

@the next level

Annual Report 2017





The work of all the professionals that form part of SEAT and the success of the projects that have been carried out in recent years have elevated SEAT to the next level.





SEAT Mi.



SEE WEBSITE



Cool

Driving a SEAT Mii means putting more colour into your life. From the elegant Black and White, to the sophisticated Blue and Atom Grey, to the spectacular Velvet and Titanium: the attractive designs of the SEAT Mii never go out of fashion.



If you want something, go for it. The sooner you start living the way you want to, the longer you will enjoy it. The new SEAT Ibiza is created to take you as far as you want to go. Set yourself a destination and its Full LED headlights will light up your way. The only secret is to take the first step.

Mobility



SEAT Ibiza.



SEE WEBSITE

Emotion

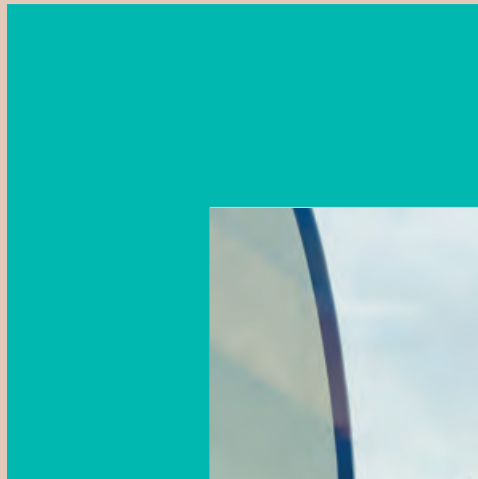


SEAT Leon.



SEE WEBSITE

The SEAT Leon CUPRA has been designed with an aerodynamic, agile and contemporary shape. Its modern and unmistakable attraction is due to its aerodynamic design that makes this beauty as much a pleasure to look at as it is to drive.





Travelling as a family does not mean you have to sacrifice fun and performance. The SEAT Toledo combines the elegance of a sedan with the versatility of a family car. It is a safe and high-quality vehicle intended for those who do not want to miss the opportunity to enjoy a dynamic driving experience.

Family

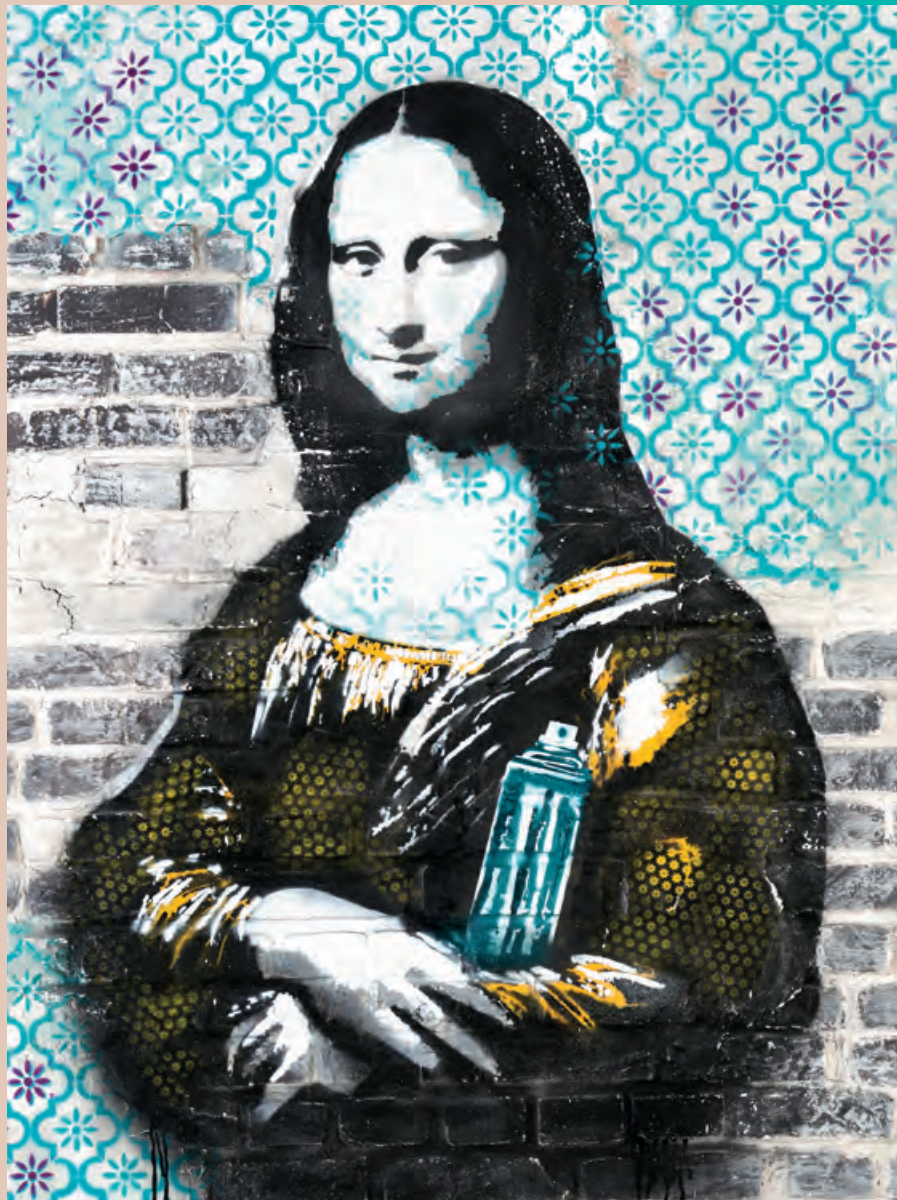


SEAT Toledo.



SEE WEBSITE

They can say this, that or the other, but when you know what you want, you don't need to give explanations to anyone. The new SEAT Arona is here: SEAT's crossover vehicle, designed for those who have a lot to say and even more to do. It comes equipped with a high-performance, agile and powerful engine to take on the world, your way.



Urban



SEAT Arona.



SEE WEBSITE



SEAT Ateca.



SEE WEBSITE

City

Get your daily routine to run to perfection with advanced technology designed to bring you the most optimised urban experience. With Full Link technology, you can connect your smartphone and enjoy your apps as you drive, while the wireless charger allows you to charge your phone effortlessly.





Travel

The SEAT Alhambra MPV has been designed to stand out among the vehicles in its class. The capacity of this seven-seater car and the family energy it gives off at first glance are not the only strong points of such a complete family car.



SEAT Alhambra.



SEE WEBSITE





**Nothing
can stop
us.**

**We dream of turning SEAT into the brand
that will provide the easiest mobility experience.
What can stop us?**

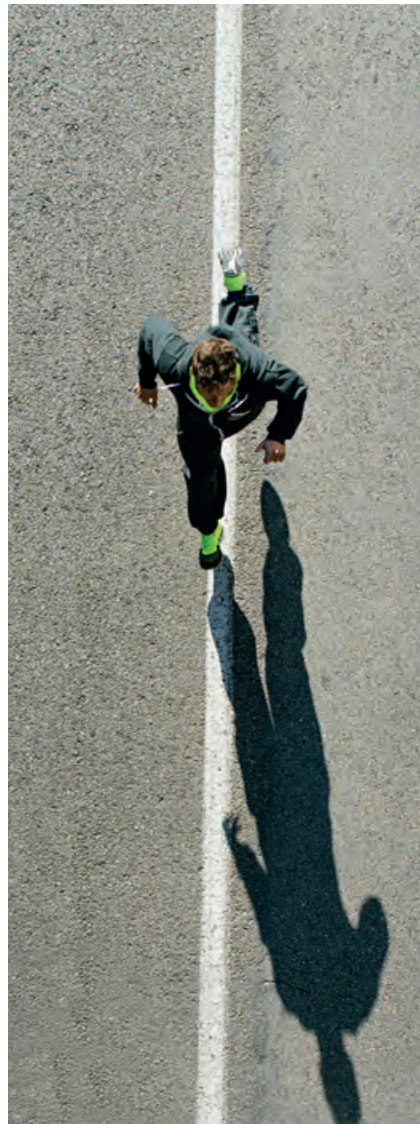
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#
moving
forward

Management

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**Advancing
towards
the future.**





2017, a year of records

Luca de Meo

Chairman of the Executive Committee of SEAT

SEAT steps on the accelerator

Dr. Francisco Javier García Sanz

Chairman of the Board of Directors of SEAT





Isidro Fainé

Chairman of the "la Caixa" Group

For years, Gas Natural Fenosa and SEAT have been firmly pursuing Compressed Natural Gas (CNG) as a sustainable and efficient alternative fuel. What does the future hold for the use of CNG in cars?

Luca de Meo: CNG vehicles make an active contribution to efficient mobility in cities, reducing emissions and complying with new environmental criteria. Italy has been a leader in the use of this fuel in Europe and we are convinced that other countries can follow its example and pursue the same path. CNG has become one of the major alternatives in the transition from combustion engine vehicles to electric vehicles. SEAT already has three models powered by CNG (Mii, Ibiza and Leon), with the Arona due to join them this year. For it to be implemented fully, however, we need it to become a more accessible technology. To this end, the support of the public administrations and greater investment in infrastructure to increase the number of recharge points are essential.

To talk about SEAT and 2017 is to talk about transformation. Over the last twelve months, the company has experienced the change heralded in previous years - a change that allows us to ensure that SEAT now finds itself in a whole new dimension, both in the market as a whole and within the Volkswagen Group.

There are three factors that explain this paradigm shift. One of them is the company's results. Sometimes the numbers speak for themselves and I think that is the case on this occasion. For the fifth consecutive year, SEAT has ended the year with growth, reaching nearly 470,000 vehicles sold. This is almost 15% more than in 2016 and represents the best result in the last 16 years. Furthermore, the company has achieved historical sales records in many of its major markets, such as Germany and the United Kingdom, which has placed us among the fastest growing car brands in Europe with two-digit growth.

The second factor is SEAT's product strategy. The encouraging sales are sustained by the biggest offensive of new models in the company's history, which began in 2016 with the launch of the Ateca and continued in 2017 with the facelift of the Leon, the launch of the fifth generation of the Ibiza, the premiere of the Arona, SEAT's first crossover and the announcement of the Tarraco, an SUV with up to seven seats for 2018. These new vehicles allow us to ramp up production and have a direct bearing on job creation, generating up to 500 new jobs in our facilities between 2015 and 2017.

Lastly, this change could not be explained without a firm commitment to the future. Digitalisation has been one of the company's priorities over the past year and 2017 saw the inauguration of our digital centre Metropolis:Lab Barcelona, as well as agreements being drawn up with Amazon Alexa, Telefónica and Saba, our carsharing projects and a whole host of other initiatives.

All in all, 2017 has been a year of transformation for SEAT. It has been a year in which, thanks to each of our employees and collaborators, we have managed to take that step we have been working towards to offer better results, a more extensive range and optimum service to our customers. Ladies and gentlemen, I would like to thank you all and welcome you to the next level.

“SEAT now finds itself in a whole new dimension, both in the market as a whole and within the Volkswagen Group”



For SEAT, 2017 has been the year of acceleration and growth driven by new product launches. Twelve months on, it is time to take stock and reflect on the company's current situation. To do this, allow me to start by looking back. Two years ago, we were able to return to profitability. After times of containment, SEAT became profitable once again thanks to the effort, rigour, commitment and talent of all the members of the company. Since then, the acceleration we have experienced has been extraordinary.

Returning to the present, SEAT has finished 2017 with a net profit of 281 million euros, 21% higher than the prior year before extraordinary items. We are now seeing the results of the most significant product offensive in the company's history. This has made us one of the fastest growing companies in the sector in Europe, placing us in a privileged position within the Volkswagen Group.

If we look at the core elements that make up our 2025 strategic plan, as of today we can be sure that we are complying with the roadmap laid out. With the new releases, we now have a portfolio that answers our customers' needs. We have been able to adapt to the new market trends, developing models in segments experiencing growth and prioritising customer satisfaction and the achievement of the strategic objectives over everything else. This has allowed us to achieve record sales in key markets in the last year and to take a firm step forward in many others. In addition, we have established ourselves as one of the most important employers in Spain and we have deepened our contribution to the growth of the Spanish economy even more.

Having reached this point, now is not the time to stop. The virtuous circle in which we have placed ourselves obliges us to continue to move forward, to make a firm commitment to R&D and digitalisation and to be bold. There are no limits to our capacity to continue improving and improvement is what will lead us to our goal: to aspire to be leaders and not followers.

We are ready. Take a seat, fasten your seat belt and enjoy, because SEAT will continue to step firmly on the accelerator.

“The virtuous circle in which we have placed ourselves obliges us to continue to move forward”



Juan Rosell

President of the CEOE

The car industry has become one of Spain's main economic drivers. What aspects does the sector need to work on in order to remain a major player in Europe and at a global level?

Dr. García Sanz: The Spanish automotive industry is undergoing an important period of acceleration. We represent 10% of the national GDP, we are the second largest vehicle manufacturer in Europe and the eighth largest in the world. We have a network of first-rate suppliers and very good infrastructure. Most importantly, the country has the foundations on which to sustain a prosperous future full of growth.

At the same time, it is necessary to continue to make progress and to strive to not be left behind. We must continue to improve competitiveness and drive the sector forward so that it can become one of the catalysts for the shift of Spain's production model towards digitalisation. What is the key to bringing all this about? We have no doubt about it: investing in R&D and big industry plans that drive both Spain's industry and its economy in general, just as the CEOE has set out in its report "Industry as a driver of growth: analysis and recommendations", which was debated in the Congress of Deputies.

“Digitalisation represents a major opportunity and a transformation in which we are all taking part”

Luca de Meo



Katja Trippen

HMI Infotainment technician at SEAT

What plans does SEAT have for training its employees and adapting to the inevitable digital transformation?



Luca de Meo: The world is changing and, logically, so are companies. Digitalisation represents a major opportunity and a transformation in processes in which we are all taking part, either directly or indirectly. Our commitment to training in this regard is absolute and we are fully aware of its importance for our employees' development.

Over the last few years we have hired more than 150 professionals for positions related to digitalisation and we are working to carry out a campaign to increase our digital capabilities, through the so-called SEAT Digital Index. In parallel, our programme for trainees now has a new format which we call Digital Trainees, and we are going to offer training plans to all SEAT staff so that they can access the training in their free time, whether it is related to their job position or not.





Salvador Alemany
Chairman of the Abertis Group

We are witnessing a transformation of mobility as a result of new consumer habits, the technological revolution and environmental factors. How should the car industry and infrastructure facilities deal with this global shift to achieve a leading position?

“For the implementation of the car of the future, we will all need to be aligned in the same direction”

Dr. Francisco Javier García Sanz

Dr. García Sanz: The car industry is currently facing the biggest transformation in its history. In just one decade, it will undergo a paradigm shift that will completely change how we currently understand the mobility of people. If we add to this the need to improve air quality and new consumer habits, we see the irruption of the three technologies that will define the car of the future: the electric car, the connected car and the autonomous car.

With this in mind, are we ready for the change? The challenge that lies before us requires the involvement of all players. The car of the future requires infrastructure and legislation consistent with the changes it will undergo. Furthermore, in order to ensure its implementation, industry, administrations and associations will need to cooperate and we will all need to be aligned in the same direction.





Andrea Dovizioso

MotoGP motorcycle racer

We have recently witnessed the launch of the new CUPRA brand. What plans does SEAT have for this brand?

Luca de Meo: CUPRA represents a major opportunity for our customers, for our dealerships and also for SEAT. The new brand, which over the years had already become an emblem, will now have an independent personality of its own.

From now on, a new phase begins in which CUPRA reinterprets sportsmanship and offers experiences which extend beyond just the car. During 2018, the public will see the first ideas that we have prepared, and I can guarantee that they will be surprised.

“SEAT has a network of first-rate suppliers”

Dr. Francisco Javier García Sanz



José Manuel Sánchez

Manufacturing supervisor at SEAT

The Martorell factory is increasingly digitalised and now has more than 2,000 robots operating in its facilities. What challenges does Industry 4.0 pose today?

Dr. García Sanz: Adapting its production centres to Industry 4.0 is one of SEAT's biggest commitments at the present time. The company is in the midst of digitalising its production plants and, in addition to the more than 2,000 robots, it is already using technologies that are key to the digital transformation of industry, such as virtual reality and 3D printing.

Our goal for the present and the future is to continue to push training so that our team can continuously learn, helping them to adapt to this new paradigm. To this end, in 2017 we launched a training programme on the fourth industrial revolution, with the aim of allowing employees to develop their full potential by transforming themselves together with the industry.





Carlos Grau
CEO of Mobile World Capital
Barcelona

At SEAT, you consider the car to be the second digital platform, after the mobile phone. Could you describe what services the car of the future will offer users?

Luca de Meo: At SEAT, we are working to create an ecosystem in which the car is no longer simply an object that transports us but becomes a digital platform, fully integrated into and connected to this new ecosystem. Our goal is to help to define the mobility of the future, and we believe that optimising the time that drivers and passengers spend in their cars is one of the key aspects of this change.

The connected car will also play an essential role in terms of safety. Information shared between users and the urban infrastructure will improve mobility and minimise the number of accidents in cities.

“Our goal is to contribute to defining the mobility of the future”

Luca de Meo



María Helena Antolín
President of SERNAUTO

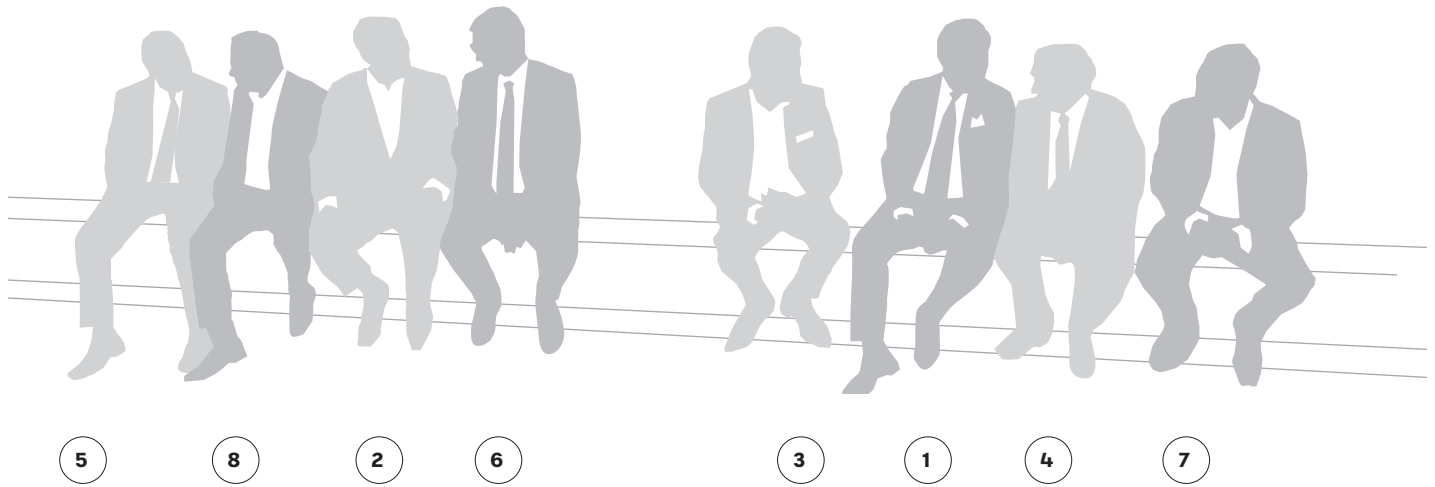
SEAT is firmly committed to positioning the Martorell factory as a benchmark in Spain’s industrial sector. What is the role of Spanish suppliers in achieving this goal?

Dr. García Sanz: Today, Martorell is the car factory that produces the most cars in Spain. This is largely thanks to the network of first-rate component suppliers and industry available to SEAT and the Volkswagen Group in Spain. Over 60% of the factory’s suppliers are based in Spain, a figure which we are convinced will increase over the next few years with the introduction of the models manufactured on the new MQB A0 platform, which SEAT first used with the Ibiza, and if the sector maintains its current level of excellence. SEAT’s use of national suppliers represents one of the foundations on which its progress and that of the car industry in Spain is based. In fact, we are convinced that without this top-level industry, we could not have achieved the production figures we have today.

Moving to the next level







Board of Directors.

Chairman

Dr. Francisco Javier García Sanz

Board Members

Dra. Ingrun-Ulla Bartölke

Dr. Karlheinz Blessing

Dr. Oliver Blume

Luca de Meo

Bernd Osterloh

Dr. Stefan Piëch

Dr. Josep Piqué

Mark Philipp Porsche

Secretary and Legal Counsel

Luis Comas Martínez de Tejada

The Extraordinary and Universal Shareholders' Meeting of the Company, in its session held on 25 November 2016, appointed Dr. Karlheinz Blessing and Dr. Josep Piqué as new members of the Board of Directors, with effect as of 2 January 2017.

The Extraordinary and Universal Shareholders' Meeting of the Company, in its session held on 31 March 2017, appointed Dr. Ingrun-Ulla Bartölke as a new member of the Board of Directors, replacing Klaus-Gerhard Wolpert, all with effect as of the same day.

Executive Committee.

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

The Board of Directors of the Company, at its meeting held on 31 March 2017, agreed to appoint Luis Comas Martínez de Tejada as vice-president of Legal Services and Good Governance of SEAT, with effect as of 1 April 2017.

On 1 February 2018, Dr. Andreas Tostmann became vice-president of the Production and Logistics division of the Volkswagen brand.

#
all
together



**I say
SEAT.**



Management Report

Creating the future #37

Corporate Social Responsibility,
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Production and Quality #81

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01

Creating the future

Digitalisation is one of the great challenges that SEAT is currently facing and which it will continue to address in the future. A large part of the brand's digital strategy is built around the user, who is offered a complete and integrated experience behind the wheel of SEAT vehicles. The goal: to make people's lives easier and become a leader in new mobility.

Easy Mobility Team **#38**

Connected customers, connected cars. **#40**

New mobility services **#45**

Easy Mobility Team

For SEAT, 2017 has been a year full of initiatives in the field of car connectivity, some of which are still in the process of being implemented. Digitalisation is one of the company's current challenges – a process of change that is already affecting not only how the brand relates with its customers, but also how they relate with their vehicles and how the cars interact with a changing environment in terms of mobility.

In order to achieve its goal of becoming one of the leading companies in the fields of connectivity and digitalisation, and to offer its customers an easier mobility experience, in 2016 SEAT created the Easy Mobility Team. This is a cross-disciplinary team which aims to lead SEAT's transformation in the spheres of digitalisation, R&D, customer experience and the development of new businesses.

The Easy Mobility Team's work involves using technology and connectivity to prioritise the development of future mobility concepts and the way in which the company, customers and dealerships interact with each other. The goal is to enhance the brand's online presence so that it can have a network made up of truly digital distributors and so that its value-added services and connectivity can help to improve the experience of SEAT vehicle users and owners.

The company intends to continue to monitor the market in order to learn and discover new business opportunities that will enrich its value proposition. At the same time, the brand's digital ecosystem will continue to be consolidated by establishing strategic agreements with partners that enable it to become a benchmark in the world of connected mobility.

The Easy Mobility Team's work involves prioritising the development of future mobility concepts and the manner in which the company, customers and dealerships interact with each other.



Connected customers, connected cars.

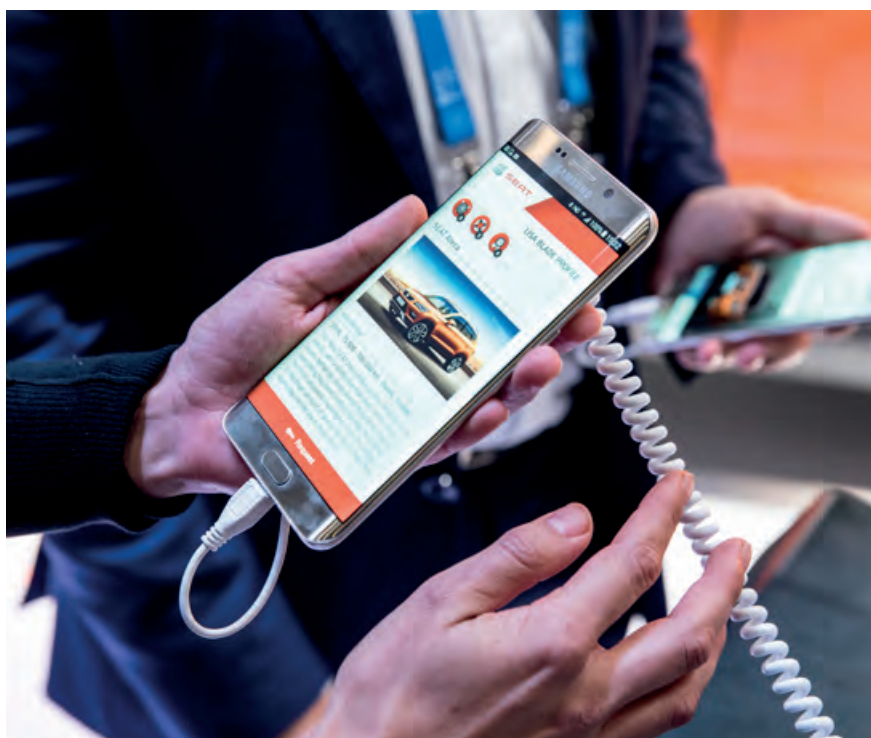
As part of SEAT's commitment to connectivity, the company is creating the gateway to the digital ecosystem, the SEAT ID, which allows users to customise and enhance their experience.

As part of SEAT's commitment to connectivity, the company is creating the gateway to the digital ecosystem: the SEAT ID, a tool that allows users to customise and enhance their experience. This technology, which will be released onto the market in April 2018, will make it easy for customers to access the full range of applications linked to their profile once they have registered in the SEAT system.

The process of creating a SEAT ID begins when the user sets up a personal account through SEAT's website or app and establishes a unique and personal username (ID). By creating this account, the privacy of which the customer has full control of at all times, customers obtain a unique key that gives them access to SEAT's entire digital ecosystem, including customer touchpoints, connected car digital services and mobility services.

The platform that will drive this new relationship between SEAT and its users is My SEAT App, which will become the first digital service to incorporate the SEAT ID. After installing this application on their smartphones and connecting to it using their unique ID, users will have access to all the applications that make up the SEAT ecosystem – as well as those that will be added to it in the future – without having to register for each of them one at a time. A simple touch on their phone screen will be all it will take.

My SEAT App is already preparing the launch of its latest version, which will offer drivers a variety of information about their SEAT vehicle and will even convert older models into connected cars. In such cases, the app will allow users to access the car's interactive manual and maintenance log, keep up to date with SEAT's latest news and promotions, arrange an appointment with a dealership or use geolocation to remember where they parked their car.



The new models equipped with the Dataplug port will offer even more attractive benefits through My SEAT App, such as providing information on the vehicle's metrics (mileage, consumption or fuel level, among others), issuing alerts on the status of items such as the brakes or the engine cooling system and saving information about journeys made, such as the date, time, distance and cost. There is also the possibility to add the Dataplug port to older cars. Users interested in this option can refer to SEAT's website to view a list of models that are compatible with this technology.



The implementation of the SEAT ID will arrive with SEAT CONNECT, a range of connectivity services that will be incorporated into the brand's cars in Europe during 2018. With this range of services, customers will be "always connected", while the range of products will be expanded to provide information and new features over the internet. These features include automatic emergency calls in the event of an accident, real-time traffic information and remote access to the status of the vehicle through the user's smartphone.

The SEAT CONNECT range of services will grow in the coming years through the incorporation of customisation functions, predictive navigation, a digital key and infotainment apps (applications that can be directly downloaded onto the car's browser). Online e-mobility services will also be added, as well as other features on demand.

SEAT CONNECT is part of the philosophy of offering the customer a positive user experience starting from their very first contact with the brand right up until the very end. The goal is to create a new paradigm in the relationship between the user and the brand that starts with the purchase of not only a car, but also the added connectivity services, and continues with the vehicle registration on the user portal or mobile application, the activation of the services contracted, their daily use and the annual renewal through a new e-commerce platform.

The company made several qualitative leaps in the customer's connection with the vehicle during 2017. One of them was the launch of the Android Auto version of the SEAT DriveApp. By using this technology, drivers who have Android phones can use their mobile phones to bring up information about their vehicle on the car's in-built screen thanks to the synchronisation between the two devices, allowing them to view it while they drive in a safe and convenient manner.

Another milestone was the implementation of the Full Link system, which allows users to connect their cars with their mobile devices through three available options: Apple CarPlay, Android Auto and MirrorLink. Full Link, the new infotainment system that is fully integrated into SEAT cars, offers users a whole world of possibilities when connecting their smartphone to their car, especially when combined with the benefits of the SEAT DriveApp.





The implementation of the Full Link system allows users to connect their cars with their mobile devices through three available options: Apple CarPlay, Android Auto and MirrorLink.

Apple CarPlay is a technology that offers users a safe way to use their iPhone while driving a SEAT by controlling the phone using the car's built-in screen, using the Siri Assistant or simply with a gesture. Maps, calls, messages, music, applications... all controlled by voice or by a movement.

Developed by Google, Android Auto makes it possible for users to control their smartphone using their voice and to access the benefits of Google Services and different applications using the steering wheel buttons or using the SEAT car's built-in screen.

With regard to MirrorLink, this technology is designed for drivers who wish to stay connected at all times, without taking their hands off the steering wheel or their eyes off the road. An example of this is the Read to Me function, which reads out for the driver any messages received on social networks that they have synced beforehand.

To enjoy the applications that Full Link offers, users simply connect their smartphone to the car's USB port. From that moment on, the user can use the buttons on the steering wheel, their SEAT's touch screen or voice commands to access a new way of relating to their vehicle, which will make each drive a unique experience.

With these initiatives, SEAT is responding to a public that demands easy-to-use features in the areas of safety, driver assistance, support and maintenance, all on the basis of the brand's strategy for the coming years: the connected car.





The company is working on the development and implementation of new technologies in SEAT vehicles that make it possible to offer drivers a perfect, unique and easy experience at the wheel of their car. This mission has been bolstered by the agreements signed with different partners.

SEAT's digital ecosystem is growing day by day and the brand's intention is to incorporate some of the new features into the models that are launched onto the market in 2018 and 2019. Real-time traffic forecasts, route recommendations and suggestions based on changes in the driver's agenda are just some of the technologies that are being developed in collaboration with technology partners such as Google Waze, Amazon Alexa, Telefónica and Saba. New partners in sectors such as financial services, mobile applications, insurance, payment methods and telecommunications are expected to be added to this list.

In May, the Automobile Barcelona event was the stage chosen by SEAT to present the new Waze app for Android Auto, Google's GPS navigation application, which will be compatible with all of the brand's cars equipped with Full Link, such as the new Ibiza. The incorporation of one of the most widely-used and well-regarded navigation apps reflects SEAT's desire to provide connectivity technologies to facilitate mobility for those who have Waze in their vehicle, offering significant added value.

Another great car event, in this case the Frankfurt Motor Show held in September, served as the stage for SEAT to announce that it would be the first car brand in Europe to integrate the interactive voice service Amazon Alexa into its vehicles, currently available in English and German. This system has been included in the Leon and Ateca models since late 2017, and it will be added to the Ibiza, the Arona and the new SUV during 2018. With Alexa, SEAT customers will be able to press a





button and ask about the latest news, control their home remotely, manage the relationship with their agent or locate any point of interest, to name just a few of the more than 20,000 features that the service offers drivers. The integration of Alexa into the SEAT range will continue to grow, such that an increasingly wide range of benefits will become available to users.

Thanks to this innovation, in October AUTOBEST awarded the SMARTBEST 2017 special award to SEAT for being the first brand in Europe to integrate Amazon Alexa into its range of cars. This is the first award in the world dedicated to connectivity in the automotive industry.

In the same vein, the company and Telefónica also signed an agreement in October to work together on innovative initiatives in the automotive industry. This agreement, which will position SEAT as a benchmark in connected and digitalised mobility solutions and which incorporates Telefónica into its digital ecosystem, focuses on three main areas: the shared use of insights to design optimised mobility solutions, the implementation of 5G connectivity in the connected car and the pursuit of digital transformation projects within the manufacturing process. The alliance will allow SEAT to have solutions that make the driver's life easier within the brand's vehicles and improve the management of urban mobility, on the one hand, while also bolstering production processes and the company's relationships with suppliers as part of Industry 4.0.

SEAT has signed agreements with different partners for the development and implementation of new technologies in its vehicles.

In addition, SEAT and Champion Motors Ltd., importer of the brand in Israel, created XPLORA, a cross-disciplinary team of specialists focused on technological innovation projects related to the connected car and smart mobility services. The goal is to develop the company's relationship with Israeli startups and other players related to mobility and to identify innovative projects that may lead to new solutions and business models for the company. This initiative, which is based in Tel Aviv and will operate throughout Israel, will have an initial team of three professionals who will begin with a startup-scouting phase, selecting the best innovations and analysing their implementation in pilot tests in SEAT.



New mobility services.

New mobility is one of the strands of SEAT's future strategy. It is in this context that an agreement was signed between the company and Barcelona City Council to promote the entrepreneurial ecosystem and business cooperation in the field of sustainable mobility. The intention of this agreement is to encourage experiences that create synergies between SEAT, startups, the academic world and small and medium-sized enterprises. The company took the first step in April with the launch of the SEAT Metropolis:Lab Barcelona, the mission of which is to seek smart solutions for the mobility of the future.

SEAT also reached an agreement in May with Saba, a leading operator in the development of urban mobility solutions and a specialist in car park management. Saba is incorporated into SEAT's digital ecosystem in order to facilitate the creation of services that make mobility easier for drivers, with new features related to parking such as the ability to book parking spaces and pay by mobile phone. In addition, the two companies will jointly study additional services for when cars are parked, such as the delivery of shopping to the car, refuelling and the installation of charging points in Barcelona's car park network.

In 2017, the company also participated in a programme of the IESE business school. In this programme, students of the Executive MBA had to identify new business opportunities and ways to generate revenues from new mobility models applied to citizens and visitors of big cities such as London and Barcelona. Some of the proposals were submitted to SEAT experts to be evaluated.

In this same context of collaboration, the company gave an Ateca to the Barcelona-based startup beMobile, for it to develop new apps and explore new business opportunities and smart and creative solutions in the field of urban mobility and the connected car over a six-month period.

Mobility was also present in SEAT at an internal level during 2017. The first SEAT Trainee Day was focused on the theme of electro-mobility, providing participants in this development programme the opportunity to discover the key points and challenges of this technology.

New mobility is one of the strands of SEAT's future strategy.



The “Connected Sharing” project aims to create advanced mobility solutions that allow SEAT to penetrate new business models.

At the same time, in 2017 the company launched the first of the pilot schemes to develop and refine the “Connected Sharing” project, the goal of which is to create advanced mobility solutions that allow SEAT to penetrate new business models. The purpose of the first phase of this programme was to digitalise the lending of corporate vehicles – Leon and Ateca models – to employees, who were able to use this fleet for free in two situations: from Monday to Thursday to go home, or on Friday to enjoy the car over the weekend. Staff who used this service had to download an application for their smartphone, which functioned as a digital key for the car and which was used to manage the lending process. In addition, weekend users had to fill out a feedback survey to help improve the service and to assist the team developing the definitive version of the app. The “Connected Sharing” project will continue with a second phase in which more vehicles will be added and the shared consumption model will be expanded.

In order to enhance mobility, SEAT also launched a car-sharing trial using a fleet of the brand’s electric model, the eMii. The cars are available to members of the SEAT Metropolis:Lab, as well as to employees of the startups that are located in Pier01, in the Palau de Mar building in Barcelona.





SEAT Metropolis:Lab Barcelona

One of the highlights among the initiatives of 2017 in the sphere of mobility and the connected car was the launch of the SEAT Metropolis:Lab in Barcelona, which was officially launched in March as part of the Mobile World Congress (MWC) held in the Catalan capital.

It is a digital development laboratory which is intended to research and develop solutions that will help to position the company at the forefront of the connected car, creating software and algorithms directly related to mobility.

The SEAT Metropolis:Lab Barcelona, which joins the Volkswagen Group's existing network of IT-labs located in Wolfsburg, Berlin, Munich and San Francisco, began operating in April and has a team of experts that will grow over the next few years.

The laboratory is developing smart solutions to tackle the mobility challenges that cities will face in the future. Two of the key elements of the laboratory's research and development in the coming months will be solutions focused on car-sharing and on-demand journeys in cities.

With the creation of the SEAT Metropolis:Lab Barcelona, the company is strengthening its collaboration with the city to boost innovation and sustainable mobility and, through the use of mobile technology and big data, to optimise the relationship between citizens, the smart city and mobility services.

Future Mobility Day 2017

More than 500 people attended the Future Mobility Day 2017 held in November, which served as the stage to present 39 projects developed by the Research division of the Volkswagen Group, by doctoral students of SEAT, as well as by CARNET (the Cooperative Automotive Research Network) and other research centres and universities.

Two of the projects that raised the most expectations were "Empathic Assistant" and "Augmented Driving". The former allows for a new type of interaction between the user and the car using a virtual assistant, while the latter aims to improve driving experience through the use of augmented reality.

The Future Mobility Day 2017, which takes the place of the former Innovation Day, also included six presentations on trends in research, automotive technologies and environmental proposals, and current topics were presented to SEAT's management team related to electric motor and battery technologies, new concepts related to vehicles and HMI (Human Machine Interface), data intelligence, simulation and safety.



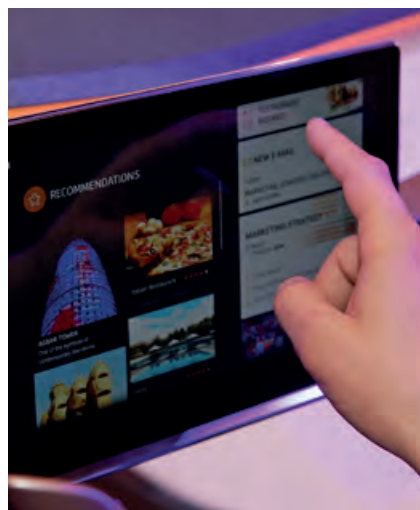
SEAT at the Barcelona Mobile World Congress

The company's presence at the Mobile World Congress (MWC) in Barcelona, held between 27 February and 2 March, revolved around the presentation of the digital ecosystem which is intended to improve users' experience and their relationship with the car and the environment, thus consolidating the brand's intention to become a front-runner in connectivity technologies applied to vehicles.

In addition to presenting the new SEAT Metropolis:Lab Barcelona at the congress, the brand unveiled its predictive navigation concept, a system that predicts traffic congestion to suggest alternatives by assessing variables such as real-time information on the start and finish times of schools, events and weather conditions. The predictive assistant helps the driver to optimise their time by anticipating their needs and automatically offering suggestions depending on the context, even before the user is in the car.

The company was also present at the "TraviPay powered by SEAT" stand of the mobile payments specialist Sunhill. In this space, three SEAT models equipped with Full Link technology demonstrated the potential of the connected car and the effectiveness of the TraviPay system for booking parking spaces and paying by mobile phone.

Also at the MWC, SEAT participated in a series of conferences in which different speakers addressed the topic of connectivity, it had a space of its own in the 4 Years From Now (4YFN) area where the company focused on recruiting young talent, and it formed part of the Youth Mobile Festival (YOMO), intended to bring science and technology closer to young people from all over Spain.



SEAT attended the seventh edition of the Smart City Expo World Congress 2017 with significant new developments in the sphere of future mobility.

Participation in the Smart City Expo World Congress 2017

SEAT attended the seventh edition of the Smart City Expo World Congress 2017, held in November in Barcelona, with significant new developments in the sphere of future mobility in smart cities.

The most notable of such developments was the presentation of the SEAT Leon Cristobal, the safest car in the brand's history. This model is a concept car that incorporates six advanced safety assistants that can help to reduce the main causes of traffic accidents: distractions, tiredness, excessive speed and alcohol consumption.

In the field of efficient mobility, the event offered SEAT the opportunity to present the results of the first project of its Metropolis:Lab Barcelona. Specifically, the company presented "About It", an app that is intended to become the new companion of mobility in the city of Barcelona and which displays the locations of electric vehicle charging stations, biking parking stations for the city's public bicycles and black spots with the highest concentration of accidents in Barcelona.

The company also presented the Virtual Mobility Lab, an initiative of CARNET – the only urban mobility research centre focused on Barcelona, founded by SEAT, Volkswagen Group Research and the Polytechnic University of Catalonia (Universitat Politècnica de Catalunya) – which uses simulations to analyse and evaluate the impact of mobility projects in Barcelona and allows the results to be extrapolated before carrying out any pilot tests.

SEAT's efforts in the field of mobility were recognised by the congress with the World Smart City Award in the Mobility category for the company's Easy Mobility strategy, which includes the integration into its vehicles of Google's smart navigator Waze, the voice assistant Amazon Alexa and the application TraviPay, among other technologies.



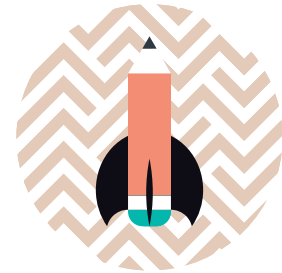
Supporting entrepreneurs

During the car technology congress known as Connected Hub, which took place in May as part of the Automobile Barcelona event, SEAT offered a sample of its SEAT Accelerator by Connector programme, its startup "accelerator" which aims to combine the brand's traditional business with the processes and creativity of new digital companies.

After several months in which the six projects of the startups participating in the first edition of the programme enjoyed SEAT's support, four of the proposals came to fruition in the Connected Hub during the Demo Day. The representatives of each initiative presented their business models related to mobility, logistics and the future of autonomous vehicles to future investors and prominent members of the company.

The first edition ended with the success of one of the startups: Innroute. This is a digital platform which uses geolocation to enable logistics operators to sell the empty spaces in their lorries, and plans are in place to carry out a pilot test of this initiative.

In the months during the SEAT Accelerator by Connector programme, the projects presented by the entrepreneurs benefit from a working space in SEAT's facilities and a number of additional benefits: weekly training sessions, savings in the form of supplier services valued at more than 100,000 euros and personalised monitoring and support, in addition to advice from a group of expert mentors for each startup.





02

Corporate Social Responsibility, Compliance and Good Governance

The goal of SEAT's corporate social responsibility policy is to help to build a better future. It applies to the financial, social and environmental spheres under the common framework of sustainability, regulatory compliance and respect for people and the environment.

SEAT is preparing for the future **#52**

A benchmark company in sustainability in the automotive sector **#53**

Risk management, Compliance and Good Governance **#58**

Financial sustainability **#64**

Social sustainability **#67**

Environmental sustainability **#74**



SEAT is preparing for the future.

SEAT has designed its “Strategy 2025” with the goal of defining and prioritising the actions necessary for the company’s sustainable development over the next decade.

The automotive sector is facing a future of profound change arising from financial, environmental, technological, demographic and social factors. SEAT has designed its “2025 Strategy” for the purpose of defining and prioritising the necessary actions for the sustainable development of the company over the next decade.

This strategy’s mission is to develop solutions created in Barcelona to make mobility easy. With this goal in mind, four fundamental pillars have been defined: the transformation of the organisation, the strengthening of the brand, and the globalisation and sustainability of the business.

In 2017, SEAT achieved a positive operating profit for the second consecutive year since 2007, positioning the company on the path to consolidating its profitability. In addition to the effort employed in carrying out the greatest product offensive in the history of the organisation, major advances have been achieved in the areas of connectivity and digitalisation. Therefore, the achievements of recent years have put SEAT in a solid position, allowing it to face its mission and the challenges set by its strategy with confidence.

A benchmark company in sustainability in the automotive sector.

As the greatest producer of vehicles in Spain and one of the main employer companies in the country, SEAT faces and takes on great financial, social and environmental responsibility with all the groups it is linked to: employees, customers, suppliers, shareholders, institutions and society in general. The commitment in this sense goes much further than that required by current legislation, with the vision of being recognised by the stakeholders as one of the most sustainable companies in the automotive industry.

In accordance with the most holistic perspective of the concept, SEAT approaches “sustainability” from its three perspectives: financial, social and environmental sustainability, and has specific goals in each of them in line with the values of the Volkswagen Group.

On an economic level, in 2017, actions like the improvement of efficiency in the use of resources in production plants and the introduction of the most disruptive technologies had a direct impact on the company’s increased profits. In this respect, the progress made in terms of risk management, with the implementation across the whole organisation of a process to anticipate and manage risks that could endanger the achievement of the goals in the short-term, should also be highlighted.

Significant improvements were also achieved in the social sphere in 2017 in various areas, which contributed to the obtaining of the Top Employer award for the third year running. The new initiatives notably include the implementation of the “Women in Management” programme to promote the presence of women in management roles and the inauguration of the Health Care and Rehabilitation Centre (CARS), which positions SEAT as a benchmark company in the healthy company category. From the point of view of the protection of human rights, the company’s participation in the Spanish governmental campaign against gender violence and, on a strategic level, its alignment with the Volkswagen Group to ensure respect for human rights at all levels of the value and supply chain were also important.

The company approaches “sustainability” from its three perspectives: economic, social and environmental sustainability, with specific goals in each of them in line with the values of the Volkswagen Group.



Strategic framework

SEAT's sustainability strategy



Social pillar

Employees
Training programmes, employees/ ambassadors, health and safety, leadership in employment and labour relations

Society
Commitment and contribution to Spanish society in today's context

Economic pillar

Governance
Risk management and compliance

Suppliers
Compliance with the standards of the VW Group for the supply chain

Customers
Customer satisfaction, contribution to the sustainability of SEAT's partners

Profitability and growth
Efficient use of resources

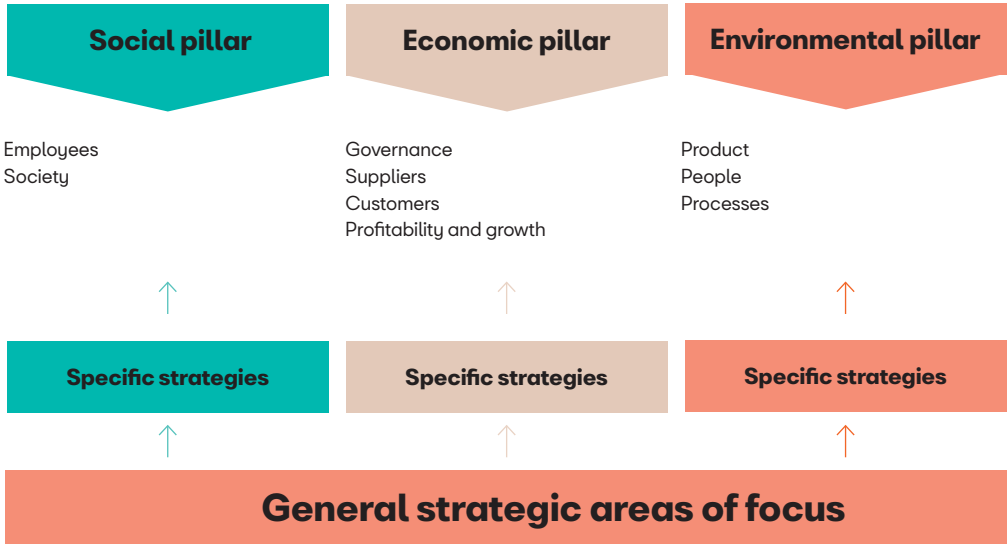
Environmental pillar

Product
Sustainable products, efficient use of resources, limiting CO₂ emissions

People
Recognition as a sustainable brand in the automotive sector

Processes
25% reduction in the main KPIs, reduction of logistics CO₂ emissions

Proposal of strategic areas of focus



Finally, in the framework of SEAT’s environmental strategy and commitment, the results obtained exceeded expectations, demonstrating the importance placed on this aspect by the organisation. Specifically, the “Ecomotive Factory” project to reduce the impact of industrial production on the environment achieved its general goals a year ahead of schedule, which led to the renewal of this commitment with even more demanding goals: to achieve a reduction of 50% in 2025 compared to 2010, in the most relevant environmental indicators and the consumption of resources to produce vehicles. In parallel, with a more long-term vision, the company started to work with the “Zero impact” vision, with the goal of minimising the impact of industrial processes on the environment.

Dialogue with the stakeholders and materiality analysis

With the goal of ensuring that SEAT addresses the interests and concerns of all its stakeholders, the company maintains an active dialogue process with them, generating trust and creating links that allow it to better meet the challenges it shares with society and reinforce collective action. Based on the results of this dialogue, the organisation improves and constantly updates its policies and commitments in terms of corporate social responsibility.

SEAT maintains a process of active dialogue with its stakeholders in order to respond to their interests and concerns.



As a result of this constant dialogue with its stakeholders, SEAT has identified some guidelines to progress towards a relationship model with them in the framework of its sustainability strategy.



Emphasise SEAT's strengths and communicate them

Approach priority stakeholders

Develop and focus on the relevant areas for the stakeholders

In this context, in addition to keeping the map of stakeholders and their priority updated, the company periodically reviews its materiality analysis in order to find out the issues of relevance to each one and understand how these relate to their needs and expectations on a financial, corporate governance, social and environmental level.

The methodology used by SEAT to carry out and review the materiality analysis focuses on the consultation of its main stakeholders and is structured into three phases:

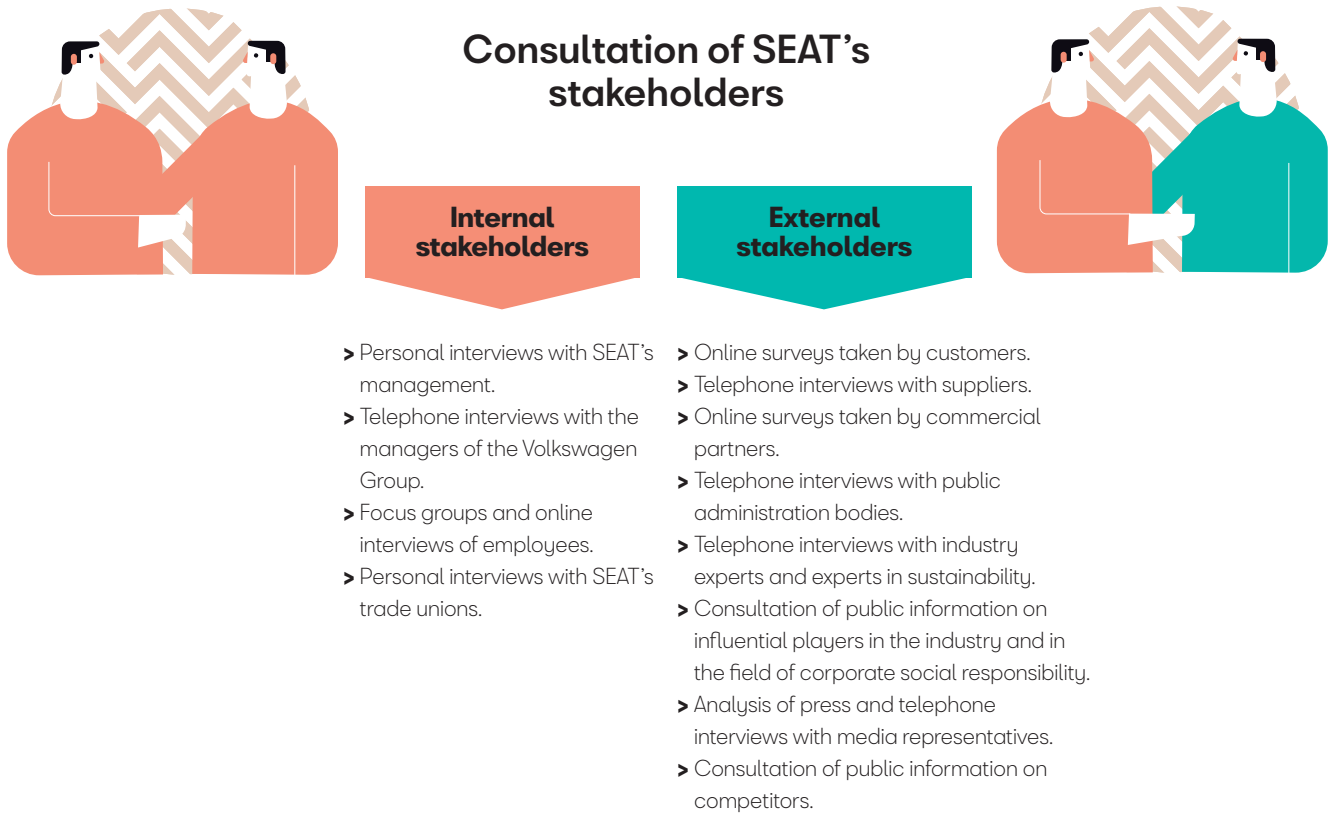
1. Initial identification of issues related to corporate social responsibility

through an analysis of the companies in the industry, sector and sustainability influencers. The list of issues covers aspects related to financial and strategic management, ethics and corporate governance, products and services and innovation, social contribution, suppliers, the environment and responsibility to employees.

2. Consultation of stakeholders to assess and prioritise matters of corporate social responsibility.

During the most recent update of the materiality analysis, SEAT made an effort to maintain dialogue with its most relevant stakeholders, both internal and external, through different communication channels. Specifically, the following stakeholders were consulted:





3. Selection of issues that are important to SEAT, with importance attributed to issues that, from the point of view of both the external and internal stakeholders, reflect the most significant financial, social and environment impacts of the company and affect the evaluations and decisions of the stakeholders.

This analysis gave rise to guidelines for achieving a relationship model with stakeholders in the framework of the sustainability strategy considering the following aspects:

- Characteristics that define SEAT.
- Strengths and areas for improvement in sustainability.
- Sustainability priorities.

During 2017, the actions in the field of corporate social responsibility took into account the priorities obtained in the materiality analyses. These analyses showed that issues in relation to quality, safety, corporate strategy, financial results and energy efficiency all stood out as highly relevant for the various stakeholders.

Over the following sections, the various measures adopted in the financial, social and environmental spheres, guided by the relevance these represent for the stakeholders, are specified.

During 2017, SEAT's corporate social responsibility actions took into account the priorities identified in the materiality analysis.



Risk management, Compliance and Good Governance.

In 2017, SEAT created the new position of vice-president of Legal Services and Good Governance, whose main objective is to promote and refine the culture of integrity and transparency within the organisation.

To reinforce its firm commitment to the application of good corporate governance and compliance practices, in April 2017 SEAT created the new position of vice-president of Legal Services and Good Governance. One of the main objectives of this new role is to promote and refine the culture of integrity and transparency within the organisation. In addition to leading the company's legal services, the new vice-president is also responsible for the Good Governance, Risk Management and Compliance division, which was created in 2011.

The company's long-term success largely depends on its ability to anticipate risks and on the whole organisation's commitment to the legal and regulatory framework, as well as to ethical principles.

In today's financial, legal and socio-political context, responsible and systematic risk management (strategic, operating and regulatory compliance risks) is therefore fundamental to facilitate the company's growth. With this goal in mind, and in order to meet the growing legislative requirements in addition to stakeholders' demands, in 2017 SEAT reinforced its commitment to risk management.

Risk management covers all areas of the company's business with the goal of ensuring its commitment to the process of identifying threats and subsequently

responding to resolve or mitigate them or even turn them into opportunities. Besides compliance with legislation, SEAT's risk management and internal control system includes the financial requirements of the company itself and aims to meet the requirements of the stakeholders. The departments directly involved in this respect are Risk Management and Compliance.

The Risk Management department coordinates and provides support to all business areas in the management of their risks according to the COSO international standard, which sets out three main areas of action:

- Training and awareness-raising to improve the risk operational management in all areas.
- Leading the quarterly process for the identification of specific operating risks that could affect the company in the short-term.
- Carrying out the GRC (Governance Risk and Compliance) process, aimed at creating a map of the organisation's systemic risks and assessing the management thereof.

It also issues regular reports on the identified risks for the Executive Committee and the Audit, Compliance and Governance Commission (ACGC).

The Compliance department is responsible for ensuring that the conduct of the SEAT Group and each of its employees complies with the provisions of current legislation, internal procedures and the organisation's values. To this end, it promotes a corporate culture aimed at preventing the risks arising from non-compliance with regulations and ensuring honest conduct in all daily activities.

Amongst the Compliance activities of 2017, of particular note was the development of new tools and materials to guarantee compliance with regulations on the part of all the organisation's employees, such as the publication of a new Code of Conduct for the SEAT Group, the reinforcing of the whistleblowing system and the publishing of the Criminal Risks Guidelines.

The Risk Management department coordinates and provides support to the various business areas in the management of their risks.





The new Code of Conduct is in line with the principles and values of the Volkswagen Group and reinforces the triple perspective that governs SEAT's activity in each market: responsibility as members of society, responsibility as commercial partners and responsibility in the workplace. It also includes practical examples to aid the understanding and interpretation of the regulations.

From 1 January 2017, the whistleblowing channel transparencia@seat.es began to be managed by the Compliance department. The whistleblowing system was also reinforced through the appointment, by the ACGC, of a local ombudsman who is at the disposal of all employees, commercial partners and third parties for reporting irregularities, should they become aware of any. The ombudsman is an independent, trusted mediator, obliged by professional oath to strictly uphold the anonymous nature of the identity of informants and to process the data provided with the strictest confidentiality. The position was assigned to Mr. David Velázquez Vioque, a magistrate on a leave of absence with a doctorate in Criminal Law, a very good reputation and extensive professional experience.

Additionally, the Criminal Risks Guidelines, which inform about the consequences of committing certain crimes included in the Spanish Criminal Code, was published. This publication, which is available to all employees and managers, also explains some of the general preventive measures implemented in the company in this area and refers to how to contribute on an individual level to prevent crimes that could affect the company and all its employees from being committed.



Dr. David Velázquez, SEAT ombudsman.







Finally, in line with the Volkswagen Group, the SEAT Group advocates the development of a competitive, sustainable and successful sales activity with a total absence of corruption, and to this end has the Anti-Corruption Guidelines that help employees to identify signs of corrupt practices and avoid them. Amongst other matters, the Guidelines cover situations employees may find themselves in during their day-to-day work and offers recommendations on how to deal with them. In addition to this specific publication, SEAT has internal regulations to prevent and mitigate the risks of corruption and other legal risks.



Main risks faced by SEAT

SEAT manages all aspects of risks in a cross-functional way in order to be prepared for the big challenges of the future, such as growing requirements in terms of CO₂ 2020-2025, the coming into force of more demanding laws such as the data protection act or the new WLTP (Worldwide harmonized Light vehicles Test Procedures) methods for measuring emissions.

For this purpose, SEAT has established specific working groups to follow up on each project and ensure they are properly implemented.

Types of risks	Some examples of risks	Action plans
<p>Economic, financial and legislative risks, including social, environmental and climate-change aspects</p> 	<ul style="list-style-type: none"> > National and international developments in economic conditions, legislative changes and the political situation. > Market risks: exchange rate, interest rate or price variability. > Social and demographic risks: generational changes (new collectives, ageing population, etc.), sensitivity to the environmental situation, high rates of unemployment, etc. > Adaptation to new stakeholder demands. New legislation: data protection, environmental (traffic restrictions in large cities, etc.). 	<ul style="list-style-type: none"> > Strategy for expansion into new markets. > Product push. > Development of new business models related to mobility. > Analysis and monitoring of economic indicators. > Exchange rate hedging.
<p>Risks in the production process</p> 	<ul style="list-style-type: none"> > Incidents that might affect production capacity, such as power supply problems, technical failures, system outage or fires. 	<ul style="list-style-type: none"> > Preventive plans with alarm systems and maintenance of facilities to detect possible faults early and implement the necessary corrective measures.
<p>Information technology risks</p> 	<ul style="list-style-type: none"> > Increased use of information technology (IT) in the business processes. > Challenges involved in digitalisation and industry 4.0. > Systems obsolescence and digital security (cyber attacks, data theft, identity theft, phishing, etc.). 	<ul style="list-style-type: none"> > Policies and regulations on the proper use and security of systems. > IT system audits. > Plans for oversight and protection from cyberthreats.
<p>Supply risks</p> 	<ul style="list-style-type: none"> > Delays in the receipt of materials, quality defects and supplier insolvencies. 	<ul style="list-style-type: none"> > Preventive and reactive measures: a broad portfolio of suppliers to provide a flexible response to any adverse factors and to continuously review the financial stability of suppliers.
<p>Quality and development risks</p> 	<ul style="list-style-type: none"> > Challenges arising from the manufacture of highly complex technological products with high quality requirements in terms of safety, fuel consumption and control of emissions of harmful substances. 	<ul style="list-style-type: none"> > Quality standards across all stages of the production process. > International quality certifications such as ISO 9001. > Measurement and control processes of emissions by external organisations.
<p>Human resources risks</p> 	<ul style="list-style-type: none"> > Need for well-trained staff with technical skills. 	<ul style="list-style-type: none"> > Comprehensive HR strategy: planning, hiring, training and incentives. > Preservation of jobs. > Occupational health and safety plans. > Specific training plans (Apprentice School, dual vocational training, etc.).



Audit, Compliance and Governance Commission (ACGC)

In 2016, SEAT's Board of Directors further reinforced the model of risk management and regulatory compliance by creating the ACGC, a delegated committee responsible not only for compliance with audit legislation but also for overseeing the risk management system, good governance standards and regulatory compliance.

The ACGC is made up of the following members of the SEAT Board of Directors: Dr. Josep Piqué, who holds the position of Chairman, Dr. Stephan Piëch and Mr. Mark Phillip Porsche.

In 2017, the committee met on five occasions, and its most significant activities included: a review of the Annual Audit Plan, a report on SEAT's fiscal and financial affairs, a discussion of the most relevant audit reports, the guaranteeing of the independence of the external auditors and reporting on structural changes in the company.

Furthermore, with respect to Risk Management and Compliance, it is worth highlighting the review of the company's main risks, the verification and approval of the 2016 annual Governance, Risk and Compliance report (with the planned future activities of the department), the approval of the appointment of the Ombudsman in Spain and the analysis of other relevant Compliance issues.

The ACGC is made up of the following members of the SEAT Board of Directors: Dr. Josep Piqué, Chairman; Dr. Stephan Piëch; and Mr. Mark Phillip Porsche.



Legal Services

At present, the field of legal services is undergoing a major shift, mainly due to the growing complexity of the regulatory environment, the increase in risks in many areas deriving mostly from changes in the sector and the new challenges that arise, as well as the progressive development of the digital economy.

In this context, the work carried out by SEAT's legal team is increasingly important. Included within the new Legal Services and Good Governance division, this team focuses primarily on offering preventive advice on all legal matters affecting the interests of the company and those of its main subsidiaries, on preparing and negotiating contracts and contractual commitments of all kinds, as well as directing, defending and coordinating pre-litigation or litigation actions before the courts or arbitration bodies.

It is also responsible for providing legal advice to the Board of Directors and the Executive Committee and its members, as well as advising any other management, administrative and representative bodies that might exist at any given time, while representing the company's administration in any actions in its areas of competence.

Technical Conformity

In line with the increasingly complex regulations, and in line with the evolution and future challenges of the sector in areas such as electrification, connectivity and autonomous driving, technical legislation related to the product is also undergoing profound changes that require greater capacity for monitoring and evaluation.

Bearing this new reality in mind and considering the company's commitment to ensuring SEAT vehicles comply technically, a new department has been created in the field of product R&D called the Technical Conformity department, the main functions of which are:

- ▶ To ensure the systems and functions of vehicles are in accordance with the legal requirements that will be applicable in their useful life cycle, through the areas responsible for development.
- ▶ To ensure the transparency of the development processes and avoid potential conflicts of interest during this stage.

The new Technical Conformity department integrates the product environmental responsibilities, technical-legal advice and vehicle certification in the markets where SEAT operates.

Functions of the Audit, Compliance and Governance Commission

Audit of financial statements

Supervise and approve the effectiveness of the controls over financial reporting

Supervise the independence and evaluate of the internal and external auditors

Supervise the transparency of financial reporting

Compliance

Revise and approve the suitability of the company's compliance and risk-management models

Good governance

Guarantee compliance with the company's good governance policies

Financial sustainability.

Sustainable profitability

One of the pillars on which SEAT's strategy rests is the financial sustainability of the business. In this respect, all departments of the company are committed to the goal of achieving profitability that is sustained over time through the different projects aimed at cost optimisation, technological innovation, digitalisation and the development of new business models.

This common commitment, together with a robust financial strategy that ensures adaptability to the renewed challenges of the automotive industry, allowed SEAT to return to the path of profitability in 2016 and achieve historic results in 2017 (before extraordinary items).

All areas of SEAT are committed to the goal of achieving profitability that is sustainable over time.

Sustainability in our relationship with suppliers

In order to ensure effective and sustainable production at all levels, SEAT is increasingly monitoring suppliers' compliance with the Volkswagen Group's Sustainability Requirements. This is a key part of the company's value chain, and suppliers must in turn ensure that these requirements are met in their relationships with their sub-suppliers and supply chains. In this respect, the requirements are extremely demanding, to the extent that compliance with these binding requirements is a prerequisite for entering the company's supply chain, as well as for the awarding and renewal of projects.



For this reason, SEAT regularly carries out checks on suppliers' compliance with its requirements in terms of business ethics, the environment, labour rights and human rights in accordance with the Volkswagen Group's Sustainability Requirements. If incidents are detected, corrective action is required and termination of the contract is applied in case of serious breaches.

In 2017, controls identified an increase in non-compliance in the field of safety, which led to the termination of labour relations with two companies in the SEAT supply chain and the execution of corrective actions at three other companies.

On the occasion of the creation of the new Volkswagen Group plant in Algeria (a project led by SEAT), the company began in 2017 a new phase in the control of sustainability in the relationship with suppliers by means of a risk assessment in that country, as well as in Tunisia. This activity was, at first, based on documents and analysis, and was a continuation of the risk prospecting for North African countries which began in Morocco in the previous year. SEAT hopes to foresee and prevent possible supplier risks through knowledge, analysis and study of the characteristics and particularities that exist in a given geographical area. Prior analysis should in future lead to possible corporate social responsibility audits of suppliers in these countries.

In order to ensure good development of the supplier base and sustainable growth, and in response to the new needs of the automotive business, a new project called Industry Development Initiative (IDI) was also promoted, the aim of which was to identify the shortcomings and points for improvement in the industrial structure of SEAT's area of influence. IDI's objectives are to attract the creation of the new industry required to supply the company more quickly, sustainably and securely, as well as to help internationalise and expand those suppliers with potential. This innovative project, carried out by the company's Supplier Risk Management, Electrical Parts Purchasing and Purchased Parts Management (*Kaufteilemanagement*) departments, in collaboration with the local government's industry departments, was initially dedicated to attracting producers of matrices and tools in order to provide a more accessible service within the direct area of influence of the SEAT factories.



Representatives from SEAT's Supplier Risk Management and Purchase Parts Management divisions, as well as from the Catalan Government (Generalitat de Catalunya), together with a group of Chinese mouldmakers that are suppliers of the company, during the visit to the Catalan Association of Mould & Die (Associació Catalana d'Empreses de Molltes i Matrius, ASCAMM), carried out as part of the IDI project.



Customer satisfaction

A brand you can trust

The results of the NPS (Net Promoter Score), the main customer experience indicator, show a high level of confidence in the service received while purchasing a new vehicle. In 2017, SEAT achieved a score of +81 in the NPS index, based on the percentage of customers who gave their dealership a 9 or 10 rating versus the percentage who gave a rating of 0 to 6.

Particularly noteworthy were the results obtained in Spain: 92.7% recommended dealers to friends and acquaintances with a 9 or a 10.

By providing an effective, quality response to the needs of current and potential customers at all points of interaction with the brand, the company can mitigate risks and better serve SEAT's main stakeholders. In order to achieve the greatest amount of knowledge on this aspect, the organisation has its own system for monitoring and controlling user satisfaction, based on the application of the latest technologies. The company is continuously making developments in this field, and throughout 2017 it worked to simplify and modernise the systems used to measure and collect feedback from customers.

In this regard, we can highlight the implementation of the NPS (Net Promoter Score) indicator, which aims to evaluate the user experience when purchasing a new vehicle and encourage current customers to recommend the brand to potential customers. NPS begins with the question "Would you recommend your dealership/repair garage to friends and acquaintances?" to evaluate the user's experience in either purchasing a new vehicle or visiting the repair garage. The results showed a high level of confidence in the service obtained when purchasing a new vehicle.

In addition, in order to ensure that users' experience at repair garages exceeds their expectations, SEAT focuses on the key indicator of "general satisfaction", collected in the satisfaction surveys sent to customers. According to the latest data available from the Customer Satisfaction Survey (CSS), in the 2013-2017 period the benchmark in the after-sales area achieved a significant increase, from 8.4 to 9.4 [the CSS index scale is between -4 and 12].

In order to control the quality of the service provided, both in dealerships and workshops, various initiatives are carried out, such as the reports produced by "mystery customers", which are then shared with the respective centres so that they can draw up plans for action and improvement.

It should also be noted that the SEAT Group proactively contacts users who indicate they are dissatisfied with the service received in order to analyse their case and develop any improvement actions considered appropriate.

In line with the loyalty strategy promoted by the after-sales area, a system was also promoted to detect potential buyers (drivers who plan to change their vehicle in the short term). This information allows the company to offer customised solutions for each case and improve customer loyalty even before the purchase.





Social sustainability.

The best working and social environment

At SEAT we understand the social aspect of sustainability from two main axes: on the one hand, guaranteeing our workers a safe and healthy working environment; on the other, helping to improve the living conditions of the surrounding communities as a company of reference at a socio-economic level.

The concept of a “safe and healthy working environment” encompasses both measures to promote gender equality and combat inequalities and taking actions aimed at improving the health of the company’s workers.

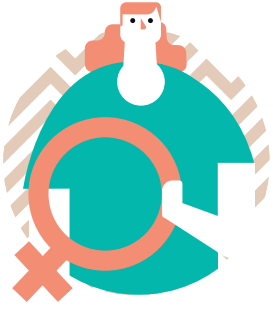
The company’s progress in these areas has received high praise: the Barcelona Award for Innovation in Work-life Balance and Working Hours, awarded by Barcelona City Council, and the 4th Healthy Company Award in the Big Company category, awarded by the Observatory of Human Resources, which has particularly valued SEAT’s strategic plan to strengthen health and safety in the working environment. The inauguration in Martorell of the Health Care and Rehabilitation Centre (CARS) also positions the company as a leading figure in the field of healthy business.

SEAT’s social responsibility is also linked to promoting the training and professional development of its employees, a staff policy based on the culture of performance and employee participation, and ensuring optimal working conditions.

The investment of 14 million euros in the training of more than 14,100 employees – 4.5 times more than the average of Spanish companies – and working time flexibility measures, among other social benefits, all led to SEAT being chosen in 2017 for the third consecutive time as one of the best companies to work for in Spain, as certified by the Top Employers Institute.

In 2017, SEAT received the Barcelona Award for Innovation in Work-life Balance and Working Hours, and the 4th Healthy Company Award in the Big Company category.





Equality of opportunities

SEAT's workforce includes

2,936

women

20.8%

of the total, twice the average
of the automotive sector

Progressing towards equality of opportunities

Although there is still a long way to go, gender equality is already a reality that forms part of daily life at SEAT, which continues to move towards better balance in the workforce year after year. 2,936 women work at the company today, representing 20.8% of staff, twice the average of the automotive sector.

Aware of the need for further progress, SEAT joined the Ministry of Health, Social Services and Equality's "More Women, Better Businesses" agreement in 2017, committing itself to increasing the number of women in management positions over the next four years. In this regard, the Group fostered the Women In Management (WIM) programme, which encourages the promotion of women with management potential through actions such as internal mentoring, plans to ensure maternity does not interrupt their professional development and the creation of networking forums. In order to consolidate the presence of women at all levels and departments of the company, SEAT also carried out the campaign "More Women in the Apprentice School", which promoted the enrolment of more women at the SEAT training centre.

Noteworthy of 2017 were the events held to support equal opportunities in the workplace. These included International Women's Day (8 March), during which the company's commitment to equal rights and gender equality was disseminated across a range of media, and the International Day for the Elimination of Violence against Women (25 November), in which the company supported a campaign promoted by the Ministry of Health, Social Services and Equality.



Respect for the basic principles of human and labour rights

The Labour Relations Charter, a framework document that explicitly recognises and defends all aspect of workers' rights, was signed by the company in July of 2016 and fully applied in 2017. It details the company's commitment to defending basic human rights and complying with the conventions of the International Labour Organisation (ILO), which establish basic principles and rights for the workplace (freedom of association and trade union membership, collective bargaining rights, non-discrimination in employment and occupation, etc.).



Furthermore, in June of 2017, Luca de Meo, SEAT Executive Committee Chairman, and Luis Comas, Executive Vice-President of Legal Services and Good Governance, signed the SEAT Group's Declaration against slavery and human trafficking, in compliance with Section 54 of the United Kingdom's Modern Slavery Act of 2015. It describes actions carried out to combat modern slavery both in the company and in the supply chain, as well as the sustainability strategy and future outlooks.

To help all workers detect and quickly resolve any breaches of these rights, they are provided with channels for filing reports and complaints or for contacting external trusted mediators (ombudsman).

Difference matters

Diversity is one of our hallmarks and reflects the company's richness. SEAT promotes this value by encouraging integration and preventing all human rights violations.

In this context, and in line with Volkswagen's Group-level strategy for promoting diversity, it is worth noting that for the first time in 2017 a woman, Dr. Ingrun Ulla Bartölke, was appointed to the company's Board.

In 2017 the company once again took part in events for the World Day for Cultural Diversity (21 May) with the slogan "Your difference matters".

SEAT: A healthy company

SEAT's historical commitment to ensuring a safe and healthy environment for its workers added a new milestone in 2017 when it was once again certified by AENOR as a model for healthy company management, making it the leading company in the Spanish automotive sector in this field. This concept goes beyond policies for preventing the usual occupational hazards by expressing the company's willingness to actively participate in the well-being of its workers through actions and campaigns that promote a healthy lifestyle: diet, physical activity, flu shots and mental health, among others.



"Difference matters"

More than

14,100

workers from **61** nationalities who speak **25** different languages

5

generations working together in **249** departments

SEAT activities as a healthy company

Medical services

- > Medical examinations
- > Medical-labour studies
- > Clinical analyses
- > Comprehensive treatment of workplace accidents
- > Medical-labour consultations
- > 24/7 emergency assistance
- > Medical consultations for coming back from leave
- > Medical attention for external companies
- > Medical attention for common illnesses

Promoting health

- > Disease prevention campaigns: prostate, cervical, breast, and colon cancer; obesity, smoking, cardiovascular disease, glaucoma, etc.
- > Blood donation campaign
- > Flu shots
- > Allergy tests
- > Sleep studies
- > Psychomotor assessment
- > Psychological and psychiatric consultations
- > Consultations for quitting smoking
- > Preventive cardiovascular checks
- > Dietary consultations for losing weight

Campaigns for improving road safety

Mapping of work stations for locating workers who have health-related limitations

Health research with strategic partners: Harvard and Hospital Clinic of Barcelona, among others.

Improved accident rate:
-46%^(*) in one year

Improved participation in the annual medical examination:
86%^(**)

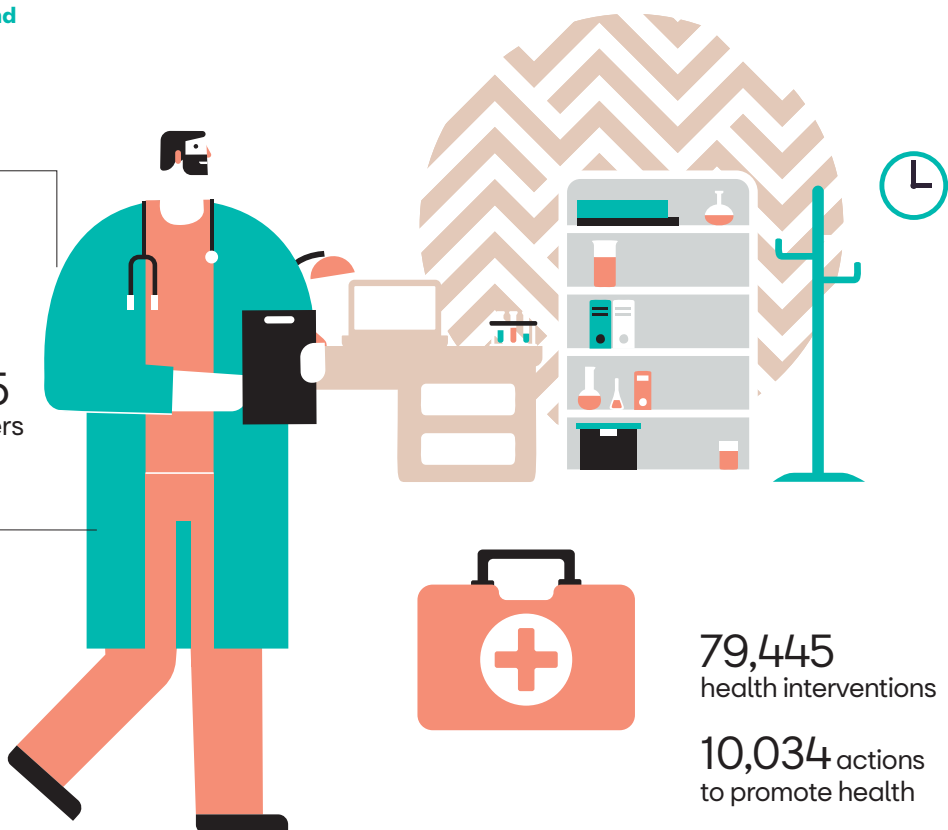
Improved body mass index (BMI) - less overweight and obese people:
-6.5%^(***)

A clear demonstration of this commitment is the inauguration and launch of the Health Care and Rehabilitation Centre (CARS), which has areas specialising in healthcare, preventive and rehabilitative medicine for SEAT's workers. Among the most noteworthy services of the CARS are its own gynaecology team, which performs diagnostic tests for the early detection of breast and uterine cancer for the nearly 3,000 women who work in the company; a biomechanical laboratory equipped with cutting-edge technology in which 20 cameras process employees' musculoskeletal features in three dimensions in order to design more ergonomic work stations and assist with recovery in the event of injuries; and the comprehensive programme of rehabilitation, physiotherapy and fitness known as Return To Work, which helps employees to retake their position following an accident or injury under the direction and supervision of an internal team of trauma specialists.

10
in-house health centres

56 professionals

More than 25 external workers



79,445 health interventions

10,034 actions to promote health

(*) January-July 2016 vs. January-July 2017.
(**) Percentage of the staff. December 2016.
(***) Overall for staff in 2014 vs. 2016.

Employee participation

According to SEAT's Labour Relations Charter, employee participation is defined by employees' active involvement in the company's development through contributing to the continual improvement of processes and working conditions. This active participation is an innovative and defining factor of the social policies of the companies of the Volkswagen Group.

Moreover, the company encourages staff and their families to participate in numerous initiatives aimed at increasing their sense of belonging:

- > Launches and presentations of new models are intended to help them get to know the product better and feel proud of the results of their work.
- > Sport competitions are a vehicle of cohesion through teamwork and solidarity.
- > The "Improvement Ideas" programme encourages and awards proposals for saving money and energy, or for general improvements to the working environment.
- > The Work Climate Survey (*Stimmungsbarometer*) allows management to thoroughly understand workers' opinions and define areas of improvement in all aspects of the workplace.

Presentations of models

Presentation of the new SEAT Ibiza in Barcelona

More than **500** people

Central Launch Training of the Ibiza

250 people

Work Climate Survey

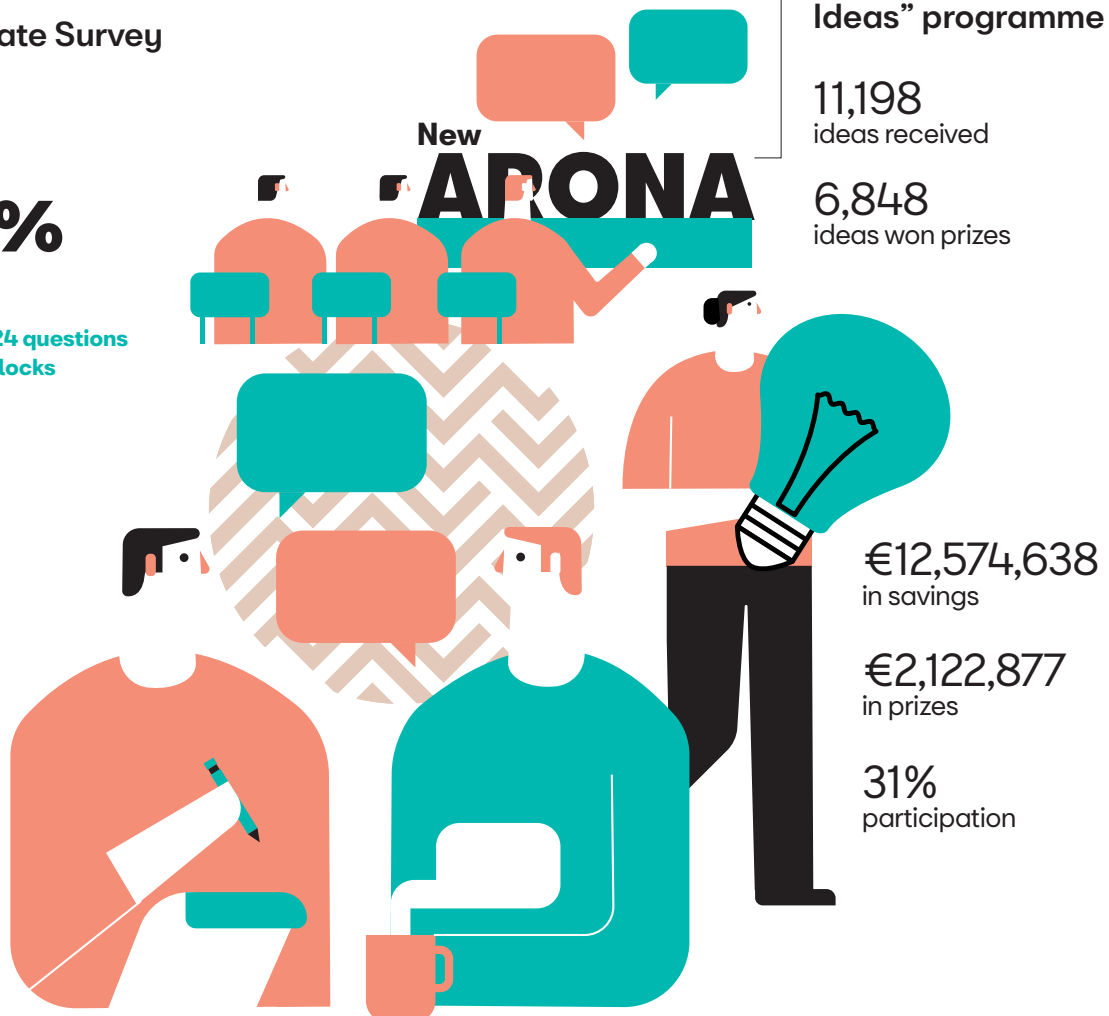
91% participation
76.2% satisfaction

New format of 24 questions divided into 5 blocks

"Improvement Ideas" programme

11,198 ideas received

6,848 ideas won prizes





SEAT collaborates with social organisations and foundations in protecting disadvantaged groups and promoting health.

Altruistic and charitable actions

As part of its commitment to society, SEAT helps to improve the quality of life of nearby communities, partnering with social entities and foundations to protect disadvantaged groups and promote health. It also donates to educational initiatives that it considers to be important in its areas of operation.

In 2017 the company strengthened its commitment to professional training by donating educational material, such as parts and vehicles with the latest technological advancements, so that students could learn from them, be fully prepared, and optimise their path to the job market. Donations were made to the Education Ministries of the Governments of Extremadura and Castile and León, the Education Department of the Basque Government, and institutions and universities in other areas of Spain, delivering a total of 47 first-generation vehicles.

As part of its conviction that education is key for the future and for young people entering the job market, SEAT participated in Fundación Exit's "Coach Project", which seeks to improve the employability of youths at risk of exclusion. Along these same lines, it also collaborated with the Spanish Red Cross project "Promoting success in school" aimed at children in difficult social situations.

As part of its commitment to the health and well-being of society, SEAT continued in 2017 many of the partnerships started in previous years. For the third year in a row it participated in the "Join Pink" campaign run by the Spanish Association Against Cancer (AECC) to celebrate World Breast Cancer Day on 19 and 20 October. The company created points of sale for AECC's charitable sunglasses in its facilities. SEAT contributed an additional amount to the funds raised through its workers' solidarity.



The company again partnered with the Fight AIDS Foundation for the “People in Red” charity event on 20 November to raise money to support the research of the organisation’s founder, Dr. Bonaventura Clotet.

Through the project movilsolidario.es, the company donated more than 200 mobile phones and electronic devices that were no longer in use, in order for the profit obtained through the reutilization of material recycling to be used for scientific research projects on Sanfilippo syndrome conducted by the Stop Sanfilippo Foundation. It therefore not only contributed to treating this disease, but also to recovering raw materials for reuse and preventing the materials from harming the environment.

In the framework of its partnership with the Talita Foundation initiated in 2014, SEAT organised a road safety seminar for a group of children from the foundation, given by the Fundtrafic Foundation and the Barcelona Urban Guard.





Environmental sustainability.

The protection and rational use of natural resources

Preserving the environment is a priority issue for industrial companies in the transport sector like SEAT, given that these businesses are highly aware of the polluting impact of their emissions. In this context, the company works to incorporate more efficient solutions for protecting the natural environment into the life cycle of its products, in terms of both the technologies in its models and reducing the environmental impact of its industrial activity.

As a part of this firm commitment, the company bases its environmental policy on principles of: respect for the environment, environmental efficiency throughout the entire life cycle, compliance with and support for legislation on environmental issues, training and motivating staff to comply with the requirements of environmental policy, and clear public information about its environmental activities.

Through these principles, SEAT contributes to the fight against climate change and the effects of global warming, and conducts research in areas such as environmental protection, energy efficiency, fuel technologies and road safety.

Moreover, the Volkswagen Group has a conflict resources policy that includes management principles for the responsible use of minerals from conflict zones and high-risk areas, in line with the directives of the Organisation for Economic Cooperation and Development (OECD).

The SEAT Martorell factory also has the largest photovoltaic plant in the automotive industry, with 276,000 m² of solar panels located on roofs and in fields and an installed capacity of 10.6 MW, which produces clean energy, free of CO₂ emissions.

Environmentally efficient production processes

In 2010, SEAT launched the “Ecomotive Factory” project as a pillar of its strategy to reduce the impact of industrial production on the environment. Its initial objective was to reduce the most important environmental indicators (energy, CO₂, water, waste, and volatile organic compounds per vehicle produced) by 25% in 2010-2018, and thus the resources required to produce a vehicle.

The programme’s effectiveness exceeded expectations, and the average reduction for 2010-2017 was 35.5%, surpassing the initial targets. Thus, in 2017 a new ambitious target was set for 2025: a 50% reduction in these same indicators, taking 2010 as a baseline.

The progress made on each of the environmental indicators as of the end of 2017 is detailed below.

Energy efficiency

The energy savings and efficiency measures implemented in 2017 achieved reductions equivalent to 21,458 MWh. One of the primary actions was a project to recover the thermal energy from the residual gases of paint ovens to generate overheated water for processes, allowing for the reuse of more than 11 GWh a year.

Also of note are the plan for installing LED interior and exterior lighting for the workshops, the implementation of new automated AGV conveyance systems to supply parts to the workshops, temperature optimisation in surface treatment processes, and organisational measures to control stops and starts during downtimes.

CO₂ emissions

The main measures to improve energy efficiency include reusing heat from paint oven chimneys and improving the insulation of workshop walls and ceilings.

In the context of its commitment to combat climate change, SEAT believes that renewable energy plays a key role and develops major projects in this field, such as “SEAT al Sol”, the largest solar energy plant in the automotive industry. The six photovoltaic plants installed at the Martorell factory as part of the “SEAT al Sol” project generated nearly 17,532 MWh of electricity in 2017.

Furthermore, SEAT has a green energy supply contract which ensures its energy comes from high-efficiency cogeneration sources certified as 100% renewable.



Accumulated percentage improvement in environmental indicators 2010-2017

Energy

19.7%

CO₂

63.6%

Water

24.4%

Waste

41.9%

Solvents

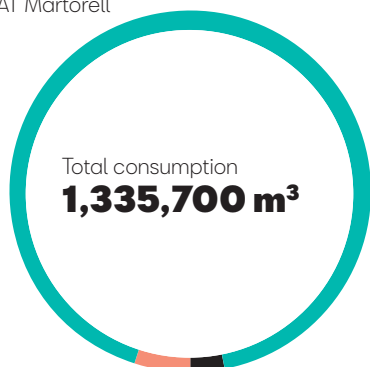
27.7%

Consumption at SEAT factories 2017

Water

92%

SEAT Martorell



5%

SEAT Componentes

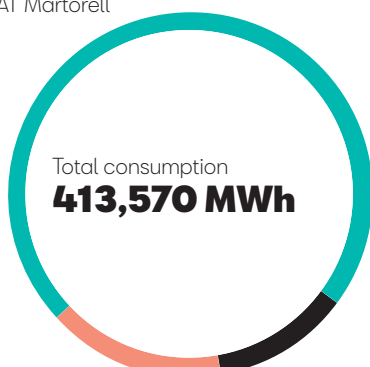
3%

SEAT Barcelona

Electricity

72%

SEAT Martorell



16%

SEAT Componentes

12%

SEAT Barcelona

Water consumption

The reduction in this indicator came as a result of measures such as recovering water from the heating and air conditioning systems to be used in processes and reusing part of the waste water from the osmosis processes for the cooling circuits. Water consumption has also been optimised for painting processes.

Emissions of solvents (volatile organic compounds)

The main projects developed include eliminating some gasses with volatile organic compounds from paint cabins using removal systems and recovering solvents from final review cabins. Also noteworthy are projects to increase the efficiency of paint application systems.

Waste reduction

In this field, of particular note are the improvements to the selective classification for better recovery and recycling, as well as the increased efficiency of paint spray systems.

Sustainable manufacturing, the new SEAT Arona



Recycling rate

95%



Ibiza and Arona: the new SEAT generation of sustainable propulsion

The Arona and the fifth generation of the Ibiza, SEAT’s main launches in 2017, are benchmark in environmental protection thanks to their new features for reducing the emissions of combustion engines and alternative propulsion technologies.

The general goal of reducing emissions is reflected in a maximum limit of 120 g/km of CO₂ emission for both models: all the engines in the range fall below this figure, though the range has more sustainable options. These include the new 1.5 TSI engine with a deactivation system for its two central cylinders that makes it more efficient and improves fuel consumption. It reaches emissions as low as 112 g/km and an average consumption of 4.9 litres per 100 kilometres.

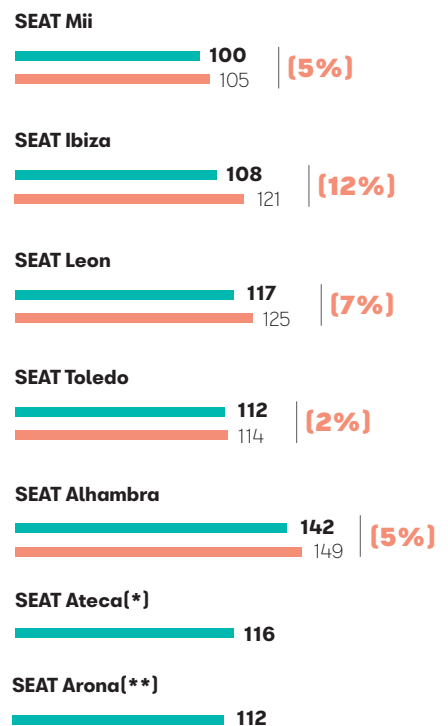
Additionally, the new generation of the Ibiza offers the new 1.0 TGI engine, which runs on compressed natural gas (CNG) and has the best efficiency levels and performance in its segment: emissions of 88 g/km, 1,100 kilometres of autonomy, and consumption that amounts to 3 euros per 100 kilometres.

In preparing the non-financial information included in this Annual Report, the guidelines issued by the European Commission on this matter, published in the Communication from the Commission [2017/C 215/01], have been taken into consideration.

The Arona and the fifth generation of the Ibiza are benchmarks in the protection of the environment.

Average reduction of CO₂ emissions in the SEAT model range

(g/km)






(*) Launched in 2016.
(**) Launched in 2017.

New SEAT Ibiza

The development of the fifth generation of the new Ibiza, a vehicle that combines aerodynamics, efficiency and versatility, has been marked by SEAT's commitment to the environment.

Environmental goals of the technical development process.

-  Climate protection
-  Preservation of resources
-  Protection of people's health

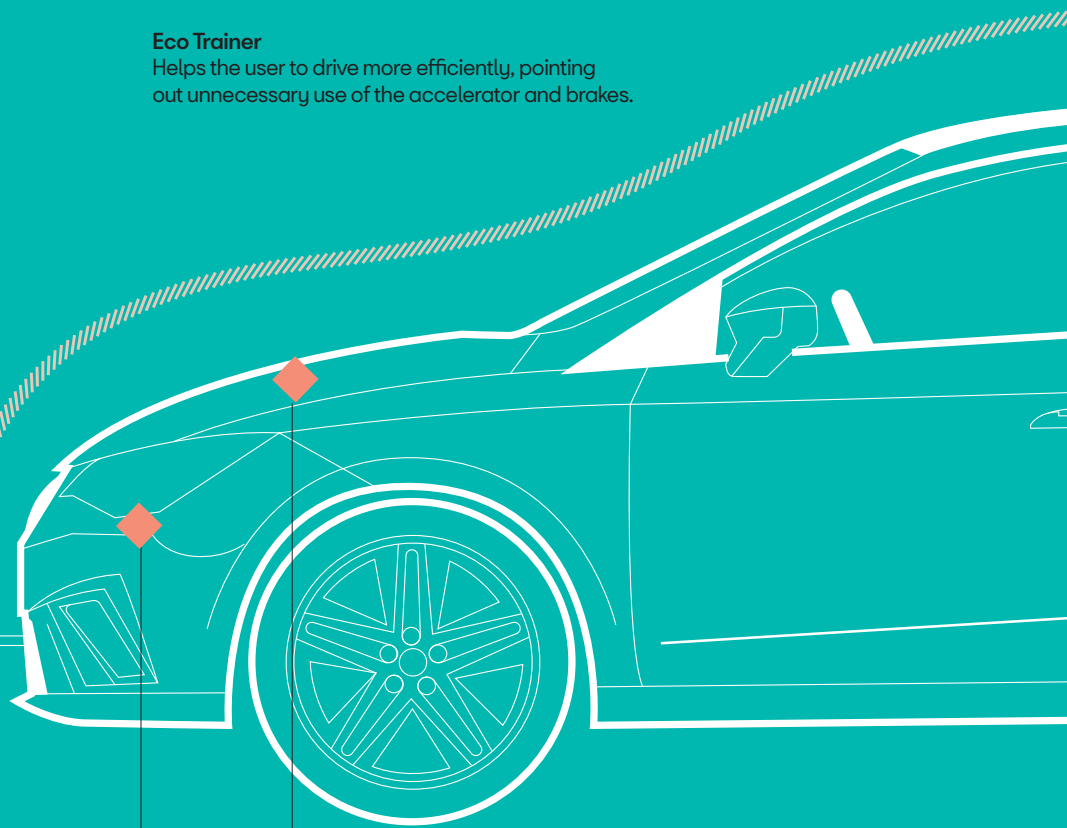
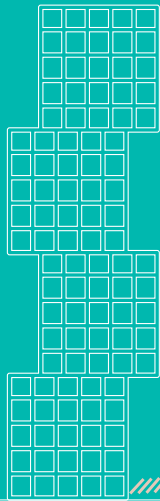
Encouraging environmentally friendly driving.

ECO tips

Messages are sent to the driver with recommendations to drive in a more efficient and environmentally friendly manner.

Eco Trainer

Helps the user to drive more efficiently, pointing out unnecessary use of the accelerator and brakes.



Full LED headlights.

Incorporation of **Full LED headlights** and LED daytime lights to considerably reduce electricity consumption, increase their duration and improve their power.

Engines.

Incorporation of a **1.0l TGI CNG** engine, which reduces **CO₂** emissions by up to **15%** compared to petrol engines.

Modular configuration that helps to reduce the number of components and assembly procedures, reducing the weight of the bodywork.

Comparative figures refer to the previous generation of the SEAT Ibiza.

Air conditioning.

Use of the new R1234YF refrigerant, which reduces its overall heating potential by **99.7%** compared to the previous refrigerant, the R134a.

Air quality.

The diesel engines incorporate the selective catalytic reduction (SCR) system to minimise atmospheric emissions of the nitrogen oxides contained in exhaust gases.

All engines comply with the EU6W emissions regulation for petrol engines and the EU6AD emissions regulation for diesel engines.

CO₂

19.2% reduction in fleet CO₂ emissions.

Aerodynamic coefficient reduced to **0.33**.

All EU6 engines come with Start/Stop & Recovery system.

Acoustics.

Compliance with the new noise regulation **2007/46/CE (< 72 dBA)** thanks to reduction measures applied to the exhaust and in the acoustic package.

Hatchback.

A **17%** increase in surface area, with only a **7%** increase in weight.

Fuel deposit system.

Reduced weight and tank volume (by 5 litres), without losing range, thanks to lower consumption.

Tyres.

Low resistance to tread, thus achieving a **5%** reduction in consumption compared to the previous Ibiza.

Renewable materials.

Natural rubber

Tyres and bearings

Cotton

Sound insulation and floor carpets

Cellulose/paper

Filters and roof lining

Bodywork.

Use of **71%** high-resistance steels which, together with the hot stamping technology, allows for a reduction in the thickness of the bodywork without any loss of mechanical properties.

Seats

-15% reduction in weight by optimising the seat frames.

Sustainable factory.

66% reduction in CO₂ emissions (kg/car manufactured) in the period 2010-2016.

Reduction in energy consumption per car manufactured by approx. **18%** in the period 2010-2016.

Replacement of door waxes with solvents with a solvent-free wax and a **92%** reduction in consumption.

20% reduction in paints and a reduction in emissions of volatile organic compounds (VOCs) of **86 g** per vehicle, thanks to the automation of part of the painting process.



03

Production and Quality

The Production and Quality divisions of SEAT work together to attain maximum efficiency in the processes for manufacturing the brand's vehicles and to achieve excellence in their fields.

Production based on efficiency and precision **#82**

Passion for quality **#90**

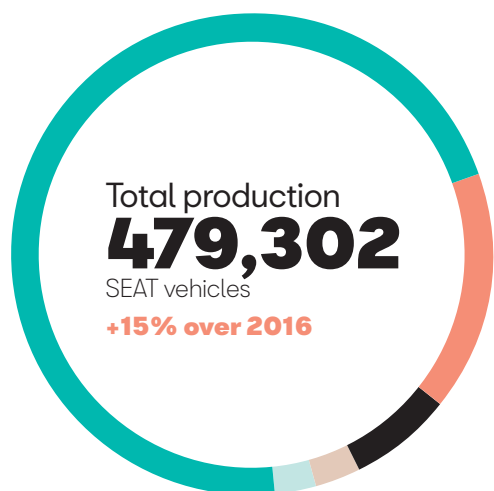
Production based on efficiency and precision.

2 017 was a watershed year for the company, with the launch of the fifth generation of the brand's most emblematic vehicle, the SEAT Ibiza, which began production in Martorell at the end of January. The Leon model also underwent a restyling and July saw the start of production of the Arona, SEAT's first urban crossover.

The two launches, only a few months apart, presented a challenge for the Production division, which managed to increase the productivity and stability of the manufacturing programmes yet another year, thanks to the dedication of its team and the efficiency of its processes.

The excellent reception of these three models in the market allowed the company to reach a production volume of 160,377 units of the SEAT Ibiza, 163,306 of the Leon and 17,527 of the Arona. In total, the Martorell factory ended the year with a total production volume of 341,210 SEAT vehicles, representing a 8.9% increase on 2016. In addition to these figures was the brand's external production, with 13,825 units of the Mii produced in Bratislava (Slovakia), 13,146 of the Toledo in Mladá Boleslav (Czech Republic), 77,483 of the Ateca in Kvasiny (Czech Republic) and 33,638 of the Alhambra in Palmela (Portugal).

Production of SEAT models in Volkswagen Group plants



- Martorell
71.2%
- Kvasiny
16.2%
- Palmela
7.0%
- Bratislava
2.9%
- Mladá Boleslav
2.7%

Martorell (Spain)
341,210
SEAT vehicles

Palmela (Portugal)
33,638
SEAT vehicles



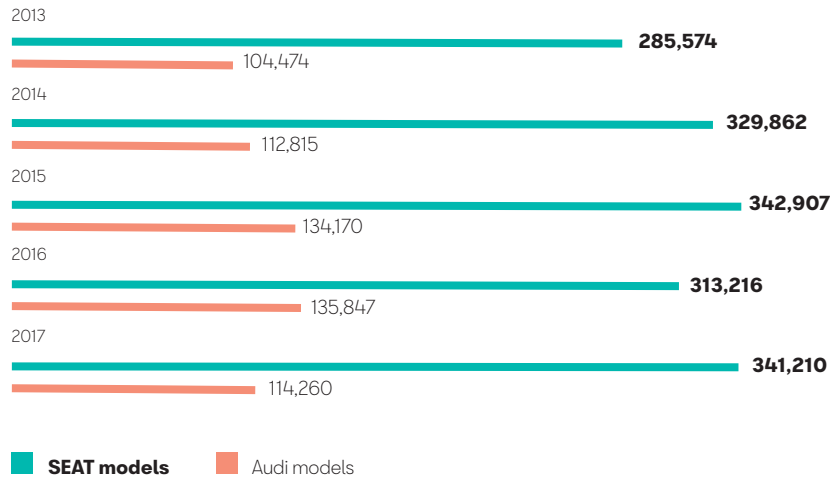
Bratislava (Slovakia)
13,825
SEAT vehicles

Mladá Boleslav (Czech Republic)
13,146
SEAT vehicles

Kvasiny (Czech Republic)
77,483
SEAT vehicles

Production at the Martorell plant

Units



Increase in production 2013-2017

65,422
vehicles
+17%

At the SEAT Barcelona factory, a total of 52.3 million parts were produced in 2017, while at SEAT Componentes there was a 2.5% growth in production, with 677,437 gearboxes produced. The SEAT Barcelona and SEAT Componentes factories produce parts and gearboxes both for the Martorell plant and for other centres of the Volkswagen Group.

Part of workshops 8, 10 and 11 were renovated to prepare them for manufacturing with the MQB AO platform.

A qualitative leap successfully overcome

Having continued to sell a considerable volume of the preceding generation of the model during 2016 and 2017, the new SEAT Ibiza was introduced to the market with its attractive features. It is a new car, restyled inside and out, which is intended to mark a turning point in the segment. It comes with the most advanced technology to ensure the ultimate in connectivity, it is spectacularly agile and it includes a dramatic increase in comfort and interior space which represented a huge leap forward for the brand.

To achieve this, SEAT adapted its facilities and processes to get greater flexibility, efficiency and quality in its production. The huge qualitative leap which the new Ibiza has represented was made possible thanks to the new MQB AO (*Modular Quer Baukasten*) modular platform, which has been used for the first time in the production of this model, making SEAT the first company of the Volkswagen Group to implement it.





The MQB AO platform is lighter than its predecessor thanks to improvements in its design and the quality of the materials used, and it is developed to exceed the highest safety requirements. It also allows for greater flexibility in the manufacturing process and a more robust implementation, as it supports different models, accepts different types of bodywork within the same segment, and various configurations of distance between axles can be achieved using the same underlying platform. All of this also means a reduction in processes and costs. The platform also supports the production of the desired model without the need for manual adjustments, improving productivity even more.

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

163,306

units

On the other hand, the number of parts that required the use of Hot-Forming technology on the bodywork increased, helping to reduce their weight and increase their rigidity, as well as improving the vehicle's performance and consuming less power. In the case of the new Ibiza in particular, 4,000 welding points and 900 robots ensured its robustness.

The implementation of the new platform also involved the production of new parts and, therefore, adjustments and changes in the manufacturing processes. This, in turn, required an area of over 90,000 m² to be adapted in order to build new facilities. The construction of over 30,000 m² of new manufacturing floor space was also required. This new space has been equipped with the latest technology and flexible facilities that allow the necessary mix of models to be produced, thus increasing efficiency and productivity.

In the assembly section, some of the assembly lines were renovated in order to improve the productivity, efficiency and ergonomics of the manufacturing process. Staff were also offered a learning plan in collaboration with the Technology Training department, with 198 training courses being undertaken

Production at the Martorell plant

Units

	2017	2016	Variation	
			Absolute	%
SEAT models	341,210	313,216	27,994	8.9
Ibiza	160,377	149,988	10,389	6.9
Arona	17,527	0	17,527	—
Leon	163,306	163,228	78	0.1
Audi models	114,260	135,847	(21,587)	(15.9)
Q3	114,198	135,847	(21,649)	(15.9)
A1[*]	62	0	62	—
Total production(**)	455,470	449,063	6,407	1.4

[*] Data corresponding to pre-series.

[**] Figures for 2017 and 2016 do not include 138,092 and 103,796 SEAT vehicles produced at other Volkswagen Group plants, respectively.

SEAT allocated 900 million euros to Investments and R&D expenditure for the Ibiza and Arona models.



by 1,500 employees. The courses focused on improving employees' knowledge of the equipment and technologies, on the one hand, and of the model, the engines and the electronic systems, on the other.

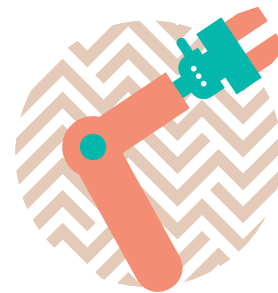
With the launch of the new Ibiza, the company had a technological manufacturing cell for the first time. This is a space in which theoretical-practical courses are run, incorporating examples of the latest technology that is commonly found on the various assembly lines in order to complete the training of the operators involved in manufacturing the new model.

The challenge of customisation

The Arona, SEAT's third release in 2017, was yet another link in the brand's biggest ever product offensive. It is a versatile, compact car which offers safety and control with a modern design, ideal for urban driving. Also produced at the Martorell factory, it is equipped with the safety and connectivity technology that is usually found in the highest market segments, and it comes with almost infinite customisation options as well as the agility, refinement and sportiness that the brand is known for. This customisation included SEAT selecting a different colour for the bodywork and for the roof for the first time ever, presenting a new challenge in terms of production.

To successfully overcome this challenge, the painting staff were trained in Profi Bicolour Processing, specifically in the shading, profiling, unmasking, polishing and reviewing phases that the new Arona requires. Eclipse Orange was added to the palette of colours for bodywork, and the roof comes in grey, black, orange, or the same colour as the bodywork, resulting in 68 possible combinations. In addition, at the rear of the sides of the car is an X-shaped graphic on the bodywork which reinforces the vehicle's nature as a crossover and which is available in either black or chrome.

SEAT allocated 900 million euros to Investments and R&D expenditure for the Ibiza and Arona models, which formed part of the total investment of 3,300 million euros planned for the period 2015-2019.



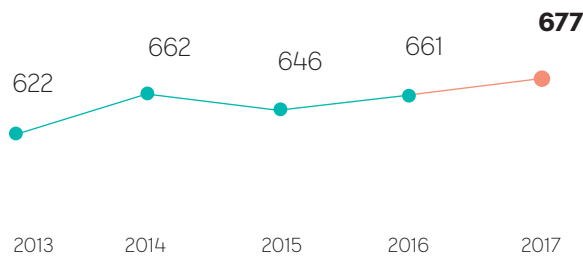
In Martorell factory over

2,400

robots perform more than 3,000 million welds

Production at SEAT Componentes

Thousands of gearboxes



Increase in production
2013-2017

55 thousands of gearboxes
+8.8%

With the awarding of the contract to produce the new MQ281 gearbox, SEAT Componentes will reach its maximum production capacity.

Maximum production capacity

Also in 2017, SEAT Componentes was awarded the contract to produce the new MQ281 gearbox of the Volkswagen Group, a six-speed manual gearbox which is used in the vehicles manufactured on the MQB platform and which will begin to be produced in 2019 for the Volkswagen Passat. As a result of this contract, the factory will reach its maximum capacity, going from the 650,000 gearboxes it currently produces on average to 800,000 units. It is forecast that there will be 450,000 units of the MQ281 gearbox produced each year, to be distributed throughout the world. The centre will therefore be adapted over the next few years, installing the new equipment and the assembly line needed to have everything ready and to produce 1,800 units of this new gearbox each day.

Initiatives and improvements

During the month of March, SEAT's 2nd Logistics Innovation Days were held in the Martorell factory. During these events, employees were shown the new technologies that the brand is applying in the field of logistics through both the company and external suppliers, such as autonomous robots (AGV 3.0) to provide an optimal and fully automated supply of materials.

One of the stands at the event was focused on the Order to Delivery initiative, which is part of the SEAT Strategy 20/25, led by the Production division. This project works on exploring innovative processes based on new technologies in order to achieve greater reliability and speed in vehicle delivery, as well as reducing the stock in the distribution chain.

The pilot programme known as Fast Lane, which arose as a response to society's shift towards a culture of online shopping and immediacy, was launched in Germany and Spain following a pilot test in Austria. This programme offers customers the possibility to enjoy the five most popular configurations of the Leon just 14 days after placing their order, well below the 90-day average available in the market.

On the other hand, the "Improvement Ideas" programme, created by the company to encourage the workforce to participate in improving processes and saving costs, resulted in savings of 12.5 million euros in 2017. 91% of these savings came from the Production division.



Recognitions for innovation in logistics

SEAT received the SIL award for efficiency and technological innovation, for its Easy Smart Logistics project. This award was given by the International Logistics and Material Handling Exhibition of Barcelona (known as SIL for short in Spanish), which was held in the month of June, in recognition of the SEAT Logistics team's commitment to innovation and digitalisation, as well as for its work in encouraging innovation among its staff with initiatives such as the Logistics Innovation Days.

The division also received the Manufacturing Excellence Award in November for its innovative and creative solutions in the category of Logistics and Management of the Logistics Network.

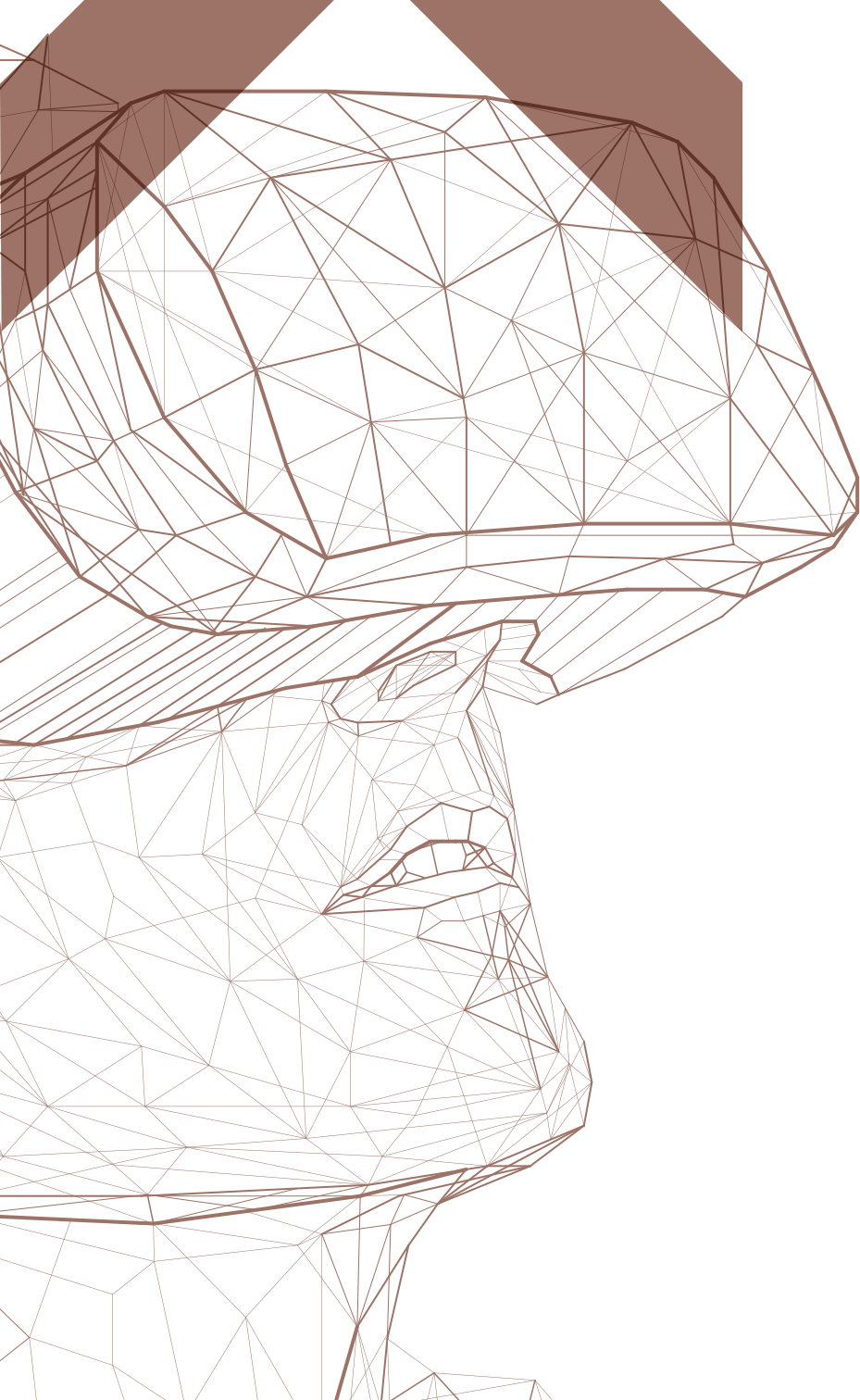
One of the most noteworthy initiatives in this field is the tallest automated components warehouse in Spain, which SEAT began building in December. Reaching a maximum height of 43.7 meters and with capacity for 119,000 boxes, the facility will be equipped with smart technology that will allow the storage process to be fully automated.

During 2017, 12.5 million euros were saved on production thanks to the “Improvement ideas” programme.





Participants in SEAT's training on Industry 4.0 can interact with some of the tools and technologies that will become commonplace in manufacturing processes within a few years.



Industry

4.
0

training



During 2017, SEAT launched a training programme focused on the future challenges posed by Industry 4.0. This programme seeks to present what the concept of Industry 4.0 really means in a lively and interactive manner, as well as highlighting the importance of people and their continuous learning as the cornerstone of what is known as the fourth industrial revolution.



Aimed at the company's more than 14,100 employees, the programme is part of the PQT (Production, Quality and Team) strategy. This strategy, spearheaded by the Production and Quality divisions, aims to permanently improve quality and productivity in the manufacturing process in order to make SEAT the number 1 company in Europe in production and quality in 2025.

Participants in the training attended a session in SEAT's Industry 4.0 space, where they had the opportunity to interact with some of the tools and technologies that will become commonplace in manufacturing processes within a few years. They also experimented with other tools and technologies that are already being integrated into the company, such as virtual reality, collaborative robots, 3D printing and augmented reality.

PQT Marktplatz

In July, SEAT held the PQT Marktplatz event for the second year in a row. During the event, over 1,200 employees from the Production, Quality and other collaborating divisions had the opportunity to discover the latest developments in the ten initiatives that make up the PQT strategy, as well as eleven technologies that are already being applied in the company's processes or that are in the pipeline and represent where the future of vehicle production lies.



Smart Factory and Breaking Fab

In October, the Martorell facilities hosted SEAT Breaking Fab, an initiative by the Smart Factory team which offered attendees, including external partners, the opportunity to propose innovative solutions to improve the factory's production processes and accelerate its transformation to Industry 4.0.

Smart Factory is a new department within the Production division, created in 2017 to promote and develop innovation in SEAT with the goal of improving its processes. A team of 10 people works on the nine innovation focal points that have been defined by the divisions as priorities. Its objective is to accelerate digitalisation and contribute to the generation and implementation of innovative ideas through pilot projects in collaboration with universities, research centres and startups or technology companies.

The SEAT Breaking Fab project, open to all professionals who share SEAT's passion for innovation and technology, included a visit around the heart of the company during which participants found out which challenges they can propose ideas for. Some of the ideas proposed include, for example, creative methods for checking the colour harmony between the different parts of the vehicles or for detecting possible defects in their smooth surfaces – processes that are currently performed almost entirely manually.





Breaking Fab brought together 45 professionals of the company and 95 others from all over the world, including entrepreneurs, representatives from startups, designers, creative professionals, researchers and students interested in the world of technology and innovation, to promote the creation of an open ecosystem of innovation.



Recognition for the quality of training

SEAT's training programme received the Industry 4.0 Special Mention for People award from the Industrial Engineers Association of Catalonia (Col·legi d'Enginyers Industrials de Catalunya). The magazine Capital Humano also recognised SEAT's work in the field of training with a Special Mention for the brand's Training Strategy.

Open to external talent

The Breaking Fab initiative opened the doors of the Martorell factory to external talent. Students and freelancers with extensive technological knowledge, as well as people from universities and research centres, tech startups, system integrator companies, technology manufacturers and distributors and technological consultants were invited to take part in the initiative through the website <https://seatbreakingfab.com>.



Passion for quality.



Investments made in quality
(infrastructure renovations
and expansions and updating
of resources and equipment)
in the period 2013-2017

14 million euros

Passionate about perfection and detail, SEAT's Quality department plays a vital role in conceptualising new products, as well as in their production and after sales services. It participates actively in the design process, contributing its experience and conveying customers' needs to the various teams involved. It also supports the company's processes and those of its suppliers, while guaranteeing the quality and reliability of the materials used to produce the vehicles by subjecting them to strict evaluations to ensure the utmost precision in the more than 10,000 parts they are made up of.

A demonstration of the improvements achieved through the Quality department's hard work, passion and attention to detail is the continuing decline in the number of customer warranty claims, which has decreased by 44% in the last five years.

Immersed in its transformation to industry 4.0, SEAT implemented numerous innovative projects during 2017. One of them is the Digital QS department, intended to be the driving force for the cross-departmental development of new digitalisation concepts which, when incorporated into the cars, will become the centre of a new ecosystem and a new business model for the company.

In recognition of SEAT's leadership in the digital transformation which industry 4.0 entails, as well as the excellent performance of the brand's quality indices, in 2017 the company received the Quality Leader award from the European Organization for Quality (EOQ).

In parallel with this transformation cultivated by industry 4.0, an open space is being created in Workshop 3 of the Martorell factory, intended to foster the generation of ideas through a non-hierarchical system in which participation is encouraged and future challenges can be addressed from a new perspective.



To carry out these projects, 14 million euros have been invested in infrastructure renovations and expansions in the last five years, as well in updating resources and equipment.

Apart from the activities of the Quality department itself, during 2017 a communication plan was implemented, intended to raise the department's profile both inside and outside the company, as well as highlighting the expertise, technical knowledge and professionalism of its team and the resources available. Several media, including motor magazines and European television broadcasters, showed interest in the department's work.

In relation to the recent launches, the Quality department was heavily involved in SEAT's implementation of the new MQB AO platform, being the first company of the Volkswagen Group to introduce it. The department also took part in the finish of the components and the technological features offered by the new Ibiza and Arona models. In addition, it is ready for the arrival of the new Audi A1, which will begin to be manufactured in Martorell during 2018.

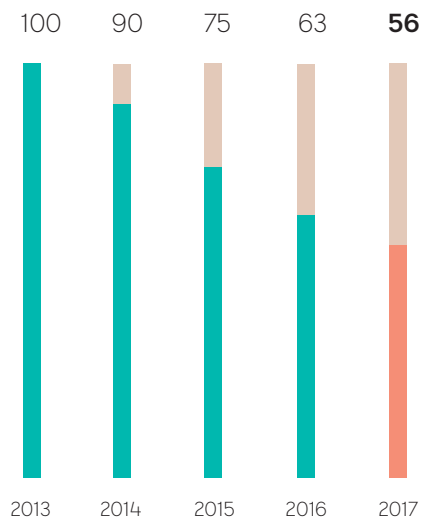
Throughout 2017, the Quality department was also engaged in training local workers involved in the assembly of the SEAT Ibiza in Algeria, which will be performed outside of Europe for the first time in the company's history. The agreement between the Volkswagen Group and the importer of SEAT vehicles, SOVAC Production S.P.A., launched a final assembly plant (SKD) in the Algerian city of Relizane. This new plant is intended to increase the brand's internationalisation and boost sales in Algeria.

One of the functions performed by the Quality department is providing training on the final review process, other processes and documentation, particularly in screwing technology. A SEAT professional has also been appointed director of Quality at the Relizane factory to train the local team to be more autonomous, as well as to ensure that the quality of the product and of the processes is the same as in any factory of the Group.

In November, SEAT obtained the latest certifications of the ISO 9001:2015 and VDA 6.1:2016 standards. To achieve this goal, which is necessary in order for the company to sell its vehicles, a series of requirements had to be met. These included an analysis of the company's context and stakeholders, its risk management, its approach to processes, compliance with legal/statutory requirements and the satisfaction of external and internal clients.

Complaints / 1,000 customers

Base scale of 100



Reduction in the number of customer warranty claims in the period 2013-2017

44%



04

Purchases

The Purchases division of SEAT manages the procurement of the products, goods and services required for the company's operations. It performs its work under the principle of cost optimisation, hence it collaborates with all areas of the organisation, as well as with suppliers, to ensure deliveries and services that are high-quality, on-time and at the best price.

Volume of purchases **#94**

Cost optimisation **#95**

New General Purchases committee for the Iberia region **#96**

Debut of the MQB AO platform **#97**

Involving the suppliers in the corporate objectives **#98**

Purchases Academy 4.0 **#99**

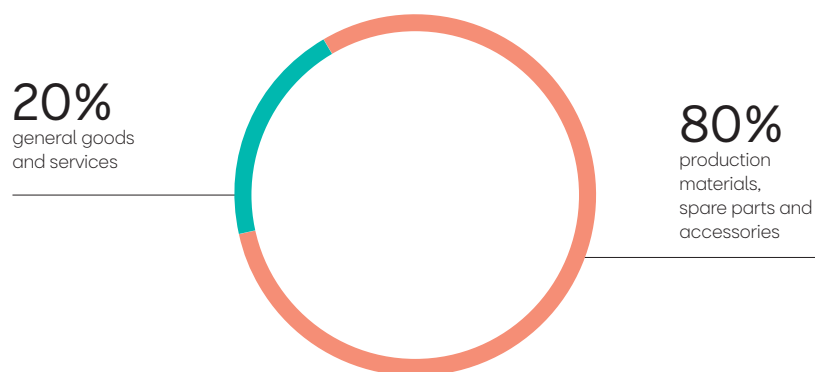


Volume of purchases.

In 2017, the Purchases division managed a total of 6,758 million euros for the acquisition of products, goods and services. 80% of this total was used to purchase production materials, spare parts and accessories, while 20% was allocated to acquiring goods and services.

Distribution of purchases in 2017

Purchase destination

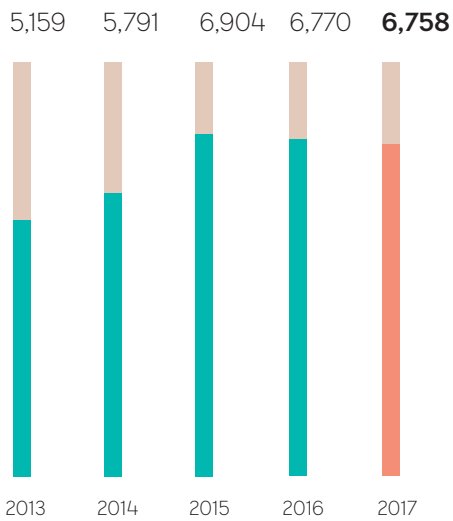


In addition to the components and materials required for the production process of SEAT vehicles, the total volume of managed purchases included those for the Audi Q3 model, which is also manufactured at the Martorell plant, amounting to 1,718 million euros.

In 2017, the Purchases division managed a total of 6,758 million euros for the acquisition of products, goods and services.

Volume of purchases managed

Millions of euros



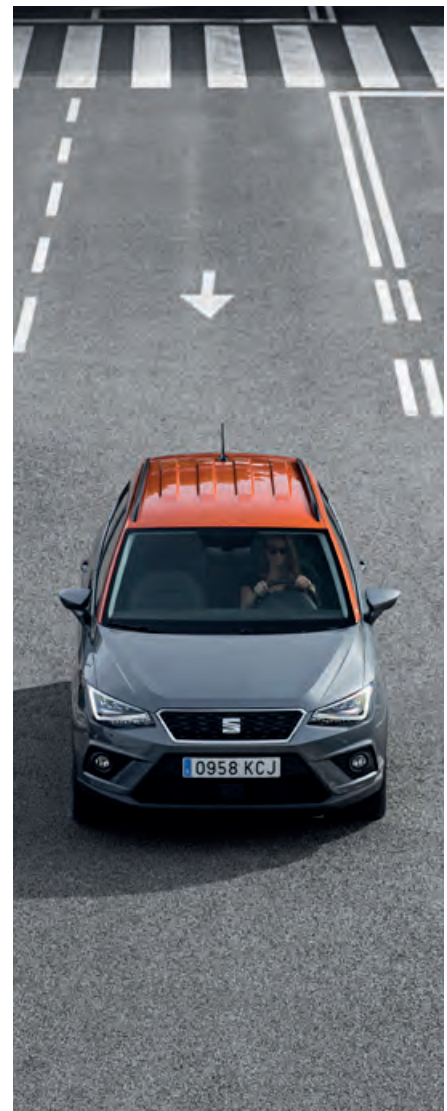
Increase of
purchases managed
2013-2017
1,599
million euros
+31%

Cost optimisation.

The Purchases division's work, together with other areas of SEAT or other companies of the Group, is essential to optimise costs in a number of key processes in the value chain. In 2017, the various projects implemented to this end achieved significant savings, ensuring the quality of the product and the effectiveness of each process. Particularly important are the ongoing FMK (Material Cost Forum) and FSK (Service Cost Forum) programmes, as well as the new partnership with Volkswagen Mexico and Volkswagen AG in Wolfsburg for the development of SEAT's new SUV.

Purchases and Research and Development (R&D) collaborate in the FMK programme, supported by the other areas of the company, to save costs associated with the procurement of production materials. To do this, the value of cost optimisation is introduced starting from the very process of designing a model: R&D specialists are involved in the analysis of the vehicle's various components to identify opportunities for savings through technical improvements, while the Purchases team deals with the negotiation with the respective suppliers. In 2017, there were proposals for improvement on a purchases volume of 2,566 million euros and savings of 111 million euros were achieved, with the work carried out for the Ateca model being of particular importance.

The FSK programme, on the other hand, encourages the Purchases and Finance areas to collaborate with all the divisions that use external services, analysing how the delivery of each of these services can be improved in order to achieve greater savings. In 2017, proposals for improvement were proposed on a purchases volume



Material Cost Forum (FMK)

Purchases area programme

Ideas implemented

194

Savings in millions of euros

111



Service Cost Forum (FSK)

Purchases area programme

Proposals for improvement proposed on a purchase volume of

115

millions euros

Savings in millions of euros

14.5

of 115 million euros and savings amounting to more than 14 million euros were achieved. This represents a significant increase compared to the 7 million of savings achieved in 2016 on a similar volume of purchases.

In 2017, the Purchases divisions began a joint project with Volkswagen AG in Wolfsburg and Volkswagen Mexico to acquire the parts required for the development of the new large SUV due to be released in 2018. This project involves the participation of all three teams since the new model will be manufactured in Wolfsburg, while SEAT is responsible for its design and specific components, and it will be built using the same platform as the Tiguan LWB, which is currently produced in Puebla (Mexico). The Purchases team is in charge of the project management and, among other tasks, is responsible for assigning and negotiating with new suppliers in the Wolfsburg area to acquire the necessary parts.

New General Purchases committee for the Iberia region.

In accordance with the “regions strategy” of the Volkswagen Group, in 2017 SEAT’s General Purchases division was put in charge of creating a new model for cooperation between the various subsidiary companies located in the Iberian Peninsula.

A Regional Sourcing Committee (RSC) has been set up with the goal of optimising the communication network, sharing know-how, focusing purchase volumes and maximising synergies based on the geographical proximity of the various companies located in Spain and Portugal.

During the course of 2017, the objectives set were achieved, with a total purchase volume in the region of 1,907million euros being reached.





Debut of the MQB A0 platform.

In 2017, the Ibiza and Arona were the first models of the Volkswagen Group to introduce the new MQB A0 platform, for which SEAT has carried out pioneering work to manage the various processes linked to this project over the past three years.

The work of the Purchases division has proven essential for ensuring the delivery of all the parts necessary for the manufacture of these models in a timely manner and in accordance with the required quality standards. Due to this project's complexity, the division has involved various departments in its activities. The department responsible for the new releases in the A0 segment has taken care of monitoring the financial side of the project and managing deadlines. The departments responsible for material purchases, meanwhile, have been in charge of negotiating with suppliers to achieve the project's goals. Also of note is the work performed by the division responsible for checking purchased parts in dealing with the moulds in order to meet the supply deadlines while also meeting the required quality standards, and the work of General Purchases in managing the allocation of the necessary production resources.

During all phases of the project, Purchases has collaborated with the Sales and Marketing, Logistics and Quality divisions, and has enjoyed the support of the Cost Analysis department. In accordance with the Iberian Peninsula strategy, efforts have been made to focus the supply of parts among suppliers in Spain, Portugal and North Africa.

The Ibiza and Arona models were the first of the Volkswagen Group to introduce the new MQB A0 platform.



Involving the suppliers in the corporate objectives.

SEAT promotes cooperation between suppliers and buyers to achieve optimisation in the joint operating processes and trade relations.

In keeping with the values of proximity and trust which have historically guided the company's collaboration with suppliers, in 2016 SEAT began to implement a programme in Spain that emphasises the importance of greater cooperation between suppliers and buyers in order to optimise operating processes and business relationships. This initiative was continued in 2017 with the development of a number of specific seminars and meetings.

These included the second edition of the Suppliers Interaction Day (SID) and of the Buyers Interaction Day (BID), held on 20 July. The SID was dedicated to sharing with suppliers the developments in the area of purchasing processes and information systems. The event was held in order to find out and understand suppliers' needs and to identify the main aspects for improvement. With regard to the BID, its objective was to work with buyers in order to optimise processes. To this end, SEAT put suppliers and buyers in touch with each other and informed them all of the improvements and progress achieved since the previous year's edition of this event.

In addition, the suppliers involved in the development of the new Ibiza were invited to the Ibiza Day to present this new model, with the intention of recognising their participation in the project and to consolidate the partnerships with them. The event was held on 19 May in Barcelona and, in addition to getting to see the new Ibiza, participants had the opportunity to try it out.





Purchases Academy 4.0.

Established in 2014, the SEAT Purchases Academy has consolidated its role as a platform for continuous and specialist training for the development of the Purchases team's skills. Through conversations to assess employees' skills, the staff of this division draw up an annual training plan to strengthen their technical or business expertise or to reinforce their knowledge of their day-to-day procedures.

Faced with the onset of the so-called Industry 4.0, or fourth industrial revolution, in 2017 the Academy expanded its training programme with digitalisation as a central theme. Training was provided through seminars, which were broadcast by video conference, addressing aspects such as "The impact of artificial intelligence on purchases", "Trends towards digitalisation – Implications for Purchases" and "Recruitment 4.0: digitalisation and its implications for the business models with suppliers". This programme was carried out in collaboration with AutoUni, a unit that forms part of the Volkswagen Group Academy.

Under the same objective of increasing specialist knowledge, a new training programme was implemented in 2017, in conjunction with the supplier risk management department, which focused on contractual relationships with suppliers. Named "Sine qua non" – in reference to the Latin phrase *conditio sine qua non* ["condition without which no"], which can be found in legal terminology – it mainly offers training on legal and economic-financial matters, such as on the principles of commercial law, corporate law, tax and competition, contract negotiation and liability of the contracting parties.

Further specialisation in these aspects will strengthen relationships with suppliers, while also allowing the company to anticipate and proactively deal with potential risks linked to the supply chain.



In 2017, the SEAT Purchases Academy developed a new training programme with digitalisation as a central theme.



05

Sales and Marketing

The Sales and Marketing division of SEAT centralises the sales of the brand's products, designs and carries out actions that bring them closer to the end customer and manages the services of the after sales network to offer a service of the highest quality.

Solid sales growth **#102**

Strengthening the sales network **#107**

Customer services of the after sales network **#110**

Advertising for the new releases **#111**

Renewal of the corporate identity **#114**

Promoting the brand's values **#116**

Participation in events **#119**

A year of awards for SEAT **#122**

Solid sales growth.

In 2017, SEAT managed to increase its global sales for the fifth consecutive year, achieving the best sales result since 2001 and one of the best in its history. Deliveries to final customer totalled 468,431 units, representing a 14.6% improvement compared to 2016. This solid growth is a reflection of how well the Ibiza, the Leon and the Ateca – the pillars of the brand to which the new Arona was added at the end of the year – were received in the market.

In Spain, where the company achieved 21% growth in the retail sales channel, a total of 95,063 units were delivered, representing a 23.1% increase over the figures for 2016. SEAT achieved double leadership in sales in terms of models, with the Leon taking the lead at 35,573 units sold and the Ibiza in second place with 34,168 units.

In Europe, SEAT has become one of the fastest growing brands with sales to final customers up by 16%. Germany, the company's largest market, recorded growth of 13.4%, reaching a new sales record. The United Kingdom and Austria also reached historic levels, with growth rates of 18.3% and 19.2%, respectively. In fact, significant growth was recorded in the majority of markets: 29% in Switzerland, 24.8% in Poland, 17.3% in Sweden, 15.6% in France, 12.1% in Finland and 9.5% in Italy, to name just a few. There was also significant growth in Israel (10.1%) and notable progress in Turkey (5.4%), which allowed it to reach sixth position in the sales ranking.



SEAT delivered worldwide

468,431

units

Increase in deliveries to final customers

14.6%

over 2016

In addition, July 2017 saw the inauguration in Algeria of the SOVAC Production S.P.A. assembly plant, a joint venture between the Volkswagen Group and its local partner SOVAC S.P.A. The project, which is being led by SEAT, materialised within 200 days of signing the agreement. The Ibiza model has the highest daily volume of units assembled in the plant. With this agreement, a significant increase is expected in sales in the North African country.

In Europe, SEAT has become one of the fastest growing brands, improving its sales to final customers by 16%.



By models, the Leon consolidated its position as the leader in sales for yet another year with 169,951 units sold worldwide, followed by the Ibiza with 152,294 units, representing 36% and 33% of the total sales, respectively.

With regard to products, 2017 was a key year for the company's growth. In June, the new Ibiza, which is the fifth generation of this iconic model and international ambassador of the SEAT family, was released onto the market. It received very good reviews from the international press, with a new design, more interior space and a new interior and exterior style.

In November, SEAT surprised the public once again with the release of the Arona, opening the doors to the crossover segment. This is a versatile, compact model with a high driving position and a modern design, perfect for day-to-day use in the city, as well as having a fun and adventurous side to it that makes it the perfect partner for the weekend.

In the Ateca range, the FR version was added to the Reference, Style and Xcellence trims already available, offering a sportier version and a distinctive design for customers seeking an outstanding trim with sporty lines, without sacrificing comfort and quality.

The Leon, meanwhile, underwent a facelift and is succeeding in the market with the Xcellence version, intended for users who want design, distinction, comfort, quality and the latest technological features all in the same vehicle.

The Leon CUPRA R was also a resounding success as the most powerful SEAT production car in the brand's history, as well as the most exclusive: a limited series of 799 units, with manual (310 HP) or DSG transmission (300 HP), both with a six-speed gearbox and front-wheel drive.

The SEAT Leon and Ibiza are the best-selling models in Spain.

SEAT, a global brand.

Distribution of 2017 retail sales among main markets

81
countries

Top ten

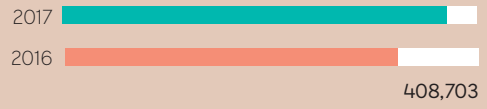
01 Germany	102,100
02 Spain	95,063
03 United Kingdom	56,151
04 Mexico	24,681
05 France	24,225
06 Turkey	20,718
07 Italy	18,068
08 Austria	17,518
09 Poland	11,124
10 Switzerland	10,335

Other countries

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



Total retail sales 2017
468,431



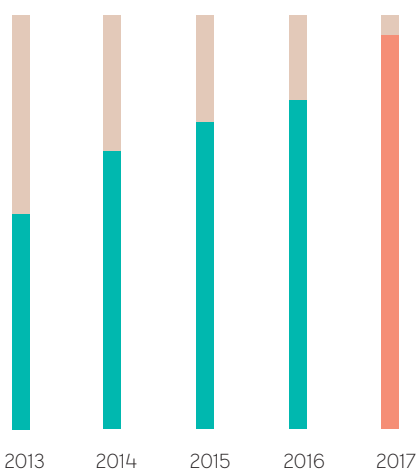
SEAT's fleets channel recorded substantial growth during 2017. The company delivered 94,913 units through the company sales and leasing (true fleet) channel, representing a 21% increase compared to 2016. The most significant improvements were recorded in Spain (43%), Germany (23%) and the United Kingdom (50%). Also of note is the agreement reached with the Turkish pharmaceutical company Abdi Ibrahim for the sale of 2,050 units of the SEAT Leon intended for commercial use, which resulted in the largest transaction in this channel in SEAT's history.

2017 also saw the launch of a new programme reserved for large corporations, which aims to offer special conditions to employees who do not have access to a company car. Currently, more than 50 companies benefit from this initiative.

Deliveries in the fleets channel

Units

51,985 67,018 74,134 78,745 **94,913**



Increase in deliveries
2013-2017

42,928

vehicles
+82.6%

Furthermore, the Autovista Group, a leading supplier of information on vehicle prices and residual value in Europe, named the new Ibiza and the Arona as the models with the highest residual value among the competitors included in the CarToMarket-Study, highlighting them as being among the best possible buys within the segment.

In addition, for the second time (the first being in 2014) SEAT received the "Car of the Year in Leasing and Fleets 2017" award for the Ateca. The award was given by the Automoción Press Group, which highlighted the competitive maintenance costs, residual value, equipment and engines of SEAT's first SUV.

Retail sales

Units



The **SEAT Leon** is
the best-selling vehicle

169,951

SEAT Mii
15,410

SEAT Ibiza
152,294

SEAT Toledo
13,439

SEAT Altea
731

SEAT Arona
6,739

SEAT Ateca
78,661

SEAT Alhambra
31,206

Strengthening the sales network.

SEAT's sales network remained stable during 2017, with 1,704 official dealers and showrooms. The brand operates in 81 countries and has continued its expansion with new openings in New Zealand. With the goal of becoming more accessible and making life easier for the customer, in September SEAT opened a new SEAT Store in London's Westfield shopping centre, following the success achieved with the first of such spaces opened in 2016 in the Lakeside shopping centre, also in the British capital.

The new SEAT Store is a large space that offers the possibility to get to know some of the brand's models first-hand and offers visitors an innovative digital experience through which they can buy a car in just a few clicks. The Store is supported by a pop-up store in the pedestrian area of the shopping centre and by an exclusive space known as the Experience Centre, which is reserved for dynamic tests and new vehicle deliveries.

The SEAT Stores in the United Kingdom, as well as other concepts that will be developed in markets such as Norway and Mexico, serve as prototypes for SEAT's future showrooms and will be developed as part of the New Retail Experience project.

With the launch of the new Ibiza, and following the success achieved in 2015 with the same training experience, a series of Central Launch Training (CLT) events were held during May and June to provide in-depth training on the sale of the new model, which has reached 20 markets simultaneously for the first time. The

With the goal of becoming more accessible and making life easier for the customer, in September SEAT opened a new SEAT Store in London's Westfield shopping centre.



Information regarding the SEAT commercial network

The Central Launch Training days were intended to provide in-depth training on the sale of the new Ibiza.

The brand operates in

81
countries

It is present in

1,704
dealerships and official showrooms



CLT event offered a detailed programme on the technological developments of the fifth generation of the SEAT icon and its distinctive features, such as its design and connectivity and the benefits of the new MQB AO modular platform.

During this four-week event, 5,700 participants from the sales and after sales networks of more than 50 countries – including managers and sales consultants, service advisers and fleet specialists – expanded their knowledge of the Ibiza and discovered its competitive advantages through different workshops, audiovisual sessions and other training initiatives. To complete the programme, participants were given two test drive sessions, one driving the new model and the other with its most direct competitors, allowing them to verify its dynamic qualities for themselves. The point of departure and arrival for the test drives was the convention centre of Port Aventura (Tarragona), where the events were held.



Each of the participants in the CLT event completed a course of training which had begun three months earlier with online content and which continued for weeks afterwards with various initiatives on the event's digital platform. All this work had a positive impact on the satisfaction rates of SEAT's dealership network worldwide.



Customer services of the after sales network.



Brand Protection department

In 2017 it analysed

85 platforms

The analysis resulted in:

- > halting the sale of **8,000** pirated products
- > seizing **3,000** false parts at customs offices in **19** countries

The after sales network offers its customers a wide range of services and technological solutions aimed at providing a rapid response to their needs, improving the level of satisfaction and contributing to the quality of the brand's products. One such solution is the Diagnosis@Lab, a unique and innovative installation of the Volkswagen Group that makes it possible to simulate the actual behaviour of the electronic control centres of any SEAT model and perform intensive electronic, software and diagnostic tests.

In the same vein, the Digital Maintenance Plan provides repair garages and customers with a vehicle's maintenance history in digital form, offering them immeasurable benefits in terms of updating and accessibility, as well as providing savings for the brand by eliminating the paper format.

Also of note is the incorporation of virtual reality and 3D videos in the repair manuals, a project which aims to harness the potential of new technologies to optimise the vehicle repair processes, helping to improve their quality and cut the cost, together with the improvement in final customer satisfaction that this entails.

Customer satisfaction was also bolstered in 2017 through the SEAT Care loyalty programme, which offers customers an additional two-year warranty, a maintenance contract and, in some countries, roadside assistance for a monthly fee at half the normal cost of these services. SEAT Care is the cornerstone of the brand's strategy to increase customer loyalty.



With this same philosophy in mind, the Mobile Service Unit was launched as a pilot programme in Spain and Portugal. This is a mobile repair workshop that makes it possible to perform maintenance and provide services at a location of the customer's choosing, saving time and improving convenience, personalised care and quality.

Another tool which seeks to improve customer satisfaction is the My SEAT DataPlug. This is a device that plugs in to the car's diagnosis port and connects with the My SEAT app via bluetooth, allowing users to find out more details about the vehicle and detect when a technical problem occurs, making it easier to plan tasks in the repair garage.

During 2017, SEAT created the Brand Protection department, as part of the strategy of the Volkswagen Group. Its mission is to establish suitable measures to put a stop to the existence of counterfeit parts, helping to ensure the safety of users of SEAT vehicles and protecting the brand's image as well as the company's profits.

In relation to the network of importers and authorised services, the company developed eight initiatives related to the brand values, known as SEAT Attitudes. The importance of the attitudes for professionalising the network's services and turning customers' visits to repair garages into a unique brand experience was communicated through a dynamic experience-based programme under the slogan "Your attitude defines you". All this was complemented with the use of new technologies in the training programmes, including virtual classes, augmented reality applications, interactive training videos and gamification.

Advertising for the new releases.

Aware of the importance of advertising campaigns in new product launches, SEAT conceived two innovative story lines for the brand's two main new products in 2017. The release of the fifth generation of the SEAT Ibiza was underpinned by a new concept, "Start moving", devised by the Brand Advertising department of Marketing Communication and developed by the advertising agency C14TORCE. The presentation of the SEAT Arona and its motto "Do your thing", meanwhile, associates the brand's new crossover with an unconventional way of life.

These are modern, bold, inspiring and informative campaigns that respond to changes in society, which today is more on the move and connected than ever before.

In addition, and for the first time in the company's history, a campaign has been launched to appeal to SEAT's followers from all over the world to help find a name for the SUV that will be presented in 2018.

In 2017, SEAT undertook modern, bold, inspiring and informative campaigns.



**The “Start moving”
advertising campaign
presents a new Ibiza with
a revamped design and
equipped with the latest
technological innovations,
adapted to a young
audience.**





**The SEAT
world.**



New SEAT Ibiza: “Start moving”

Designed for an audience with a young mind and spirit (between 20 and 50 years of age), the fifth generation of the SEAT Ibiza arrived in the month of June, accompanied by an advertising campaign based around “Start moving”, an innovative and fresh concept that encourages spontaneity and beckons action in a society which is constantly on the move.

The new Ibiza is presented as the perfect urban car for this change in attitude, with a revamped design and equipped with the latest technological innovations. It is a stylish smart car designed to make life easier and to help people enjoy life.

Art on the move.

Collaborating in the new Ibiza’s advertising campaign was the renowned illustrator Magoz and his conceptual, minimalist and striking characters, accompanying concepts associated with the brand such as Easy and Created in Barcelona.

The television advertisement, meanwhile, which was shown for the first time during the final of the Copa del Rey football tournament on 27 May and developed by the producer Agosto, presented a new Ibiza which moves and dances together with more than 25 international dancers. The performance is accompanied by a soundtrack by the American group Black Eyed Peas, performing a version of the song Mas que nada by Sergio Mendes.

New SEAT Arona: “Do your thing”

The advertising campaign for the new Arona, the brand's first model within the crossover segment and SEAT's third release in 2017, follows a bold philosophy which encourages everyone to make their own decisions without fear of the consequences and to follow their own path.

Under the campaign slogan “Do your thing”, the launch advert relates SEAT's new urban crossover with those who have a lot to say and even more to do, and reveals the features of the vehicle, which stands out for its customisation options, design, compact proportions and technology and connectivity.

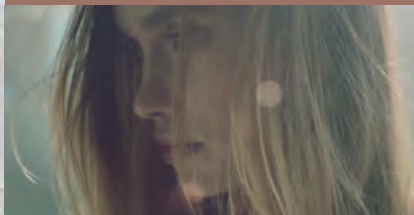
Mateo and Street Art.

Mateo Bories, a young urban artist known all over the world, participates in the campaign of the new SEAT Arona with his street art. Mateo is a perfect example of the philosophy that the new SEAT Arona defends, which is all about listening to oneself, avoiding pre-established ideas, conventions and social pressures, and strengthening each person's individual identity in order to live life however one wants.



“Start moving”

For the first time, SEAT launches the new SEAT Ibiza with a TV campaign featuring the soundtrack “Mas que Nada” by Sergio Mendes ft. Black Eyed Peas.



SEE VIDEO



“Do your thing”

The SEAT Arona hits the market with a bold and irreverent image that encourages people to make decisions and follow their own path.



SEE VIDEO



#SEATseekingName

For the first time in the company's history, SEAT invited all the brand's fans to propose and, subsequently, vote on a name for the new SUV.

The #SEATseekingName project managed to mobilise 133,332 citizens from 106 countries who, through the websites seat.es/buscanombre in Spain and seat.com/seekingname at an international level, proposed 10,130 unique place names to christen the new SUV.

The initiative consisted of four phases: between 1 and 22 June the proposals sent by citizens from all over the world were collected; on 28 July the nine pre-selected names were announced, selected by the Product Marketing, Communication, Marketing, Customer Journey and Legal Services departments; on 12 September, coinciding with the Frankfurt Motor Show, the four finalists were announced (Alborán, Aranda, Ávila and Tarraco), based on the evaluation of SEAT's product naming experts and the conclusions drawn from focus groups held among customers and importers;

and between 12 and 25 September, the finalists were put to a popular vote on the website of the initiative to appoint a winner, which will be unveiled in 2018.



#SEATseekingName in figures

10,130
place names proposed

133,332
people mobilised from
106 countries

9
pre-selected proposals: **Abrera, Alborán, Arán, Aranda, Ávila, Donosti, Tarifa, Tarraco and Teide**

4 finalists
Alborán, Aranda, Ávila and Tarraco

1 winner
to be unveiled in 2018



Renewal of the corporate identity.

During 2017, SEAT rekindled its brand positioning, aligning it with the changing needs of the social environment and trends.

During 2017, SEAT has rekindled its brand positioning, aligning it with the changing needs of the social environment and trends. With this renewal, the company joins the future of mobility with a clear purpose: to make life easier for the customer so that they can continue to move forward. The challenge is to raise the value of the SEAT brand and how it is regarded, positioning it as a brand with a distinguishing attitude and an emotional discourse that places the consumer at the heart of its strategy.

To this end, SEAT has established its brand values in the way it conceives and conveys its products and services. Innovation, accessibility and relevance can be found in everything it offers and in everything that users consume. Furthermore, its personality reflects the optimistic, urban, young and creative nature of the city that inspires it: Barcelona.



This strategic evolution of the brand has led the company to also update its image, making it more accessible, simple, young and attractive. The aim is to establish a more intimate and direct tone that allows it to connect emotionally with the consumer and engage in a dialogue in which the company's day-to-day activities serve to establish the framework for the communications.

The characteristics of the new image extend beyond SEAT's products, affecting all the brand's points of contact and the experiences through which it expresses itself. From the way it presents its logo, its typeface or the corporate colour palette to the atmospheres recreated at an event, everything has been revised to convey this new direction.

Simpler shapes, more vivid colours, urban environments and artistic expressions that reflect the vital attitude of consumers are some of the attributes that make up SEAT's new corporate identity.



Promoting the brand's values.

Music and motor sports initiatives helped to bring the cars closer to customers and convey their values.

In order to give the brand greater visibility, SEAT establishes the best alliances to achieve a unique combination. During 2017, music and sport initiatives have helped to strengthen the brand, bringing the brand's cars closer to customers and conveying the new brand values.

For the first time this year, SEAT has supported the largest urban music festival in the world, Barcelona's Primavera Sound, for its urban spirit, its more than 200,000 participants and its line-up of some of the best-known artists in the world. The brand added value to the festival through several activities, which were carried out both inside and outside the festival enclosure.

In the field of music, SEAT also decided to take part in Primavera Sound's little brother, Primavera Club, an event which presents emerging artists to the world. With an average of 3,000 attendees over its three days, the emblematic Sala Apolo in Barcelona, the famous Joy Eslava club in Madrid and the Teatro Barceló, also in the Spanish capital, became ideal settings to show attendees and influencers the brand's intentions within its music strategy.

The number of fans in the world of motorcycling keeps growing day by day. This is why SEAT decided to start a new sponsorship project with Ducati Corse, becoming the official sponsor of the Moto GP team – which had a season full of successful sporting achievements. In addition, the brand named Jorge Lorenzo (Spain) and Andrea Dovizioso (Italy), the team's two official drivers, as ambassadors. The company carried out a large number of activities with its ambassadors and held special events with influencers at the Barcelona and Valencia Grands Prix.





Furthermore, the SEAT Leon CUPRA became the official car of the Italian team given Ducati's sporting history. This model has not left anyone indifferent and, furthermore, it has been the official safety car of the Superbike World Championship 2017. Thanks to the agreement with Dorna, the Leon CUPRA has been on the track during the warm-up laps prior to the race in all categories of the championship, and its presence has been highlighted by billboards on the circuits where the championship has played out, with 13 races in 11 countries on three different continents. In addition, at each racetrack the brand has carried out special activities and has put on driving tests for dealers responsible for conveying and promoting SEAT's brand values and image. The agreement has allowed the company to get closer to an audience passionate about motor sports, perfectly matching the features offered by the Leon CUPRA.

SEAT is also committed to women's sport, and for this reason the company has become the Premium Sponsor of the WTA Mallorca Open, one of the biggest women's tennis championships in the world. In this edition, with Toni Nadal as ambassador, the participants included 32 individuals and 16 doubles, and the winning prize ended up in Latvia, in the hands of the young Anastasija Sevastova after a long and exciting final.

The brand named Jorge Lorenzo and Andrea Dovizioso as ambassadors.





SEAT filled the role of official brand of the CSIO Barcelona 2017, one of the world's leading equestrian events.

For yet another year, SEAT filled the role of official brand of the CSIO Barcelona 2017, one of the world's leading equestrian events. During the competition, held at the Real Club de Polo de Barcelona, attendees were able to enjoy a number of activities organised by the company. In the SEAT Polo Park, for example, a DJ livened up the scene with music and visitors were offered the chance to immerse themselves in the world of virtual reality, in a unique experience that transported them to taking the wheel of the Ateca FR. In addition, there was a space dedicated to the youngest members of the family: a small circuit in which they had the opportunity to visit various points of Barcelona. To top off the event, the SEAT Lounge offered an exclusive party in collaboration with Primavera Sound.

In football world, for the first time SEAT was the main sponsor of the entire season of the Copa del Rey Spanish Cup, with a strong presence in all matches of the last sixteen knock-out phase. SEAT also carried out a series of exclusive activities, such as bringing the championship closer to Spanish cities through its dealership network with the "Copa del Rey Tour" initiative, showing the cup in 86 official SEAT dealerships and in various public spaces. During the championship, which was watched by more than 44 million viewers, the company was present

in 46 matches watched by more than 770,000 on-site spectators. All in all, the brand has reinforced its commitment to and support for the most important sporting events in Spain.



Participation in events.

2 017 has been full of new launches and exciting moments for SEAT, which have been showcased at major motor shows and conventions. At the Mobile World Congress in Barcelona, held between the end of February and the beginning of March, SEAT presented its advances in connectivity, which included a predictive assistant, real-time traffic forecasts and route recommendations. Another highlight was the presence of a simulator that showed the future of the connected car, a new form of interaction between the car, the user and the environment.

At the Geneva Motor Show, which took place in March, the fifth generation of the SEAT Ibiza was presented on the global stage. This is a completely new model which offers major technological improvements and a revamped design that conveys its young and dynamic spirit. Also at this same motor show, SEAT presented the new member of the Leon family, the Leon CUPRA, with a design and a dynamism that portrays the brand's DNA. Visitors to the brand's stand had the opportunity to enjoy a virtual reality simulator that allowed them to drive the new Leon CUPRA around the streets of Barcelona through a unique experience using Oculus technology.

At the Automobile Barcelona Motor Show, which took place in May, the new SEAT Ateca FR was presented on the international stage. This is a model that guarantees fun and dynamism on wheels, without leaving out the comfort and design characteristic of SEAT. Also, to celebrate the 60th anniversary of the SEAT 600's arrival on the market in 1957, tribute was paid to this model with the exhibition of a revived 600 prepared by the SEAT Design Centre. During the event, SEAT conducted a large number of activities that helped attendees get closer to the brand. The most acclaimed activity was the virtual reality experience in 4D, which allowed attendees to enjoy the streets of Barcelona at the wheel of the Ateca FR.

2017 has been full of new launches and exciting challenges for SEAT, which have been showcased at major motor shows and conventions.





At the Frankfurt Motor Show, held in September, the new SEAT Arona shone in its international public debut. This urban crossover, born out of the creativity, innovation and urban style that are sensed in the streets of Barcelona, has an agile and powerful engine that makes it the best travel companion. Also in Frankfurt, SEAT presented the Leon CUPRA R, its most powerful vehicle to date, as well as its most exclusive, representative of the perfect balance between passion and reason.

Visitors were also able to enjoy the many activities that SEAT prepared for the event, all of them focused on the urban world, including how to admire an artistic mural and having the opportunity to take a piece of it home, or feeling like an authentic DJ for a day. In the field of technology, visitors had access to a neuro-configurator that described which Arona model suited each user the best, based on their personality.

The third great protagonist of this motor show was Alexa, Amazon's interactive integrated voice assistant which will make the experience at the wheel of a SEAT unbeatable. With regard to the design of the spaces, the company opted for an innovative concept that invited visitors to have a unique urban experience, transferring Barcelona to the rest of the world through a stand which recreated part of the city and its atmosphere, representative of the brand's spirit and inspiration.





SEAT Guinness World Record for the largest parade of 600s in the world

To mark the 60th anniversary of the SEAT 600, and as part of the AutoRetro motor show which was held in Barcelona in November, the company achieved a world record for a gathering and parade of 787 units of the iconic model at the Circuit de Barcelona-Catalunya racing track in Montmeló.

A commissioner from the Guinness World Records certified the official record for the largest gathering of 600s since the model's advent in 1957. The so-called "pellets" paraded before the more than 4,000 attendees, who shared with SEAT the celebration of the anniversary of the car which kick-started mobility in Spain.

At the Smart City Expo World Congress, held in Barcelona in November, the company proposed its mobility solutions for each pillar of Barcelona City Council's Urban Mobility Plan. One of them is the SEAT Cristóbal concept car, the safest model in the company's history, which incorporates the latest technology in order to reduce risks and accidents. In relation to efficient mobility, SEAT launched an app which improves mobility in the city of Barcelona and shows areas that are undergoing construction works, have heavy traffic or represent black spots due to their higher concentration of accidents.

In addition, the company held the Autonomous Driving Challenge, a tournament in which 50 students with training in the world of robotics had the opportunity to develop a piece of software capable of making a scale vehicle move autonomously, within an enclosed circuit.

At the Frankfurt Motor Show, the new Arona shone in its international public debut.



A year of awards for SEAT.

The biggest product offensive in the company's history has led to a large number of awards.



SEAT Ateca

Car of the Year in Leasing and Fleets 2017 in Spain for the Ateca, awarded by the Automoción Press Group. This is a highly prestigious award in the sector as it is judged by a panel made up of managers of lease operators, car hire companies, managers of auxiliary firms and services related to the sector, as well as by specialist journalists.

Fleets 2017 Award in Spain for the SEAT Ateca, awarded by the Car Fleet Managers Association (AEGFA) for having recorded the highest growth in the companies channel.

Best 4x4 Car in Spain for the Ateca, awarded by the magazine *Mujer Hoy*. The awards ceremony, which took place at the Jarama Circuit, was attended by a group of readers who had the opportunity to drive SEAT's first SUV on this race track near Madrid.

Best Car of the Year 2017 and Best SUV in its segment – small and compact SUVs – in Spain for the Ateca in the Schibsted Motor Awards. The award is the result of the more than 100,000 votes cast by users of the website www.coches.net and of the main portals of the Norwegian media group Schibsted Spain.

Best Compact SUV in the United Kingdom for the Ateca, awarded by the British publication *What Car?*, which highlights its excellent body control, driving set-up, agility, generous interior space and long equipment list.

Autocar "Game Changer Award" in the United Kingdom for the Ateca, awarded by the website Autocar in recognition of its ability to raise standards in its segment and challenge convention for the benefit of its customers.

Best Crossover of the Year 2017 in Portugal for the Ateca in the 34th edition of the Best Car of the Year/Cristal Steering Wheel Award initiative. The judges' panel, made up of 18 specialist journalists from the most representative media in the country, had the opportunity to test the model for almost three months and analyse a wide range of aspects such as safety, economy, efficiency, performance, competitiveness and agility. The SEAT Ateca was also the choice of the public in the online vote.

Best SUV of the Year Award in 2017 in France for the Ateca, awarded by the readers of the magazine and the digital portal *Auto Moto* after more than 13,000 people voted, highlighting its design, ergonomics, large boot space and full range of equipment.



SEAT Arona

Best SUV Car of the year 2018 Award in Spain for the SEAT Arona, awarded by readers of the magazines *Car & Driver* and *DeViajes*, which have valued its efficiency, habitability and agility. The award confirms the excellent reception that the model is enjoying among the public and professionals of the sector.

Best Car of the Canary Islands 2018 Award in Spain for the Arona, awarded by the Sports Press Association of Las Palmas and Tenerife.

Car of the year 2018 Award in Denmark for the Arona, awarded by the specialist portal *Motorsiden*.

"Motorvize Fans Award" in the Czech Republic for the Arona, awarded by the publication *Motorvize*.



SEAT Alhambra

Best Imported Car Award in the 4x4 category in Germany for the Alhambra, awarded by the publication *Auto Bild Allard*.

Best Family Car of the year 2017 in Germany for the Alhambra, awarded by the publication *AUTOStraßenverkehr*.



SEAT Leon

Best Buy Award in the United Kingdom for the Leon, awarded by the British magazine *What car?*, which evaluates aspects such as cars' practicality, their family spirit, the possibility for flexible purchase options, low maintenance costs, comfort and ease of city driving, concluding that the SEAT Leon is one of the best small cars.



SEAT Ibiza

Special Prize for the Most Technological Car in Spain for the Ibiza, awarded by the publishing group Axel Springwe Motor and by a committee of experts made up of specialist writers from the magazines *Auto Bild* and *Computer Hoy*.

Best Car of the Year in 2018 in Spain for the Ibiza, awarded by the newspaper *ABC*.

Best Car of the Year in 2017 in Catalonia for the Ibiza, awarded by the Motor Press Association of Catalonia.

"Excellent Product Design Transportation", "Best of Best Interior Volume" and "Exterior Volume Brandy Winner" Awards in Germany for the Ibiza, awarded by the German Design Council in recognition of the integration of the model's fresh and young image with a mature and balanced design.

Product Design Award 2017 in Germany for the new SEAT Ibiza in the Red Dot Awards. This prize was awarded by an international panel of judges made up of 40 experts. It is one of the most prestigious design awards in the world, which particularly values quality and innovation.

"New Car Awards Winner" Award in the United Kingdom for the Ibiza, awarded by the publication *Auto Express*. The award recognises the model's maturity, its space, comfort and the refinement in its design, as well as its good value for money.

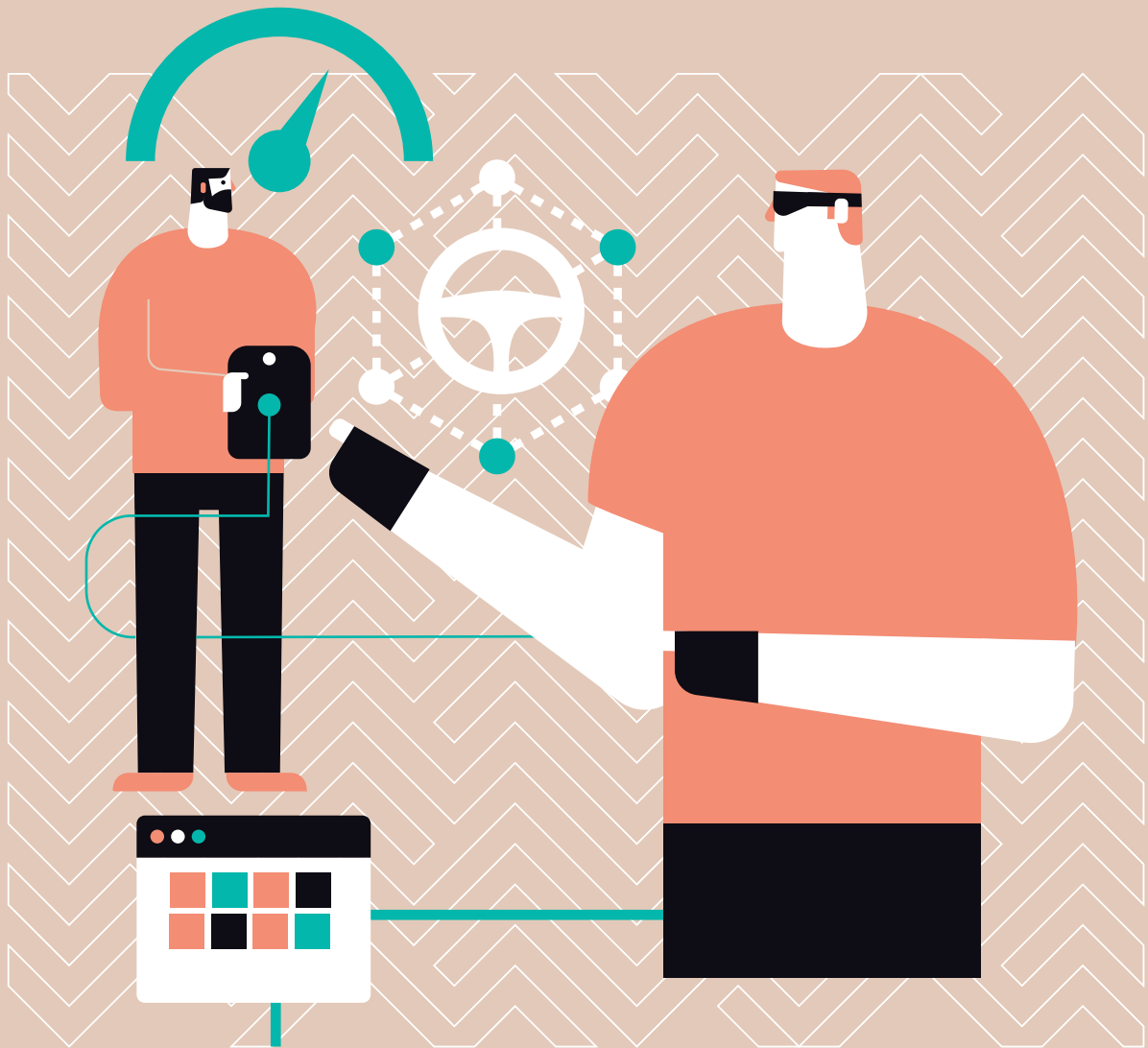
"Best First Car Winner" Award in the United Kingdom for the Ibiza, awarded by the website *Parkers* in the *Parkers New Car Awards 2018*, which highlights the car's interior layout, its value for money and its performance.

Car of the year 2017 Award in Austria for the Ibiza, awarded by the ARBÖ Austrian Car Club.

Car of the year 2018 Award in Finland for the Ibiza, awarded by the Finnish Car and Motoring Journalists Association.

In addition to Spain, the brand has received awards in eight other European countries: the United Kingdom, Germany, France, Portugal, Denmark, the Czech Republic, Austria and Finland.





06

Research and Development

Through its investments in the field of research and development, SEAT ensures the brand's progress, creates its own identity and style and constantly incorporates the most advanced technologies into its models. This enables it to imagine the car of the future and to search for solutions to the challenges faced by the automotive industry.

A technical centre unique in Spain **#126**

Innovative solutions **#127**

Commitment to research and training **#136**

Leon Cup Racer Evo 17, the star of motor sports **#138**



A technical centre unique in Spain.

SEAT Technical Centre in figures

Surface area

200,000 m²

Number of engineers

1,036

Kilometres of testing

2,056,000

Number of projects

412

Number of prototypes

46

Hours of engineering

1,370,200

SEAT has its own technical centre, which allows it to design, develop, manufacture and sell its vehicles with an end-to-end approach, as well as taking part in projects of the Volkswagen Group. The SEAT Technical Centre (CTS) continues to be a benchmark in the field of R&D&I 42 years after it came into operation and it is the only one of its kind in Spain where cars are developed from start to finish under one roof.

Fully integrated into SEAT, S.A., after a long track record as an independent company, the CTS has a team made up of a thousand specialist engineers and technicians who carry out research to find innovative solutions in areas such as digitalisation, electrification, new mobility services and the connected car.

The work of the SEAT Technical Centre also involves the use of more advanced processes to achieve greater sustainability in cars, particularly in reducing CO₂ emissions and in the quest for maximum efficiency.

In terms of design, the technicians and specialists of the CTS are responsible for combining the latest technology with SEAT's functionality and unmistakable seal, which can be found in all the brand's models.

Innovative solutions.

SEAT is currently in the midst of its biggest product offensive ever. Following the successful launches of the Ateca and Leon PA, 2017 was, without doubt, the year of A0 launches. The new Ibiza and Arona models follow, once again, the successful SEAT formula.

SEAT (R&D) is working to shape the future of the brand and is highly committed to successfully tackling the digital disruption that is taking place in the automotive industry. To this end, the company is working as never before towards creating a "Bright Future". As part of its daily operations, SEAT is developing new and innovative models, powertrains and digital solutions, as well as undertaking work for the VW Group. Being the first company of the Group to introduce the new MQB-A0 platform is a clear demonstration of the trust that the VW Group bestows in SEAT.

SEAT is developing new and innovative models, propulsion systems and digital solutions.



The SEAT Formula



The key of succes

DESIGN + FUNCTIONALITY
 DYNAMISM + COMFORT
 ACCESIBILITY + QUALITY
 EMOTION + TECHNOLOGY

The road to success



Technological advances in products

SEAT Ibiza and SEAT Arona: united by the MQB A0 platform

The Ibiza and the Arona were given five stars (highest rating) by the European safety assessment programme, Euro NCAP.

2017 saw the launch of SEAT's first two cars developed on the MQB A0 (*Modular Quer Baukasten*) platform: the new Ibiza and the Arona. Thanks to the MQB, both models have notably more interior space and, at the same time, a more rigid bodywork that improves its handling and safety. The enormous trust placed in SEAT by the Volkswagen Group allowed the company to be the first brand of the Group to use this platform.

The new SEAT Ibiza is equipped with various engines which comply with the Euro6 emissions regulations and provide exceptional performance, a high degree of autonomy and a low level of emissions. There are three petrol versions with an aluminium block: 1.0 MPI (75 HP), 1.0 TSI (95 or 115 HP) and 1.5 TSI (150 HP), with average consumptions ranging from 4.7 to 4.9 litres per 100 km. As for diesel engines, the new model comes with a 1.6 TDI engine (with 80, 95 and 115 HP) and the company has also launched a 1.0 TSI engine with 90 HP powered by compressed natural gas (CNG).





In addition, the Ibiza has been equipped with features normally found in premium ranges which make driving easier and increase connectivity and security, such as Front Assist automatic emergency braking, adaptive cruise control (ACC), Kessy keyless entry and start system, a new generation of front and rear parking sensors, a rear-view camera, an 8-inch touch screen, a wireless charger and Full LED headlights. It is also the only 100% connected car available, with three options: Apple CarPlay, Android Auto and Mirror Link.

Furthermore, with the launch of the Arona the company entered the compact crossover segment. Manufactured exclusively in Martorell, this model was also developed using the MQB A0 platform. The Arona comes equipped with direct-injection, turbocharged and intercooled engines with a Start-Stop system. In the petrol version, there are three different engines to choose from (1.0 TSI with 95 HP or 115 HP, and the 1.5 TSI engine with 150 HP), while there are two diesel engines available, the 1.6 TDI with 95 HP or 115 HP, as well as the CNG version.

The new model also incorporates features of premium ranges such as the Full Link system, which links the user's smartphone to the vehicle using Apple CarPlay, Android Auto and Mirror Link, rear traffic alert, blind spot detector and Park Assist. The SEAT Arona is only 79 millimetres longer than the Ibiza, but it is 99 millimetres taller, providing it with an optimal interior space and giving the user a large boot with a 400-litre capacity.





In the manufacture of the CUPRA R, premium materials were used to give it an exclusive and unique identity.

SEAT Leon CUPRA R: the purest and most radical car to date

The Leon CUPRA R is the brand's most powerful car, with only a limited series of 799 units manufactured. Available in two versions (manual transmission with 310 HP and DSG transmission with 300 HP), this model is the result of SEAT taking another step within the range in order to produce its purest and most radical car to date.

To achieve this, SEAT has developed a new exhaust system with less back pressure, an adjusted chassis with a new tilt and a wider track, more rigid engine and gearbox mounts and 18" Brembo brakes as standard. Work was also carried out on its aerodynamics to achieve a 12% improvement in efficiency and a greater downforce that allows for more sporty handling.



Intended for very demanding people who not only want a high-performance car but also wish to stand out in a unique and sophisticated way, in addition to the mechanical improvements the CUPRA R features various materials and exclusive finishes: this is the first time that carbon fibre and copper have been used in the bodywork, and the model's interior reflects the essence of a limited edition, with sporty seats and a carefully groomed finish that includes a white instrument panel. In short, in the manufacture of the CUPRA R, premium materials were used to give it an exclusive and unique identity.

FPK instrument panel

Another of SEAT's greatest innovations in 2017 is the fully digital and programmable FPK instrument panel, which was presented at the Frankfurt Motor Show and will be available starting in 2018 in various versions of the Leon, Ateca, Ibiza and Arona models. Thanks to a versatile, modern and attractive design, the FPK allows the driver to have easier, more intuitive and customisable access to the vehicle's information.

With this new feature, SEAT adds value to its production vehicles and enhances its competitiveness in a market in which digitalisation is taking on an increasingly important role. In addition, the FPK represents a step forward for the brand, strengthening its image and offering a smarter product.



Engines powered by compressed natural gas

Innovation is part of SEAT's DNA and the brand's Technical Centre works to apply it across a broad spectrum encompassing design, safety, technology and respect for the environment. One of the company's most significant advances in this regard is its commitment to sustainability and efficiency, with the ultimate goal of implementing engines powered by compressed natural gas (CNG), a fuel that offers very low levels of NOx and CO₂ emissions.

These engines generate 75% fewer nitrogen oxide emissions compared to diesel and 25% fewer CO₂ emissions compared to petrol, as well as eliminating nearly all suspended particles. They also represent a significant saving for the customer, since their average cost in Spain is less than 4 euros per 100 kilometres.

SEAT now has three models with engines that can operate with either petrol or compressed natural gas: the Leon in its 5-door and family versions, the Mii and the new SEAT Ibiza, to which the CNG version of the new Arona crossover will be added in 2018. All in all, significant progress has been made in SEAT's commitment to developing an alternative fuel that contributes to efficient mobility in cities, emission reductions and compliance with new environmental criteria.

Hybrid technology

[Natural Gas + Petrol]

Barcelona-Madrid for €20

55%

cheaper than petrol and 30% cheaper than diesel



25% less CO₂ than petrol and

75%

less NOx than diesel

It can run for over 1,300 km without refuelling



Creative and artisan work and advances in technology, such as 3D, come together for the design of a new model.

The new SEAT Ibiza.

Make
the difference.



Pencil, paper, clay... and 3D headsets

The latest technology and the creativity of a team of 200 designers are combined in the process of designing a new car.

Pencil, paper and 2,000 sketches

The birth of a car is always with paper and pencil. The team of designers propose up to 2,000 sketches, of which only one may be chosen. Their mission: to draw the personality and the key lines of the new model.

3D sketches

Using 3D technology and mock-up programs, the sketches are converted into three dimensions, making the design of the vehicle functional.





Like a video game

Using a program similar to those used to create video games or animation films, the designers can see what the new car will look like. With Full HD headsets, the engineers have the first sensations at the wheel inside the virtual vehicle.

A full-size clay car

The clay model remains necessary in order to appreciate the size and shape of the new car on a real scale.

100 formulas for a single colour

In the painting laboratory, creativity and chemistry come together to produce the desired tone. Some 100 different formulas are made to achieve one colour.

Virtual Reality headsets allow the sketches to be turned into a three-dimensional model.





A question of touch

Graphic and textile designers and graduates in Fine Arts come together to study the surfaces and define the proposals for doors and panels, combining matte and gloss finishes, different leather prints and types of stitching.

The steering wheel, 100% hand-upholstered

All steering wheels are sewn by hand, with the craftsman's only tools being a curved needle and their own skill.

The birth of a car starts with 2,000 sketches made by hand with pencil and paper.





Amazon Alexa.

REQUIREMENTS

Available in Google Play. It will be updated at the end of the year to incorporate the functions of Alexa, as well as the infotainment system Navi High.

ALEXA IN THE VEHICLE

The SEAT Media Control application can be installed on a mobile phone or tablet computer. After stepping into the car, the infotainment system connects to the device and the user can start using Amazon Alexa in the vehicle and enjoying its functions.

SPEAKING TO THE CAR

Users can manage their personal agenda, search for songs, locate points of interest, listen to news in real time or find their nearest dealer simply by using their voice.

Connectivity: Amazon Alexa

The connected car is already a reality and SEAT has been working on the development of this type of technology in its vehicles for some time. As part of its strategy to lead car connectivity, in 2017 the company became the first European car brand to integrate Amazon Alexa, the North American company's interactive voice service. The first step was taken with the system's installation in the Leon and Ateca models, while the Ibiza, the Arona and the upcoming large SUV will be added to the list in 2018.

The SEAT-Amazon Alexa binomial enables the driver to use their voice to access a large number of services including managing their personal agenda, locating points of interest and their nearest dealerships, searching for songs and accessing the news in real time. For the time being, Amazon Alexa is available in German and English, the two languages in which this voice assistant operates.

SEAT's technological alliance with Amazon Alexa is part of the digital ecosystem that the company is developing to make its customers' lives easier and it allows the company to position itself at the forefront of the connected car in Europe. An open system is also expected to develop, allowing developers to create and expand Alexa's capabilities – known as skills –, of which there are currently some 20,000.

Patents

SEAT's innovative nature is reflected year after year in the development and protection of its industrial property, an area in which the company is one of the most active in Spain.

In 2017, SEAT completed a total of 39 registrations: 27 national patents (RN) and 12 international patents (RI). With these figures, the total number of registrations of the last five years – including utility models and patents – amounts to 199, while the current portfolio of existing registrations comes to 299.

The company recognises the creativity and innovation of its workforce. For this reason, every year since 2013 the SEAT Technical Centre has organised the Inventors Awards, which aim to highlight the importance of its staff and reward their creativity.

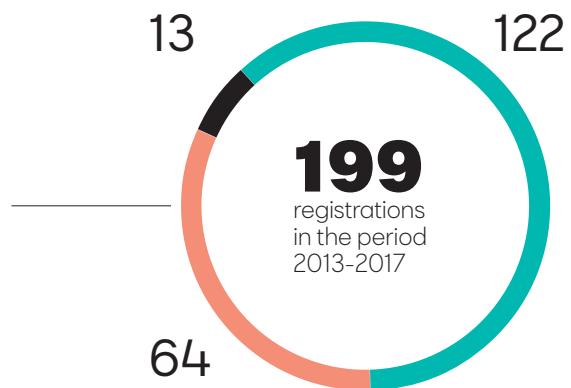
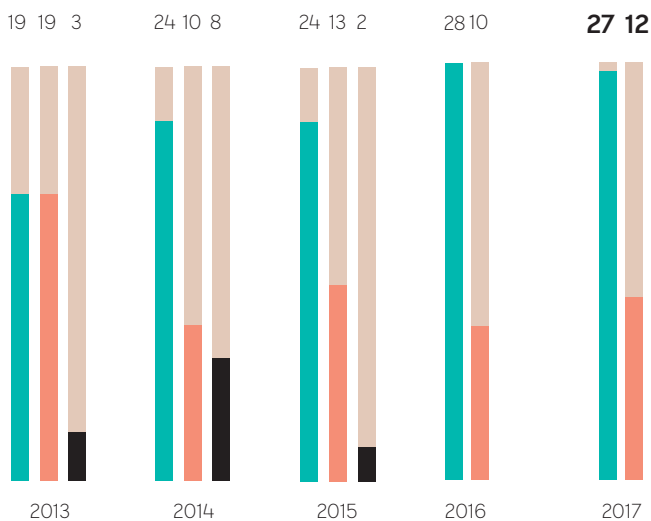
Besides rewarding all the inventors of SEAT's patents, the Company gave out four special awards:

- > **Best patent of the year 2016:** a simplified electronic system for dynamically switching LEDs on and off.
- > **Best innovation in production 2017:** BIDRAC, optimisation of the method for controlling the process and maintenance of the painting facilities using industry 4.0 technologies.
- > **Best idea for improvement 2017:** a driving robot capable of controlling the car to improve testing during the development process.
- > **Best innovation in product and service:** the incorporation of Amazon's voice assistant Alexa in the brand's vehicles.



SEAT's innovative nature is reflected year after year in the development and protection of its industrial property.

SEAT's patent registrations



■ National registrations ■ International registrations ■ Utility models



Commitment to research and training.



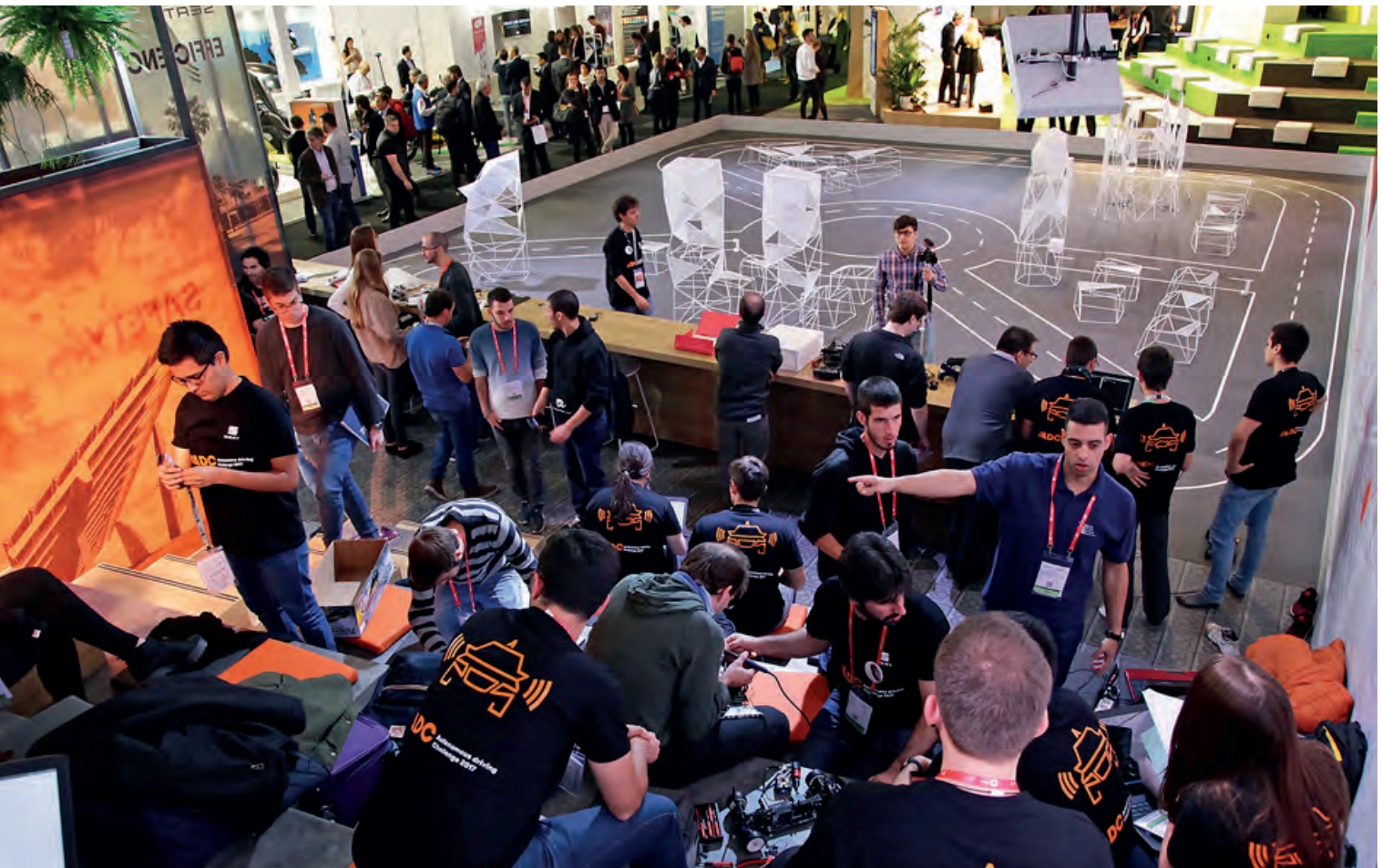
To help shape the future, SEAT (R&D) is continuously striving to ensure it has the best people on board. To this end, the company trains its personnel with a clear focus on its future needs, while attracting new talent by maintaining a close and continuous collaboration with universities. This relationship with the academic world allows the company to identify talent to recruit into the company and, at the same time, it provides a way to investigate the topics that have the potential to revolutionise the mobility sector in the near future.

In 2017, SEAT continued its collaboration with the Polytechnic University of Catalonia (Universitat Politècnica de Catalunya, UPC) through the SEAT/UPC professorship, which is geared towards training, research and transferring the results of research to the automotive sector, as well as through its support for two postgraduate programmes offered by this university: CARMAT (postgraduate course in Automotive Bodywork and Materials) and ELTICA (postgraduate course in Electricity and Car Electronics). Through these courses, the company has provided specific training to more than 217 students during the various editions and has helped to strengthen the knowledge of the sector's future professionals.

At the same time, the CARNET (Cooperative Automotive Research Network) platform, founded in 2016 by SEAT, Volkswagen Group Research and the UPC, has taken route. This is the first major research and innovation centre specifically geared towards the automotive industry and the future urban mobility of the future of Barcelona.



SEAT's collaboration with the academic world allows it to identify talent to recruit into the company.





Leon Cup Racer Evo 17, the star of motor sports.

The Leon Cup Racer Evo 17 was the star of SEAT's motor sports activity during 2017. Developed by SEAT Sport as a racing car, the Cup Racer remains closely related to the Leon CUPRA, the brand's most powerful model in terms of sporting performance.

The new DSG (Direct Shift Gearbox) version of the car offers 420 Nm of torque and increased power reaching 350 HP, a 20 HP improvement on the 2016 version. In addition, the Leon Cup Racer Evo 2017 incorporates AP-Radical front brake callipers to provide improved performance and it features an electric power steering rack with powered electric control unit, among other new features.

In 2017, SEAT Sport's commitment focused on allowing customer teams to participate in the TCR (Touring Car Championship) International Series, the number one competition for passenger cars in the world. This is a championship consisting of 20 races on 10 circuits all around the world, with three of them (Bahrain, Monaco and Abu Dhabi) being included in the World F1 Grand Prix schedule and one (Belgium) in the World Endurance Championship.







225

cars have been delivered to drivers since 2014 and take part in the various TCR series

5

cars will take part in the third season of the TCR International Series, which is held in 2018

The SEAT Leon Cup Racer Evo 2017's presence was based on the participation of five drivers (Hugo Valente, James Nash, Pepe Oriola, Ferenc Ficza and Duncan Ende), four of whom had competed in and won some of SEAT's brand championships.

SEAT's participation in the TCR Series, in which it made its debut in 2015 with the Swiss driver Stefano Comini winning the driver's title, forms part of the brand's strategy to play an active role in the world of motor sport. This strategy is also reflected in SEAT's sponsorship of the Ducati Moto GP team and of the Superbike World Championship, where the Leon CUPRA also serves as the safety car.

SEAT was also present in other TCR races held in countries such as Spain, Portugal, Germany, Russia, Italy and Thailand. It also participated in TCR championships across a wider geographical area: Benelux, the Iberian Peninsula, the Baltic countries and the Middle East, as well as being present in endurance races such as the 24 Hours Series and the Nürburgring 24 Hour Race.

All in all, the Leon Cup Racer has played a very positive role, ending the year as overall winner of the TCR categories held in 2017. For 2018, new challenges are coming with the new WTCR championship that will be promoted by the FIA and Eurosport events, and no doubt the SEAT Leon Cup Racer will succeed once again.

SEAT Sport

201

podium appearances

63
wins

61
second places

77
third places



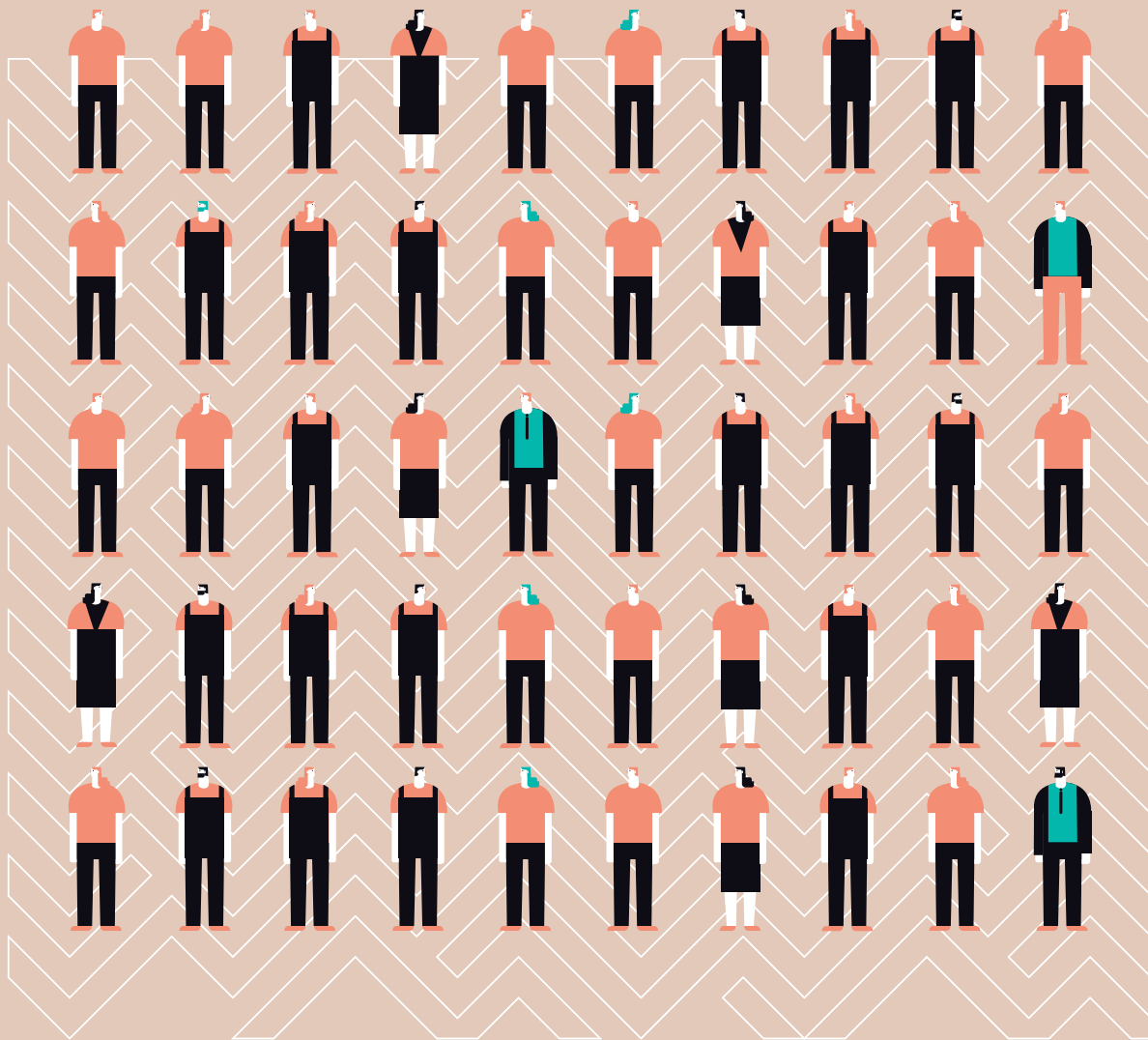
High level of SEAT participation

Started
1,108 races

Finished
958 of them (86.5%)



SEAT's participation in the TCR Series forms part of the brand's strategy to play an active role in the world of motor sport.



07

Human Resources

SEAT is undergoing constant growth thanks to the drive of its workforce. This is why the company supports its professionals and offers them personal and professional development activities, numerous company benefits and a safe and healthy working environment. Belonging to SEAT is much more than simply being an employee: it means being a member of a big family.

Innovation in the selection and recruitment of professionals **#144**

Commitment to employee health and well-being **#148**

Training, professional development and attracting talent **#150**

Recognitions for SEAT's Human Resources policy **#154**

"Being SEAT is more": a world of company benefits **#155**

Innovation in the selection and recruitment of professionals.



The Martorell factory is the largest manufacturing centre with **10,592** employees

SEAT increased its workforce in 2017 in response to the company's needs. The opening of the SEAT Metropolis:Lab Barcelona represented a challenge in terms of recruitment and defining human resources policies for the new company. This challenge led to the introduction of a new system for recruiting and hiring employees based on active searching and promoting a project that differs from SEAT's business model.

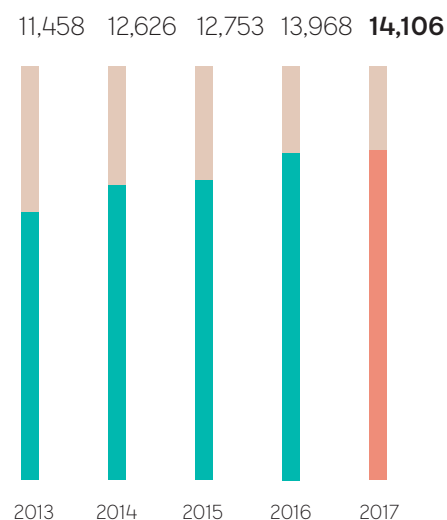
As a result of this process, several technology professionals equipped to deal with the new challenges in the automotive sector were selected and recruited. The new company was included under a different collective labour agreement to SEAT's, to accommodate the project's particularities and the new job profiles.

Under this new agreement, a specific remuneration policy was established with different salary brackets and a new system of variable compensation based on objectives. A new personalised company benefits policy was introduced, in which employees can select each month how they prefer to receive these benefits (such as in restaurant tickets, fuel or transport, health or life insurance and a pension plan).



Basic workforce

At December 31



Increase in workforce
2013-2017

2,648

employees

+23.1%



Basic workforce by functions and centres

At December 31

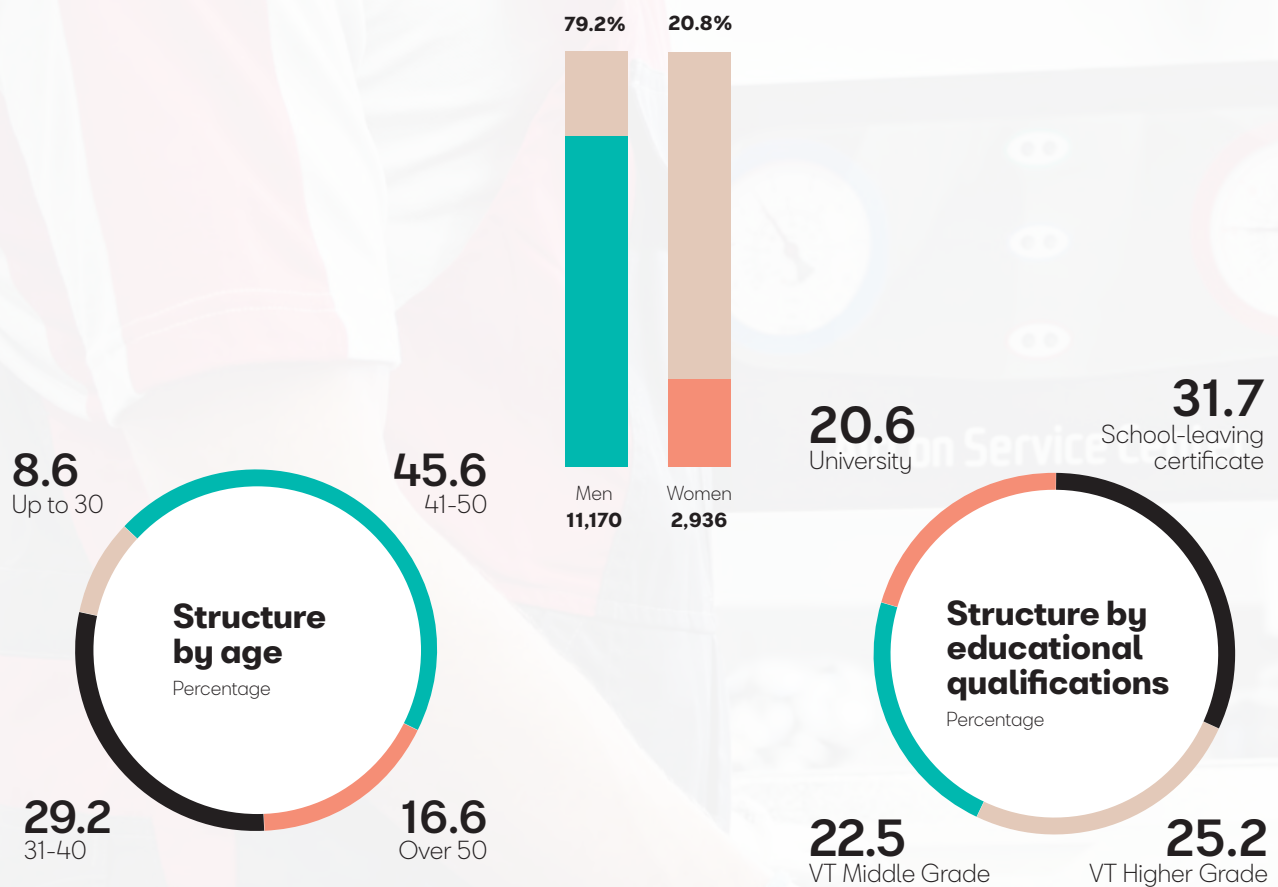
	2017	2016	Variation	
			Absolute	%
Direct	8,263	8,301	[38]	[0.5]
Martorell	6,774	6,795	[21]	[0.3]
SEAT Barcelona	668	673	[5]	[0.7]
SEAT Componentes	820	833	[13]	[1.6]
SEAT Technical Centre(**)	1	0	1	—
Indirect	5,843	5,667	176	3.1
Martorell	3,818	3,749	69	1.8
SEAT Barcelona	515	519	[4]	[0.8]
SEAT Componentes	255	254	1	0.4
SEAT Technical Centre(**)	1,209	1,102	107	9.7
Other centres	46	43	3	7.0
Total workforce(*)	14,106	13,968	138	1.0

[*] Figures for 2017 and 2016 do not include 141 and 116 employees in partial retirement, respectively. Likewise, figures for 2017 and 2016 do not include 173 and 155 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



SEAT increased its workforce in 2017 to respond to the company's needs.

42.5

Average age

15.4

Average seniority

97.3%

Long-term contracts

5.5%

Proportion of employees from outside Spain

2.3%

Proportion of employees with disabilities

63%

Proportion of employees on training programmes

61

Nationalities

25

Languages

Commitment to employee health and well-being.

A prestigious committee

The Healthy Company Scientific Committee, which is chaired by Xavier Ros, Vice-President of Human Resources at SEAT, and includes Dr. Bonaventura Clotet as a member of honour, is also made up of other prestigious professionals from various public and private entities in the field of healthcare and safety, such as Dr. Stefanos N. Kales, professor at Harvard University.

As part of SEAT's commitment to its employees' health and its role as a healthy company, in 2017 it opened the Healthcare and Rehabilitation Centre (known as CARS) in the Martorell industrial complex. This became the latest addition to SEAT's nine other healthcare centres, which are located at different sites and are dedicated to improving its employees' health and quality of life.

The company invested 3.3 million euros to build this 1,300 m² facility, and the construction was performed following sustainability and efficiency parameters, key aspects which earned it the LEED Platinum certification of the U.S. Green Building Council. There are only eight other healthcare buildings in the world that hold this certification and the CARS is the only one in the European Union.

It was opened on 24 April in a ceremony attended by the Minister for Health, Social Affairs and Equality, Dolors Montserrat, and the Minister for Health of the Catalan Government (Generalitat de Catalunya), Antoni Comín, accompanied by the Chairman of SEAT, Luca De Meo, and the Vice-President of Human Resources, Xavier Ros. These authorities were the first to be given a tour of the preventive medicine, healthcare and physiotherapy facilities in which Dr. Patricia Such, head of the Occupational Health and Safety department, leads a team of 25 professionals from different specialities. The team provides care for SEAT's more than 14,100 employees, personalised according to each employee's medical history and function.

Details of the CARS

Location
Martorell

Investment
3.3
million euros

Surface area
1,300 m²

It provides service to more than
14,100
employees

25
healthcare
professionals



Services
Cardiology, traumatology, physiotherapy, gynaecology, diagnostic imaging, mental health, biomechanics and fitness

Latest 3D technology

The CARS is equipped with facilities for the diagnosis and prevention of various diseases. For instance, SEAT's nearly 3,000 workers can undergo gynaecology tests for the early detection of breast cervical cancer. In the physiotherapy and fitness rooms, meanwhile, training programmes are conducted in the style of the United States Marines, involving body weight exercises to improve participants' physical fitness.

One of the unique features of this cutting-edge medical centre is the space dedicated to a biomechanical laboratory equipped with latest technology, in which more than 20 cameras process and analyse employees' characteristics and musculoskeletal particularities in 3D. The objective is to optimally and efficiently adapt the ergonomics of each workstation, incorporating the results of these investigations into their design and planning phase. In doing so, the company hopes to prevent medical conditions from arising due to employees' occupational activity and to assist recovery following any injury.

Another of the highlights of 2017 in the field of occupational health was the constitution of the Healthy Company Scientific Committee in April. The mission of this committee is to carry out research in the fields of health, well-being and work, as well as proposing specific measures to improve the health of the company's employees and of society as a whole. In the committee's first meeting, it defined nutrition, mental health and the microbiota as its main areas of research.

The Healthy Company Scientific Committee is chaired by SEAT's Vice-President of Human Resources, Xavier Ros, and includes Dr. Bonaventura Clotet as a member of honour, renowned for his work as director of the Department of Infectious Diseases at the University Hospital Germans Trias i Pujol in Badalona (Barcelona) and an international leader in AIDS research.

In addition, Dr. Clotet was appointed as a SEAT ambassador in April, a position which leads him to represent the brand in national and international healthcare forums. Another of his areas of work is collaborating with SEAT's medical team in researching cellular ageing, healthy nutrition and the relationship between the microbiota of the gut and health.

Dr. Bonaventura Clotet's presence in the Healthy Company Scientific Committee, as well as his appointment as ambassador of SEAT, reinforce the company's social role and its commitment to the health of its employees.

Renowned professionals in the CARS

Among the 25 professionals who make up the CARS medical team is Toni Bové, who was a physiotherapist for the basketball section of Barcelona Football Club and for the Spanish Olympic Committee during the last nine Olympic Games. The CARS team also includes Dr. Sandra Pujadas, a cardiologist from the Hospital de Sant Pau and the Clínica Teknon, and Dr. Emmanuel de Sostoa, a specialist in gynaecology and obstetrics at the Hospital de Sant Pau and founder of the Spanish Society of Prenatal Diagnosis (Sociedad Española de Diagnóstico Prenatal). Together, they will handle more than 50,000 visits per year.





Training, professional development and attracting talent.

Recognitions of SEAT's industry 4.0 training programme

As part of the 2nd Industry 4.0 Forum (Fórum Indústria 4.0), on 2 June the Industrial Engineers Association of Catalonia (Col·legi d'Enginyers Industrials de Catalunya) awarded SEAT the Special Mention for People, as part of its Industry 4.0 Awards, for the importance and innovation of its training programme in this field. The magazine Capital Humano also recognised the initiative's merit with a Special Mention for the brand's Training Strategy. Furthermore, the CEGOS Group, a global consulting, training and selection firm, bestowed two more awards on this programme: the award for the "Best Training and Development Strategy" and the "Professional Recognition" award.

In 2017, SEAT has once again highlighted its leadership in the field of training. Its role as a benchmark company in the training of its professionals, as well as its commitment to talent, are reflected in the programmes it has implemented that respond to the needs of an increasingly technological society and working environment. These values are also reflected in its support for the Apprentice School, a centre of excellence in professional training which marked its 60th anniversary in 2017, and in the collaboration agreements it has with various educational centres, among other initiatives.

Preparing for the challenges of the fourth industrial revolution

In 2017, SEAT launched a training programme aimed at its more than 14,100 staff and focused on the future challenges posed by industry 4.0. The aim of this initiative is, on the one hand, to present what the concept of industry 4.0 really means in a lively and interactive manner and, on the other hand, to highlight the importance of people and their continuous learning as the cornerstone of what is known as the fourth industrial revolution.

During 2017, a total of 1,842 employees took part in this training programme, which consists of a session run in SEAT's industry 4.0 space. Participants are given a tour of the different transformations which have taken place in manufacturing throughout the course of history, culminating with this fourth industrial revolution. The session, conceived with an experimental format in the style of a museum, invites participants to interact with some of the tools and technologies that will become commonplace in the near future, as well as with others that are already being integrated into the company, such as virtual reality, collaborative robots, 3D printing and augmented reality.

This initiative has aroused the interest of many external institutions and organisations which also took part in the training, including the Automotive Industry Cluster (Clúster de la Automoción), the Spanish Chamber of Commerce and the German Chamber of Commerce.

60th anniversary of the Apprentice School

SEAT's most well-recognised and long-lived training initiative is the Apprentice School, which has been active since 1957 and celebrated its 60th anniversary in September 2017. Throughout all these years, more than 2,700 students have passed through the classrooms of this centre of excellence, which has become a benchmark for vocational training in Spain.

To commemorate the event, on 30 September the company brought together alumni from all year groups for a day of celebration. The former students had the opportunity to recall their time at the school and to discover what the future of training in the automotive sector will look like. The centre set up various spaces for the event with historical panels, year group photos and other photos, as well as historical front pages of newspapers and objects from the past.

SEAT's Apprentice School currently offers three cycles of middle-grade dual vocational training, through which students obtain a dual degree, recognised in both Spain and Germany, in Technical Machining, Vehicle Electro-mechanics and Electro-mechanical Maintenance. The company is committed to young talent and their ideas, which is why students pursue projects that are not yet in the market or propose alternative solutions to the options currently available.

In 2017, 74 students were enrolled in the Apprentice School, selected from among more than 680 applicants from different parts of Spain. 30 are undertaking the Machining module, 14, the Vehicle Electro-mechanics module and 30, the Electro-mechanical maintenance module. In total, 173 students are currently studying at the school.

Almost 100% of the young people who pass their training at this centre join SEAT's workforce with a permanent contract. During 2017, more than 50 students joined the company upon completing their training.



The SEAT Apprentice School marks 60 years

Over **2,700** students since its creation in 1957

90% of apprentices who completed their studies have joined SEAT

11% of the company's executives come from the Apprentice School

Collaboration agreements with universities

Supporting young people and new talent at the Barcelona MWC

During the Mobile World Congress (MWC) in Barcelona, SEAT installed a stand in 4 Years From Now (4YFN) space, a place for helping entrepreneurs to establish contacts, meet partners and investors and present their products and companies. The aim was to recruit new professional and highly-qualified talents in the field of technology.

In parallel, SEAT took part in the Youth Mobile Festival (YOMO), an event intended to bring science and technology closer to young people from all over Spain. At the festival, the company presented an augmented reality system that allows users to experience Barcelona in 4D to more than 20,000 students aged between 10 and 16.

In the same vein of support for training young people, in September SEAT signed two agreements with the Polytechnic University of Catalonia (Universitat Politècnica de Catalunya, UPC) and the University of Vic (Universitat de Vic-Universitat Central de Catalunya, UVic-UCC) to collaborate with them in their degree courses in Automotive Engineering, which both centres launched for the first time this year.

The signing of these two agreements by SEAT's Vice-President of Human Resources, Xavier Ros, and the rectors of the UPC, Enric Fossas, and of the UVic-UCC, Jordi Montaña, has allowed five students from each of the participating universities to undertake a work placement at SEAT during their final academic year. These students have completed their first work experience in the automotive sector in the only company in Spain that designs, develops, manufactures, and sells vehicles.

However, the agreements go beyond these work placements. As part of the academic courses, SEAT professionals also visit the university classrooms to give students a master class and to hold educational sessions with them. In addition, throughout the 2017-2018 academic year, various visits of the students to SEAT's facilities have been organised to enable them to see the different points in the car development and manufacturing processes first hand.





Attracting and developing talent

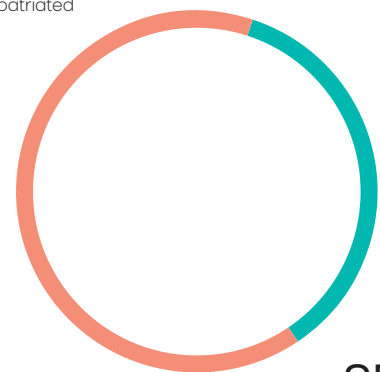
SEAT carries out various initiatives aimed at searching for talent to recruit. In addition to the dual training offered at the Apprentice School, the company runs various personal development programmes, such as that of work experience and trainees, the programme for doctoral students and the StartUp Europe programme for young engineers. Furthermore, it offers an international placement programme to facilitate the exchange of employees between the brands of the group, allowing them to share knowledge and develop talent.

The company considers diversity and international experience to be beneficial for both professional and personal development. SEAT’s workforce includes staff of 61 nationalities and the company also has 240 employees currently on international placements (in-patriates and expatriates) in 14 different countries who come from other brands of the Volkswagen Group or who have gone to them.

8,795 employees (63% of the workforce) have participated in training courses during 2017.

International placements managed in 2017

155
In-patriated



85
Expatriated

Recognitions for SEAT's Human Resources policy.

The best Spanish company to work for in the automotive sector

Top Practices 2017

In May, SEAT hosted the Top Practices 2017 event, which was attended by a hundred human resources executives from more than 60 large Spanish companies certified by Top Employer. The companies shared their experiences and advances in the field of human resources and the presentations addressed the topics of employee well-being, change management and leadership in complex and volatile environments.

For the third consecutive year, in 2017 SEAT was named one of the best companies to work for in Spain upon receiving the Top Employer award, which evaluates the corporations that offer the best working conditions throughout the world.

This recognition has consolidated the company's commitment to providing its employees an excellent working environment and numerous company benefits. SEAT is the only car manufacturer in Spain with this accreditation.

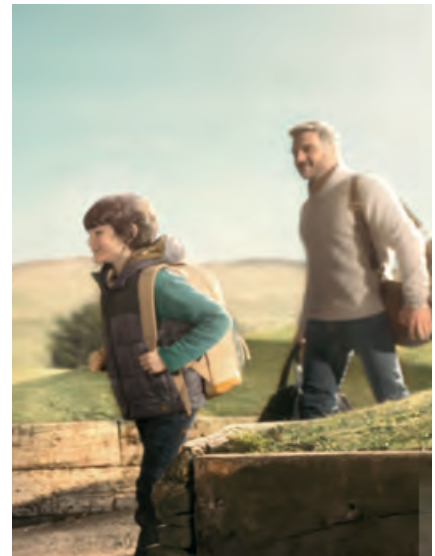
The Top Employer certificate has also endorsed SEAT's corporate strategy for the personal and professional development of its staff, as well as its employee training and recruitment programmes and its programmes for attracting and retaining talent.



Innovation in work-life balance and working hours

SEAT's interest in improving its employees' work-life balance has led to the implementation of a series of measures that allow employees to make the most of their time. These include flexibility in employees' start time, encouraging remote working, extending and increasing the flexibility of the paid leave set out in the workers' statute, introducing flexible remuneration and creating a healthcare centre for staff.

All these practices led to the company receiving the Barcelona Award for Innovation in Work-life Balance and Working Hours in 2016, on 21 February 2017, in the category of companies with more than 250 workers. By granting SEAT this award, which is supported by the Commissioner for the Cooperative, Social and Charitable and Consumer Economy of Barcelona, the judges' panel recognised the innovative measures it has applied to achieve a better work-life balance for its staff – the first of their kind in the industrial sector – as well as their incorporation into the collective labour agreement.



“Being SEAT is more”: a world of company benefits.

In 2017, the Human Resources department implemented a series of projects and measures to transform the way of working at SEAT and to make life easier for its employees, both within and outside the company. These initiatives, which have had the brand's digital transformation at their core and have been carried out under the slogan “Being SEAT is more”, have also resulted in a considerable improvement in staff benefits.

Me at SEAT (Yo en SEAT) portal

One of the projects that has been implemented and which demonstrates the company's digital transformation is Me at SEAT (Yo en SEAT, or YeS for short), the new employee portal through which staff can access all kinds of information about their employment relationship with the company and manage their personal data, even from home.

This platform, introduced in November, is intended to become a point of self-management for the workforce which, over time, will include new options to carry out all kinds of procedures. Furthermore, it will be possible to carry out these procedures more quickly and personally through the digital application, while also optimising the processes and reducing management times at the same time.

The pride of “being SEAT”

On 18 November, more than 1,000 SEAT employees celebrated their 25, 30 or 40 years of belonging to the company at an emotional ceremony, which was held in the Auditorium of Barcelona's Fòrum venue and attended by more than 2,000 people.

This anniversary event and tribute to employees' length of service was the largest in the company's history. It was attended by the Vice-President of Human Resources, Xavier Ros, and included special talks by three employees, who shared with the audience their memories and their pride of being part of SEAT.

Sections of the SEAT Card



1. LIVE SEAT

Calendar of exclusive events for employees, presentations, competitions, etc.

2. MORE BENEFITS

Information about the Healthcare and Rehabilitation Centre (known as CARS), loans, salary information, discounts on cars, etc.

3. DISCOUNTS

At restaurants, on travel, technology, sports, education and culture, children, etc.

4. ADVERTISEMENTS

To buy, sell, trade, etc.

SEAT Card platform

Another of the important developments of 2017 is the SEAT Card, a platform on which employees can view all the benefits they enjoy for belonging to the company, at any time and on any device with an Internet connection.

Furthermore, the SEAT Card is a virtual card which staff can use to identify themselves as employees of the company at any time in order to benefit from the discounts and exclusive offers available to them.

Together with the Me at SEAT (*Yo en SEAT*) portal, the SEAT Card has led to a revolution in the way employees connect with the company.

The SEAT Card platform allows employees to view all the benefits they enjoy for belonging to the company.

Why being SEAT is more?

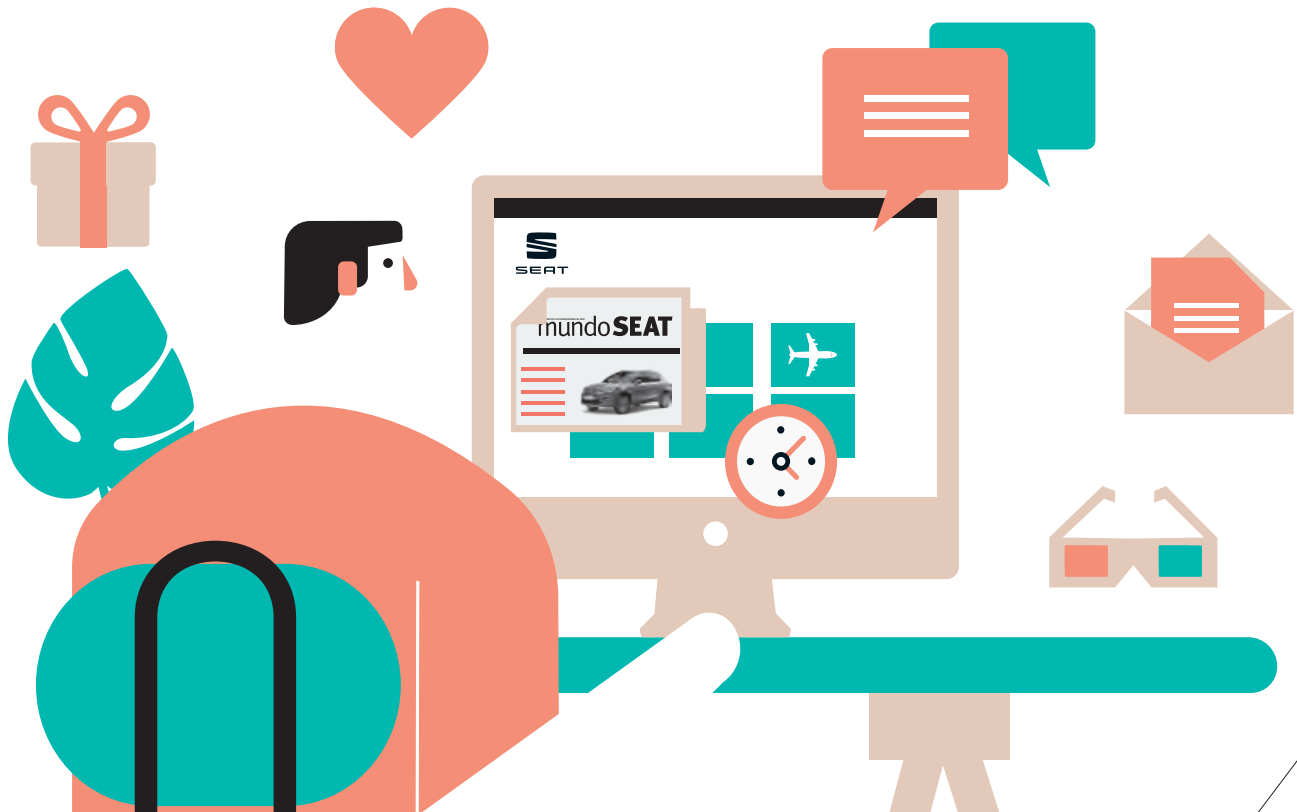
In addition to the services offered by the Me at SEAT (*Yo en SEAT*) portal and the SEAT Card, employees of the brand receive many company benefits for themselves and their families.

First year of profit-based remuneration

As part of the variable remuneration set out in SEAT's 19th Collective Labour Agreement, for the first time in the company's history, in 2017 employees received remuneration for the profits obtained thanks to their hard work and dedication. In this way, the company's success is shared with employees, based on its operating profit.

The 13,000 employees with the right to the full amount of this remuneration received 6.24 million euros, meaning that each employee received an average of 482 euros.

2017 was the first year of the application of the 19th Collective Labour Agreement, which will remain in force until the end of 2020. This agreement included concepts new to the automotive sector, such as pilot tests for trust-based working (eliminating the need to clock in and out), remote working and other staff benefits.



Exclusive activities for staff

The company organises a whole host of exclusive initiatives for employees and their families throughout the year, allowing them to experience the brand first hand and become its best ambassadors. These activities include vehicle presentations for employees and sporting initiatives that are already well established.

In 2017, employees attended a number of exclusive presentations of the new Ibiza and Arona models.

An improved transport service and new parking spaces

In 2017, SEAT expanded its collective transport service, which covers more than 100 routes each day and is used by more than 5,600 people. The improvements included the incorporation of five new lines covering new geographic areas, as well as greater safety and comfort for users thanks to the renewal of the fleet of buses and free Wi-Fi access onboard.

Furthermore, more than 650 new parking spaces were provided for cars and more than 250 for motorbikes.

Flexible remuneration system

Through the flexible remuneration system, SEAT employees can hire childcare services, sign up for language courses or take out health insurance, improving their net remuneration as they benefit from certain tax reductions.

Other benefits

- > Collection of on-line purchases at the Martorell factory
- > Subsidised meals and sandwiches
- > Children's activities in the summer to improve work-life balance



08

Governmental and Institutional Relations

SEAT maintains relationships and collaborative links with political institutions, entities and companies in order to reinforce its image among stakeholders and society and to strengthen its ties with the community.

Support from institutions **#160**

Cooperation with other companies **#162**



Support from institutions.



The chairman of SEAT, Luca De Meo, with the Israeli Minister for Economy and Industry, Eli Cohen.

One of SEAT's first institutional activities in 2017 was at the Mobile World Congress (MWC) in Barcelona, where the company strengthened its collaborative links with political institutions and other companies. SEAT's stand at the MWC, held between 27 February and 2 March, was visited by personalities including the Spanish Minister for Energy, Tourism and Digital Agenda, Álvaro Nadal, and the Israeli Ambassador to Spain, Daniel Kutner, who had the opportunity to learn about the company's latest developments in connectivity and the development and incorporation of new technologies.

As part of this same initiative to bring the brand closer to the Israeli community, SEAT's chairman, Luca de Meo, travelled to Israel in November for the Fuel Choices and Smart Mobility Summit, a gathering at which the chairman gave a speech about SEAT's vision in strategic areas such as digitalisation and smart mobility.

During his trip, Luca de Meo had the opportunity to attend institutional meetings at the highest level with personalities such as Israel's Minister for Economy and Industry, Eli Cohen, and the director of the Prime Minister's Office, Eli Groner. In the various meetings, the company reinforced its interest in the Israeli market and in sharing development opportunities with the country's technology community.

In 2017, SEAT received support and recognition from public institutions for its commitment to society and in particular its work to promote training and career development among young people, as well as for the company's encouraging profits, through visits conducted by representatives of these institutions to a number of the company's facilities.

Coinciding with the start of mass production of the new SEAT Ibiza on April 19, the president of the Catalan Government (Generalitat de Catalunya), Carles Puigdemont, visited SEAT's facilities in Martorell for the first time and congratulated the company for its strong results.

Rosalía Serrano, executive director of Vocational Training of the Spanish Government, and Soledad Iglesias, assistant director of Vocational Guidance and Training, also congratulated SEAT for its long history in the field of training and for its commitment to talent and the new generations. It was during their visit to the Martorell factory and SEAT's Apprentices School in Barcelona's Zona Franca district, on 20 June, that the school celebrated its 60th anniversary.

During their visit, they were given a detailed tour of the Centre for Logistical Training located inside the Martorell factory, as well as of the new public vocational training centre for the automotive sector located nearby. Rosalía Serrano and Soledad Iglesias had the chance to see for themselves how SEAT and the Volkswagen Group are putting dual vocational training into practice with their apprentices.

Ramón Paredes, ambassador for vocational training

SEAT's Vice-President of Governmental and Institutional Relations, Ramón Paredes, was nominated in November by the European Commission as Spain's ambassador in Europe for vocational education and training (VET), for his commitment and contribution to the development of quality and excellence in VET in Spain. His mission as ambassador is to help to promote this educational system's vocational excellence and appeal.

Francisco Javier García Sanz receives the Protagonist Award at the El Mundo Motor-Galería Gala

The global Vice-President of the Volkswagen Group and Chairman of the Board of Directors of SEAT, Dr. Francisco Javier García Sanz, received in October the Protagonist award at the El Mundo Motor-Galería event as recognition for his professional career, which has led him to become the highest-ranking Spaniard in the international automotive industry.

Dr. García Sanz received the award during a gala attended by the minister Álvaro Nadal and representatives from all the automotive groups with a presence in Spain, as well as from companies of the auxiliary industry.

In his speech, the chairman of the Board of Directors of SEAT spoke of his commitment to a more innovative, efficient and sustainable automotive sector that provides solutions to customers' needs, something which is already a part of the brand's DNA.



Cooperation with other companies.



Seat chairs the Sustainability Excellence Club

On 11 July, Ramón Paredes, current Vice-President of Governmental and Institutional Relations of SEAT and of the Volkswagen Group in Spain, was appointed Chairman of the Sustainability Excellence Club (Club de Excelencia en Sostenibilidad). This is a business association formed by a group of large companies that represent more than 25% of Spain's gross domestic product (GDP) and which are committed to sustainable growth.

The objective of the club, which SEAT plays an active role in, is to promote corporate social responsibility from an economic, social and environmental point of view in the various public and private organisations that make it up. Furthermore, it aims to encourage sustainability by showcasing its members' good business practices that contribute to their excellence and to progress in society as a whole.

In 2017, one of the highlights for SEAT in the field of business cooperation was the signing of the collaboration agreement with GAS NATURAL FENOSA to support innovation projects and expand the use of natural gas for mobility in Spain. The long-term alliance between the two companies, which have been collaborating since 2013, will allow SEAT to lead the growth and the positioning of compressed natural gas (CNG) as an efficient and alternative transport fuel.

The agreement includes three major areas of activity: developing infrastructure to equip SEAT's official dealerships with natural gas filling stations, creating a combined offer so that self-employed workers can benefit from both vehicles and fuel and, finally, developing a domestic natural gas filling programme aimed at individuals. The final objective is to boost the growth of vehicular natural gas (VNG) as a way of reducing emissions and improving mobility in cities.

In addition, in 2017 the Governmental Relations division, in collaboration with the SEAT Technical Centre, began a pilot test for the installation of five domestic CNG filling devices for vehicles. The aim of this project is to collect data on their use, as well as to find out how users rate this alternative fuel.

The first filling point in operation is located at the offices of SEAT and the Volkswagen Group in the so-called Glass Tower (Torre de Cristal) in Madrid. A number of entities have been involved in the installation process (the General Directorate of Industry of the Community of Madrid, SEAT, Torre de Cristal, installers, distributors, etc.), which has required them to overcome technical and legal barriers. This initial process will facilitate the remaining installations that make up the pilot project and they are expected to enter into operation during 2018.



Throughout 2017, SEAT participated in various business meetings as part of the "Avenida Futuro" project.



Collaboration with the CEOE and the Cotec Foundation for innovation

Conscious of the size of the company and the significant impact of its operations, SEAT signed collaboration agreements with entities such as the Spanish Confederation of Business Organisations (CEOE) and the Cotec Foundation for Innovation with the goal of boosting its interaction with other Spanish companies and participating in technological development.

SEAT's incorporation into the CEOE will allow both entities to share resources and join forces in the various areas to continue to stimulate and optimise the activities of both parties. Thanks to the Spanish business network, the company will have access to other European, Latin-American and global business organisations and will participate in meetings with associated companies to enhance networking and explore business opportunities amongst them.

For its part, SEAT's incorporation into the board of the Cotec Foundation for Innovation responds to a desire to establish synergies with other companies faced with the challenge of industry 4.0, which in the automotive sector is expressed through macro trends like the electric car, the autonomous vehicle, the connected car and the new mobility services.

As part of this same drive to increase the use of CNG, SEAT held discussions with the gas distribution company Madrileña Red de Gas and with Madrid City Council. In these discussions, the heads of SEAT and Madrileña de Gas, Luca de Meo and Alejandro Lafarga, respectively, made clear their willingness to support Madrid City Council in considering CNG for vehicles as an alternative for reducing pollution levels in the Spanish capital.

Furthermore, and with the goal of helping to improve quality of life for people in big cities, throughout 2017 SEAT participated in various business meetings as part of the "Avenida Futuro" project. This project aims to analyse the future challenges that the city of Barcelona and the large companies that operate in it will face, as well as analysing the ecosystem required to tackle them.

These meetings were attended by top executives and technical teams from some of the largest national and international companies based in Catalonia, such as CaixaBank, Mapfre, Manpower, RACC, SABA and Telefónica. The wide range of sectors represented at the meeting guaranteed that the points of view contributed were suitably diverse. The meetings were also attended by representatives from Barcelona City Council, led by Jaume Collboni, second deputy mayor for Business, Culture and Innovation. The various events were chaired by Maurizio Travaglini, managing partner of Architects of Group Genius, and were based on the concept of Design Thinking.





The goal of “Avenida Futuro” is to become an innovation-focused laboratory for technological solutions that aim to turn Barcelona and its urban environment into a smart city and a better place to live for its citizens.

With the aim of strengthening links with Italian society and business, on 2 October SEAT took part in the 15th Italy-Spain Dialogue Forum, held in Rome and organised by the Spanish Confederation of Business Organisations (CEOE) and the Agency for Research and Legislation (AREL). The company played an active role in the forum through its chairman, Luca de Meo, who focused on the need to seek synergies and operations for cooperation between the two countries.

The event, which was attended by the Italian Prime Minister, Paolo Gentiloni, and the Ministers for Foreign Affairs of Spain and Italy, Alfonso Dastis and Angelino Alfano, respectively, also gave SEAT an opportunity to express its desire to promote innovative projects related to digitalisation and new mobility trends as a basis for Europe’s economic revival.





09

Finance, IT and Organisation

Finance, IT and Organisation area works in conjunction with all other areas of the company to ensure SEAT's economic and financial sustainability. It also provides technological support for systems and the organisational tools necessary to ensure that each division carry out its functions optimally.

A positive year for the global economy **#168**

The sector in 2017 **#169**

SEAT, in the right direction **#170**

A positive year for the global economy.

2 017 was marked by the recovery of global economic activity which began in the second half of 2016. After reaching in 2016 one of its lowest rates since the international financial crisis, global growth rose to 3.7% in 2017. As such, the world economy has regained its momentum, with most countries showing a positive growth trend thanks to increased investment, employment and trade.

The major advanced economies achieved a good level of growth, exceeding the expectations of the start of the year. The United States grew by 2.3%, backed by encouraging trends in consumer spending and business investment. The eurozone, meanwhile, recorded its highest growth in the last decade, reaching a rate of 2.5%. The major emerging economies (BRICS), on the other hand, grew simultaneously in 2017 for the first time in the last three years.

In Spain, despite political instability generated by regional tensions, GDP remained buoyant. After 17 quarters of continuous growth, the year-on-year growth rate for 2017 exceeded 3% for the third consecutive year. This progress was largely driven by domestic demand, primarily stimulated by the encouraging job creation rate which allowed the high rate of unemployment endured by the Spanish economy to continue to fall. In addition, the public deficit significantly reduced, in line with the measures agreed with the European Commission which aims for it to fall below 3% in 2018.

The automotive sector is going through a phase of profound global transformation.





The sector in 2017.

The automotive sector is going through a phase of profound global transformation. Diversification into new forms of mobility, the commitment to connectivity and digitalisation and the demand for a more sustainable form of mobility are the major trends the sector has to respond to.

In this context, vehicle sales stood at around 95 million units worldwide, representing an increase of more than 2% compared to the previous year, largely driven by rises in China and India. This growth rate was lower than that recorded in 2016 due to the decline in the United States and United Kingdom.

In the European Union, passenger cars sales increased by over 3%, with increases in all the major markets, including Germany, France, Italy and Spain, except for the United Kingdom, where the car market continues to show weakness following the period of uncertainty brought about by the decision to leave the European Union in 2016.

The automotive sector in Spain, which has the second highest manufacturing volume in Europe after Germany and the eighth highest in the world, did not achieve the target of three million vehicles. Production reached 2.8 million units, representing a 1.5% decline compared to 2016. This fall in volumes can be explained by several factors, such as the decline or stagnation of some foreign markets, the strength of the euro and the fact that several production plants were being prepared for the introduction of new models. This decline in the manufacturing figures breaks the uninterrupted growth which this indicator has experienced since 2012.

Nevertheless, registrations of passenger cars provided good news for the sector. The Spanish market with an increase of 7.7%, reached the figure of 1.2 million passenger car registrations, being the corporate and rent-a-car channels the main drivers for this growth.

2017 figures for the sector in Spain

Reduction in vehicle production over 2016

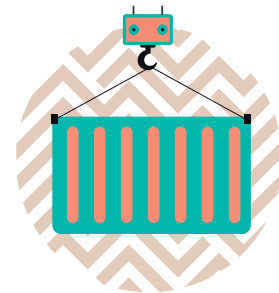
-1.5%

Increase in vehicle exports over 2016

0.1%

Increase in passenger cars registrations over 2016

7.7%



SEAT, in the right direction.

Creation of the new Finance Academy

The new Finance Academy, established in September 2017, seeks to improve the skills of the division's employees by adapting their training to the working processes and through the use of the knowledge of experts in each subject area. By employing innovative learning formats, the Academy will foster the development of the Finance, IT and Organisation team, in keeping with the company's strategy.



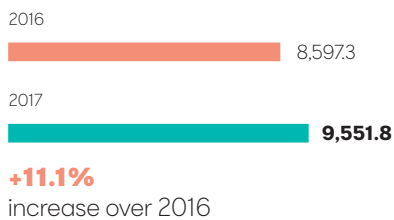
In 2017, SEAT achieved a profit after tax of 281.2 million euros, the highest earnings before extraordinary items ever recorded by the company. This figure represents a 21.3% improvement on the profit before extraordinary items obtained in 2016, excluding the extraordinary gain of 671.4 million euros generated by the sale of the company Volkswagen Finance, S.A. and its subsidiaries.

The continued growth in sales revenues has allowed the company to reach a new record of 9,551.8 million euros, representing a 11.1% increase on 2016. This record income has been made possible thanks to the excellent reception of the new Ibiza and Arona models in the market, as well as to the continued success of the Ateca model launched in 2016. The brand's main markets experienced significant growth. In Spain, for instance, sales revenues amounted to 1,805.8 million euros, 19.1% more than in the previous year, while exports reached 7,746 million euros, an increase of 9.4%.

The increase in revenues and the improvement in the sales mix, as well as the ongoing efforts to optimise cost efficiency, enabled the company to achieve an operating profit of 115.6 million euros. This was the company's second consecutive positive operating profit since 2007.

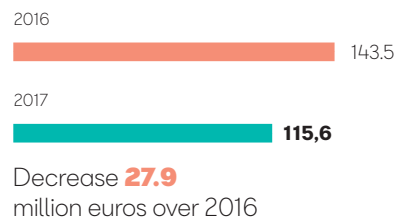
Net sales

Millions of euros



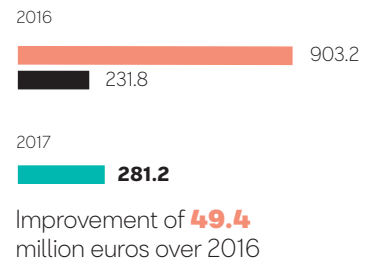
Operating result

Millions of euros



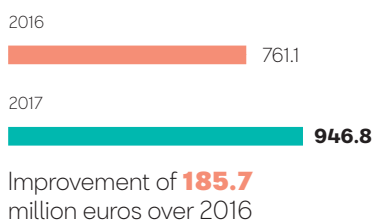
Result for the year

Millions of euros



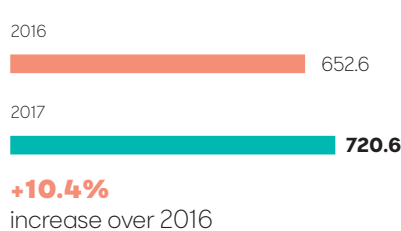
Operating cash flow

Millions of euros



Investments

Millions of euros



The brand obtains the best profit before extraordinary items in its history.



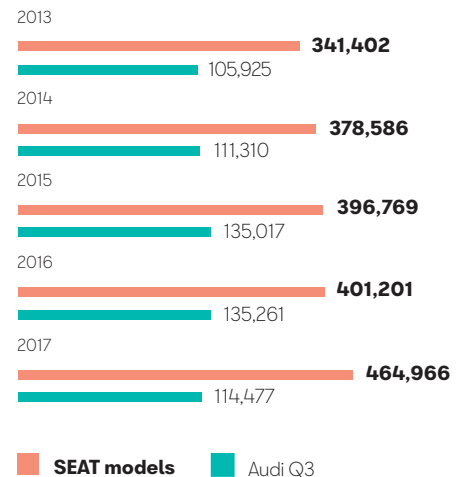
The 2017 figure for investments amounted to 720.6 million euros, representing a 10.4% increase compared to the previous year. This level of investment was mainly allocated to the launch of new products and the development of new services, working towards the strategic goal of placing the company at the forefront of digitalisation, connectivity and smart mobility.

For the fifth year in a row, the business' positive performance allowed it to fully finance the investments with operating cash flow, which amounted to 946.8 million euros and represent 9.9% of sales revenues. As such, the company continues to prepare for the challenges posed by the automotive sector's technological transformation, without affecting its financial stability.

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 2017. There have been no events having an impact on the financial statements after the closure of the financial year.

Wholesales of new vehicles to the commercial network

Units



Increase in wholesales 2013-2017

132,116

vehicles

+29.5%

Wholesales of new vehicles to the commercial network

Units

Wholesales of new SEAT vehicles to the network reached a total of 464,966 units, the highest since 2001.

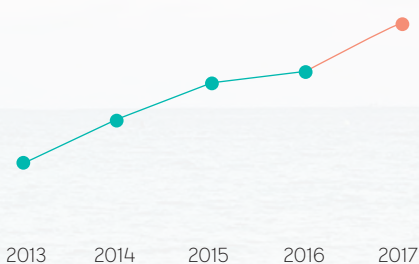
	2017	2016	Variation	
			Absolute	%
SEAT models	464,966	401,201	63,765	15.9
Mii	13,775	18,227	(4,452)	(24.4)
Ibiza	150,622	144,961	5,661	3.9
Arona	16,024	0	16,024	—
Altea	431	294	137	46.6
Leon	160,223	156,212	4,011	2.6
Toledo	13,510	17,350	(3,840)	(22.1)
Ateca	77,654	33,423	44,231	—
Alhambra	32,727	30,734	1,993	6.5
Audi models	114,477	135,261	(20,784)	(15.4)
Q3	114,477	135,261	(20,784)	(15.4)
Total wholesales[*]	579,443	536,462	42,981	8.0

(*) Figures for 2017 and 2016 do not include 15,072 and 11,482 used vehicles, respectively.

Net sales

Millions of euros

6,472.9 7,496.6 8,332.1 8,597.3 **9,551.8**



Increase in net sales
2013-2017

3,078.9

million euros

Investments

Millions of euros

337.1 221.9 464.4 652.6 **720.6**



Increase in investments
2013-2017

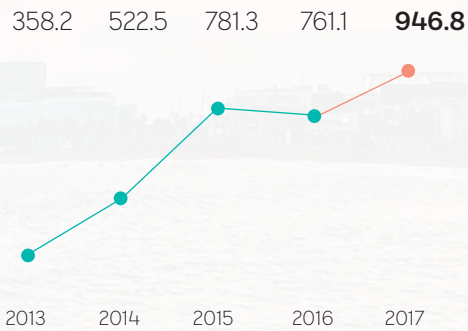
383.5

million euros

For the fifth year in a row, operating cash flow fully financed investments.

Operating cash flow

Millions of euros



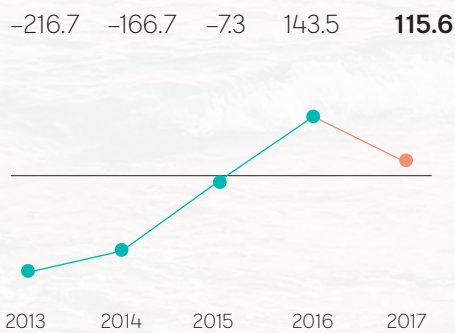
Increase in operating cashflow
2013-2017

588.6

million euros

Operating result

Millions of euros



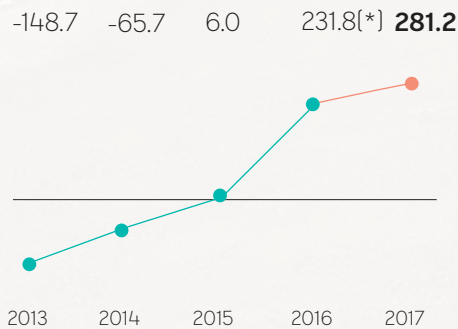
Increase in operating result
2013-2017

332.3

million euros

Result for the year

Millions of euros



Increase in result
for the year 2013-2017

429.9

million euros

[*] Before extraordinary items

#
different
leads



**A relevant
brand.**



Socioeconomic impact

Discover what SEAT's contribution is to the economy, employment and the environment #176





Summary of the study performed by SEAT with the guidance of PricewaterhouseCoopers (PWC) based on the consolidated figures of SEAT, S.A and Centro Técnico de SEAT, S.A. for the 2016 financial year, in order to highlight the company's contribution in economic, fiscal, social, environmental and innovation terms.

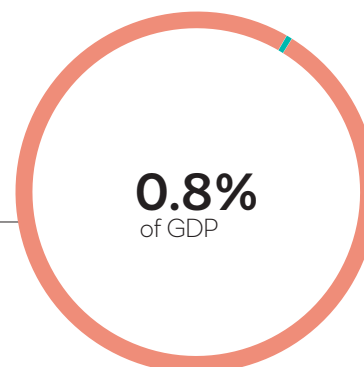
In 2016, SEAT, S.A. completed the merger by absorption of the company Centro Técnico de SEAT, S.A. (see note 23 of the Notes to the Annual Accounts).

Economic impact

SEAT actively contributes to Spain's economic development with revenues that represent 0.8% of the country's GDP and with over 96,000 direct and indirect jobs.

SEAT contributes to the generation of economic activity

8,597
million euros in revenues



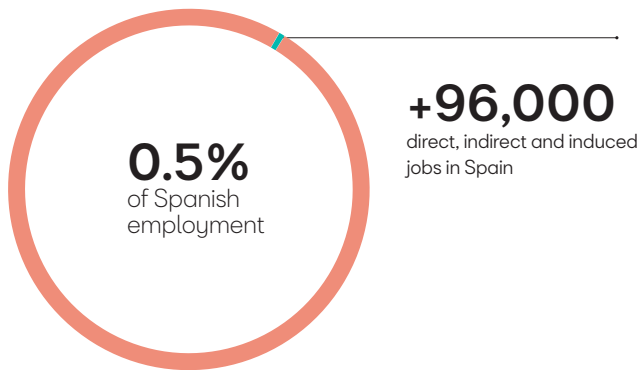
60.1% of purchases and investments made by SEAT in Spain are carried out with domestic suppliers

SEAT's operations generate 14,239 direct jobs, a figure which rises to 96,495 if including jobs that are created indirectly and induced, which is equivalent to 0.52% of the total employment in Spain. For every direct employee hired by SEAT, 6.8 jobs are created in Spain.

SEAT is the leading exporter company in Spanish industry, with exports in excess of 7,000 million euros during 2016, representing 2.8% of the total exports carried out in Spain.



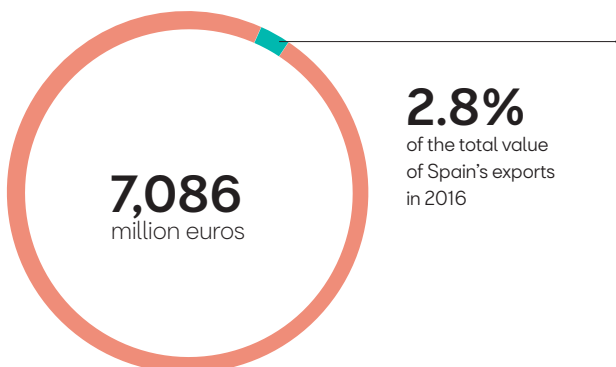
Jobs created directly, indirectly and induced by SEAT



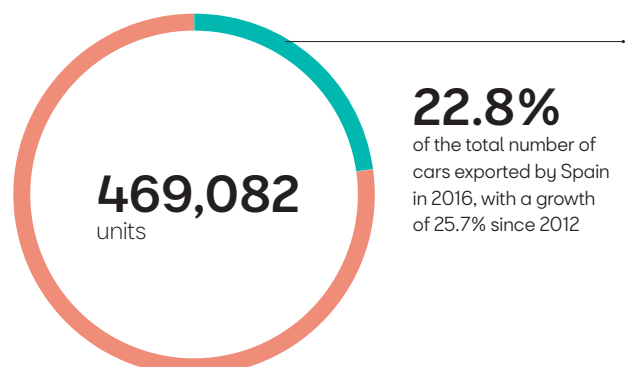
SEAT's suppliers



SEAT exports



Cars exported by SEAT



Social impact

97% of SEAT's workforce has a permanent contract, which is 24 and 19 p.p. above the average for Spain and for the industrial sector, respectively.

Since 2012, SEAT's employee headcount has increased by 3.9%, 2.4 p.p. higher than the average increase for the Spanish industrial sector of 1.6% over the same period.

Of all the new hires recruited during 2016, 53% were people under the age of 30, an age group that accounts for 29.2% of national unemployment.

Permanent contracts



■ SEAT ■ Industrial sector ■ Spain

3.9%

Increase in staff headcount since 2012

53%

of employees hired by SEAT in 2016 were under 30 years of age

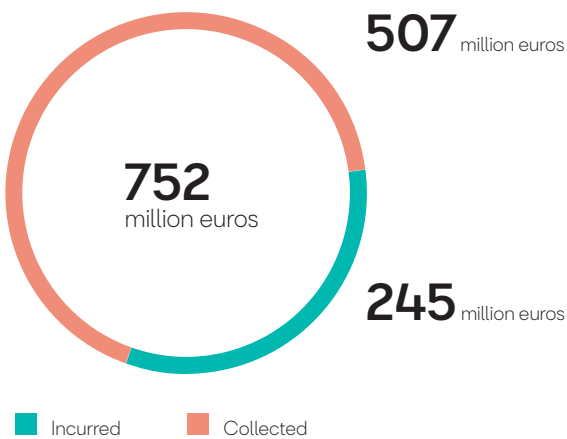


Fiscal impact

SEAT contributes to public funds with 752 million euros in taxes, which represents 8.7% of its total turnover in Spain.

SEAT's contribution to public funds amounted to 752 million euros in 2016, of which 507 million euros correspond to taxes collected^(*) and 245 million euros to taxes incurred^(**). SEAT's fiscal contribution is equivalent to 4% of the Spanish budget dedicated to unemployment benefits in 2016.

SEAT's contribution to public funds



4%

of the budget for unemployment benefits in Spain

(*) Includes VAT collected on sales, and personal income tax and Social Security deducted from employee wages.

(**) Includes Corporate Income Tax, company Social Security and other taxes (Economic Activity Tax, IBI property tax, etc.).



Industrial impact

The SEAT Martorell factory was responsible for 19% of total car production in Spain during 2016.

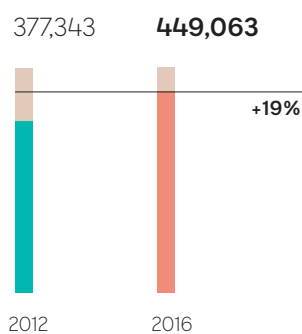


Throughout 2016, 449,063 cars have been produced at the Martorell factory, which represents a 19% increase in production compared to 2012 and 19.1% of the total production of cars in Spain.

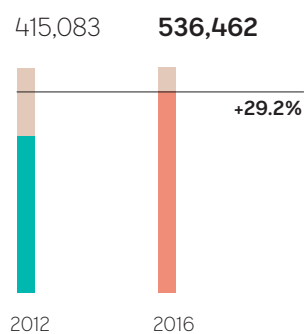
Since 2012, the number of vehicles sold around the world from Martorell has increased by more than 29%, reaching the current figure of 536,462 vehicles sold in 2016.

With the number of passenger car registrations amounting to 77,643, SEAT has increased the number of registrations of this type of vehicle by 41.5% since 2012. In 2016, almost 7% of all passenger cars registered in Spain were of the SEAT brand.

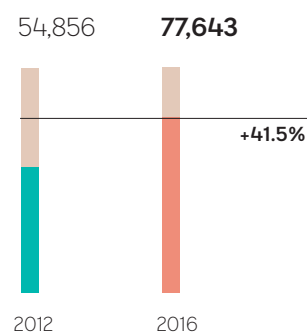
Total vehicle production



Vehicles sold



Cars registered



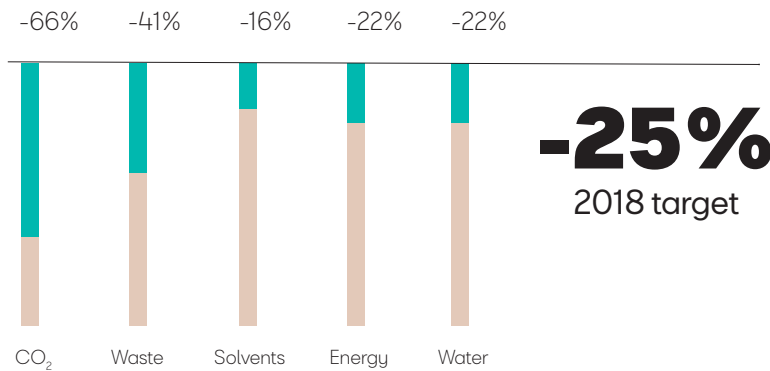
Environmental impact

During 2016, SEAT has already managed to achieve two of the main goals that were set for 2018 in the environmental sphere.

Since 2012, SEAT's CO₂ emissions have reduced by 66.2%, surpassing the target set for 2018 by more than double.

With a 41.4% reduction in waste generated per vehicle, SEAT has already achieved the 25% target set for 2018.

Since 2012, the amount of solvent used per vehicle manufactured has reduced by 16.2%, with a 21.7% reduction in energy and a 22.4% reduction in water.



R&D impact

SEAT is the 4th biggest Spanish company in terms of resources dedicated to R&D, and the leading company in the Spanish industrial sector.

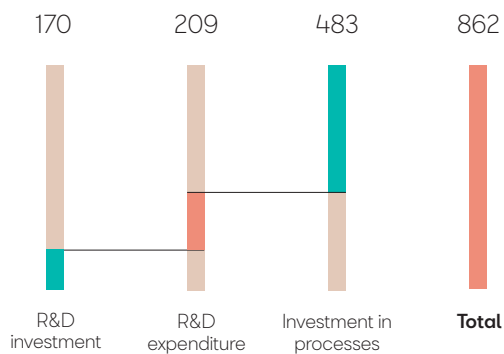
During 2016, SEAT has devoted 170 million euros to investment in R&D, as well as 209 million euros to R&D expenditure. In total, SEAT has contributed 379 million euros in R&D, equivalent to a contribution of 26,603 euros per direct employee hired by the company. At the national level, SEAT's total contribution in R&D represents 2.8% of the total R&D expenditure carried out in Spain in 2016.

The total investment made by the company in Spain amounts to 653 million euros, of which 170 million euros are dedicated to R&D and 483 million euros to processes. In total, the company's levels of investment account for 3.2% of the total investment of the Industrial Sector in Spain.

In summary, the company's total investment and expenditure on R&D amounts to 862 million euros in 2016, which equates to a contribution of 60,524 euros per direct employee hired by SEAT.

SEAT's total investment and expenditure on R&D

Millions of euros, 2016



With its operations, SEAT contributes significantly to the socioeconomic development of Spain.

Business driver

SEAT is among the top 10 Spanish companies in terms of turnover (8,597 million euros) and has the second highest in the Automotive Sector.

Economic driver

SEAT contributes to Spain's economic development with a high percentage of Spanish suppliers (60%), which stimulates economic activity throughout the supply chain.

Made in Spain

Supports the "Made in Spain" brand, since it is the leading company in the Industrial Sector in Spain in terms of exports (7,086 million euros).



Job creator

SEAT is the biggest employer in the industrial sector, and one of the most important in Spain (14,239 direct jobs and 96,495 direct and indirect jobs).

R&D contribution

Leading industrial investor in R&D (379 million euros / 2.8% of the total Spanish investment) and the fourth largest R&D investment programme overall.

Stability

SEAT increased its operations in 2016, with increases of 29.2% in vehicle sales and 41.2% in turnover compared to 2012, contributing to the stability of the Spanish economy.

#

keep on

growing



**In the right
direction.**



A person wearing bright orange sneakers with white soles is walking on blue metal stairs. The stairs have a textured, diamond-plate surface. The person's legs are in motion, with one foot on a step and the other in mid-air. The background is a blurred blue metal railing and structure.

SEAT, S.A. **annual accounts**

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Appendix 2. Subsidiary Companies #232

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 the annual accounts

To the Sole Shareholder of SEAT, S.A. (Single – Shareholder Company)

Report on the annual accounts

Qualified opinion

We have audited the annual accounts of SEAT, S.A. (the Company), which comprise the balance sheet as at December 31, 2017, and the profit and loss statement, statement of changes in equity, cash flow statement and related notes for the year then ended.

In our opinion, except for the effects of the matter described in the *Basis for qualified opinion* section of our report, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Company as at December 31, 2017, as well as its financial performance and cash flows for the year then ended, in accordance with the applicable financial reporting framework (as identified in note 3.a of the notes to the annual accounts), and in particular, with the accounting principles and criteria included therein.

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 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 on the annual accounts as at 31 December 2016 and for the year then ended included a qualification in respect of this matter.

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the annual accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

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

PricewaterhouseCoopers Auditores, S.L., Avinguda Diagonal, 640, 08017 Barcelona, España
Tel.: +34 932 532 700 / +34 902 021 111, Fax: +34 934 059 032, www.pwc.es

R. N. Madrid, hoja 67 250-1, folio 75, tomo 9 267, libro 8.054, sección 3ª
Inscrita en el R.D.A.C. con el número 50242 - CIF: B-79 011290

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**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Basis for qualified opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
------------------	--

Analysis of profits and cash flows projections for the evaluation of the recoverable value of non-current assets

The determination of the recoverable value of some non-current assets (such as intangible assets, property, plant and equipment or deferred tax assets, detailed in notes 6 and 18 to the annual accounts, which jointly represent 48% of the total assets of the Company), require the estimation of projections of results and / or future cash flows.

We focus on this area because it requires significant judgments from management and directors while estimating such results and / or future cash flows and the allocation to specific assets or cash generating units for the evaluation of their recoverable value.

We evaluate and analyze the process by which the estimates and calculations of profits and cash flow projections have been prepared.

In particular, among others, we analyze:

- the reasonableness of the projected periods according to the useful life of the corresponding assets to be evaluated;
- the consistency of the data used in the projections with the budgets approved by the management of the Company and the Group to which it belongs;
- the consistency of key assumptions such as revenue and margin growth forecasts with historical data, economic and sector forecasts and / or other supporting documentation; and
- the disclosures included in the financial statements in relation to the valuation criteria, judgments and estimates made.

As a result of the procedures described above, we consider that judgments and assumptions used by the Company in the projections of results and cash flows for the evaluation of the recoverable value of non-current assets are reasonable.



Key audit matter

Provisions and contingencies

As disclosed in note 14 to the annual accounts, in the normal course of its activity, the Company incurs in different responsibilities and obligations, among others, commercial, productive, legal or labor matters which require an assessment of the need to recognize provisions, as well as the estimation of the amount, if any, to be booked in the financial statements.

We focus on this area because of its significance in the balance sheet of the Company (represents 32% of the total liabilities of the balance sheet) and because it requires the directors to make significant judgments both regarding the moment in which the corresponding provisions must be recognized in accordance with the applicable accounting regulations, and, especially, in the estimation of the amount to be recognized for the aforementioned obligations.

Within these provisions, stand out for its significance those related to cover the estimated costs of vehicle warranties (representing 32% of the total provisions) which have been calculated based on historical ratios of costs incurred for this reason for vehicles sold.

How our audit addressed the key audit matter

We have evaluated the process followed by management and the directors to determine the moment of recognition and the estimation of the value of each of the significant obligations recognized as provisions. Additionally, our work in this area has included, among others, the following aspects:

- Understanding of the internal control on this area and the policies regarding the evaluation of risk, obligations and litigations in order to determine the need to recognize, where appropriate, the corresponding provisions in accordance with applicable accounting regulations;
- Obtaining letters of confirmation from lawyers and external and internal tax advisors who work with the Company to compare their evaluation of the expected result of the litigations and contingencies, the completeness of the information, and the recognition or disclosure, if applicable, of the corresponding provisions or contingencies;
- Reviewing of the minutes of the Executive Committee and Board of Directors;
- Evaluation of the judgments made in determining the amounts of the significant provisions and their reasonableness based on past experience and / or other supporting documentation;
- Evaluation of the disclosures included in the annual accounts.

As a result of the procedures performed, we consider that the judgments made by management and the information disclosed are consistent with our understanding of the obligations incurred based on the supporting information.

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Other information: Management report

Other information comprises only the management report for the 2017 financial year, the formulation of which is the responsibility of the Company's directors, and does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not cover the management report. Our responsibility regarding the management report is defined by the legislation governing the audit practice, which establishes two different levels:

- a) A specific level that is applicable to the statement of non-financial information, which only consists in verifying that the aforementioned information has been provided in the management report, or if applicable, that the corresponding reference has been made to the separate report, and if not, to report on it.
- b) A general level applicable to the rest of the information included in the management report, which consists in evaluating and reporting on the consistency between the management report and the annual accounts as a result of our knowledge of the Company obtained during the audit of the aforementioned financial statements, and does not include information different to that obtained as evidence during our audit. Likewise, our responsibility is to evaluate and report on whether the content and presentation of the management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described in the previous paragraph, we verified that information mentioned in section a) above is provided in the management report and the rest of the information contained in the management report is consistent with that contained in the annual accounts for the 2017 financial year, and its content and presentation are in accordance with the applicable regulations.

Responsibility of the directors and the audit committee for the annual accounts

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

In preparing the annual accounts, the Company's directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the process of preparation and presentation of the annual accounts.



Auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

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We communicate with the Company's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Company's audit committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the audit committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Company's audit committee, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

Report to the audit committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit committee dated February 23, 2018.

Appointment period

The General Ordinary Shareholders' Meeting held on February 8, 2017 appointed us as auditors for the year ended December 31, 2017.

Previously, we were appointed by resolution of the General Shareholders' Meeting for a period of 9 years and we have audited the accounts continuously since the year ended December 31, 1992.

Services provided

Services provided to the Company and its controlled subsidiaries for services other than the audit of the accounts are disclosed in note 22 to the annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by
 Juan Bautista Álvarez López (21649)

February 23, 2018

Balance Sheet.

At December 31 (millions of euros)

Assets.	Note	2017	2016
Non-current assets		3,144.1	3,068.5
Intangible assets	6b	588.2	739.1
Tangible assets	6c	1,389.8	1,236.0
Long-term Group company investments	6d	737.7	724.9
Long-term financial investments		1.8	1.5
Deferred tax assets	18	426.6	367.0
Current assets		1,899.4	1,808.6
Inventories	9	382.2	382.1
Trade and other receivables	10	807.6	697.5
Short-term Group company investments	11	709.5	727.1
Short-term financial investments	11	0.0	0.0
Short-term prepaid expenses		0.1	1.9
Cash and cash equivalents		0.0	0.0
Total		5,043.5	4,877.1
Equity and liabilities.	Note	2017	2016
Equity		1,515.7	1,487.7
Shareholders' equity	12	1,512.1	1,480.9
Grants	13	3.6	6.8
Non-current liabilities		489.3	500.6
Long-term provisions	14	291.5	311.0
Long-term liabilities	15	108.9	132.5
Long-term Group company liabilities	15	0.0	0.0
Deferred tax liabilities	18	8.9	10.1
Long-term prepaid income		80.0	47.0
Current liabilities		3,038.5	2,888.8
Short-term provisions	14	850.3	897.2
Short-term liabilities	15	155.0	145.1
Short-term Group company liabilities	15	4.8	4.5
Trade and other payables	16	1,993.9	1,791.9
Short-term prepaid income		34.5	50.1
Total		5,043.5	4,877.1

Profit and Loss Statement.

January 1 to December 31 (millions of euros)

Continuing operations.	Note	2017	2016
Net sales	19a	9,551.8	8,597.3
Change in inventories of finished goods and work in progress	19b	(0.6)	0.8
Material, wages and overheads capitalized as assets		213.3	165.9
Supplies	19c	(7,090.1)	(6,561.6)
Other operating income	19d	461.6	425.8
Personnel costs	19e	(842.1)	(823.5)
Other operating expenses	19f	(1,595.4)	(1,408.1)
Depreciation of fixed assets	6a	(460.9)	(323.3)
Change of grants from non-financial fixed assets and others	13	4.5	4.8
Excess of provisions		116.9	66.0
Impairment and result on disposal of fixed assets	6a	(243.4)	(0.6)
Operating result		115.6	143.5
Financial income	19g	98.7	67.6
Financial expenses	19h	(7.6)	(13.2)
Exchange rate differences	17	24.7	5.4
Impairment and result on disposal of financial instruments	19i	0.3	671.4
Financial result		116.1	731.2
Result before tax		231.7	874.7
Corporation tax	18	49.5	28.5
Result for year		281.2	903.2

Statement of Changes in Equity.

At December 31 (millions of euros)

Statement of recognized income and expenses.	Note	2017	2016
A) Result of profit and loss statement		281.2	903.2
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		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	(4.5)	(4.7)
For non-current assets and linked liabilities, maintained for sale		0.0	0.0
Conversion differences		0.0	0.0
Taxation effect		1.3	1.4
C) Total transfers to profit and loss statement		(3.2)	(3.3)
D) Total recognized income and expenses (A+B+C)		278.0	899.9

Statement of total changes in Equity.	Subscribed capital	Share premium	Reserve	Profit/loss from prev. years	Profit/loss for year	Subventions	Total
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>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Capital reduction</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Conversion of financial liabilities into equity</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Distribution of dividends</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Operations with own shares or participations (net)</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Variation in equity due to business combinations</i>	0.0	0.0	51.6	0.0	0.0	0.2	51.8
<i>Other operations with partners or owners</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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
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 2017	0.1	1,008.1	159.4	(589.9)	903.2	6.8	1,487.7
Total recognized income and expenses	0.0	0.0	0.0	0.0	281.2	(3.2)	278.0
Operations with partners or owners	0.0	0.0	0.0	0.0	(250.0)	0.0	(250.0)
<i>Capital increase</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Capital reduction</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Conversion of financial liabilities into equity</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Distribution of dividends</i>	0.0	0.0	0.0	0.0	(250.0)	0.0	(250.0)
<i>Operations with own shares or participations (net)</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Variation in equity due to business combinations</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Other operations with partners or owners</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other variations in equity	0.0	0.0	63.3	589.9	(653.2)	0.0	0.0
Final balance 2017	0.1	1,008.1	222.7	0.0	281.2	3.6	1,515.7

Cash Flow Statement.

January 1 to December 31 (millions of euros)

	2017	2016
A) Cash flow from operating activities	946.8	761.1
Result before tax	231.7	874.7
Adjustment of result	489.6	(275.3)
<i>Depreciation of fixed assets</i>	460.9	323.3
<i>Valuation corrections due to impairment</i>	218.5	15.8
<i>Variation of provisions</i>	(66.2)	125.0
<i>Accounting entry of grants</i>	(6.8)	(6.5)
<i>Results of disposal of fixed assets</i>	0.0	0.6
<i>Results of disposal of financial instruments</i>	0.0	(671.4)
<i>Financial income</i>	(98.7)	(67.6)
<i>Financial expenses</i>	7.6	13.2
<i>Exchange rate differences</i>	(24.7)	(5.4)
<i>Valuation at reasonable value in financial instruments</i>	0.0	0.0
<i>Other income and expenses</i>	(1.0)	(2.3)
Changes in current capital	189.6	102.0
<i>Inventories</i>	25.5	(34.3)
<i>Trade and other receivables</i>	(57.2)	68.7
<i>Other current assets</i>	1.7	0.2
<i>Trade and other payables</i>	202.1	29.0
<i>Other current liabilities</i>	17.5	38.4
Other cash flow in operating activities	35.9	59.7
<i>Payment of interests</i>	(1.8)	(4.1)
<i>Collection of dividends</i>	98.1	69.7
<i>Collection of interests</i>	0.6	0.4
<i>Collection (payment) for corporation tax</i>	(61.0)	(6.3)

	2017	2016
B) Cash flow from investment activities	(693.5)	(472.3)
Payments for investment	[702.3]	[1,281.4]
<i>Group and associated companies</i>	[5.8]	[699.5]
<i>Intangible assets</i>	[265.3]	[206.2]
<i>Tangible assets</i>	[430.7]	[375.3]
<i>Other financial assets</i>	[0.5]	[0.4]
Collection for disinvestments	8.8	809.1
<i>Group and associated companies</i>	8.3	808.3
<i>Intangible assets</i>	0.1	0.2
<i>Tangible assets</i>	0.2	0.1
<i>Other financial assets</i>	0.2	0.5
C) Cash flow from financing activities	[278.0]	[294.3]
Collection and payments for equity instruments	2.5	1.8
<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>	2.5	1.8
Collection and payments for financial liability instruments	[30.5]	[296.1]
<i>Issue</i>	0.1	0.0
<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>	0.1	0.0
<i>Repayment and depreciation of</i>	[30.6]	[296.1]
<i>Borrowing from credit institutions</i>	0.0	0.0
<i>Borrowing from Group and associated companies</i>	0.0	[266.2]
<i>Other liabilities</i>	[30.6]	[29.9]
Payments for dividends and remuneration of other equity instruments	[250.0]	0.0
<i>Dividends</i>	[250.0]	0.0
<i>Remuneration of other equity instruments</i>	0.0	0.0
D) Effect of exchange rate variations	24.7	5.4
E) Net increase/decrease in cash or equivalents (A+B+C+D)	0.0	[0.1]
Cash or equivalents at beginning of year	0.0	0.1
Cash or equivalents at end of year	0.0	0.0

Notes.

Notes to the Annual Accounts [Financial year ending December 31, 2017]

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, CIF A-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.

On January 1, 2014 and January 1, 2016, the company merged the subsidiaries SEAT Componentes, S.A. and Centro Técnico de SEAT, S.A., respectively. Under article 84 of the Corporation Tax Act, the absorbing company may benefit from the assets acquired that are indicated in the merger balance sheets included in the Company's Annual Accounts for 2014 and 2016, respectively.

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 current mercantile legislation and the Spanish General Accounting Plan approved by Royal Decree

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1514/2007 of November 16, in addition to subsequent modifications to said Plan by Royal Decree 1159/2010 of September 17 and by 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 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 lives of fixed assets (see Notes 5a, 5b and 6). The company's management determines the estimated useful lives and the corresponding depreciation and amortization charges for tangible and intangible assets on the basis of their expected life cycles. These could change as a result of factors such as technical modifications, obsolescence or changes in the demand for the products sold by the company.
- The Assessment and quantification of any possible impairment of the tangible and intangible assets (see Note 6). The company assesses whether there are any signs of impairment of its Cash Generating Units at the end of each financial

year. Where appropriate, it then determines the amount of the impairment on the basis of their recoverable value, taking into consideration the projections of expected cash flows, which are subject to significant estimates and judgment.

- > Assessing the economic and financial viability of the development projects, for the purposes of recognizing the related costs as an intangible asset on the balance sheet, involves significant judgment and estimates on sales projections and the expected profitability of the projects in the future.
- > The calculation of taxes on profits requires interpretations of tax legislation applicable to the company. The company evaluates the recoverability of deferred tax assets on the basis of the probable existence of future taxable profits within its tax group against which such assets can be offset (see Notes 5j 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 5h and 14).

4. Application of results

At its meeting on February 22, 2018, the Board of Directors formulated a proposal to the General Shareholders' Meeting whereby profit generated in 2017 (281.2 million euros) be allocated as follows: 140.6 to dividends and 140.6 to voluntary reserves.

In compliance with the 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

Research costs are recognized as an expense when incurred. Development projects that are specifically individualized and that demonstrate grounds for technical success and economic and commercial viability are capitalized as intangible assets. Projects are amortized according to their useful life (see Appendix 1). Other development costs are recognized as an expense when incurred. Development costs previously recognized as an expense may not be recognized as an asset in a subsequent financial year.

Software applications are valued at their acquisition cost and are amortized over a three-year period. Expenditure related to software maintenance, meanwhile, is recognized as an expense when incurred.

The estimated useful lives of the assets that make up the other intangible assets are 5 years.

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 1.5% in 2017 and 2% in 2016) assigned to long-term projects involving R&D developments by Group companies are also shown under this heading.

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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.

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) Losses due to impairment of non-financial assets

When the carrying amount of an asset is higher than its estimated realizable value, its net book value is immediately reduced to its recoverable amount. Assets subject to amortization are tested for impairment whenever events or changes in the circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the excess of the asset's carrying amount over its recoverable amount, where the latter is understood as the greater of the asset's fair value less costs to sell, or its value in use. For the purpose of assessing impairment losses, assets are grouped together at the lowest level at which there are separately identifiable cash flows (cash generating units). Non-financial assets, other than goodwill, which have suffered an impairment loss are subjected to reviews at each balance sheet date in order to assess whether there have been any reversals of the loss.

d) 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.

e) 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 canceled.

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 receivable 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.

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f) 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.

g) 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 based on 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.

h) Provisions and risks

Provisions are recognized when the company has a present obligation, whether legally or implicitly, as a result of past events, it is probably 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 when they accrue.

i) 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.

j) 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 calculated in accordance with the liability method, based on timing differences arising between the tax bases of assets and liabilities and their net book values within the company's tax group.

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.

k) 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.

l) 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.

m) Environment-related assets

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.

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n) 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.

In the case of merger, demerger or non-monetary contribution operations of a business between group companies, once the transaction has been completed the constituent elements of the acquired business are valued at their corresponding amounts in the consolidated annual accounts of the group or subgroup.

When the transaction does not involve the parent company of the group or subgroup and its subsidiary, the annual accounts in which such assets are recognized for these purposes will be those of the largest group or subgroup into which the assets and liabilities are incorporated and which has a Spanish parent company.

In such cases, any difference arising between the net book value of the assets and liabilities of the acquired company is recognized in reserves.

In the event that these accounts are not prepared, based on any of the grounds for exemption set out in the consolidation standards, the values that appear in the individual annual accounts of the contributing company before the transaction was carried out will be taken.

o) 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 5n).

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 5e).

p) 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, there have not been any acquisitions of emission rights (EUAs) (121,000 emission rights for a value of 589,926 euros in 2016).

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

Correction due to impairment amounts to 243.4 million euros (no correction due to impairment in 2016). Said corrections are linked to the estimate of future sales volumes of the vehicles comprising the model range. The value in use is calculated on the basis of the sales contribution margin during the life cycle of the models, taking into account an annual discount rate of 5.8% in 2017 (6.5% in 2016). A ± 10 percentage-point variation in the rate used would not have a significant effect on these annual accounts. Investments in R&D that are capitalized are acquired from group companies or developed internally.

Likewise, in 2017 the rest of investment in tangible assets acquired from VW Group companies amounted to 48.1 million euros (41.8 in 2016).

The value of fully depreciated and in-use assets amounts to 1,058.9 million euros (1,281.6 in 2016).

At the end of the financial year, the company has firm commitments for the purchase of goods to the amount of 1.7 million euros (0.6 in 2016).

In 2017 and 2016 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.

There have not been any impairment adjustments in 2017 and 2016. 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 5.8% in 2017 (6.5% in 2016). 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 2016).

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In 2017, assets unrelated to operations amount to 3.5 million euros at cost value with 1.9 million euros of accumulated depreciation (3.5 and 1.8 million euros respectively in 2016). The value of assets fully depreciated and still in use amounts to 3,581.8 million euros (3,430.9 in 2016). Of these 159.7 million euros relate to buildings (141.4 in 2016).

Likewise, in 2017 investment in tangible assets acquired from VW Group companies amounted to 47.4 million euros (42.3 in 2016).

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

Millions of euros	2017		2016	
	Gross Value	Depreciation	Gross Value	Depreciation
Tangible assets acquired from VW Group companies	505.5	379.7	465.1	343.3
Tangible assets used by VW Group companies	49.5	35.0	49.4	33.9
Tangible assets used by non-Group suppliers	1,593.7	1,409.9	1,397.9	1,281.1
Tangible assets placed abroad	270.3	188.3	217.9	151.4

The financial year results deriving from disposal of tangible assets totaled 0 million euros (-0.6 in 2016).

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 316.4 million euros (311.3 in 2016).

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 2017	Quotas pending payment 2016
T-Systems building	{20.09.06}	10	3.4	0.0	0.0	0.1
SAT building	{20.09.06}	10	5.2	0.0	0.0	0.1
Desing building	{22.01.08}	10	4.2	0.0	0.1	0.6

The quotas pending payment fall due in 2018.

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 15.4 million euros (14.7 in 2016). Rents received, mainly for buildings, fields and warehouses, amounted to 2.3 million euros (5.9 in 2016). 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	
	2017	2016	2017	2016	2017	2016
Long-term financial assets						
Group company investments (Note 6a)	737.7	724.9	0.0	0.0	0.0	0.0
Financial investments (Note 6a)	0.0	0.0	0.0	0.0	1.8	1.5
Short-term financial assets						
Loans and receivables	0.0	0.0	0.0	0.0	1,333.2	1,312.3
<i>Trade and other receivables (Note 10)</i>	0.0	0.0	0.0	0.0	623.7	585.2
<i>Group company investments (Note 11)</i>	0.0	0.0	0.0	0.0	709.5	727.1
<i>Financial investments (Note 11)</i>	0.0	0.0	0.0	0.0	0.0	0.0

Millions of euros	Borrowing from credit institutions		Bonds and other negotiable securities		Derivatives and others	
	2017	2016	2017	2016	2017	2016
Long-term financial liabilities						
Debts and other payables	0.0	0.0	0.0	0.0	108.9	132.5
<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	108.9	132.5
Short-term financial liabilities						
Debts and other payables	0.0	0.0	0.0	0.0	2,111.2	1,906.0
<i>Group company liabilities (Note 15)</i>	0.0	0.0	0.0	0.0	4.8	4.5
<i>Third-party liabilities (Note 15)</i>	0.0	0.0	0.0	0.0	155.0	145.1
<i>Trade and other payables (Note 16)</i>	0.0	0.0	0.0	0.0	1,951.4	1,756.4

Notes

During the financial year, SEAT did not hold any own shares, and therefore carried out no related operations; neither was this the case in 2016.

II. Profit and Loss Statement and equity

The net amount of valuation adjustments due to impairment for financial investments in Group companies at the end of the financial year totaled 0.3 million euros (0 in 2016).

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 244.8 million euros (295.3 in 2016).

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 significant interest-bearing assets or liabilities, the income, expenses and cash flows from its operating activities are substantially unaffected by fluctuations 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	31.12.17	31.12.16
Acquired products	89.2	100.9
Raw materials and other supplies	53.1	39.6
Work in progress and partly-finished goods	33.7	60.7
Finished goods	206.2	180.9
Total	382.2	382.1

At the year end the impairment of inventory amounted to 133.5 million euros (159.2 in 2016), with provision for the financial year totaling -25.7 million euros (16.6 in 2016).

In 2016, 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) totaled 2.4 and 0.9 million euros respectively.

The company maintains a commitment to purchase cars invoiced to rental car companies (see Note 5f) to the value of 17.9 million euros (27.5 in 2016).

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

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10. Trade and other receivables

Millions of euros	31.12.17	31.12.16
Trade receivables	103.7	58.0
Group company receivables	514.7	522.7
Other receivables	4.2	3.4
Personnel	1.1	1.1
Current tax assets	107.3	53.4
Government bodies	76.6	58.9
Total	807.6	697.5

Impairment of the value of receivables from commercial operations totaled 1.4 million euros (0.4 in 2016).

In 2016, 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) totaled 70.9 and 33.6 million euros respectively.

11. Short-term investments

Millions of euros	31.12.17	31.12.16
Group companies	709.5	727.1
<i>Loans</i>	1.4	2.7
<i>Other financial assets</i>	708.1	724.4
Third-party	0.0	0.0
<i>Loans</i>	0.0	0.0
<i>Other financial assets</i>	0.0	0.0
Total	709.5	727.1

The heading "Loans in Group companies" includes loans at market interest rates, while "Other financial assets in Group companies" includes mainly the cash pooling and the net value of the balances generated each year by the taxable profits/losses of the subsidiary companies that are 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% (0.0069% in 2016).

In 2016, additions of short-term investments arising from the merger of the company with Centro Técnico de SEAT, S.A. (see Note 23) amounted to 50 million euros. This amount mainly related to a loan granted by Centro Técnico de SEAT, S.A. to the company Volkswagen Group Services (VGS) of 27 million euros.

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 Luxembourg 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 Luxembourg 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.

The company does not have any treasury shares.

Reserves deriving from the merger of the company carried out in 2016 with Centro Técnico de SEAT, S.A. (see Note 23) totaled 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	2017	2016
Initial balance	6.8	9.9
<i>Addition for merger</i>	<i>0.0</i>	<i>0.2</i>
<i>Addition</i>	<i>0.0</i>	<i>0.0</i>
<i>Transferred to results</i>	<i>(3.2)</i>	<i>(3.3)</i>
End balance	3.6	6.8

In 2016, additions of non-repayable capital grants deriving from the merger of the company with Centro Técnico de SEAT, S.A. (see Note 23) related 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 2.3 million euros (1.7 in 2016).

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Appendix 1. Evolution of Non-current Assets
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14. Provisions and risks

Millions of euros	Balance 01.01.17	Addition 2017	Disposal 2017	Balance 31.12.17
Trade operations	582.5	143.6	(164.3)	561.8
Personnel benefits	48.6	40.7	(42.0)	47.3
Environmental activities	6.1	0.5	(0.3)	6.3
Other provisions	571.0	188.0	(232.6)	526.4
Total	1,208.2	372.8	(439.2)	1,141.8

At the year end, provisions amounted to 1,141.8 million euros, of which 291.5 million euros were long-term (discounted at a market interest rate) and 850.3 million euros were short-term.

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 5p). 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 0.08% in 2017 (0.04% in 2016).

In 2016, additions of provisions deriving from the merger of the company with Centro Técnico de SEAT, S.A. (see Note 23) related to personnel benefits (7.9 million) and other provisions (7.6 million).

15. Liabilities

Millions of euros	31.12.17	31.12.16
Group companies	4.8	4.5
Third-party	263.9	277.6
Financial institutions	0.0	0.0
Financial leasing	0.1	0.8
Other financial liabilities	263.8	276.8
<i>Official loans with granted interest</i>	139.4	162.9
<i>Bonds and deposits received</i>	0.4	0.4
<i>Suppliers of fixed assets</i>	124.0	113.5
Total	268.7	282.1

At the year end liabilities amounted to 268.7 million euros, 4.8 million euros with Group companies (short-term) and 263.9 million euros with third parties (108.9 long-term and 155 short-term).

Liabilities (mainly with official organizations at zero interest rate) are distributed according to maturity date as follows: 159.8 million euros in 2018, 74.4 million euros for 2019-2022 and 34.5 million euros in later financial years (149.6, 85.6, and 46.9 respectively in 2016).

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 500 million euros on December 31, 2017 of which 0 million euros were used (1,100 and 0 respectively in 2016).

In 2016, additions of liabilities deriving from the merger of the company with Centro Técnico de SEAT, S.A. (see Note 23) totaled 86.6 million euros (0 with Group companies and 86.6 with third parties). Of the total of additions, 85.2 million euros related to official credits with subsidized interest rates (see Note 13).

16. Trade and other payables

Millions of euros	31.12.17	31.12.16
For third-party suppliers	1,085.9	955.8
For Group companies suppliers	733.0	675.3
Other payables	29.8	30.8
Personnel (remunerations pending)	102.7	94.5
Current tax liabilities	0.1	0.1
Government bodies	42.4	35.4
Total	1,993.9	1,791.9

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 9,758.1 million euros and pending payments totaled 941.0 million euros (9,099.1 and 828.4 respectively in 2016). Furthermore, the weighted average payment period to company suppliers was 37 days, with the ratio of transactions paid being 37 days and the ratio of transactions pending payment, 37 days (37, 38, and 28 respectively in 2016).

In 2016, 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) totaled 101.1 and 55.8 million euros respectively.

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17. Foreign currency

The net value of balances in foreign currency totaled a debit balance of 97.2 million euros on December 31, 2017 (debit balance of 51.5 million euros in 2016), 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, 36.5 million euros correspond to credit balances with Group companies and other suppliers, and 133.7 million euros to debit balances with Group companies and other customers (20.2 and 71.7 respectively in 2016). The amounts attributed to income and expenses for exchange rate differences during the year total 60.9 and 36.2 million euros, respectively (38 and 32.6 in 2016).

Amounts (in millions of euros) of the main transactions carried out in foreign currency are as follows:

Millions of euros	2017	2016
Purchases	127.1	124.0
Sales	1,716.7	1,432.1
Services received	71.1	56.7
Services rendered	3.6	3.6

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:

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- > 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 4.3 and 3.3 million euros respectively.

In 2017, the taxable profit of the SEAT Group deriving from its consolidated corporation tax totaled 91.7 million euros, after offsetting negative tax assessment bases for previous years amounting to 4.2 million euros, and applying fiscal deductions amounting to 91.7 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	281.2	0.0	281.2	0.0	0.0	0.0
Corporation tax	0.0	(49.5)	(49.5)	0.0	0.0	0.0
Permanent differences	1.8	(98.6)	(96.8)	0.0	0.0	0.0
Specific to the company	1.8	0.0	1.8	0.0	0.0	0.0
From consolidation adjustment	0.0	(98.6)	(98.6)	0.0	0.0	0.0
Timing differences	495.5	(309.6)	185.9	0.0	0.0	0.0
Specific to the company	491.6	(306.2)	185.4	0.0	0.0	0.0
<i>Originating in the year</i>	491.2	(0.9)	490.3	0.0	0.0	0.0
<i>Originating in previous years</i>	0.4	(305.3)	(304.9)	0.0	0.0	0.0
From consolidation adjustment	3.9	(3.4)	0.5	0.0	0.0	0.0
<i>Originating in the year</i>	0.0	(3.4)	(3.4)	0.0	0.0	0.0
<i>Originating in previous years</i>	3.9	0.0	3.9	0.0	0.0	0.0
Tax assessment base	778.5	(457.7)	320.8	0.0	0.0	0.0

Corporation tax comprises expense of 9.3 million euros of current tax and income of 59.5 million euros of deferred tax.

Additionally, due to the adjustments from the previous year and as a result of the tax inspection process, an expense has been accrued and posted on the Profit and Loss Statement for corporation tax of 0.7 million euros.

In the consolidated corporation tax settlement, 86.9 million euros in tax deductions of SEAT, S.A. have been used.

As a consequence of consolidated taxation, the total reciprocal debts and loans between the Group companies amount to 85.1 million euros.

At December 31, 2017, the accumulated deferred tax assets amounted to 426.6 million euros, all of them arising from timing differences.

For their part, deferred tax liabilities amount to 8.9 million euros, of which 7.4 million euros arise from timing differences, basically due to the tax depreciation of assets acquired under the system of finance leases, and 1.5 million euros are related to equity items.

The variation in the financial year of the net balance of deferred tax assets and liabilities amounts to 59.6 and -1.2 million euros, respectively. The detailed breakdown of the net movement of the same is as follows:

Millions of euros	2017	2016
Initial Balance	356.9	349.7
<i>Addition for merger</i>	0.0	3.6
<i>Deferred taxes entered directly to profit and loss statement</i>	59.5	2.2
<i>Deferred taxes entered directly to equity</i>	0.0	0.0
<i>Deferred taxes transferred to profit and loss statement</i>	1.3	1.4
End Balance	417.7	356.9

At December 31, 2017, SEAT, S.A. tax credits or tax incentives for the following items and amounts in millions of euros were left pending for application:

Millions of euros	Maturity date					
	Balance 31.12.17	2018	2019	2020	2021	Later
R&D	180.5	0.0	0.0	0.0	0.0	180.5
Export companies	0.1	0.0	0.0	0.0	0.0	0.1
Environmental investment	0.7	0.0	0.0	0.0	0.0	0.7
Vocational training	1.2	0.0	0.0	0.0	0.0	1.2
Pension plans contributions	0.0	0.0	0.0	0.0	0.0	0.0

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 2013-2017, with the exception of corporation tax which extends to the period 2012-2016.

During this financial year, the partial tax inspection process corresponding to the taxes for the 2012-2015 period has ended, with no significant corrections required.

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19. Income and expenses

a) Net sales

The distribution of items is as follows:

Millions of euros	2017	2016
Vehicles	8,486.7	7,542.9
Spare parts	568.9	530.0
Gearboxes	232.0	233.6
Other sales	264.2	290.8
<i>Materials</i>	154.1	168.3
<i>By-products and reusable waste</i>	33.5	25.1
<i>R&D services</i>	68.9	92.0
<i>Other services</i>	7.7	5.4
Total	9,551.8	8,597.3

The geographical distribution of markets is as follows:

Millions of euros	2017	2016
Spain	1,805.8	1,515.6
Rest of European Union	6,813.0	6,287.2
Rest of world	933.0	794.5
Total	9,551.8	8,597.3

Net sales in 2016 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	2017	2016
Decrease/increase of inventory	33.9	(15.4)
<i>Work in progress</i>	14.2	1.1
<i>Partly-finished goods</i>	4.1	1.7
<i>Finished goods</i>	15.6	(18.2)
Impairment of inventory	(33.3)	14.6
Total	0.6	(0.8)

c) Supplies

Millions of euros	2017	2016
Acquired products	2,214.7	1,628.4
<i>Purchases</i>	2,202.7	1,661.9
<i>Decrease/increase of inventory</i>	12.0	(33.5)
Raw materials and other supplies	4,853.4	4,916.3
<i>Purchases</i>	4,873.8	4,901.6
<i>Decrease/increase of inventory</i>	(20.4)	14.7
Other external expenses	14.4	14.9
Impairment of acquired products, raw materials and others	7.6	2.0
Total	7,090.1	6,561.6

d) Other operating income

Millions of euros	2017	2016
Sundry income	459.2	423.2
Operating grants (see Note 13)	2.3	1.7
Discounted provisions	0.1	0.1
Other income	0.0	0.8
Total	461.6	425.8

The 'Sundry income' section includes, among others, income from the rendering of services to Group companies and personnel.

e) Personnel costs

Millions of euros	2017	2016
Wages, salaries and similar concepts	654.1	647.9
Social costs	188.0	175.7
<i>Social security</i>	175.9	164.6
<i>Others</i>	12.1	11.1
Provisions	0.0	(0.1)
Total	842.1	823.5

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f) Other operating expenses

Millions of euros	2017	2016
External services	1,478.5	1,229.5
Taxes	13.3	11.5
Losses, impairment and variation in provisions due to trade operations	100.3	159.6
Greenhouse gas emission rights	0.1	0.1
Other expenses	3.2	7.4
Total	1,595.4	1,408.1

g) Financial income

Millions of euros	2017	2016
For participations	98.1	67.2
<i>Group companies</i>	98.1	67.2
<i>Third-party</i>	0.0	0.0
For other investments and financial instruments	0.6	0.4
<i>Group companies</i>	0.0	0.0
<i>Third-party</i>	0.6	0.4
Total	98.7	67.6

h) Financial expense

Millions of euros	2017	2016
For Group company debts	1.0	3.0
For third-party debts	6.8	7.7
Discounted provisions and debts	(0.2)	2.5
Total	7.6	13.2

i) Impairment and result on disposal of financial instruments

This heading primarily contains impairments and reversals of stakes in Group companies. In 2017, they have not been significant.

In 2016, 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 165.8 million euros, and accumulated depreciation stands at 129.2 million euros (159.5 and 122.1 respectively in 2016).

In the wide-ranging investment program implemented in 2017, a capitalized amount of 6.3 million euros, plus another totaling 3.6 million euros (10.1 and 1.6 respectively in 2016) corresponding to firm commitments for the purchase of capital goods has been identified, which can be devoted entirely to environmental protection-related activities.

In 2016, 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) totaled 4 million euros, with accumulated depreciation standing at 2.1 million euros.

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	2017	2016
Control and monitoring of air pollution	0.8	1.2
Waste water treatment and management	2.6	2.8
Industrial waste treatment and management	5.5	5.5
Energy savings	1.4	1.2
Visual impact improvement	0.7	0.3
Communication management	0.0	0.1
Environmental process management	0.4	0.5
End-of-life vehicles management	0.8	0.8
Miscellaneous	0.3	0.2
Total	12.5	12.6

Expenses incurred for the financial year, regarding amortization of environment-related assets, amount to 7.1 million euros (7.3 in 2016).

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 2016).

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d) Environment-related income

Income deriving from the sale of by-products and reusable waste totaled 33.5 million euros (25.2 in 2016).

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	2017	2016
Supplies	3,256.7	2,819.7
<i>Materials</i>	1,181.6	1,300.7
<i>Spare parts</i>	216.7	205.8
<i>Vehicles</i>	1,858.4	1,313.2
Net sales	6,763.1	6,290.3
Services received	461.1	343.4
Services rendered	235.7	289.6
Accrued financial income	0.0	0.0
Dividends received	98.1	67.2
Accrued financial expenses	1.0	3.0

The breakdown of the amounts of the main transactions with related parties carried out in foreign currencies is as follows:

Millions of euros	2017	2016
Supplies	17.7	29.6
Net sales	1,422.6	1,157.5
Services received	61.5	50.3
Services rendered	2.8	2.7

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, among others, 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: 37.8% in materials (35.4% in 2016), 29.8% in spare parts (28.4% in 2016), 14.3% in vehicles (12.9% in 2016) and 23.3% in gearboxes (22.2% in 2016). 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 1,315.1 million euros (1,390.7 in 2016); net sales 173.3 million euros (174.3 in 2016); services received 193.4 million euros (136.1 in 2016); services rendered 50.6 million euros (191.3 in 2016); not existing neither accrued financial income nor accrued financial expenses in the current and the previous year. Likewise, balances at the year end with the parent entity of the Volkswagen Group are: customers and other trade receivables 112.1 million euros (101.2 in 2016), and suppliers and other trade payables 119.8 million euros (83.6 in 2016).

On December 31, 2017, 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 2017 stood at 10.2 million euros (9.5 in 2016).

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 2017 and 2016 financial years.

During 2017, public liability insurance premiums amounting to 0.05 million euros (0.03 in 2016), 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 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.

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22. Other information

a) Workforce

The breakdown of the total average basic workforce by functions of SEAT, S.A. is as follows:

	2017	2016
Productive wage earners	8,316	8,313
Time-rate wage earners	892	926
Managers, technicians, administrative and support staff	4,853	4,708
Members of the Executive Committee	9	8
Total	14,070	13,955

The average number of employees with a disability greater than or equal to thirty three percent, amounts to 323 people: 245 productive wage earners, 8 time-rate wage earners and 70 managers, technicians, administrative and support staff (302; 225, 10 and 67 respectively in 2016).

The breakdown of SEAT, S.A.'s basic workforce at December 31 is as follows:

	2017			2016		
	Men	Women	Total	Men	Women	Total
Productive wage earners	6,583	1,680	8,263	6,606	1,695	8,301
Time-rate wage earners	865	26	891	871	24	895
Managers, technicians, administrative and support staff	3,713	1,230	4,943	3,613	1,151	4,764
Members of the Executive Committee	9	0	9	8	0	8
Total	11,170	2,936	14,106	11,098	2,870	13,968

SEAT, S.A.'s Board of Directors comprises 9 members (one female and eight male).

Both the basic average workforce, and the workforce at December 31, 2016 were 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. (PwC) for audit services and other services rendered to the company amounted to 0.4 million euros and 0, respectively (0.4 million euros and 0 in 2016). In addition, the fees received by other companies of the PwC network for tax advisory services and other services rendered to the company amounted to 0.1 and 0.3 million euros, respectively (0.1 and 0.6 million euros in 2016).

Services other than audit provided to the company by PricewaterhouseCoopers Auditores, S.L. have been the following: review of financial information for consolidation, review of grants justification, advice regarding a non-financial contingency plan and technical assistance in the analysis of the requirements of the European Directive on non-financial information.

Services other than audit provided to subsidiaries by PricewaterhouseCoopers Auditores, S.L. have been the following: review of quality standards of the dealer network, training and methodological advice in the non-financial risk management system and methodological advice in relation to the crime prevention model.

c) Emissions

In relation to the incident detected in September 2015 in some of Volkswagen's EA189 diesel engines, during 2017 the implementation of the appropriate technical solutions approved by the competent oversight authorities in the SEAT vehicles equipped with these engines has continued. The cost of this implementation is being and will continue to be assumed by Volkswagen AG. All the vehicles are technically safe and roadworthy.

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.

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Appendix 2. Subsidiary Companies

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.

Appendix 1. Evolution of Non-current Assets.

Millions of euros	2016						
	Initial balance 01.01.16	Addition/ Disposals merger 01.01.16 [*]	Cost of acquisition or manufacture				End balance 31.12.16
			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	378	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
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
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
Participations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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.

Appendix 1. Evolution of Non-current Assets
Appendix 2. Subsidiary Companies

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

2017

Cost of acquisition or manufacture

Millions of euros	Initial Balance 01.01.17	Additions	Disposals	Transfers	Impairment	End balance 31.12.17
Intangible assets	2,406.7	267.1	(554.0)	0.0	0.0	2,119.8
Research and Development	1,726.0	72.1	(536.0)	224.2	0.0	1,486.3
Software	63.4	3.4	(17.8)	0.1	0.0	49.1
Other intangible assets	336.7	38.3	(0.2)	42.4	0.0	417.2
Intangible assets in progress	280.6	153.3	0.0	(266.7)	0.0	167.2
Tangible assets	5,588.1	440.4	(100.5)	0.0	0.0	5,928.0
Land and buildings	817.9	20.9	(0.6)	0.9	0.0	839.1
Technical equipment and machinery	2,060.2	89.2	(30.3)	142.0	0.0	2,261.1
Other facilities, tools and office equipment	2,411.7	144.1	(66.1)	91.1	0.0	2,580.8
Other tangible assets	35.3	7.3	(3.5)	0.4	0.0	39.5
Tangible assets in progress	263.0	178.9	0.0	(234.4)	0.0	207.5
Long-term Group companies investments	725.3	12.6	0.0	0.0	0.0	737.9
Participations in Group companies	725.3	12.6	0.0	0.0	0.0	737.9
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	0.0	(0.2)	0.0	1.8
Participations	0.0	0.0	0.0	0.0	0.0	0.0
Loans	1.1	0.5	0.0	(0.2)	0.0	1.4
Other financial assets	0.4	0.0	0.0	0.0	0.0	0.4
Deferred tax assets	367.0	68.1	(8.5)	0.0	0.0	426.6
Total	9,088.6	788.7	(663.0)	(0.2)	0.0	9,214.1

Appendix 1. Evolution of Non-current Assets
Appendix 2. Subsidiary Companies

Depreciation / Impairment						Net book value	
Initial Balance 01.01.17	Additions	Disposals	Transfers	Impairment	End balance 31.12.17	Initial balance 01.01.17	End balance 31.12.17
1,667.6	174.4	(553.8)	0.0	243.4	1,531.6	739.1	588.2
1,321.9	135.8	[536.0]	0.0	243.4	1,165.1	404.1	321.2
62.0	1.4	[17.8]	0.0	0.0	45.6	1.4	3.5
283.7	37.2	0.0	0.0	0.0	320.9	53.0	96.3
0.0	0.0	0.0	0.0	0.0	0.0	280.6	167.2
4,352.1	286.5	(100.4)	0.0	0.0	4,538.2	1,236.0	1,389.8
419.7	17.7	[0.6]	0.0	0.0	436.8	398.2	402.3
1,769.1	122.4	[30.3]	0.0	0.0	1,861.2	291.1	399.9
2,133.4	143.8	[66.1]	0.0	0.0	2,211.1	278.3	369.7
29.9	2.6	[3.4]	0.0	0.0	29.1	5.4	10.4
0.0	0.0	0.0	0.0	0.0	0.0	263.0	207.5
0.4	0.2	(0.4)	0.0	0.0	0.2	724.9	737.7
0.4	0.2	[0.4]	0.0	0.0	0.2	724.9	737.7
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	1.8
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	1.1	1.4
0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.4
0.0	0.0	0.0	0.0	0.0	0.0	367.0	426.6
6,020.1	461.1	(654.6)	0.0	243.4	6,070.0	3,068.5	3,144.1

Appendix 2. Subsidiary Companies.

2016		Holding	
Millions of euros	Location	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	Weierstadt (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.

Appendix 1. Evolution of Non-current Assets
Appendix 2. Subsidiary Companies

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	

2017

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	Weierstadt (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
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	
Metropolis:Lab Barcelona, S.A. [**]	Barcelona	100	

[*] Companies subject to corporation tax under the consolidated tax regime.

[**] Company set up in 2017.

[***] On January 1, 2017, Astur Wagen, S.A. was sold.

[****] On January 1, 2018, SEAT Deutschland GmbH has sold SEAT Deutschland Niederlassung GmbH.

Appendix 1. Evolution of Non-current Assets
Appendix 2. Subsidiary Companies

Gross value 31.12.17	Depreciation 31.12.17	Book value 31.12.17	Equity 31.12.17	Profit/loss for year 2017	Dividend received 2017
0.1	0.0	0.1	1.1	0.4	
660.5	0.0	660.5	689.4	55.9	70.5
0.0	0.0	0.0	0.7	0.3	
51.1	0.0	51.1	80.5	4.3	
			0,3		
			(0,9)	0,8	
20.5	0.0	20.5	138.4	23.5	27.6
			27.9	1.8	
			1.6	0.5	
			3.0	0.5	
			(1.3)	(0.5)	
			5.4	1.8	
			6.1	2.3	
			2.5	0.9	
			4.9	0.9	
			1.6	0.5	
			4.6	1.0	
0.6	0.0	0.6	1.0	0.4	
5.0	(0.1)	4.9	4.9	(0.1)	



SEAT, S.A. key figures (2013/2017)

	2013	2014	2015	2016	2017
Retail sales (units)	355,004	390,505	400,037	408,703	468,431
Wholesales of new vehicles (units)	447,327	489,896	531,786	536,462	579,443
Wholesales of used vehicles (units)	12,677	12,264	12,722	11,482	15,072
Production in Martorell plant (units)	390,048	442,677	477,077	449,063	455,470
Production of SEAT brand in Group plants (units)	67,250	64,998	72,169	103,796	138,092
Basic workforce at 31.12	11,458	12,626	12,753	13,968	14,106
Martorell (includes Spare Parts Centre)	10,233	10,298	10,422	10,544	10,592
SEAT Barcelona	1,180	1,188	1,196	1,192	1,183
SEAT Componentes (*)	0	1,097	1,092	1,087	1,075
SEAT Technical Centre (**)	0	0	0	1,102	1,210
Other centres	45	43	43	43	46
Partial retirement workforce at 31.12	133	145	94	116	141
Apprentices with labour contract at 31.12	166	168	186	155	173
Net sales (millions of euros)	6,472.9	7,496.6	8,332.1	8,597.3	9,551.8
Spain	1,080.8	1,334.8	1,404.2	1,515.6	1,805.8
<i>Vehicles</i>	646.5	806.1	868.5	950.2	1,235.1
<i>Spare parts</i>	281.8	289.9	300.4	304.2	322.8
<i>Gearboxes</i>	0.0	71.5	73.4	93.2	83.5
<i>Other sales</i>	152.5	167.3	161.9	168.0	164.4
Export	5,392.1	6,161.8	6,927.9	7,081.7	7,746.0
<i>Vehicles</i>	5,168.6	5,765.8	6,519.9	6,592.7	7,251.6
<i>Spare parts</i>	196.0	207.9	219.3	225.8	246.1
<i>Gearboxes</i>	0.0	160.1	150.9	140.4	148.5
<i>Other sales</i>	27.5	28.0	37.8	122.8	99.8
Shareholders' equity (millions of euros)	478.0	520.1	526.1	1,480.9	1,512.1
Result before tax (millions of euros)	(144.4)	(138.8)	(4.3)	874.7	231.7
Result after tax (millions of euros)	(148.7)	(65.7)	6.0	903.2	281.2
Depreciation (millions of euros)	336.5	361.9	311.6	323.3	460.9
Investments (millions of euros)	337.1	221.9	464.4	652.6	720.6

[*] 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	60	•		5.5	3.8	4.4	102
1.0 MPI Ecomotive	44	60	•		4.9	3.7	4.1	97
1.0 MPI SQ100	44	60		•	5.3	3.8	4.3	101
1.0 MPI SQ100 Ecomotive	44	60		•	4.7	3.7	4.1	96
1.0 MPI SQ100	55	75		•	5.3	3.9	4.4	104
1.0 MPI SQ100 Start&Stop	55	75		•	4.9	3.8	4.2	98
1.0 MPI Start&Stop Ecomotive	55	75	•		4.9	3.7	4.1	97
1.0 MPI Start&Stop	55	75	•		5.6	4.0	4.6	102
1.0 MPI Ecofuel (***)	50	68	•		5.6	3.9	4.5	83
Toledo								
1.0 EcoTSI Start&Stop	70	95	•		5.2-5.3	3.9-4.0	4.4-4.5	101-103
1.0 EcoTSI Start&Stop	81	110	•		5.4-5.5	3.9-4.0	4.5-4.6	104-106
1.4 EcoTSI Start&Stop	92	125		•	7.0	4.3	5.3	122
1.2 TSI	66	90	•		6.2-6.3	3.8-3.9	4.7-4.8	112-114
1.2 TSI Ecomotive	66	90	•		5.9-6.0	3.9-4.0	4.6-4.7	105-107
1.2 TSI	81	110	•		6.7-6.8	4.2-4.3	5.1-5.2	117-119
1.2 TSI Ecomotive	81	110	•		6.1-6.2	4.1	4.8-4.9	108-110
1.4 TDI CR Start&Stop Ecomotive	66	90	•		4	3.1	3.4	89
1.4 TDI CR DSG Start&Stop	66	90		•	4.2-4.4	3.5-3.7	3.7-3.9	98-103
1.6 TDI CR	85	115	•		5.4-5.5	3.6-3.7	4.3-4.4	112-114
1.6 TDI CR Start&Stop	85	115	•		4.5-4.6	3.3-3.4	3.8-3.9	99-101
Ibiza/SC/ST								
1.0 MPI Start&Stop	55	75	•		5.8-5.9	4.2-4.3	4.8-4.9	108-110
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
1.4 TSI ACT Start&Stop FR	110	150	•		6.0	4.1	4.8	112
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	55	75	•		4.7-4.8	3.5-3.6	3.9-4.0	104-106
1.4 TDI CR Start&Stop Ecomotive	66	90	•		4.1-4.3	3.3-3.5	3.6-3.8	93-97
1.4 TDI CR Start&Stop	66	90	•		4.7-4.8	3.5-3.6	3.9-4.0	104-106
1.4 TDI CR Start&Stop Ecomotive	77	105	•		4.3-4.5	3.5-3.7	3.8-4.0	98-102
1.4 TDI CR Start&Stop	77	105	•		5.0-5.1	3.6-3.7	4.1-4.2	109-112
New Ibiza								
1.0 MPI Start&Stop	48	65	•		6	4.3	4.9	112
1.0 MPI Start&Stop	55	75	•		6	4.3	4.9	112
1.0 EcoTSI Start&Stop	70	95	•		5.8	4.1	4.7	106
1.0 EcoTSI Start&Stop	85	115	•		5.8	4.1	4.7	108
1.0 EcoTSI DSG Start&Stop	85	115		•	5.6	4.2	4.7	108
1.5 TSI Evo Start&Stop	110	150	•		6.2	4.2	4.9	112
1.0 TGI Start&Stop	66	90	•		6.3	4.1	4.9	88
1.6 TDI CR Start&Stop	59	80	•		4.5	3.4	3.8	99
1.6 TDI CR Start&Stop	70	95	•		4.4	3.5	3.8	99
1.6 TDI CR DSG Start&Stop	70	95		•	4.4	3.7	4	103
1.6 TDI CR Start&Stop	85	115	•		4.5	3.6	3.9	102

MODEL [*] [**]	Power		Gearbox		Consumption (mveg) l/100km			CO ₂ emissions Average (g/km)
	KW	HP	Man.	Aut.	Town	Out of town	Average	
Arona								
1.0 EcoTSI Start&Stop	70	95	•		6.1	4.2-4.3	4.9	111-112
1.0 EcoTSI Start&Stop	85	115	•		5.9-6.0	4.3-4.4	4.9-5.0	113-114
1.0 EcoTSI DSG Start&Stop	85	115		•	5.7	4.5	5	113-114
1.5 TSI Evo Start&Stop	110	150	•		6.3	4.4	5.1	115
1.6 TDI CR Start&Stop	70	95	•		4.6-4.7	3.7	4.0-4.1	105-106
Leon/SC/ST								
1.4 TGI Start&Stop	81	110	•		6.9-7.3	4.4-4.7	5.3-5.6	124-130
1.4 TGI Start&Stop (CNG)	81	110	•		6.9-7.2	4.5-4.8	5.4-5.7	96-101
1.4 TGI Start&Stop DSG	81	110		•	6.5-6.9	4.5-4.9	5.3-5.6	121-129
1.4 TGI Start&Stop DSG (CNG)	81	110		•	6.8-7.2	4.5-4.9	5.3-5.7	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	86	•		6.4-6.6	4.4-4.6	5.1-5.3	119-123
1.2 TSI Start&Stop	81	110	•		6.1-6.3	4.2-4.4	4.9-5.1	114-119
1.4 TSI Start&Stop	92	125	•		6.7-6.8	4.3-4.5	5.2-5.4	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	113-117
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	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	5.6	6.5	152
2.0 TSI Start&Stop CUPRA	221	300	•		9.0-9.1	5.7-5.8	6.9-7.0	158-161
2.0 TSI DSG Start&Stop CUPRA	221	300		•	8.4-8.5	5.7-5.8	6.7-6.8	153-156
2.0 TSI DSG Start&Stop 4Drive CUPRA	221	300		•	9.1	6.1	7.2	164
1.6 TDI CR	66	90	•		5.1-5.3	3.9-4.2	4.3-4.6	114-122
1.6 TDI CR Start&Stop	81	110	•		4.6-4.8	3.8-4.1	4.0-4.2	105-112
1.6 TDI CR DSG Start&Stop	81	110		•	4.3-4.6	4.0-4.2	4.1-4.3	108-115
1.6 TDI CR Start&Stop 4Drive (ST / X-PERIENCE)	85	115	•		4.7	3.9	4.1	109
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 Start&Stop 4Drive (ST / X-PERIENCE)	110	150		•	5.9-6.1	4.3-4.5	4.9-5.1	128-134
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	5	5.4	139
Alhambra								
1.4 TSI DSG Start&Stop	110	150	•		7.9-8.1	5.5-5.6	6.4-6.5	148-151
2.0 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	115	•		6.0-6.1	4.5-4.6	5.0-5.1	130-132
2.0 TDI CR Start&Stop	110	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	6.6	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		•	6.2-6.3	4.8-4.9	5.3-5.4	140-141
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	124-125
1.4 TSI MQ Start&Stop 4WD ACT	110	150	•		6.9-7.0	5.5-5.6	6.0-6.1	138-139
1.4 TSI DQ Start&Stop 4WD ACT DSG	110	150		•	7.4	5.9-6.1	6.4-6.5	148-149
2.0 TSI DQ Start&Stop 4WD ACT DSG	140	190		•	8.5	6.0	6.9-7.0	158-159
1.6 TDI MQ Start&Stop	85	115	•		4.9	4.3	4.5	118-119
2.0 TDI MQ Start&Stop 4WD	110	150	•		5.9-6.0	4.6	5.1	133-134
2.0 TDI DQ Start&Stop 4WD DSG	140	190		•	6.1	5	5.4-5.5	141-142

[*] Engines sold in the European Union in 2017. 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 2017, 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^(**).

Approved by the Board of Directors at the meeting of February 22, 2018.



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Balances y Cierres / Comunicación
Autovía A2, Km. 585
E-08760 Martorell
Tel. [+34] 937 08 50 00
Fax [+34] 937 08 55 02
www.seat.com

Design: www.cegeglobal.com

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BALANCES Y CIERRES / COMUNICACIÓN

Autovía A2, Km. 585

E-08760 Martorell

Tel. (+34) 937 08 50 00