the exception of corporation tax which extends to the period 2012-2015.

19. Income and expenses**a) Distribution of net sales**

The distribution of items is as follows:

Millions of euros	2016	2015
Vehicles	7,542.9	7,388.4
Spare parts	530.0	519.7
Gearboxes	233.6	224.3
Other sales	290.8	199.7
<i>Materials</i>	168.3	160.1
<i>By-products and reusable waste</i>	25.1	33.1
<i>R&D services</i>	92.0	0.0
<i>Other services</i>	5.4	6.5
Total	8,597.3	8,332.1

The geographical distribution of markets is as follows:

Millions of euros	2016	2015
Spain	1,515.6	1,404.2
Rest of European Union	6,287.2	6,085.8
Rest of world	794.5	842.1
Total	8,597.3	8,332.1

Net sales are affected by the increase in income ('R&D services' section) deriving from the merger of the company with Centro Técnico de SEAT, S.A. (see Note 23).

b) Change in inventories of finished goods and work in progress

Millions of euros	2016	2015
Decrease/increase of inventory	15.4	3.8
<i>Work in progress</i>	(1.1)	(14.9)
<i>Partly-finished goods</i>	(1.7)	(1.1)
<i>Finished goods</i>	18.2	19.8
Impairment of inventory	(14.6)	(7.0)
Total	0.8	(3.2)

c) Supplies

Millions of euros	2016	2015
Acquired products	1,628.4	1,151.7
Purchases	1,661.9	1,159.3
<i>Decrease/increase of inventory</i>	(33.5)	(7.6)
Raw materials and other supplies	4,916.3	5,200.3
Purchases	4,901.6	5,200.2
<i>Decrease/increase of inventory</i>	14.7	0.1
Other external expenses	14.9	14.4
Impairment of acquired products, raw materials and others	2.0	8.7
Total	6,561.6	6,375.1

d) Other operating income

Millions of euros	2016	2015
Sundry income	423.2	471.2
Operating grants (see Note 13)	1.7	1.2
Discounted provisions	0.1	0.6
Other income	0.8	0.2
Total	425.8	473.2

The 'Sundry income' section includes, among others, income from the rendering of services to Group companies and personnel.

e) Personnel costs

Millions of euros	2016	2015
Wages, salaries and similar concepts	647.9	556.0
Social costs	175.7	163.8
<i>Social security</i>	164.6	149.2
<i>Others</i>	11.1	14.6
Provisions	(0.1)	(1.1)
Total	823.5	718.7

f) Other operating expenses

Millions of euros	2016	2015
External services	1,229.5	1,421.0
Taxes	11.5	10.3
Losses, impairment and variation in provisions due to trade operations	159.6	160.6
Greenhouse gas emission rights	0.1	0.1
Other expenses	7.4	0.0
Total	1,408.1	1,592.0

g) Financial income

Millions of euros	2016	2015
For participations	67.2	62.1
<i>Group companies</i>	67.2	62.1
<i>Third-party</i>	0.0	0.0
For other investments and financial instruments	0.4	0.4
<i>Group companies</i>	0.0	0.0
<i>Third-party</i>	0.4	0.4
Total	67.6	62.5

h) Financial expense

Millions of euros	2016	2015
For Group company debts	3.0	3.0
For third-party debts	7.7	6.1
Discounted provisions and debts	2.5	8.6
Total	13.2	17.7

i) Impairment and result on disposal of financial instruments

This heading contains the capital gain of 671.4 million euros resulting from the sale of the company Volkswagen Finance, S.A., together with its subsidiaries (Volkswagen Renting, S.A, Volkswagen Insurance Services Correduría de Seguros, S.L., MAN Financial Services España, S.L.) to Volkswagen AG (see Appendix 2).

20. Environment**a) Environment-related assets**

Under the 'Tangible assets' section, the company possesses a waste water treatment facility, plus a heat and power co-generation plant, at the Martorell factory, as well as other environment-related assets. The combined gross value of these facilities amounts to 159.5 million euros, and accumulated depreciation stands at 122.1 million euros (146.1 and 113.6 respectively in 2015).

Additions in gross value of facilities dedicated to environmental protection deriving from the merger of the company with Centro Técnico de SEAT, S.A. (see Note 23) total 4 million euros, with accumulated depreciation standing at 2.1 million euros.

In the wide-ranging investment program implemented in 2016, a capitalized amount of 10.1 million euros, plus another totaling 1.6 million euros (5.9 and 3.9 respectively in 2015) corresponding to firm commitments for the purchase of capital goods has been identified, which can be devoted entirely to environmental protection-related activities.

b) Environment-related liabilities

In compliance with the European Union directive on end-of-life vehicles, approved in 2000, the company set up a provision to cover risks deriving from end-of-life vehicle recycling (see Note 14).

c) Environment-related expenses

Expenses for material and outside services have been identified. Said expenses, earmarked for protection and improvement of the environment, can be broken down as follows:

Millions of euros	2016	2015
Control and monitoring of air pollution	1.2	0.6
Waste water treatment and management	2.8	2.7
Industrial waste treatment and management	5.5	5.5
Energy savings	1.2	1.3
Visual impact improvement	0.3	0.2
Communication management	0.1	0.1
Environmental process management	0.5	0.4
End-of-life vehicles management	0.8	0.2
Miscellaneous	0.2	0.2
Total	12.6	11.2

Expenses incurred for the financial year, regarding amortization of environment-related assets, amount to 7.3 million euros (5.8 in 2015).

The overall estimated staff costs of SEAT employees devoted to total or partial implementation of environmental protection-related activities amount to 1.7 million euros (1.7 in 2015).

d) Environment-related income

Income deriving from the sale of by-products and reusable waste totaled 25.2 million euros (33.1 in 2015).

21. Related party transactions

a) Group companies

The following transactions were carried out with Volkswagen Group companies. In addition to the companies included in Appendix 2 of these Notes, the most noteworthy being: Audi AG; Audi Hungaria Motor Kft.; Audi Tooling Barcelona, S.L.; Groupe VW France s.a.; Skoda Auto a.s.; Skoda Auto Slovensko s.r.o.; VW AG; VW de México, S.A.; VW Group Services S.A.; VW Group UK Ltd.; VW Insurance Service Correduría de Seguros S.L.; and VW Slovakia a.s.

Millions of euros	2016	2015
Supplies	2,819.7	2,390.8
<i>Materials</i>	1,300.7	1,365.1
<i>Spare parts</i>	205.8	195.0
<i>Vehicles</i>	1,313.2	830.7
Net sales	6,290.3	6,238.3
Services received	343.4	618.7
Services rendered	289.6	311.9
Accrued financial income	0.0	0.0
Dividends received	67.2	62.1
Accrued financial expenses	3.0	3.0

The breakdown of the total amount of the main transactions carried out in foreign currencies is as follows:

Millions of euros	2016	2015
Supplies	29.6	33.7
Net sales	1,157.5	1,219.9
Services received	50.3	58.3
Services rendered	2.7	4.3

Supplies refer mainly to the acquisition of vehicles, parts, accessories and machinery. Sales corresponded mainly to vehicles produced in Spain for export markets. Services received comprise R&D, transport of sales, maintenance of equipment, logistics, marketing, consulting services and training. Services rendered refer mainly to transport, warranties, advertising, technical assistance, training, vehicle rental and leasing of buildings. Financial income and expenses stem from loans and current account operations between Group companies.

The margin generated by sales operations with Group companies is broken down by business lines as follows: 35.4% in materials (27.8% in 2015), 28.4% in spare parts (32.1% in 2015), 12.9% in vehicles (13.5% in 2015) and 22.2% in gearboxes (20.3% in 2015). Purchases made from Group companies were done so in normal market conditions.

In the Notes, other transactions with Group companies are referenced: Notes 6b and 6c, additions of assets; and Note 18, net charges for tax consolidation.

Transactions carried out with the parent entity of the Volkswagen Group are: supplies 1,390.7 million euros (1,179.4 in 2015); net sales 174.3 million euros (168.3 in 2015); services received 136.1 million euros (150.2 in 2015); services rendered 191.3 million euros (147.1 in 2015); accrued financial income 0 million euros (0 in 2015); accrued financial expenses 0 million euros (0.1 in 2015). Likewise, balances at the year end with the parent entity of the Volkswagen Group are: customers and other trade receivables 101.2 million euros (83.9 in 2015), and suppliers and other trade payables 83.6 million euros (63.1 in 2015).

On December 31, 2016, SEAT, S.A. (Single Shareholder Company) and Volkswagen Finance Luxemburg S.A., sole shareholder of the company (see Note 12), have no agreements in force.

b) Board of Directors and Senior Management

The total amount of remuneration received under all headings by members of the Board of Directors and by Senior Management in the exercise of their functions during 2016 stood at 9.5 million euros (11.2 in 2015).

No advances or credits have been accorded to either members of the Board of Directors or Senior Management, nor other commitments made vis-à-vis pensions, insurance policies, credits, guarantees or similar items during the 2016 and 2015 financial years.

During 2016, public liability insurance premiums amounting to 0.03 million euros were paid, covering possible damages caused to the members of the Board of Directors and Senior Management in the performance of their duties.

Members of the Board of Directors make no declaration of interest concerning Article 229 of the new Capital Company Act, referring to posts or responsibilities which Board Members hold or discharge in companies outside the Group of which SEAT is a member, concerning activities similar, analogous or complementary to the stated business aims of the company.

Fulfilling their duty to avoid conflicts with the company's interests during the financial year, the members of the Board of Directors have complied with the obligations provided for in Article 228 of the consolidated text of the Capital Company Act. Likewise, they and their affiliates have not entered into the conflicts of interest set out in Article 229 of said Act, except in cases where authorization has been given.

22. Other information

a) Workforce

The breakdown of the total average basic workforce by functions of SEAT, S.A. is as follows:

	2016	2015
Productive wage earners	8,313	8,236
Time-rate wage earners	926	910
Managers, technicians, administrative and support staff	4,708	3,517
Members of the Executive Committee	8	8
Total	13,955	12,671

The average number of employees with a disability greater than or equal to thirty three percent, amounts to 302 people (225 productive wage earners, 10 time-rate wage earners and 67 managers, technicians, administrative and support staff).

The breakdown of SEAT, S.A.'s basic workforce at December 31 is as follows:

	2016			2015		
	Men	Women	Total	Men	Women	Total
Productive wage earners	6,606	1,695	8,301	6,497	1,702	8,199
Time-rate wage earners	871	24	895	881	25	906
Managers, technicians, administrative and support staff	3,613	1,151	4,764	2,713	927	3,640
Members of the Executive Committee	8	0	8	8	0	8
Total	11,098	2,870	13,968	10,099	2,654	12,753

SEAT, S.A.'s Board of Directors comprises 7 members (male).

Both the basic average workforce, and the workforce at December 31, 2016 are affected by the incorporation of 971 employees resulting from the merger of the company with Centro Técnico de SEAT, S.A. (see Note 23).

b) Auditors

The fees accrued by PricewaterhouseCoopers Auditores, S.L. for audit services were 0.4 million euros (0.4 in 2015). Likewise, the fees received for other services provided by the auditor and other companies which use the PricewaterhouseCoopers brand totaled 0 and 0.7 million euros, respectively (0.1 and 0.5 in 2015).

c) Emissions

In relation to the incident detected in September 2015 in some of Volkswagen's EA189 diesel engines, during 2016 the implementation of the appropriate technical solutions approved by the competent oversight authorities in the SEAT vehicles equipped with these engines began. The cost of this implementation is being and will continue to be assumed by Volkswagen AG. All the vehicles are technically safe and fit for driving.

The Volkswagen Group remains in permanent contact with the various European authorities in this matter, acting quickly and transparently.

The directors have assessed the possible risks that may arise as a result of this situation and have acted consequently considering all existing circumstances with impact in the Annual Accounts.

23. Merger by absorption

The respective Boards of Directors of SEAT, S.A. and Centro Técnico de SEAT, S.A., approved the project of merger by absorption of Centro Técnico de SEAT, S.A., (absorbed company) and SEAT, S.A. (absorbing company) on February 23, 2016 in both cases.

On March 21, 2016 the Annual General Shareholders' Meeting agreed on approval of the project of merger by absorption through the dissolution without liquidation of the absorbed company, with wholesale transfer of the entirety of the absorbed company's assets and liabilities to the absorbing company, fully subrogated in all rights and obligations proceeding from the absorbed company, with no reservation, exception or limitation.

The merger was based on the Balance Sheet ending December 31, 2015 of the two companies involved. Since at the time of the merger the absorbing company had a 100% equity holding in the company absorbed, the exchange of shares was not pertinent, and therefore there was no need to issue new shares, since the assets and liabilities of the company absorbed were incorporated in those of the absorbing company, having as a counterpart its assets and liabilities.

Once legal time limits had been complied with, on May 1, 2016 the merger was presented to the Barcelona Mercantile Register, where the company absorbed was officially withdrawn from the register on May 13, 2016.

The merger was carried out in accordance with the Special Tax Neutrality Regime for Mergers as established in Chapter VIII of Title VII of Act 4/2004 of March 5, which approves the revised text of the Corporate Tax Act.

The merger was registered as being an operation between companies of the same Group, since SEAT, S.A. had previously held control of Centro Técnico de SEAT, S.A. As a result, said merger was recorded in the accounts in accordance with Standard 21 of the Spanish General Accounting Plan as approved by RD 1514/2007 of November 16. Thus, the assets acquired and liabilities assumed were recorded in the accounts in terms of their book value before the merger operation on the individual accounts.

The breakdown of the book value of the assets and liabilities of Centro Técnico de SEAT, S.A. at December 31, 2015 was as follows:

ASSETS	Note	2015
Non-current assets		39.8
Intangible assets	6b	0.1
Tangible assets	6c	35.3
Long-term Group company investments	6d	0.0
Long-term financial investments		0.1
Deferred tax assets	18	4.3
Current assets		323.5
Inventories	9	2.4
Trade and other receivables	10	70.9
Short-term Group company investments	11	250.0
Short-term financial investments	11	0.0
Short-term prepaid expenses		0.2
Cash and cash equivalents		0.0
Total		363.3

EQUITY AND LIABILITIES	Note	2015
Equity		156.2
Shareholders' equity	12	156.0
Grants	13	0.2
Non-current liabilities		78.3
Long-term provisions	14	7.4
Long-term liabilities	15	70.2
Long-term Group company liabilities	15	0.0
Deferred tax liabilities	18	0.7
Long-term prepaid income		0.0
Current liabilities		128.8
Short-term provisions	14	0.2
Short-term liabilities	15	16.4
Short-term Group company liabilities	15	0.0
Trade and other payables	16	101.1
Short-term prepaid income		11.1
Total		363.3

As a result, the Balance Sheet and Income Statement on December 31, 2015 are affected in terms of comparability due to the aforementioned merger.

7

APPENDIX 1. EVOLUTION OF NON-CURRENT ASSETS

2015

Cost of acquisition or manufacture

Millions of euros	Initial Balance 01.01.15	Additions	Disposals	Transfers	Impairment	End Balance 31.12.15
Intangible assets	1,924.2	265.0	(0.1)	0.0	0.0	2,189.1
Research and Development	1,475.0	23.8	0.0	19.5	0.0	1,518.3
Software	53.3	1.0	0.0	0.0	0.0	54.3
Greenhouse gas emission rights	0.4	0.1	(0.1)	0.0	0.0	0.4
Other intangible assets	284.8	16.9	0.0	0.0	0.0	301.7
Payments on account and intangible assets in progress	110.7	223.2	0.0	(19.5)	0.0	314.4
Tangible assets	5,230.7	198.9	(310.1)	0.0	0.0	5,119.5
Land and buildings	752.4	7.4	(0.2)	(0.2)	0.0	759.4
Technical equipment and machinery	2,151.4	42.8	(194.0)	3.9	0.0	2,004.1
Other facilities, tools and office equipment	2,298.4	37.2	(113.6)	(1.6)	0.0	2,220.4
Other tangible assets	24.9	3.2	(2.3)	0.0	0.0	25.8
Payments on account and tangible assets in progress	3.6	108.3	0.0	(2.1)	0.0	109.8
Long-term Group companies investments	963.3	0.0	0.0	0.0	0.0	963.3
Participations in Group companies	963.3	0.0	0.0	0.0	0.0	963.3
Loans to Group companies	0.0	0.0	0.0	0.0	0.0	0.0
Other financial assets	0.0	0.0	0.0	0.0	0.0	0.0
Long-term financial investments	1.5	0.5	(0.2)	(0.3)	0.0	1.5
Other participations	0.0	0.0	0.0	0.0	0.0	0.0
Other loans	1.0	0.5	(0.2)	(0.3)	0.0	1.0
Other financial assets	0.5	0.0	0.0	0.0	0.0	0.5
Deferred tax assets	410.2	0.0	(49.9)	0.0	0.0	360.3
Total	8,529.9	464.4	(360.3)	(0.3)	0.0	8,633.7

	Depreciation / Impairment					Net book value		
	Initial Balance 01.01.15	Additions	Disposals	Transfers	Impairment	End Balance 31.12.15	Initial Balance 01.01.15	End Balance 31.12.15
	1,352.6	120.8	0.0	0.0	68.6	1,542.0	571.6	647.1
	1,073.9	89.4	0.0	0.0	64.0	1,227.3	401.1	291.0
	51.3	1.5	0.0	0.0	0.0	52.8	2.0	1.5
	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.4
	227.4	29.9	0.0	0.0	4.6	261.9	57.4	39.8
	0.0	0.0	0.0	0.0	0.0	0.0	110.7	314.4
	4,227.7	190.8	(309.8)	0.0	43.7	4,152.4	1,003.0	967.1
	364.5	16.4	0.0	0.0	0.3	381.2	387.9	378.2
	1,769.7	95.7	(194.0)	1.0	20.2	1,692.6	381.7	311.5
	2,071.3	77.5	(113.6)	(1.0)	23.2	2,057.4	227.1	163.0
	22.2	1.2	(2.2)	0.0	0.0	21.2	2.7	4.6
	0.0	0.0	0.0	0.0	0.0	0.0	3.6	109.8
	0.4	0.0	0.0	0.0	0.0	0.4	962.9	962.9
	0.4	0.0	0.0	0.0	0.0	0.4	962.9	962.9
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	0.0	0.0	0.0	1.5	1.5
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0
	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5
	0.0	0.0	0.0	0.0	0.0	0.0	410.2	360.3
	5,580.7	311.6	(309.8)	0.0	112.3	5,694.8	2,949.2	2,938.9

2016

Millions of euros	Cost of acquisition or manufacture						End Balance 31.12.16
	Initial Balance 01.01.16	Addition/ Disposals merger 01.01.16(*)	Additions	Disposals	Transfers	Impairment	
Intangible assets	2,189.1	9.1	209.5	(1.0)	0.0	0.0	2,406.7
Research and Development	1,518.3	0.0	37.8	0.0	169.9	0.0	1,726.0
Software	54.3	9.1	0.8	(0.8)	0.0	0.0	63.4
Other intangible assets	302.1	0.0	21.3	(0.2)	13.5	0.0	336.7
Payments on account and intangible assets in progress	314.4	0.0	149.6	0.0	(183.4)	0.0	280.6
Tangible assets	5,119.5	117.2	439.5	(88.1)	0.0	0.0	5,588.1
Land and buildings	759.4	40.3	18.6	(0.7)	0.3	0.0	817.9
Technical equipment and machinery	2,004.1	43.0	65.0	(57.4)	5.5	0.0	2,060.2
Other facilities, tools and office equipment	2,220.4	26.0	186.0	(29.8)	9.1	0.0	2,411.7
Other tangible assets	25.8	7.6	2.1	(0.2)	0.0	0.0	35.3
Payments on account and tangible assets in progress	109.8	0.3	167.8	0.0	(14.9)	0.0	263.0
Long-term Group companies investments	963.3	(104.5)	3.1	(136.6)	0.0	0.0	725.3
Participations in Group companies	963.3	(104.5)	3.1	(136.6)	0.0	0.0	725.3
Loans to Group companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term financial investments	1.5	0.0	0.5	(0.3)	(0.2)	0.0	1.5
Other participations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other loans	1.0	0.0	0.5	(0.2)	(0.2)	0.0	1.1
Other financial assets	0.5	0.0	0.0	(0.1)	0.0	0.0	0.4
Deferred tax assets	360.3	4.3	2.4	0.0	0.0	0.0	367.0
Total	8,633.7	26.1	655.0	(226.0)	(0.2)	0.0	9,088.6

(*) See Note 23.

	Depreciation / Impairment						Net book value		
	Initial Balance 01.01.16	Addition/ Disposals merger 01.01.16(*)	Additions	Disposals	Transfers	Impairment	End Balance 31.12.16	Initial Balance 01.01.16	End Balance 31.12.16
	1,542.0	9.0	117.5	(0.9)	0.0	0.0	1,667.6	647.1	739.1
	1,227.3	0.0	94.6	0.0	0.0	0.0	1,321.9	291.0	404.1
	52.8	9.0	1.1	(0.9)	0.0	0.0	62.0	1.5	1.4
	261.9	0.0	21.8	0.0	0.0	0.0	283.7	40.2	53.0
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	314.4	280.6
	4,152.4	81.9	205.8	(88.0)	0.0	0.0	4,352.1	967.1	1,236.0
	381.2	21.4	17.8	(0.7)	0.0	0.0	419.7	378.2	398.2
	1,692.6	35.0	98.9	(57.4)	0.0	0.0	1,769.1	311.5	291.1
	2,057.4	18.5	87.3	(29.8)	0.0	0.0	2,133.4	163.0	278.3
	21.2	7.0	1.8	(0.1)	0.0	0.0	29.9	4.6	5.4
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	109.8	263.0
	0.4	0.0	0.0	0.0	0.0	0.0	0.4	962.9	724.9
	0.4	0.0	0.0	0.0	0.0	0.0	0.4	962.9	724.9
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.5	1.5
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.1
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.4
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	360.3	367.0
	5,694.8	90.9	323.3	(88.9)	0.0	0.0	6,020.1	2,938.9	3,068.5

8

APPENDIX 2. SUBSIDIARY COMPANIES

2015		Holding	
		Direct	Indirect
Millions of euros	Location		
Production			
SEAT Sport, S.A. (*)	Martorell (Barcelona)	100	
Volkswagen Navarra, S.A. (*)	Arazuri (Navarre)	100	
Distribution and Marketing SEAT			
SEAT Center Arrábida Automovéis, LDA	Setúbal (Portugal)	2	98
SEAT Deutschland GmbH	Weiterstadt (Germany)	100	
SEAT Deutschland Niederlassung GmbH	Frankfurt (Germany)		100
SEAT Motor España, S.A. (*)	Barcelona		100
Distribution and Marketing VW/Audi/Skoda			
Volkswagen-Audi España, S.A. (*)	Prat de Ll. (Barcelona)	100	
Volkswagen Group Retail Spain, S.L. (*)	Prat de Ll. (Barcelona)		100
Astur Wagen, S.A. (*)	Gijón (Asturias)		100
Audi Retail Barcelona, S.A. (*)	Barcelona		100
Volkswagen Madrid, S.A. (*)	Madrid		100
Volkswagen Barcelona, S.A. (*)	Barcelona		100
Leioa Wagen, S.A.	Leioa (Vizcaya)		100
Levante Wagen, S.A. (*)	Valencia		100
Málaga Wagen, S.A. (*)	Málaga		100
Sevilla Wagen, S.A. (*)	Seville		100
Valladolid Wagen, S.A. (*)	Valladolid		100
Audi Retail Madrid, S.A. (*)	Madrid		100
Services			
Centro Técnico de SEAT, S.A. (*)	Martorell (Barcelona)	100	
Volkswagen Finance, S.A. (*)	Alcobendas (Madrid)	100	
Volkswagen Renting, S.A. (*)	Alcobendas (Madrid)		100
Volkswagen Insurance Services Correduría de Seguros, S.L. (*)	Prat de Ll. (Barcelona)		100
MAN Financial Services España, S.L. (**)	Alcobendas (Madrid)		100
SEAT Portugal, Unipessoal, LDA	Lisbon (Portugal)	100	

(*) Companies subject to corporation tax under the consolidated tax regime.

(**) In 2015 the company was acquired by Volkswagen Finance, S.A. from MAN Finance International GmbH.

Gross value 31.12.15	Depreciation 31.12.15	Book value 31.12.15	Equity 31.12.15	Profit/loss for year 2015	Dividend received 2015
0.1	0.0	0.1	0.4	(0.5)	
654.4	0.0	654.4	679.8	60.8	47.6
0.0	0.0	0.0	0.4	0.1	
51.1	0.0	51.1	67.2	7.2	
			0.3	0.0	
			(1.4)	(1.6)	
16.0	0.0	16.0	125.5	12.5	14.5
			27.4	(0.7)	
			2.1	0.0	
			0.6	(0.2)	
			2.6	0.1	
			(0.2)	(0.8)	
			4.1	0.8	
			5.1	1.4	
			1.0	0.1	
			4.9	(0.5)	
			1.7	0.6	
			2.1	0.1	
104.5	0.0	104.5	156.1	18.7	
136.6	0.0	136.6	484.1	46.1	
			37.3	13.5	
			4.4	4.0	
			21.5	(10.6)	
0.6	(0.4)	0.2	0.5	0.3	

2016	Millions of euros	Location	Holding	
			Direct	Indirect
Production				
SEAT Sport, S.A. (*)		Martorell (Barcelona)	100	
Volkswagen Navarra, S.A. (*)		Arazuri (Navarre)	100	
Distribution and Marketing SEAT				
SEAT Center Arrábida Automovéis, LDA		Setúbal (Portugal)	2	98
SEAT Deutschland GmbH		Weiterstadt (Germany)	100	
SEAT Deutschland Niederlassung GmbH		Frankfurt (Germany)		100
SEAT Motor España, S.A. (*)		Barcelona		100
Distribution and Marketing VW/Audi/Skoda				
Volkswagen Group España Distribución S.A. (*) (**)		Prat de Ll. (Barcelona)	100	
Volkswagen Group Retail Spain, S.L. (*)		Prat de Ll. (Barcelona)		100
Astur Wagen, S.A. (*)		Gijón (Asturias)		100
Audi Retail Barcelona, S.A. (*)		Barcelona		100
Volkswagen Madrid, S.A. (*)		Madrid		100
Volkswagen Barcelona, S.A. (*)		Barcelona		100
Leioa Wagen, S.A.		Leioa (Vizcaya)		100
Levante Wagen, S.A. (*)		Valencia		100
Málaga Wagen, S.A. (*)		Málaga		100
Sevilla Wagen, S.A. (*)		Seville		100
Valladolid Wagen, S.A. (*)		Valladolid		100
Audi Retail Madrid, S.A. (*)		Madrid		100
Services (***)				
SEAT Portugal, Unipessoal, LDA		Lisbon (Portugal)	100	

(*) Companies subject to corporation tax under the consolidated tax regime.

(**) In 2016, the company changed its business name.

(***) In 2016, Centro Técnico de SEAT, S.A. was absorbed by merger with SEAT, S.A (see Note 23).

On December 20, 2016 Volkswagen Finance, S.A., together with its subsidiaries (Volkswagen Renting, S.A, Volkswagen Insurance Services Correduría de Seguros, S.L., MAN Financial Services España, S.L.) was sold to Volkswagen AG, to the value of 808 million euros.

Gross value 31.12.16	Depreciation 31.12.16	Book value 31.12.16	Equity 31.12.16	Profit/loss for year 2016	Dividend received 2016
0.1	0.0	0.1	0.7	0.3	
656.2	0.0	656.2	700.1	74.5	54.7
0.0	0.0	0.0	0.4	0.0	
51.1	0.0	51.1	76.2	8.9	
			0.3	0.0	
			(1.7)	(0.3)	
17.3	0.0	17.3	139.3	27.7	12.5
			26.5	(0.6)	
			2.2	0.6	
			1.1	0.4	
			3.2	0.6	
			(0.7)	(0.5)	
			5.9	2.6	
			5.9	2.1	
			1.6	0.6	
			4.0	(1.0)	
			2.0	0.9	
			3.6	1.3	
0.6	(0.4)	0.2	0.7	0.2	

SEAT, S.A. KEY FIGURES (2012/2016)

	2012	2013	2014	2015	2016
Retail					
Retail sales (units)	321,002	355,004	390,505	400,037	408,703
Wholesales of new vehicles (units)	415,083	447,327	489,896	531,786	536,462
Wholesales of used vehicles (units)	10,633	12,677	12,264	12,722	11,482
Production					
Production in Martorell plant (units)	377,343	390,048	442,677	477,077	449,063
Production of SEAT brand in Group plants (units)	50,802	67,250	64,998	72,169	103,796
Basic workforce					
Basic workforce at 31.12	11,465	11,458	12,626	12,753	13,968
Martorell (includes Spare Parts Centre)	10,257	10,233	10,298	10,422	10,544
SEAT Barcelona	1,164	1,180	1,188	1,196	1,192
SEAT Componentes (*)	0	0	1,097	1,092	1,087
SEAT Technical Centre (**)	0	0	0	0	1,102
Other centres	44	45	43	43	43
Partial retirement workforce at 31.12	134	133	145	94	116
Apprentices with labour contract at 31.12	111	166	168	186	155
Financial key figures					
Net sales (millions of euros)	6,086.9	6,472.9	7,496.6	8,332.1	8,597.3
Spain	1,006.4	1,080.8	1,334.8	1,404.2	1,515.6
Vehicles	578.4	646.5	806.1	868.5	950.2
Spare parts	292.2	281.8	289.9	300.4	304.2
Gearboxes	0.0	0.0	71.5	73.4	93.2
Other sales	135.8	152.5	167.3	161.9	168.0
Export	5,080.5	5,392.1	6,161.8	6,927.9	7,081.7
Vehicles	4,869.7	5,168.6	5,765.8	6,519.9	6,592.7
Spare parts	182.5	196.0	207.9	219.3	225.8
Gearboxes	0.0	0.0	160.1	150.9	140.4
Other sales	28.3	27.5	28.0	37.8	122.8
Shareholders' equity (millions of euros)	626.7	478.0	520.1	526.1	1,480.9
Result before tax (millions of euros)	(79.4)	(144.4)	(138.8)	(4.3)	874.7
Result after tax (millions of euros)	(29.6)	(148.7)	(65.7)	6.0	903.2
Depreciation (millions of euros)	268.9	336.5	361.9	311.6	323.3
Investments (millions of euros)	554.0	337.1	221.9	464.4	652.6

(*) In 2014, Gearbox del Prat, S.A. was absorbed by merger with SEAT, S.A.

(**) In 2016, Centro Técnico de SEAT, S.A. was absorbed by merger with SEAT, S.A. (see Note 23).

CONSUMPTION AND EMISSION FIGURES

Consumption (mveg) l/100 km - CO₂ (g/km) emissions

MODEL (*) (**)	Power		Gearbox		Consumption (mveg) l/100km			CO ₂ emissions Average (g/km)
	KW	HP	Man.	Aut.	Town	Out of town	Average	
Mii								
1.0 MPI	44 / 55	60 / 75	•		5.5 / 5.4	3.8	4.4	102
1.0 MPI SQ100	44 / 55	60 / 75		•	5.3	3.8 / 3.9	4.3 / 4.4	101 / 104
1.0 MPI SQ100 Ecomotive	44	60		•	4.7	3.7	4.1	96
1.0 MPI SQ100 Start&Stop	55	75		•	4.9	3.8	4.2	98
1.0 MPI Start&Stop Ecomotive	44	60	•		4.9	3.7	4.1	97
1.0 MPI Start&Stop	55	75	•		4.9	3.7	4.1	97
1.0 MPI Ecofuel (***)	50	68	•		5.6–3.6	3.9–2.5	4.5–2.9	83
IBIZA/SC/ST								
1.0 MPI Start&Stop	55	75	•		5.8	4.2	4.8	108
1.0 MPI	55	75	•		6.5	4.5	5.2	118
1.0 EcoTSI Start&Stop Ecomotive	70	95	•		5.1	3.7	4.2	98
1.0 EcoTSI Start&Stop	70	95	•		5.1	3.8	4.3	101
1.0 EcoTSI Start&Stop	81	110	•		5.2	3.8	4.3	99
1.0 EcoTSI DSG Start&Stop	81	110		•	5.3	3.9	4.4	102
1.2 TSI	66	90	•		6.4	4.0	4.9	116
1.2 TSI	81	110	•		6.8	4.3	5.2	119
1.4 TSI ACT Start&Stop FR	110	150	•		6.0	4.1	4.8	112
1.8 TSI Start&Stop CUPRA (SC)	141	192	•		7.8	5.3	6.2	145
1.4 TDI CR	55 / 66	75 / 90	•		4.7 / 4.7	3.5 / 3.5	3.9 / 3.9	104 / 104
1.4 TDI CR Start&Stop Ecomotive	55	75	•		4.1 / 4.2	3.3 / 3.4	3.6 / 3.7	93 / 95
1.4 TDI CR Start&Stop	66	90	•		4.1 / 4.2	3.3 / 3.4	3.6 / 3.7	93 / 95
1.4 TDI CR DSG Start&Stop	66	90		•	4 / 4.1	3.4 / 3.5	3.6 / 3.7	95 / 97
1.4 TDI CR Start&Stop	77	105	•		4.3 / 4.4	3.5 / 3.6	3.8 / 3.9	98 / 100
TOLEDO								
1.2 TSI	66	90	•		6.3	3.9	4.8	114
1.2 TSI Start&Stop	66	90	•		6.0	4.0	4.7	107
1.2 TSI	81	110	•		6.8	4.3	5.2	119
1.2 TSI Start&Stop	81	110	•		6.2	4.2	4.9	110
1.4 TSI DSG Start&Stop	92	125		•	6.1	4.1	4.8	114
1.4 TDI CR	66	90	•		4.3	3.5	3.8	101
1.4 TDI CR Start&Stop	66	90	•		4.1	3.3	3.6	96
1.4 TDI CR DSG Start&Stop	66	90		•	4.4	3.7	4.0	104
1.6 TDI CR	85	110	•		5.5	3.7	4.4	114
1.6 TDI CR Start&Stop	85	110	•		4.6	3.4	3.9	101
LEON/SC/ST								
1.4 TGI Start&Stop	81	110	•		7.1 / 7.4	4.5 / 4.8	5.4 / 5.7	126 / 132
1.4 TGI Start&Stop (CNG)	81	110	•		6.9m ³ / 7.2m ³	4.5m ³ / 4.8m ³	5.4m ³ / 5.7m ³	96 / 101
1.4 TGI Start&Stop	81	110		•	6.5 / 6.9	4.5 / 4.9	5.2 / 5.6	121 / 129
1.4 TGI Start&Stop (CNG)	81	110		•	6.8m ³ / 7.2m ³	4.4m ³ / 4.8m ³	5.3m ³ / 5.7m ³	94 / 101
1.0 TSI Start&Stop Ecomotive	85	115	•		5.4	3.8	4.4	102
1.0 TSI DSG Start&Stop Ecomotive	85	115		•	5.3	3.9	4.4	102
1.2 TSI	63 / 81	86 / 110	•		6.4	4.4	5.1	119 / 120

MODEL (*) (**)	Power		Gearbox		Consumption (mveg) l/100km			CO ₂ emissions Average (g/km)
	KW	HP	Man.	Aut.	Town	Out of town	Average	
1.2 TSI Start&Stop	81	110	•		6.1 / 6.2	4.2 / 4.3	4.9 / 5.0	114 / 116
1.2 TSI DSG Start&Stop	81	110		•	5.9 / 6.0	4.3 / 4.4	4.9 / 5.0	112 / 114
1.4 TSI Start&Stop	92	125	•		6.7 / 6.8	4.3 / 4.5	5.2 / 5.3	120 / 124
1.4 TSI Start&Stop (X-PERIENCE)	92	125	•		6.8	4.4	5.3	122
1.4 TSI ACT Start&Stop	110	150	•		5.9 / 6.1	4.3 / 4.5	4.8 / 5.0	113 / 120
1.4 TSI ACT DSG Start&Stop	110	150		•	5.7 / 6.0	4.3 / 4.6	4.8 / 5.1	114 / 120
1.8 TSI Start&Stop	132	180	•		7.5	5.1	6.0	138
1.8 TSI DSG Start&Stop	132	180		•	7.1	5.1	5.8	134
1.8 TSI DSG Start&Stop (X-PERIENCE)	132	180		•	8.0	5.6	6.5	152
2.0 TSI Start&Stop CUPRA	195 / 213	265 / 290	•		8.3 / 8.9	5.4 / 5.6	6.5 / 6.8	149 / 158
2.0 TSI DSG Start&Stop CUPRA	195 / 213	265 / 290		•	8.3 / 8.9	5.4 / 5.6	6.5 / 6.8	149 / 158
1.6 TDI CR	66	90	•		4.8 / 4.9	3.8 / 3.9	4.1 / 4.3	108 / 112
1.6 TDI CR	81	110	•		5.0 / 5.2	3.9 / 4.1	4.3 / 4.5	111 / 115
1.6 TDI CR Start&Stop	81	110	•		4.6 / 4.8	3.7 / 3.9	4.0 / 4.2	102 / 106
1.6 TDI CR DSG Start&Stop	81	110		•	4.3 / 4.5	3.7 / 3.9	3.9 / 4.1	101 / 105
1.6 TDI CR Start&Stop Ecomotive	81	110	•		4.1	3.4	3.6	94
1.6 TDI CR Start&Stop 4Drive (ST / X-PERIENCE)	81	110	•		5.6 / 5.7	4.2 / 4.3	4.7 / 4.8	123 / 124
2.0 TDI CR	110	150	•		5.4 / 5.6	4.1 / 4.3	4.6 / 4.8	119 / 124
2.0 TDI CR Start&Stop	110	150	•		5.2 / 5.4	3.8 / 4.0	4.3 / 4.5	110 / 115
2.0 TDI CR Start&Stop 4Drive (ST / X-PERIENCE)	110	150	•		5.6 / 5.8	4.1 / 4.3	4.7 / 4.9	122 / 126
2.0 TDI CR DSG Start&Stop	110	150		•	5.1 / 5.3	4.0 / 4.2	4.4 / 4.6	115 / 120
2.0 TDI CR Start&Stop	135	184	•		5.3 / 5.4	4.1 / 4.2	4.5 / 4.6	118 / 121
2.0 TDI CR DSG Start&Stop	135	184		•	5.4 / 5.7	4.2 / 4.3	4.6 / 4.8	120 / 125
2.0 TDI CR DSG Start&Stop (X-PERIENCE)	135	184		•	6.1	6.1	5.4	139
ALHAMBRA								
1.4 TSI Start&Stop	110	150	•		7.9 / 8.0	5.5 / 5.6	6.4 / 6.5	148 / 151
1.4 TSI DSG Start&Stop	110	150		•	8.0 / 8.1	5.8 / 5.9	6.6 / 6.7	154 / 157
2.0 TSI DSG Start&Stop	162	220		•	9.2 / 9.3	6.0 / 6.1	7.2 / 7.3	167 / 168
2.0 TDI CR Start&Stop	85 / 110	115 / 150	•		6.0 / 6.1	4.5 / 4.6	5.0 / 5.1	130 / 132
2.0 TDI CR DSG Start&Stop	110	150		•	5.9	4.7	5.2	136 / 137
2.0 TDI CR 4WD Start&Stop	110	150	•		6.7	5.0	5.6	146 / 147
2.0 TDI CR Start&Stop	135	184	•		6.7	4.5	5.3	138 / 139
2.0 TDI CR DSG Start&Stop	135	184		•	6.1	4.8	5.3	138 / 139
2.0 TDI CR DSG Start&Stop 4 Drive	135	184		•	6.6 / 6.8	5.1 / 5.3	5.7 / 5.9	149 / 154
ATECA								
1.0 TSI MQ Start&Stop	85	115	•		6.2 / 6.3	4.6 / 4.7	5.2 / 5.3	119 / 120
1.4 TSI MQ Start&Stop SS ACT	110	150	•		6.2 / 6.3	4.8 / 4.9	5.3 / 5.4	122 / 123
1.4 TSI DQ Start&Stop SS ACT DSG	110	150		•	6.4	4.9	5.4 / 5.5	123 / 124
1.4 TSI MQ Start&Stop 4WD ACT	110	150	•		6.9 / 7	5.5 / 5.6	6 / 6.1	138 / 139
1.4 TSI DQ Start&Stop 4WD ACT DSG	110	150		•	7.2	5.7 / 5.8	6.2 / 6.3	143 / 144
1.6 TDI MQ Start&Stop	85	115	•		4.7 / 4.8	4.1 / 4.2	4.3 / 4.4	113 / 114
2.0 TDI MQ Start&Stop 4WD	110	150	•		5.8 / 5.9	4.6 / 4.7	5 / 5.1	128 / 129
2.0 TDI DQ Start&Stop 4WD DSG	140	190		•	5.9 / 6	4.8 / 4.9	5.2 / 5.3	134 / 135

(*) Engines sold in European Union in 2016. Discontinued models not included.

(**) Where different models provide different results, data shown refer to minimum and maximum values.

(***) Consumption (m³/100km - kg/100km).

SEAT CREDITS

This version sets forth the Management Report, the Auditors' Report and the Annual Accounts of SEAT, S.A. (Balance Sheet, Profit and Loss Statement, Statement of Changes in Equity, Cash Flow Statement, Notes and Appendices 1 and 2) for the year 2016, compiled according to the criteria and rules established by Spanish law*.

This version of the Annual Report is a translation of the Spanish original. Once approved by the General Meeting of Shareholders, the Annual Accounts and Management Report will be deposited in the Barcelona Mercantile Register together with the Auditors' Report. These reports are authoritative.

The Consolidated Annual Accounts of VOLKSWAGEN AG, jointly with its Management Report and Auditors' Certificate will be deposited at the same Registry**.

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