Annual Report 2018



SEAT

CUPRA

Brands

Markets

HELLO CHINA!

TARRACO

Models

Digital

CONNECTED



Why not Now?

Now is the time for More



New SEAT Tarraco



Ready for tomorrow. Today



SEAT Arona

DO YOU WANT MORE? GET MORE



SEAT Ateca

A COMPLETELY NEW PERSPECTIVE OF YOUR DAILY ROUTINE



SEAT Tarraco

WHEN YOU ALREADY HAVE EVERYTHING, YOU WANT MORE

SEAT Mii

LIVING IN THE CITY DEPENDS ON YOU





SEAT Ibiza

LIFE IS TOO SHORT TO STAY STILL

SEAT Leon

STAND OUT AND MAKE YOURSELF UNMISTAKABLE IN ANY STREET



SEAT Leon ST

THE PERFECT FAMILY SPACE





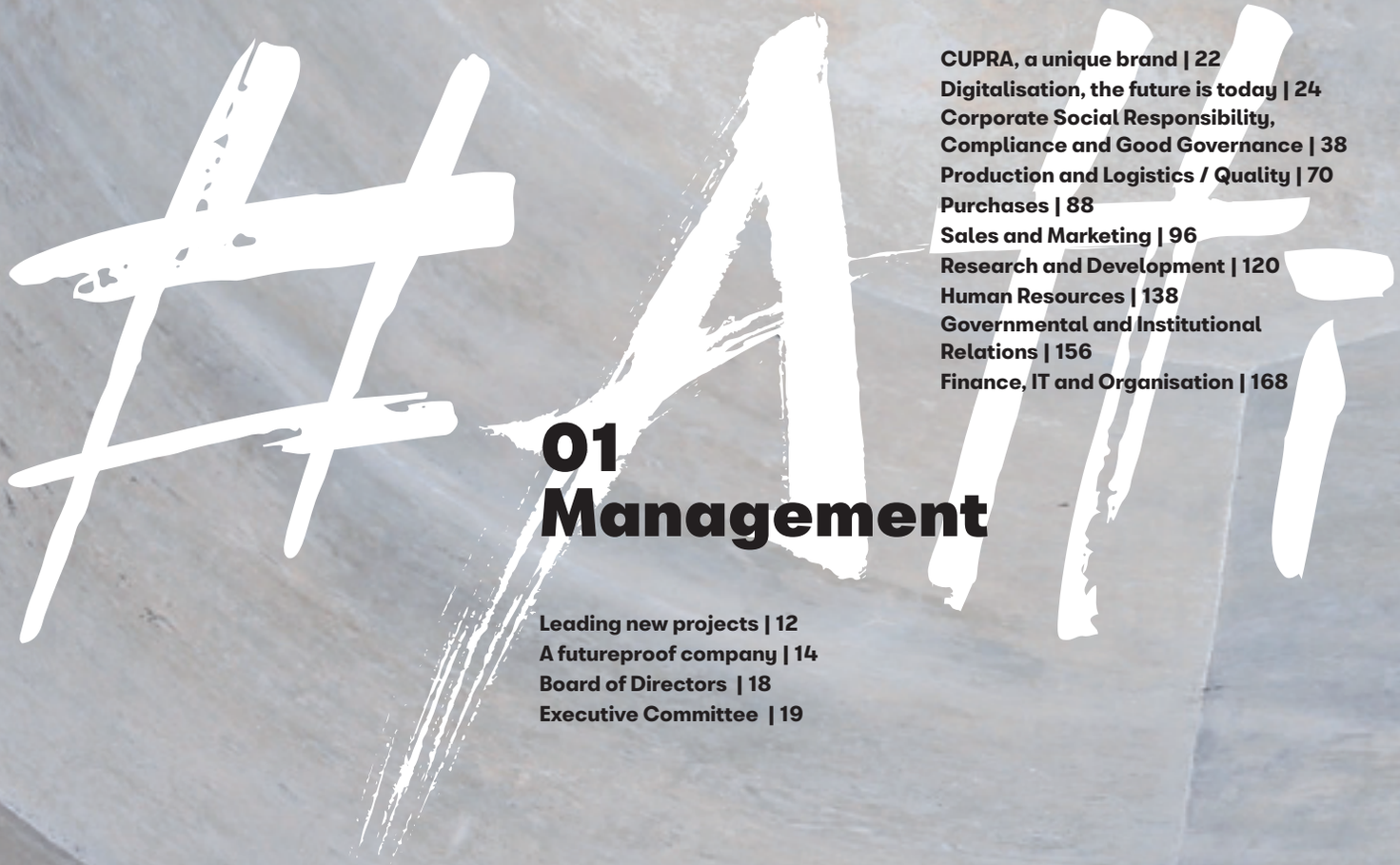
SEAT Toledo

SPENDING TIME WITH FAMILY, ONE OF THE GREATEST PLEASURES IN LIFE

SEAT Alhambra

LONG LIVE FAMILY TRIPS!





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03 Socioeconomic Impact

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#MAKE
MOBILITY
EASY

01
Management





Dr. Herbert Diess,
Chairman of the Board of Directors of SEAT

Leading new projects

From now on, SEAT will see further momentum with a new product offensive.

The results of this Annual Report come as no surprise to me. SEAT again closed a record year and has kept up sustainable growth over the past few years, especially the previous three. The evolution of SEAT in this period has not gone unnoticed, neither by the Volkswagen Group nor by the automotive industry itself. SEAT has managed to turn the difficult situation around, and in terms of sales, become the fastest growing volume car brand in Europe.

The Tarraco was the biggest novelty of 2018 and joins the SUV range which already features the two top-selling models Arona and Ateca. Destined to become the brand's flagship model, the new Tarraco will enable the company to sustain sales growth this year and increase its profit margin, which is exactly what the new CUPRA brand's first model, the CUPRA Ateca, is achieving. From now on, SEAT will see further momentum with a new product offensive which we will be detailing in upcoming months, and will include electrified models.

In my new role as Chairman of the Board of Directors of SEAT, in recent months I have had the chance to actively participate in the development and implementation of the company's strategy and can confidently say that it is advancing on the right path. The sustainable growth of recent years has consolidated a basis for stability and trust, focusing on growth opportunities and new markets.

SEAT is an attractive brand for the Volkswagen Group because it attracts young customers. Indeed, SEAT customers are 10 years younger than the sector average. And today, this company is also ready to take the lead in projects such as the development of the consortium in North Africa.

In this context, the Group is also placing its trust in SEAT to spearhead various endeavours that will shape the future of urban mobility such as, for example, the 2-wheelers strategy. This effort is already beginning to bear fruit.



Recommendations Comments Share

Our sights are clearly set on future mobility. Electric cars are the solution to meeting CO_2 objectives and, therefore, to meeting the Paris 2050 climate change targets for our sector. In this respect, the Volkswagen Group has a firm global commitment - to offer electric vehicles to millions of people, not to millionaires.

The electric vehicle and connectivity are going to transform future mobility as well as cities.

The MEB platform is going to revolutionise the affordability of electric vehicles as it will enable us to optimise production processes in order to manufacture different models, and will therefore significantly reduce costs. We will be able to launch electric cars priced similarly to conventional vehicles, and in this strategy, SEAT is going to be relevant starting in 2020. Indeed, when speaking of electrification, we must emphasise the inclusion of SEAT, as Group leader of the project, in the JAC Volkswagen dedicated electric vehicle joint venture. Thanks to the agreements signed in 2018, SEAT is also going to reach the Chinese market, which will be an important milestone for the brand.

The electric vehicle and connectivity are going to transform future mobility as well as cities. We will go from manufacturing vehicles to offering mobility services, especially in urban areas. I am firmly convinced that we carmakers, for whom mobility is in our DNA, are going to spearhead the new ecosystem. And I use the term ecosystem because we have already moved past the scope of the sector itself.

Let us picture in our minds a scenario which includes multiple players collaborating to develop mobility solutions based on connectivity, new energy sources and new models of consumption. This picture is more complex than we can imagine, as not only do all these businesses collaborate, but they also compete to take the lead and capitalise on progress. And allow me to add the engine, which is conviction. Luca de Meo and I are both convinced that SEAT will be able to play a prominent role in this new scenario.

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Luca de Meo, Chairman of the Executive Committee of SEAT

A futureproof company

SEAT has never been so competitive as it is today.

2018 was our best year so far. When I look at the commitment, the determination, and the open mindset of our people, it seems easy to believe that SEAT's tomorrow will be better than today. Now stronger than ever, we are entering a time of challenges but also of great opportunities. We are convinced that all the discontinuities that the automotive industry will experience on the technological side and on the demand side represent a big chance for us to start the next race in a better position. Our foundations are solid, our attitude is the right one. With a turnover of 10,000 million euros and an after-tax profit of almost 300 million, our financial situation has never been so good. These results were achieved thanks to unprecedented sales of 518,000 vehicles, an all-time record in the company's 68-year history and a sign of customer confidence and of the competitiveness of our models. In fact, we have never been so competitive as we are today.

With the successful launches of the Ateca, Ibiza, Arona and Tarraco, we completed a first cycle of the renovation of our portfolio. Soon we will begin a new, even more exciting, second phase with the ambition of being major players in the fields of electrification, connectivity and shared mobility.

Let us not forget that 2018 saw the birth of the CUPRA brand. This represents a new dimension for our company, an opportunity to win over new customers and to introduce more sophisticated technologies, but above all it is very good news for automotive enthusiasts.

2018 was also a key year for laying down the foundations of our globalisation strategy. SEAT still has a lot of potential in Europe and the double-digit growth we have experienced in the last years is clear proof of this, but, at the same time, we are looking at seizing opportunities beyond European borders. The success stories in Algeria and Mexico, for example, show the potential of our brand globally. Last year we took on a leadership role in developing the Volkswagen Group's presence in the North Africa region. The Relizane production plant's construction and ramp up in Algeria represents a successful starting point. But our ambition goes beyond this project; it is to secure

the Volkswagen Group's leadership across the entire region, a region of markets with a lot of untapped potential for our brands.

Then, of course, there is China. Globalisation today cannot exist without having a presence in the world's biggest market and the partnership with JAC represents a turning point in this process. China will set trends in the automotive industry. Being able to compete in this arena means being able to play a role in the future of mobility. It is as simple as that.

Everywhere we will be present, we will be striving to make cities cleaner and safer, and mobility more accessible. We will build expertise in battery technology, new fuels for combustion engines, 5G connectivity, autonomous driving functionalities, and in integrating our products into mobility platforms. We have the privilege of being part of one of the biggest automotive groups in the world, Volkswagen. This puts us in a much stronger position than many of our direct competitors.

Being competitive in the next 10 years will demand cooperation with other sectors and will require a fundamental re-engineering of our business model and supply chain. In recent months, we have been strengthening connections with global players and startups to create an open, fluid ecosystem, especially in Spain. With Telefónica, for example, we ran the first experiment in Europe involving a 5G connected car, with real use cases. We are also sharing innovations across sectors with key players such as Google, IBM, CaixaBank and Naturgy in order to find synergies and to avoid investing twice in the same area.

In the meantime, we can acknowledge the benefit of engaging directly with startups, taking advantage of their agility, creativity and speed. This is Start4Big: a major open innovation platform that includes some of the leading companies in Spain and the best national and international startups, which have been invited to find solutions to common challenges.

We are convinced that vehicles will become the second largest connected platform after the mobile phone and we will have the chance to integrate them into a rich ecosystem. This transformation forces us to innovate and move beyond the scope of being just a carmaker, stretching our value chain towards new mobility services, platforms and data businesses.

Being able to compete in China means being able to play a key role in the future of mobility.

SEAT is going to lead the development of the Volkswagen Group's micromobility strategy. We are immersed in a metropolitan environment and the Barcelona area is not only the European Urban Mobility Capital, the Mobile World Capital and one of the top 5 innovation hubs on the continent, but it is also full of tradition in the two-wheeler industry. All in all, it offers an ideal opportunity to find ideas and is the perfect place to experiment with new solutions.

We believe that great companies are those that not only can produce good results and develop good products, but that also drive progress and share prosperity amongst their stakeholders. This is the ambition that we set ourselves as the leading Spanish industrial organisation: to deserve, year after year, to be part of the league of great companies.

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Recommendations Comments Share





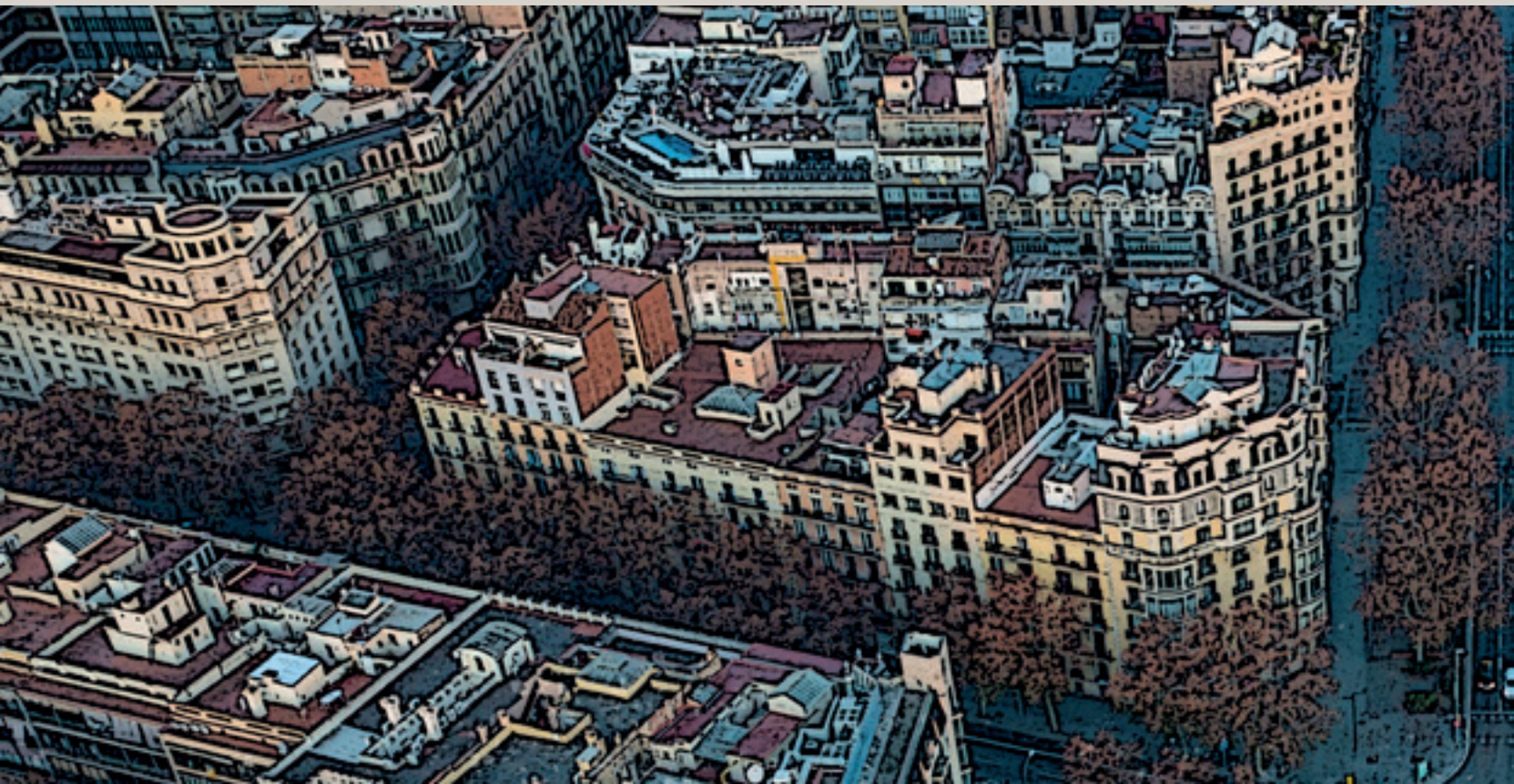
Board of Directors

Chairman
Dr. Herbert Diess

Board Members
Dra. Ingrun-Ulla Bartölke
Dr. Oliver Blume
Luca de Meo
Bernd Osterloh
Dr. Stefan Piëch
Dr. Josep Piqué
Mark Philipp Porsche
Hiltrud Dorothea Werner

Secretary and Legal Counsel
Luis Comas Martínez de Tejada

The Extraordinary and Universal Shareholders' Meeting of the Company, in its session held on 12 April 2018, accepted the resignations presented by Dr. Francisco Javier García Sanz and Dr. Karlheinz Blessing from their positions as members of the Board of Directors of the Company, and appointed Dr. Herbert Diess as a new member and as Chairman of the Board of Directors of the Company, as well as Hiltrud Dorothea Werner as a new member of the Board of Directors of the Company, all with effect as of the same day.



Executive Committee

The Board of Directors of the company, at its meeting held on 28 February 2018, agreed to Dr. Andreas Tostmann standing down as vice-president of Production and Logistics, with effect as of 31 January 2018, as well as to appoint Dr. Christian Vollmer for that position with effect as of 1 July 2018. In addition, with effect as of 30 September 2018, the position of vice-president of Governmental and Institutional Relations was discontinued and Ramón Paredes stood down from his duties as vice-president of that area.

01 Luca de Meo
Chairman

02 Luis Comas Martínez de Tejada
Legal Services & Good Governance

03 Wayne Anthony Griffiths
Sales & Marketing

04 Holger Kintscher
Finance, IT & Organisation

05 Dr. Matthias Rabe
Research & Development

06 Xavier Ros
Human Resources

07 Dr. Christian Vollmer
Production & Logistics

08 Klaus Ziegler
Purchases



07 02 04 06 03 01 08 05



#MAKE
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02
Management Report





CUPRA, a unique brand

ON 22 FEBRUARY 2018, SEAT ANNOUNCED THE LAUNCH OF CUPRA, A NEW BRAND OF VEHICLES WITH AN IDENTITY OF ITS OWN INTEGRATED WITHIN THE COMPANY AND OFFERING A NEW VISION OF CONTEMPORARY SPORTINESS.





CUPRA

A LEGENDARY STAGE TO REVEAL THE NEW BRAND



The CUPRA brand was revealed during an exclusive international event held at a very special location, the iconic Autódromo de Terramar racetrack, located in the Catalan town of Sitges. For three days, the racetrack was transformed into a unique place to welcome representatives from the international press, influencers and professionals from dealerships who had the opportunity to witness the birth of the new brand and the world that surrounds it.

The Autódromo de Terramar racetrack was renovated to create a unique and unconventional location, with particular attention to detail and wrapped in the unmatchable CUPRA style. The decoration of the event reflected the values of the new brand, with exceptional ornamentation based on sophistication, personal style and a contemporary touch that gave the location and the event itself an outstanding personality.

CUPRA also took the opportunity to reveal its first model, the CUPRA Ateca, which made its public debut just a few days later at the International Motor Show in Geneva.



PRESENTATION TO THE PRESS

In addition to the global and official presentation of the new CUPRA brand in February, the International Press Presentation of the first model, the CUPRA Ateca, was held in Barcelona in October and November 2018. During the events, media representatives from over 25 countries, influencers and bloggers had the opportunity to learn first-hand about the pillars of the brand and to test-drive the CUPRA Ateca.







UNIQUENESS, SOPHISTICATION AND PERFORMANCE

CUPRA, which has always reflected SEAT's maximum expression of sportiness, was born under the premise of uniqueness, sophistication and performance: a special brand for unique people. In this regard, it has been established as a platform for various innovative proposals related to both products and customer experience.

The logo is one of the most powerful elements of the brand's identity and is inspired by the attitude and values of tribal civilisations: instinct, determination and passion. From a more rational perspective, the logo is composed of two intercrossing Cs for CUPRA.

The symbol becomes a sign of identity of a community, like a tattoo. This will make every element that is incorporated into the CUPRA world recognisable: cars, accessories, competitions, events, merchandising and collaborations with other brands that share the same CUPRA values.

The new world that represents CUPRA also has sophisticated colours to distinguish it: copper, a tone that matches perfectly with the brand's refined character, and Petrol Blue, composed of cyan and notes of black to enhance the personality of the exclusive models.



THE FOUR PILLARS OF CUPRA

CUPRA is more than just a car brand. It is also the standard-bearer for a lifestyle forged in three values: uniqueness, sophistication and performance. Through these values, the brand attracts customers seeking sporty and exclusive cars, people who do not need to prove themselves through traditional brands, who follow their own path and seek differentiation, customisation and sophistication.

Its aspiration is to position itself among the mass and premium market, a niche that is so far not covered by any other brand on the market. To achieve this, it is the standard-bearer of an ecosystem based on four pillars: garage, racing, distribution and lifestyle & experience.



01_**Garage**

CUPRA offers high-performance sports vehicles together with SEAT, with the goal of growing independently. It also created a new line of accessories that add sophistication and customisation to its exclusive world.

CUPRA Ateca

The CUPRA Ateca was the vehicle chosen by the brand to inaugurate its range of models. Presented in March at the International Motor Show in Geneva, this exceptional compact SUV, the lightest and most dynamic on the market, offers powerful technological features as standard, giving it outstanding characteristics.

The CUPRA Ateca has a 300 HP engine, a DSG-7 gearbox, 4Drive traction and an improved chassis, making it a unique, sophisticated and high-performance product.



Performance

2.0 TSI engine. Generates 300 HP (221 kW), making it one of the most technologically advanced engines on the market, and uses a new particle filter for Otto cycle engines in order to comply with the recent legislation on emissions.

Seven-speed DSG gearbox. Guarantees a quick and precise response to achieve sporty sensations. In addition, the dual-clutch automatic gearbox has been modified to achieve low levels of consumption and emissions while maintaining exceptional performance.

4Drive traction. Performs real-time analysis of the ground conditions, the vehicle's speed on each wheel, the position of the steering wheel and the selected driving mode at any given time in order to transmit engine torque rapidly and progressively.

Low centre of gravity, efficiency and dynamism of the suspension system and progressive steering. Give the CUPRA Ateca exceptionally sporty handling and a high-quality driving experience.

Maximum speed: 247 km/h.

Acceleration: from 0 to 100 km/h in just 5.2 seconds.



Design

Upper front grille with a honeycomb structure and the new **logo** in the centre. The CUPRA lettering in aluminium, making it stand out from the matte finish of the lower grille.

Glossy black details in the roof bars, mirrors, window frames, side mouldings, front grille and front and rear diffusers, as well as on the spoilers that frame the rear window of the tailgate.

Welcome light that projects the CUPRA name and logo on the floor.

Brake callipers in black, sport **bumper**, copper CUPRA logo on the tailgate, four exhaust pipes visible at the edges of the rear diffuser and 48.26-cm (19") wheels.

Available in six body **colours**: Energy Blue, Velvet Red, Brilliant Silver, Rodium Grey, Magic Black and Nevada White.



CUPRA ATECA, CREATE YOUR OWN PATH

To promote the first model launched on the market, the CUPRA Ateca, a brand communication campaign was carried out through local events, in which the values and philosophy of CUPRA were presented, as well as the segment of customers it is aimed at.

The CUPRA Ateca's TV campaign "Create your own path" challenges people to listen to themselves and follow their instincts to invent their own destiny; to create trends, not to follow them. Because life is a race and the reason for competing and which paths to take is individual to each person, a unique and ground-breaking creative concept, like the brand itself.

Interior

Door panels and seats upholstered in **Alcantara®** fabric.

CUPRA **lettering** illuminated on the aluminium footrests.

Sport steering wheel in leather and gear stick knob with copper seams.

Aluminium pedals and glossy black frames of the air conditioning system air outlets and on the centre console.

CUPRA logo on the steering wheel, the floor mats, the key and the touch screen of the multimedia system which, upon starting the engine, welcomes the driver.

Features

High level of equipment **as standard**: Kessy access system and keyless engine start, wireless charger with GSM signal amplifier, 360º top view camera, System Plus browser with 20.3-cm (8'') touch screen, DCC adaptive suspension, digital instrument panel, automatic Park Assist and 19" alloy wheels, among others.

Optional equipment: Performance package, with Brembo brake callipers in black and 360-mm discs, bucket seats in Alcantara® fabric, leather-upholstered seats and 19" alloy wheels in copper or silver.





Leon
CUPRA R ST

Following the success of the Leon CUPRA R, a limited series of 799 units launched in 2017 and sold out during 2018, CUPRA unveiled the SEAT Leon CUPRA R ST, available at dealerships starting in early 2019.

This new model consists of a 2.0 TSI engine with 300 HP, a 4Drive traction system and a DSG gearbox. It also incorporates aerodynamic parts in carbon fibre, an exclusive and exciting exhaust system, as well as high-performance Brembo brakes, and it is available with 19" alloy wheels in copper or silver.





02_**Racing**

Competition is a part of the CUPRA DNA, leveraging the successes of SEAT Sport.

During 2018, CUPRA presented its first two winning bets: the CUPRA TCR, the winning touring racing car and the CUPRA e-Racer, the first electric touring racing car in the world.



CUPRA TCR

CUPRA's first racing model, the CUPRA TCR, achieved great successes right from the outset in the continental, European and regional TCR championships, as well as in the World Touring Car Championship (WTCR) and in other long-distance trials.

The design of the CUPRA TCR stands out due to the new CUPRA logo in the emblematic official copper colour located on the bumper, the steering wheel, the boot and the bucket seats. In addition, it incorporates an electronic control unit with software adapted to comply with the competition rules of the 2018 season.



CUPRA e-Racer

With the CUPRA e-Racer, CUPRA aims to reinvent TCR racing and the technological capabilities of the brand at all levels. It is a vehicle that already made history: it is the first 100% electric passenger racing car in the world, delivering 300 kW of continuous power and a maximum of 500 kW (680 HP) of power at its peak. It is able to reach a maximum speed of 270 km/h and accelerate from 0 to 100 km/h in 3.2 seconds, and from 0 to 200 km/h in just 8.2 seconds.



First dynamic test

In 2018, Jordi Gené, a CUPRA test and development driver, assessed the maximum power of the CUPRA e-Racer's engines on the Castellolí racetrack (Barcelona). He also tested the energy management compared to the temperature of all the elements (especially the batteries and the conductivity), examining the response of the accelerator pedal and brakes and the energy recovery. All these tests confirmed the CUPRA e-Racer's outstanding and highly competitive performance.

ETCR championship

Born to become a winning vehicle, the CUPRA e-Racer has been a pioneering project in the history of TCR racing. In fact, the CUPRA e-Racer technology will serve as a standard for all other manufacturers wishing to take part in the future ETCR championship starting in 2020.



CUPRA, SPONSOR OF DUCATI IN MOTOGP

In the motorcycling world, CUPRA followed SEAT's example, which previously sponsored the Italian team in MotoGP. The agreement signed in 2018 involved the CUPRA logo appearing on the front of the Italian manufacturer's motorcycles, as well as on the racing drivers' suits and on team members' uniforms in the Queen category of the World Championship.

In addition, team drivers Jorge Lorenzo and Andrea Dovizioso are both ambassadors of the CUPRA brand.

CUPRA, THE BRAND WITH THE MOST TCR CHAMPIONSHIP WINS IN 2018

For CUPRA, 2018 was a year full of great triumphs in the TCR championships, in which it excelled above the rest of its competitors.

CUPRA was proclaimed absolute champion in the TCR Europe series with the Spanish driver Mikel Azcona.

Another CUPRA driver, Pepe Oriola, also started the last race of the WTCR with a chance of winning the championship.

In addition, CUPRA ambassador Jordi Gené clinched victory in the TCR category in the two races he took part in: the Nürburgring 24-Hour Race (Germany) and the Barcelona 24-Hour Race (Spain).

Meanwhile, CUPRA's other ambassador racing driver, Laia Sanz, once again won the Barcelona 24-Hour Race, this time teamed up with Jordi Gené. Furthermore, the CUPRA team taking part in Barcelona consisted of two women and two men, making it the first time that an evenly mixed team took part.

Other competitions in which CUPRA was proclaimed the winner included the TCR Italy, the TCR Portugal, the TCR Thailand, the TCR Baltic Trophy, the CER (Spanish Endurance Championship) and the VLN (German Endurance Championship).

03_ Distribution

CUPRA products are available across the whole SEAT dealer network. In addition, the new brand offers customers the opportunity to visit one of the 245 specialised CUPRA dealers, spread all over the world, in which customers can enjoy a differentiated and exclusive CUPRA experience. These dealerships have a space dedicated to CUPRA.

The space is equipped with the new corporate identity, in line with the brand's design and values, in order to offer an exclusive and sophisticated experience. In this space, customers can also purchase the wide range of accessories, limited collections and merchandising products the brand offers.

Every single specialised CUPRA dealer has a dedicated CUPRA Master offering CUPRA customers distinguished treatment and managing their relationship with the brand. CUPRA Masters have been carefully selected and trained in order to be able to transmit the brand values to the customer and offer them a high-end experience.



04_Lifestyle & Experience

CUPRA offers its customers a personalised and exclusive experience that goes beyond vehicles.

CUPRA experience

CUPRA drivers are part of the exclusive CUPRA community. Each of them receives a CUPRA member box, a welcome kit containing a bracelet and a carbon fibre holster for the car key, personalised with the brand logo.

Being part of the CUPRA community gives customers access to exclusive CUPRA activities and events, both related to and beyond the car.

In addition, in specialised CUPRA dealers, customers have access to a CUPRA courtesy vehicle in the event of repair works that take longer than one hour. They also have priority in appointments and a parking space reserved, as well as access to the CUPRA Care loyalty programme. This is a subscription programme that includes additional services for the vehicle, such as a warranty extension, maintenance, replacement parts and insurance, through the payment of a monthly fee.



Design and exclusivity

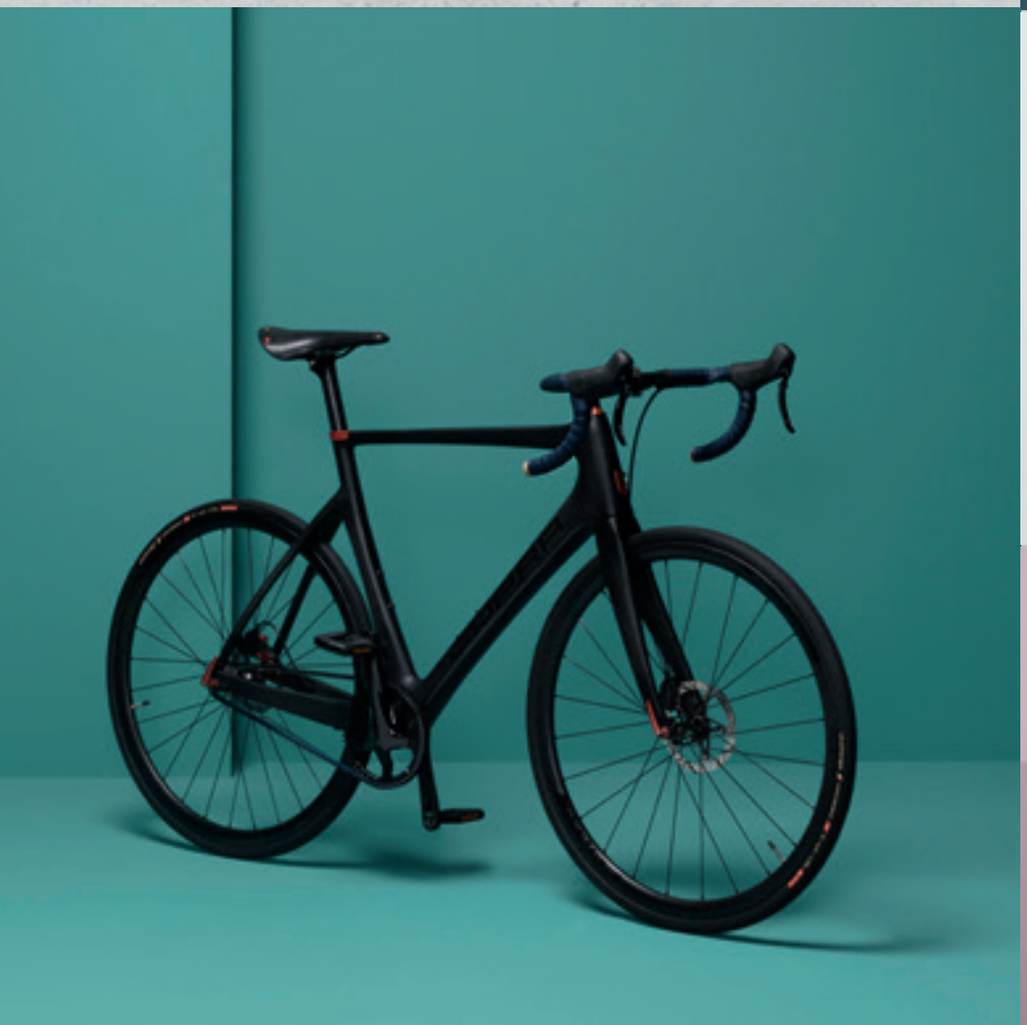
CUPRA is aimed at people with a sporty, sophisticated and unique lifestyle. In order to offer them this exclusivity, the brand collaborates with other companies in various areas to develop new lines of accessories and even bicycles. In particular, in 2018 partnerships were forged with design studios and workshops such as L.G.R. (high-quality sunglasses), TRAKATAN (hand-made leather articles) and FABIKE (carbon fibre bicycles) to create the Limited Capsule Collection, which reflects the CUPRA values in every detail.

TRAINING FOR THE CUPRA MASTERS

In late 2018, the CUPRA Masters received an exclusive training session at the Circuit de Catalunya Montmeló racetrack, as part of the "Central Launch Training" programme. This event, which marked the beginning of their certification process, allowed them to get to know the CUPRA world in depth and to prepare for their work as CUPRA Masters and the first brand ambassadors.

Following an intense selection process, approximately 260 CUPRA Masters, from 29 countries, took part in four training workshops: two static (focused on the product and the brand) and two dynamic (on the racetrack and test track).

In addition, the CUPRA Masters can undertake continuous training through an online platform that is open to the entire SEAT sales network.







AWARDS

FIRST RECOGNITIONS FOR THE NEW BRAND

The CUPRA initiative was given an award in June by the Industrial Engineers of Catalonia Association (Colegio de Ingenieros Industriales de Cataluña) for best business practice. The association valued the initiative's intention to create a new brand that aims to captivate car enthusiasts, having been established under the premise of exclusivity, sophistication and performance.

The presentation of the brand at Terramar was also given an award in July, in the Best Decoration category at the 13th edition of the Eventoplus awards. The panel of judges took various factors into account, such as the complexity of the installation (one month's work at an abandoned racetrack), the duration and the number of attendees (three days and more than 1,200 people), as well as the size of the installation, since 2,500m^2 were built to convey the essence of the CUPRA brand to the media and the sales network.

INTERNATIONAL DESIGN AWARDS FOR THE CUPRA E-RACER

The German Design Council chose the CUPRA e-Racer, the first all-electric passenger racing car in the world, in the "Concept" category of the prestigious Automotive Brand Contest 2018. This international competition, focused on the world of cars, distinguishes the best achievements in the automotive sector in terms of branding and design. Candidates are evaluated by a panel of experts in the field, with experience in media, design and communication, together with representatives from universities and academies.

In addition, the CUPRA e-Racer won the first prize in the "Conceptual Transport" category of the influential German Design Awards 2019, organised by the German Design Council. The prize was awarded by a highly-prestigious, international panel of judges who identify and acknowledge the best design achievements in various industrial sectors.

All the information about CUPRA can be found on its official website: https://www.cupraofficial.com/

CUPRA SALES



Germany	4,386 / 6,241
Spain	1,332 / 1,608
UK	1,148 / 1,597
Switzerland	761 / 1,035
Mexico	525 / 1,334
France	513 / 584
Rest of the world	1,564 / 1,953

Total sales volume of the Ibiza CUPRA, Leon CUPRA (SC, 5d, ST) & CUPRA Ateca models.



Digitalisation, the future is today





With the continued application of the latest technologies and digital developments in its vehicles, SEAT aspires to become a benchmark company in new forms of mobility and in the field of connectivity between the car and the user. The company is making progress in this area in leaps and bounds, opening the door to a future that is already a reality for its customers.

New advances in connectivity for cars and customers

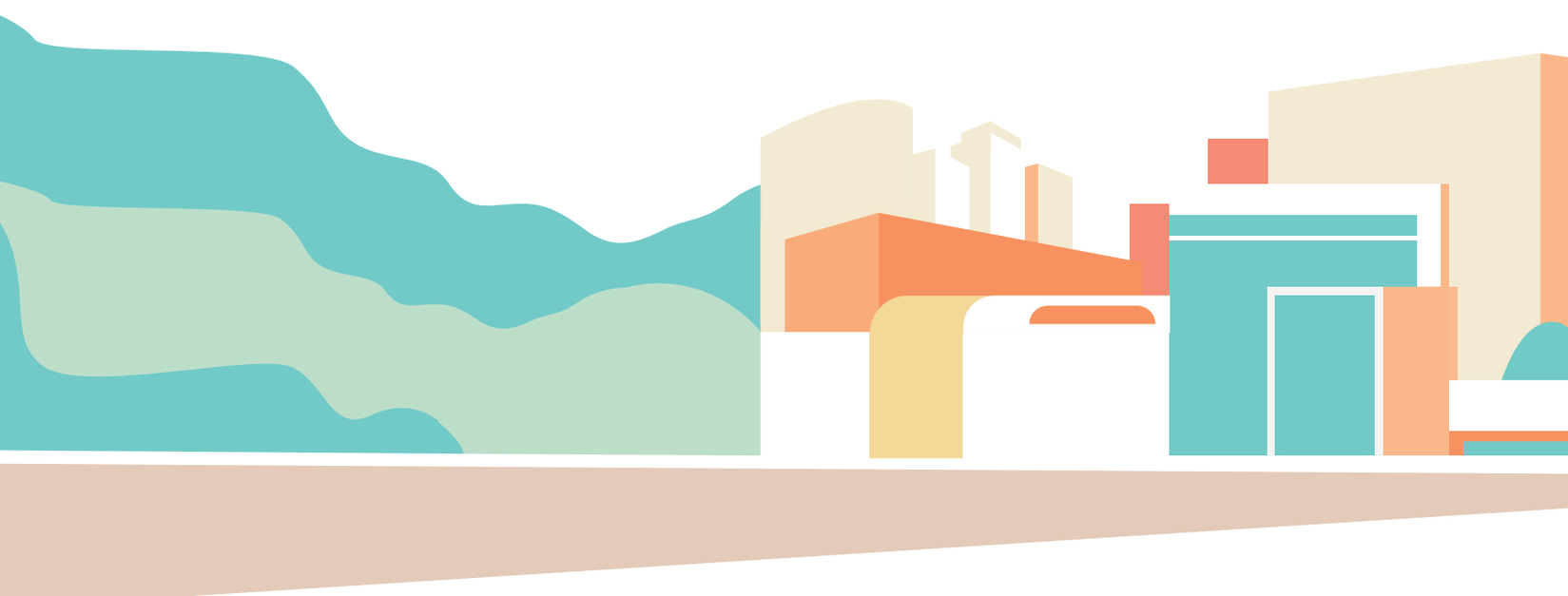
SEAT ID, the key to the digital ecosystem

The launch of SEAT ID in 2018 provided the brand's customers with an ideal tool for customising and improving their user experience. Conceived as the key for accessing the company's growing digital ecosystem, this technology requires users to set up a personal account, either through the SEAT ID portal or using the company's digital products, which provides the client with access to connected car and mobility digital services at any time.

SEAT ID provides a means for the company to get to know the customer and, therefore, to create value for them through fully personalised content, communications and offers, thus increasing customer loyalty.

When developing SEAT ID, the company placed particular emphasis on protecting users' privacy. The result of this process is that users establish a unique and personal ID with which they have complete control over their data at all times.

The launch of SEAT ID in 2018 provided the brand's customers with an ideal tool for customising and improving their user experience.



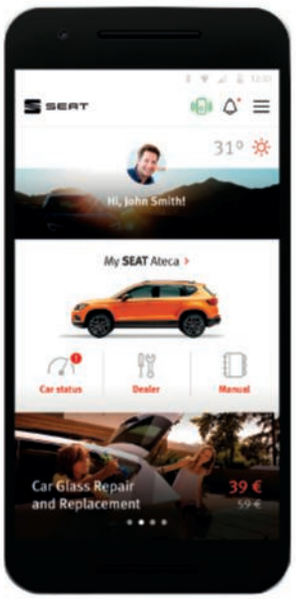
My SEAT App and DataPlug: the car now at your fingertips

My SEAT App was the first digital service to incorporate SEAT ID. Available free of charge for iOS and Android, it offers a comprehensive information service that includes access to the vehicle's interactive manual and maintenance booklet, to the indicators that allow the car's condition to be assessed, as well as to safety alerts. In addition, customers can use the application to book appointments at official repair garages, to record and manage their journeys and even as a reminder of where they parked their SEAT vehicle.

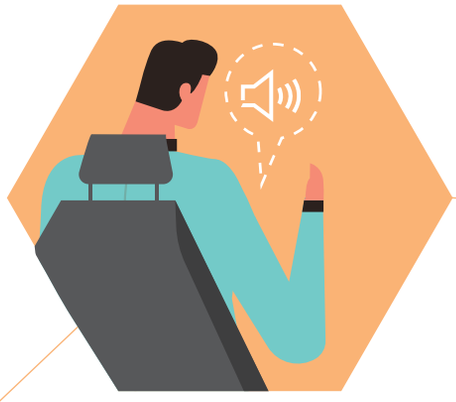
The user's connection with the company through the My SEAT App facilitates a better user experience, resulting in the brand getting to know the customer better and a more personalised range of after sales services and communications. The application is expected to be available in 15 countries in 2019.

My SEAT App offers features related to the connected car if it is linked with the My SEAT DataPlug. The DataPlug device connects to the vehicle's OBD2 port and allows users to access different information, ranging from fuel consumption or kilometres travelled to alerts regarding the state of elements such as the cooling or brake systems. The DataPlug transmits all this information via Bluetooth to the user's smartphone, which must have the My SEAT App installed and the application paired with the DataPlug.

One of the benefits of DataPlug is that, not only can it be used in new vehicles, but it can also be adapted to some previous models, turning them into connected cars. In this way, a wide range of SEAT vehicles can be used to access both information on the state of the car and news about the brand in the media and on social networks.







SEAT, the first brand to offer Shazam in a car

The SEAT DriveApp, launched in 2017, allows drivers with Android phones to receive information about their vehicle on the screen of their mobile phone, as well as to view it in a safe and attractive manner while they drive, thanks to the synchronisation between the smartphone and the car's on-board display.

In 2018, SEAT became the first car manufacturer in the world to integrate Shazam, a service for identifying songs that has millions of users. To enjoy the application, customers must have the SEAT DriveApp for Android Auto, as well as Full Link, the technology that allows users to use their mobile phone from their vehicle's on-board display.

To identify a song playing in the car, rather than having to install the Shazam application on their mobile phone, users can simply tap on the icon within the apps section on the infotainment screen. Within a few seconds, the system searches a database of over 11 million songs to find out the title and artist, as well as to identify the exact location where the song was captured along the route.

In 2018, SEAT became the first car manufacturer in the world to integrate Shazam, a service for identifying songs that has millions of users.



Agreements with partners to introduce the latest technologies



Pioneers in the integration of Amazon Alexa

Starting in 2018, Amazon Alexa, the cloud-based voice assistant, now forms part of SEAT's range of connectivity services, making SEAT the first European manufacturer to integrate it into all its compatible models: the Leon, the Ateca, the Ibiza, the Arona and the Tarraco.

Alexa enables users of the company's digital ecosystem to access a wide range of services, such as Amazon Music, audiobooks and Kindle books, to manage task lists and purchases, and to view the news, weather information and the world of the Smart Home. This range of options will grow in the future thanks to Alexa's so-called skills, which allow any developer to publish new functions. Alexa is now available in English, Spanish, German, Italian and French.

Collaboration with Telefónica for the development of the automotive industry

SEAT and Telefónica maintained their cooperation in 2018 to promote the development of innovative initiatives in the automotive industry. The agreement between the two companies focuses on three main areas: the sharing of insights (information extracted from anonymised and aggregated data) to design optimised mobility solutions, the application of 5G connectivity in the connected car, and the development of digital transformation projects within the car manufacturing process.

In this regard, the collaboration involves the development and implementation of initiatives related to Industry 4.0 in the vehicle manufacturing process, such as proof of concept based on blockchain technology to improve the traceability of parts within the supply chain of the Martorell factory.





5G technological cities

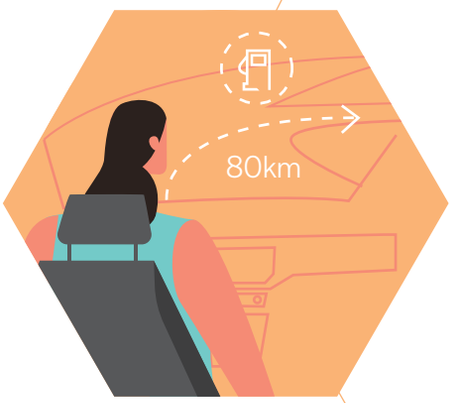
In relation to 5G technology in the connected car, SEAT and Telefónica presented the first use case of assisted driving as part of the "5G Technological Cities" project, which took place in the Spanish cities of Segovia and Talavera in July and October, respectively.

The trial consisted of fitting both the road infrastructure and the vehicle with the technology needed to exchange information. An Ateca was used in the trial, equipped with the latest advances in connectivity and modified to provide warnings to the driver via the instrument panel.

The trial consisted of two cases of assisted driving in which the traffic lights communicated with the car. In the first instance, the vehicle was notified of the presence of a pedestrian crossing a zebra crossing on a blind turn. In the second case, the vehicle was notified that the traffic light was going to change to red imminently, allowing the vehicle to determine whether it had time to pass the traffic light based on its location, speed, and trajectory, or whether it should display a message to warn the driver to perform a controlled braking manoeuvre.

In addition to SEAT and Telefónica, FICOSA, SICE, Nokia and Ericsson also collaborated in the project.





Second phase of XPLORA

Following the success of the first phase of the XPLORA project, carried out jointly with Champion Motors Ltd., SEAT's importer in Israel, in 2018 the second phase was launched. This phase seeks to identify new mobility solutions and innovations that improve the user experience in mobility services and solutions for the connected car.

To this end, SEAT provides a specialist in the field of electric and electronic development and another professional from the business development team at XMOBA Ventures, a subsidiary 100% owned by the company which identifies, evaluates, markets and invests in digital business models to simplify urban mobility and help make it more sustainable and efficient. The next steps will be to implement proof-of-concept trials, in collaboration with 8 of the more than 100 Israeli companies that have been contacted since the start of the project. A laser projection technique that will allow the car windows to be used as screens and the recognition of images for detecting obstacles on the road are just some of the examples of the solutions that this initiative is currently preparing.

New direct-to-ear audio system

SEAT and the company Noveto, one of the eight Israeli companies collaborating in the XPLORA project, began the proof-of-concept trials in 2018 for a technology that could completely change the user experience inside the car. The technology in question is a system that allows the car to direct sound directly at the ears of the selected occupant, thus opening the door to a personalised experience that also turns the shared vehicle into a more comfortable and private mobility option.

To achieve this, Noveto developed so-called Sowlo technology, which combines 3D sensors with small speakers to direct sound at the ears of a particular person in the car, without the other occupants being able to hear what is being played. The Israeli company has assigned a dedicated team to assess the technology's performance in a SEAT vehicle and to determine the best positioning for the various elements.

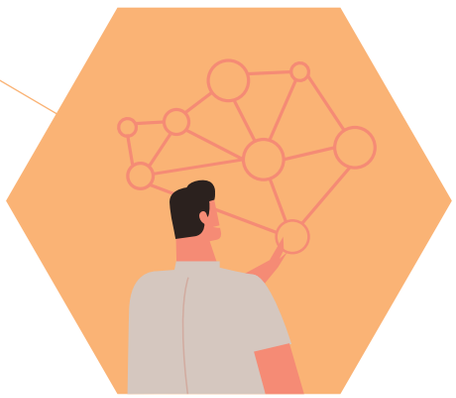


Start4Big, a new open innovation platform

SEAT, Aigües de Barcelona, CaixaBank, Telefónica and Naturgy spearheaded in 2018 the creation of Start4Big. This is the first open, digital and multi-sectoral innovation initiative to be led by five big companies in Europe, with the goal of allowing national and international startups to develop pilot programmes and to test disruptive solutions in real environments, as well as providing them quicker access to the market.

Start4Big will launch a total of eight annual challenges, spread across two editions known as Innovation Waves and aimed at startups that are in an advanced state of maturity. Each of these editions will last for six months and will consist of four challenges: three multi-sectoral challenges, in which the startups will work with two or more Start4big partners, and one cross-sector challenge, which could have an impact on all the companies involved. The challenges, which will focus on areas such as artificial intelligence, blockchain and big data, among others, will always have a positive impact not only on the companies and their consumers but also at a global level, that is, to make people's daily lives easier.

The ultimate goal of this initiative is to attract national and international talent in order to boost entrepreneurship, as well as to develop and offer new solutions that are of value to customers and society.





The driving of the future, in the SEAT Simulator

The SEAT simulator, available at the brand's stand at the Mobile World Congress 2018 in Barcelona, provided users a glimpse of the possibilities offered by the connected car.

Through the use of a personalised SEAT ID profile, those who took the wheel of the SEAT Simulator had the opportunity to see for themselves what driving will be like in the future, taking into account the various configurations of the car, information and entertainment preferences, and the mobility options best suited to each everyday situation.

The simulator also incorporates advances that are already present in some new SEAT models, such as Amazon Alexa and Shazam.




2002 TYA

The mobility of the future

The birth of XMOBA Ventures

One of the leading exponents of SEAT's commitment to mobility in 2018 was the creation of XMOBA Ventures, a company whose main objective is to identify, test, market and invest in projects that help to promote solutions to simplify urban mobility, creating a more efficient and sustainable future.

XMOBA Ventures works independently to identify trends and business models and to implement pilot projects that respond to the mobility challenges of the 21st century. The company, which was born with a startup spirit, joins the Barcelona Metropolis:Lab and CUPRA, and contributes to expanding the SEAT business group.

Justmoove, the first initiative of XMOBA Ventures

One of the main projects led by XMOBA Ventures is the platform Justmoove, which aims to become the app from which people will pay and manage all their mobility expenses in a single touchpoint. Justmoove integrates various services which, today, allow users to order a taxi, pay for car parks, search for refuelling stations and save time and money on tolls, among other options.

The intention is to continue to expand the services available through the app. As such, in the near future it will be possible to pay for on-street parking and fuel, to search for and offer cars and/or rides for a trip, and to control and sort all expenses incurred on a journey.

XMOBA seeks Ambassadors

XMOBA Ventures, SEAT's new mobility services company, launched the "XMOBA Ambassadors" initiative, aimed at employees of the company who want to try out its new developments, provide feedback and ratings and help to build the mobility of the future.

"XMOBA Ambassadors" is intended for creative people who are passionate about new technologies and want to become part of the development of new projects related to mobility. The Ambassadors selected will enjoy an experience that could prove highly useful in their future careers and they will have exclusive access to new releases, discounts on services and merchandising.





New projects of the Metropolis:Lab Barcelona

A year after its launch, in 2018 the Metropolis:Lab Barcelona continued its development of smart solutions for the mobility of the future. The digital lab, which is part of the Volkswagen Group's global network of IT-labs, worked on the development and launch of various projects. The first such project was "About it", a mobile application that displays various up-to-date information about the city of Barcelona, such as charging points for electric vehicles, petrol and gas refuelling stations with the daily price list, car parks, hospitals, healthcare centres, pharmacies and the condition of Bicing public bicycle stations and bike paths in the city.

Other projects spearheaded by the Metropolis:Lab Barcelona included the development of an application based on ride-sharing to facilitate citizens' mobility through the creation of communities that share intra-urban journeys, on the one hand, and on the other hand, a bus on-demand project designed to optimise the use of existing bus lines by offering flexible routes based on real-time demand. The pilot test for this initiative is being carried out in Wolfsburg (Germany), and the goal is to carry out a new pilot test in the city of Barcelona in a second phase.

With these projects in its digital lab, SEAT is strengthening its collaboration with the Catalan capital to boost innovation and sustainable mobility through new technologies, while at the same time upholding its leadership in the world of the connected car.

Strengthening of the agreement with Saba

SEAT and Saba, one of the leading operators in the development of urban mobility solutions and a specialist in car park management, maintained and strengthened their collaboration commitment in the field of mobility during 2018. Among other aspects, the agreement signed in 2017 allowed Saba to participate in the Justmoove initiative, since it manages a great share of the car parks displayed in the app.

SEAT enters the car-sharing market with Respiro

2018 was without a doubt the year in which SEAT confirmed its commitment to mobility thanks to the integration of the company Respiro into XMOBA, which will centralise and coordinate its activity. Respiro is a pioneer in car hire by the hour and offers a wide range of vehicles through an extensive network of car parks located throughout Madrid. It has over 10,000 users and a mixed fleet of 230 vehicles, which will be gradually replaced by SEAT cars powered by compressed natural gas (CNG).

In this way, SEAT is entering the car-sharing segment as part of its strategy to become a benchmark company in the field of sustainable and efficient mobility solutions. In addition, it has positioned itself as the benchmark company in mobility services for the Volkswagen Group in Southern Europe.

SEAT and car-sharing

In 2017, SEAT launched the "Connected Sharing" project, an internal car-sharing service for the company's employees that allows them to use and share the vehicles that are available. This service has over 1,000 registered users and, since its inception, it has been widely accepted.

During 2018, the employees of the SEAT Metropolis:Lab Barcelona and of Pier 01 Barcelona Tech City also had access to a fleet of electric eMii prototype models to get around in. Thanks to this new service, users can use a mobile application to reserve one of the fleet's electric cars, which is then accessed using a digital key.

At the same time, the company improved the "SEAT Connected Sharing" service, which is available exclusively to employees, with two new features. On the one hand, it increased the number of models available to be booked for a set period of time, for both professional use (free) and personal use (at a very competitive cost). This allows users of the app to choose between the Leon, the Ateca, the Leon ST CUPRA and the Alhambra, in addition to the eMii prototype if travelling between SEAT's facilities. On the other hand, the "SEAT Connected Sharing" service added ride-sharing as a new feature, an option that allows users to share the free spaces in their cars or to search for spaces in those of their peers. With this feature, the company's employees can share and reduce the costs of their commute between their homes and SEAT's facilities, while also reducing harmful emissions. Both the renting of cars for short periods and the ride-sharing services are managed using an application that is available for iOS and Android. In the short run, SEAT Connected Sharing will be replaced by Respiro, which will be extended across SEAT's internal fleet.

Participation in the MBA programme at IESE

SEAT maintained its collaboration with the IESE business school through its participation in the MBA programme.

In the 2018 edition, the company proposed a double challenge to the Master's degree students. The first challenge involved understanding SEAT's role and focus in the field of digitalisation between now and 2030, analysing the market areas that should be leveraged, those that should be abandoned or competencies that need to be strengthened. The second challenge focused on addressing the vision of SEAT as an attractive technological partner in the field of mobility and on discovering new alliances for the future, new models for relating with the industry and how to avoid risks through prevention.

Festibity awards SEAT's mobility apps

In the 16th edition of the Festibity Awards, SEAT was awarded a mention for the Best ICT Initiative, in recognition of the projects that the company is undertaking to improve the efficiency and sustainability of urban mobility.

The award was based on certain actions undertaken by the brand, such as the acquisition of Respiro, and the various applications it has developed, such as the services aggregator Justmoove, the inter-modal Smart Route Planner, the shopping delivery service Dropitt and the corporate service for sharing cars and journeys, "SEAT Connected Sharing".

Festibity is the primary activity of FIB Alumni, the association of former students of the Barcelona IT Faculty (FIB-UPC). It is an event for networking and reflection where, each year, relevant topics from the world of information and communication technologies are addressed from a particular and unique perspective.



CRISTOBAL, the guardian angel

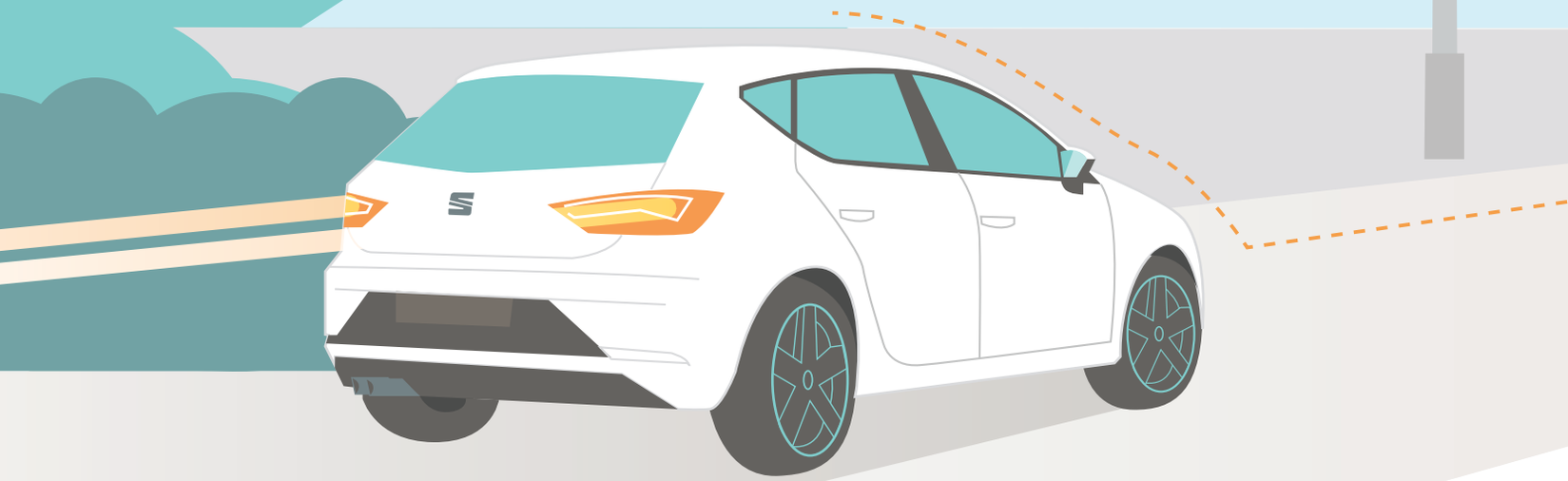
One of the highlights of 2018 in the field of mobility at SEAT was the introduction of new features in the Leon Cristobal, a concept car designed to minimise the number of traffic accidents through the use of 16 safety assistants.

Various studies assert that the main causes of traffic accidents in Europe are speeding, distractions and tiredness, alcohol and drug use, not wearing seat belts and young drivers. Taking these factors into account, the Leon Cristobal incorporates 16 assistants:

01. Smart Automotive Messaging (SAM)
A smart messaging system that predicts the most likely message that the user wants to send based on their past habits and analysing the message received. SAM proposes the message so that all the user has to do is tap on it, avoiding the need to compose it.

02. Seat Belt
Does not allow you to start the vehicle until all occupants have fastened their seat belt.

03. Display Mirror
Mirror with a screen that displays the contents of a camera pointed towards the back of the vehicle, eliminating the blind spot and offering a panoramic view.



04. Drive Coach FASScreen
A shortcut button that activates a window with all the driver assistance functions in an easy manner.

05. Exit Assistant
Detects that the user wants to open the door using a sensor. If the rear sensor detects that there is a vehicle approaching, the seat vibrates and the vehicle's speakers emit a warning.

06. Animal/Child Reminder
Uses the alarm's volume sensor in the event that children or pets are left inside the car for too long.

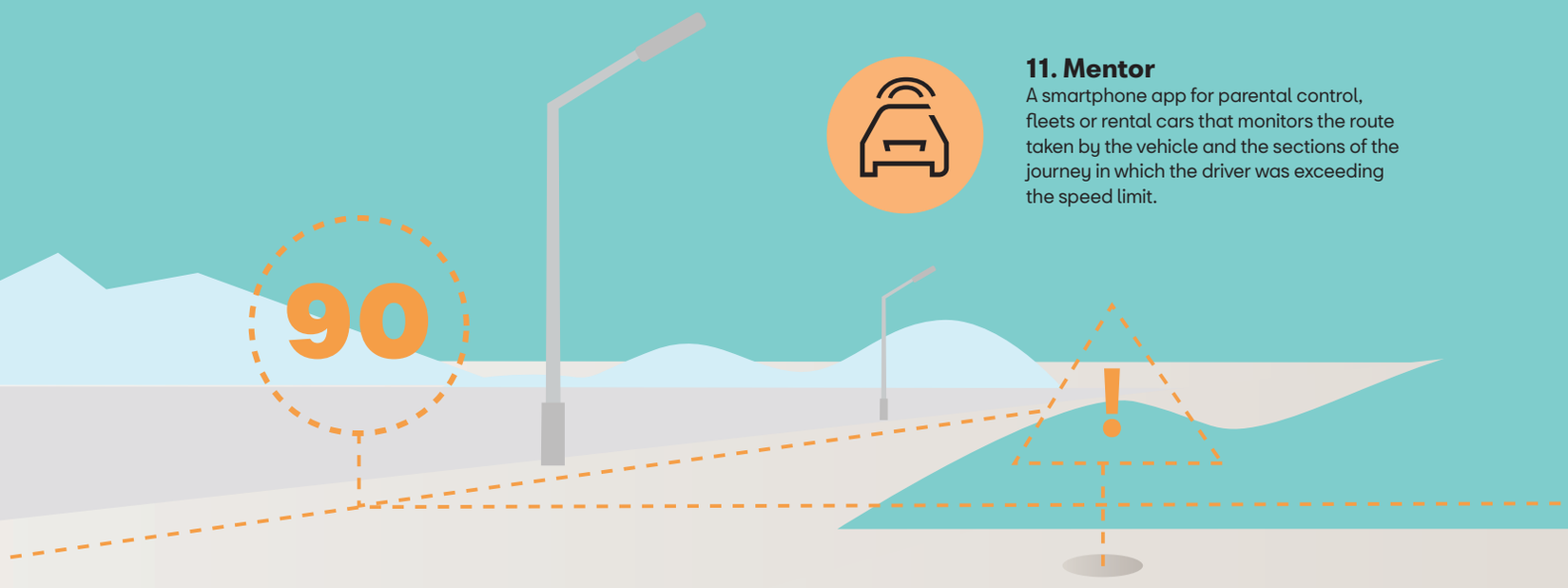
07. Assistive Shaker
Emphasises the notifications of the driver assistance functions with a vibration in the seat, in addition to the audio warnings.

08. Alko-Lock
Breathalyser device linked to the vehicle. If enabled, the car requires a breathalyser test to be performed in order to start the engine. If the test is not passed, the car will not start.

09. Drive Behaviour Analyse
Analyses how the car is driven in order to detect if the user is no longer in a condition to continue driving, due to medical causes such as sickness or a heart attack.

10. Tiredness/Distraction Tracker
Monitors the driver's eyes and, if they look away from the road for longer than a set amount of time, emits a warning.

11. Mentor
A smartphone app for parental control, fleets or rental cars that monitors the route taken by the vehicle and the sections of the journey in which the driver was exceeding the speed limit.



12. Speed Limiter
The car notifies the user when they exceed the speed limit.

13. Advanced ACC
Adaptive cruise control that adjusts the cruise speed to the speed limit.

14. Black Point Advice
A feature that incorporates a database with all the accident blackspots and warns of their proximity.

15. Speed Limiter
The vehicle adapts its maximum speed to the speed limit.

16. Black Box
Performs a loop recording of the last few seconds in order to allow the causes to be determined in the event of an accident.

The three features of the Cristobal that have entered into a final phase and are soon expected to be incorporated into SEAT's new launches are the Exit Assistant, the Display Mirror and the Advanced ACC.

Corporate Social Responsibility, Compliance and Good Governance





SEAT contributes to sustainable development and to creating a better future through its corporate social responsibility policy, focused on having a positive impact on the economy, society and the environment. By focusing on sustainability in every area, the company also promotes a culture of integrity and good governance within the organisation.



"2025 Strategy" by SEAT: economic, social and environmental development

From its position of reference in the Spanish economy, SEAT voluntarily assumes its commitments in the field of corporate social responsibility. With the aim of being recognised as one of the most sustainable companies by its stakeholders, it holds constant dialogue with all the groups with which it is related: employees, customers, suppliers, shareholders, institutions and society in general.

SEAT's involvement in the field of sustainability is reflected in the definition of its "2025 Strategy", which is based on four fundamental pillars: transformation of the organisation, brand strengthening, globalisation and sustainable business. Its objective is to define the actions necessary for the sustainable development of the company over the next decade on three levels: economic, social and environmental.

In the economic sphere, the growth strategy proposes the optimisation of costs as a means to ensure long-term competitiveness. In the social aspect, it draws on the transformation of the organisation and its employees to face the main challenges of the future, which revolve mainly around the change of the mobility model and the implementation of Industry 4.0. Lastly, the electrification of the models offered is the flagship in the environmental aspect, with the purpose of contributing in a relevant way to reducing CO_2 emissions. In this field, the development of other alternative energies is also planned and work is performed on vehicle connectivity.

SEAT Strategy Day: next steps of the "2025 Strategy"

The members of the SEAT Executive Committee presented the evolution of the "2025 Strategy" to the company's managers and directors at a conference held at the Barcelona Conference Centre on 10 May. Attendees received updated information on the different strategic initiatives and were able to pose questions and suggestions to their managers.

2025 Strategy



The activity in 2018 went further in these three pillars of sustainability in a very active way and with already effective results. On an economic level, mention must be made of the launch of "Together4Integrity", the largest project in the history of the Volkswagen Group, with the goal for 2025 to become leaders in integrity both in the automotive sector and on a business level. Under the motto "We keep our word", this project takes into account the involvement of all the company's employees.

The continuous work carried out in the social field was acknowledged for the fourth year running with the Top Employer award. In addition, new initiatives include the launch of a car-sharing service for employees that will also contribute to reducing CO_2 emissions from internal transport. In order to promote road safety training, a new version of the Leon Cristobal was presented, a concept car equipped with 16 safety assistants designed to reduce accident rates.

Finally, the year 2018 was and will be very important for the future of SEAT in terms of the environment. In October, the company's Environmental Policy was updated, reinforcing the Executive Committee's commitment when making decisions in this area. In addition, the Volkswagen Group is working on an ambitious global de-carbonisation plan that includes the reduction of the carbon footprint across the organisation's business.

Permanent dialogue with stakeholders

In order to keep its corporate social responsibility policies up-to-date and to respond to the real needs of society, SEAT maintains a process of dialogue with stakeholders.

Strengthening the environmental commitment

The update of SEAT's Environmental Policy aligns the company's principles in this field with the Volkswagen Group's "Together - 2025 Strategy" project and points out SEAT's commitment to making its progress compatible with the protection of the environment and the contribution to more sustainable mobility.

This principle covers a range of aspects, from the improvement of the efficiency in the productive processes to the development of advanced and efficient technologies for the environment throughout product life cycles. It also highlights the Executive Committee's explicit commitment to verifying compliance with this new environmental policy.



SEAT's sustainability strategy

2025 strategic framework

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, compliance and integrity

Suppliers
Compliance with the standards of the Volkswagen 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 CO_2 emissions

People
Recognition as a sustainable brand in the automotive sector

Processes
50% reduction in the main KPIs generated by the production processes

Proposal of strategic areas of focus

Social pillar
Employees
Society

▲

Specific strategies

Economic pillar
Governance
Suppliers
Customers
Profitability and growth

▲

Specific strategies

Environmental pillar
Product
People
Processes

▲

Specific strategies

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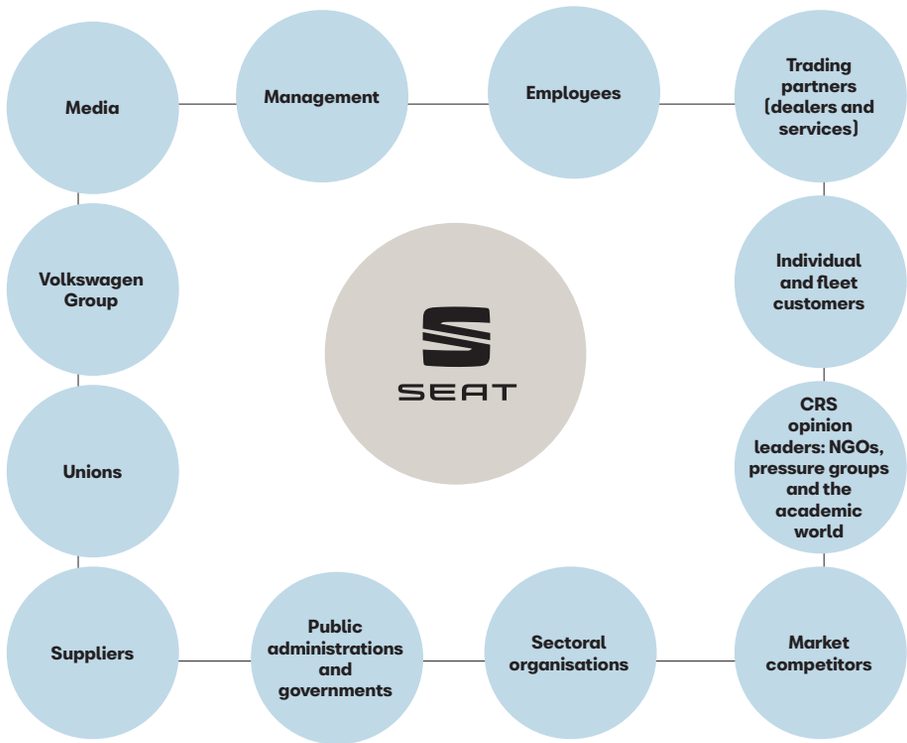
General strategic areas of focus

This commitment requires the constant updating of the stakeholder map and its prioritisation based on materiality analyses using a proprietary methodology based on three phases:

1. Identification of issues related to corporate social responsibility through an analysis of sector companies, sector leaders and sustainability leaders.
2. Consultation with both internal and external stakeholders to evaluate and prioritise corporate social responsibility affairs.
3. Selection of the material or interest topics for SEAT, prioritising issues with the greatest economic, social or environmental impact.

As a result of this process of constant dialogue and analysis, SEAT identifies the guidelines for moving towards a model of relationship with stakeholders based on trust and the creation of links that will better respond to their joint challenges with society and strengthen collective action.

Stakeholders taking part in the SEAT materiality analysis



Risk management, compliance & integrity and governance

SEAT's historical vocation of integrity and transparency has been reinforced in recent years with the integration of specific areas in the company's organisational structure aimed at the application of good corporate governance and compliance practices. The year 2011 saw the start-up of the Good Governance, Risk Management and Compliance area. The Audit, Compliance and Governance Commission (ACGC) was set up in 2016 and in 2017 this function was elevated to the highest level of management with the creation of a new Vice-Presidency for Legal Services and Good Governance.

This commitment meets social demand and greater legal requirements for transparency, but also the changing current economic, legal and socio-political context, which requires responsible and systematic risk management to guarantee and favour the company's growth. Accordingly, risk management is a cross-disciplinary responsibility, covering both strategic and operational risks and regulatory compliance, and extends to all business areas. The departments directly involved in SEAT's risk management and internal control system are Compliance and Integrity, and Risk Management.

As part of the Volkswagen Group, SEAT's Risk Management and Compliance model is based on international standards and encourages early risk management and compliance with national and international laws, as well as the ethical principles that must be present in the company's daily management.

This model is based on three lines of prevention and defence:

> First line: operational areas of the company, responsible for knowing and managing the risks inherent to the functions and responsibilities.

> Second line: departments of Compliance and Integrity, Risk Management and Legal Services, which assume the promotion and consolidation of the culture of risk management, compliance and integrity through communication and training campaigns. Likewise, they lead and coordinate the risk management processes advising the first line of prevention and defence, processing the complaints received and leading the Analysis and Disciplinary Committees.

> Third line: Internal Audit department, responsible for auditing compliance with company processes. Together with the Human Resources and Security departments, it is also in charge of the necessary investigations to address or resolve irregular complaints or situations of which it is informed.

Risk management is a cross-disciplinary responsibility and extends to all business areas.

Model of the three lines of prevention and defence

Board of Directors

▲

Executive Committee

▲

1st line of defence	2nd line of defence	3rd line of defence
Business divisions	Risk Management Compliance and Integrity Legal Services	Internal Audit



Compliance and Integrity: awareness and regulatory compliance

SEAT's department of Compliance and Integrity is based on the model of the three lines of prevention and defence so that the entire company, including managers and other employees, considers that regulatory compliance forms an essential part of the organisation to ensure the success of all projects.

Accordingly, the specific tasks of the department are to attend consultations by the company's employees; promote the culture of integrity and compliance, ensuring its positive impact on SEAT, and leading and coordinating the company's complaints system.

In addition to these functions, Compliance and Integrity carried out other initiatives in 2018, including the launch of the communication campaign for the Volkswagen Group programme "Together for Integrity" - T4I, the edition of the Guide to Management's Criminal Liability and the creation of an IT tool for the management of queries and legal risks.

The "Together for integrity" programme aims to implement the five principles included in the "Ethics & Compliance" Initiative (ECI report), which are considered the most appropriate practices for organisations committed to the creation and sustainability of high-quality ethics and compliance programmes. The development of the programme also included the following actions:



SEAT's employees attend the largest event on compliance and integrity

In November, in collaboration with the Human Resources section, the department of Compliance and Integrity organised the biggest awareness and communication event about compliance and integrity carried out to date in SEAT. A total of 22 sessions were held in which topics such as the code of conduct, integrity, company values and existing complaints channels were addressed.

The event was attended by 13,624 employees, representing 91% of the workforce, and the level of satisfaction was 87%.

The "You are important" campaign, in which an employee survey was carried out with the question "What can SEAT do to improve integrity in our day to day activities?", which gave rise to the opportunity to improve the company's processes.

Publication of the document "The Five Commitments of Integrity", with the commitments acquired by SEAT's Executive Committee, endowing the company with a compulsory ethical framework.

Meetings and workshops to present the objective of the ECI project and principles and to discover the employees' perception of the company's awareness of integrity and compliance.

Team award for the best Compliance in Spain

For the third year running, in October, SEAT's department of Compliance and Integrity won the Best Team Award for Compliance in Spain, awarded by the Iberian Lawyer platform.





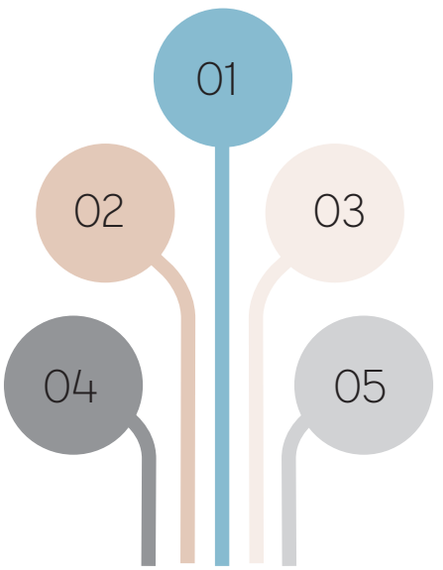
Presentation of the SEAT ombudsman

In the various meetings organised by the department of Compliance and Integrity in 2018, both with internal and external audiences, the opportunity was taken to introduce the SEAT ombudsman, Dr. David Velázquez (david.velazquez@miombudsman.es).

Appointed in 2017 by the Audit, Compliance and Governance Commission (ACGC), he is the contact person for the external and anonymous complaints channel. Together with internal complaints (transparencia@seat.es), which manages Compliance and Integrity, this channel constitutes the way the company offers for communicating irregularities.

Principles of the "Ethics & Compliance" (ECI) programme

The five principles to be implemented through the "Together for Integrity" programme are:



01.
Integrity and compliance are a key part of our business strategy.

02.
The risks of integrity and compliance are identified, addressed, managed and mitigated.

03.
Those in positions of responsibility at all levels within the organisation build and sustain a culture of integrity.

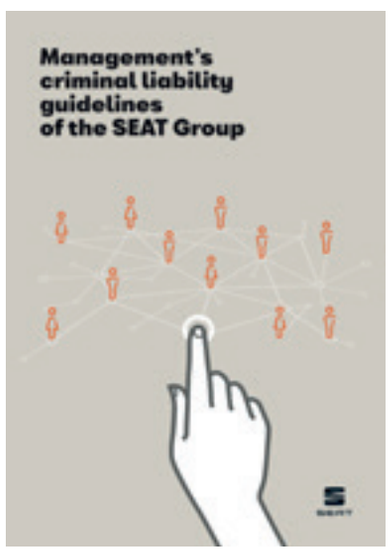
04.
The organisation promotes, protects and values the reporting of concerns and suspicions of breaches.

05.
The organisation takes actions and responsibility when a breach occurs.



Along the same lines, the **Website of Compliance and Integrity (CMS)** is a new computer tool for monitoring the legal risks identified in the business areas, communicating and promoting the Code of Conduct and the compliance policies, managing the consultation box on compliance, integrating online courses and specific training materials for employees, recording evidence of the effectiveness of the model and its controls, and reporting on the complaints channels.

The **Guide to Management's Criminal Liability** aims to inform and raise management's awareness of the criminal liability assumed by this group, both for their own acts and for those carried out by their collaborators if they have not been properly supervised, and provides guidelines on decision-making.



How does SEAT's complaints system work?

Complaint
In the event of becoming aware of an issue, a complaint can either be sent by email to the address transparencia@seat.es or to the ombudsman at david.velazquez@miombudsman.es or it can be reported by telephone by calling 609 665 001.

Verification
The Analysis Office of the Compliance and Integrity department checks the events that have been reported and, if appropriate, opens an investigation.

Research
The Analysis Office assigns the case to the relevant unit (Internal Audit, Security, Legal Services, or Labour Relations) to investigate the events.

Disciplinary action
If the incident has been proven, a Disciplinary Committee is convened which assesses the breach and recommends the disciplinary measure that should be applied. Human Resources then imposes this measure.

The parties involved in the process adhere to the following guarantees: confidentiality, absence of retaliation and discrimination, and presumption of innocence.



Risk Management: identification of risks in all business areas

Only through early identification, accurate evaluation and effective and efficient management of the risks arising from SEAT's activity can the sustainable success of the company be guaranteed. The purpose of risk management and internal controls is to identify potential risks at a premature stage, so that it is possible to take appropriate measures to avoid losses in the company and eliminate risks that may jeopardise its continuity.

SEAT's risk management system is continually reviewed and adjusted if conditions are modified. It is based on the model of the three lines of prevention and defence, a basic element required by, among other bodies, the European Confederation of Institutes of Internal Auditing (ECIIA).

The Risk Management department leads and coordinates risk management processes in the company according to the international COSO standard (Committee of Sponsoring Organizations of the Treadway) and supports the different business areas following these lines of action:

Risk management process

1. Train staff and raise awareness to improve the operational management of risks in all business divisions. This management is one of the essential components for continuing to meet the requirements of ISO 9001:2015.

2. Perform the GRC (Governance Risk and Compliance) process each year, aimed at creating a map of the organisation's systemic risks and assessing their management and the effectiveness of the measures and controls established to mitigate them.

3. Lead the quarterly process of identifying specific operating risks that can affect the company in the short term. This process increases transparency and allows risks to be directly managed by the Executive Committee. In addition, the financial effects of these risks on SEAT's accounts are analysed.

Reports are also periodically drawn up for the Executive Committee and the Audit, Compliance and Governance Commission (ACGC) on the identified risks.

In 2018, the department of Risk Management carried out other activities and projects:

> Development of a risk information indicator for monitoring the quality of the data on the reported risks.

> Launch of a micro-course through a mobile application aimed at all of SEAT's management. The objective of this training was to inform about the current risk management processes that exist in the company.

> Incorporation of risk management as one of the principles of the ECI initiative (Ethics & Compliance), which forms the basis of the "Together for integrity" project.

Analysis of more than 300 risks

All the departments of SEAT evaluate their risks, within the established processes, at least once a year, as well as their preventive measures and controls. In the latest GRC annual process, more than 300 risks were analysed, with special attention given to those associated with the environment, connected cars and the regulatory aspects of the sector, such as the protection of data or the new method of measuring WLTP emissions (Worldwide harmonised Light-duty vehicles Test Procedures).



Main risks faced by SEAT



Economic and legislative risks, including social, environmental and climate-change aspects

EXAMPLES OF RISKS

> National and international developments in economic conditions: exchange rate, interest rate or price variability.

> Social and demographic risks: generational changes (new collectives, ageing population, etc.), sensitivity to the environmental situation, high unemployment rates, etc.

> Adaptation to new stakeholder demands. New legislation: data protection, environmental (traffic restrictions in large cities).

ACTION PLANS

> 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.

Risks in the production process

EXAMPLES OF RISKS

Incidents that might affect production capacity, such as power supply problems, technical failures, system outage or fires leading to downtime, loss of production, rejections and duplication of work.

ACTION PLANS

> Continuous maintenance of the facilities, ensuring they are always operational and running properly.

> Preventive plans with alarm systems and maintenance of facilities to detect possible faults early and implement the necessary corrective measures.

Information technology risks

EXAMPLES OF RISKS

> Increased use of information technology (IT) in the business processes.
> Challenges involved in digitalisation and Industry 4.0.
> System obsolescence and digital security (cyber attacks, data theft, identity theft, phishing, etc.).

ACTION PLANS

> Policies and regulations on the proper use and security of systems.
> Review and update the IT systems.
> Plans for oversight and protection from cyberthreats.

Human resources risks

EXAMPLES OF RISKS

> Need for well-trained staff with technical skills.

ACTION PLANS

> 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.).
> Preparation of the workforce for future trends, such as digital transformation.



Supply risks

EXAMPLES OF RISKS

> Delays in the receipt of materials, quality defects and supplier insolvencies.
> Short-term changes in customer demand that require changes to be quickly made to the company's products.

ACTION PLANS

> Preventive and reactive measures: a broad portfolio of suppliers to provide a flexible response to any adverse factors and a continuous review of suppliers' financial stability.
> Continuous comparison of available resources and future demand.

Quality and development risks

EXAMPLES OF RISKS

> 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.

ACTION PLANS

> Quality standards throughout all stages of the production process.
> International quality certifications such as ISO 9001.
> Processes for the measurement and control of emissions by external organisations.

Audit, Compliance and Governance Commission (ACGC)

The Audit, Compliance and Governance Commission (ACGC) is the delegated commission of SEAT's Board of Directors, responsible for compliance with the Accounts Audit Act, the supervision of risk management, governance standards and regulatory compliance. Its members are Dr. Josep Piqué, who holds the position of president, Dr. Stefan Piëch and Mr. Mark Phillip Porsche.

In 2018, the ACGC met on six occasions:

- In these meetings, the Risk Management department reported on the company's main risks, including aspects related to the WLTP procedure (Worldwide harmonised Light-duty vehicles Test Procedures).
- The department of Compliance and Integrity mainly reported on the "Together for integrity" (T4I) project, whose implementation will be directly supervised by the ACGC in the coming years due to its relevance.
- Likewise, the most relevant issues addressed were related to the review of the company's fiscal and financial affairs, the guarantee of the independence of external auditors, information and approval of the phases of the contest for the appointment of new external auditors in 2020 or information on changes in the Board of Directors.

Legal Services

In recent years, the role of professionals in the Legal Services area has been gradually redefined as a result of continuous changes in the regulatory environment and the challenges posed by the risks arising from the evolution of the sector. This context has generated a growing need for legal advice and support in the different areas of SEAT.

Likewise, factors such as the increase in the complexity of the national and international regulatory framework, the new paradigms and disruptions taking place in the sector, together with the uncertainties and new opportunities



that arise, including the progressive development of the digital economy, have required the scope of legal services to gain greater prominence and relevance.

The main functions of SEAT's legal team, integrated in the area of Legal Services and Good Governance, include preventive advice on all legal matters that affect the interests of the company and its main subsidiaries, the negotiation and management of contracts and contractual commitments and the coordination of pre-litigious or litigious actions before 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 to any management, administration and representation bodies that exist at any given time, and to administratively and procedurally represent the company in its areas of competence.

Technical Conformity: adaptation to the challenges of the sector

Since its creation in the last quarter of 2017, the Technical Conformity department's main objective has been to help the Research and Development area to adapt to the new reality of the automotive sector, which increased in 2018 in terms of legislative complexity and product validation and conformity, which also implies the adaptation of internal processes.

This growing complexity can be seen in the entry into force, as of 1 September 2018, of the new standard for the approval of engine emissions (WLTP, Worldwide harmonised Light-duty vehicles Test Procedures), which has been a challenge for car manufacturers due to the short implementation period. The flexibility, adaptability and joint work of the different departments and areas of SEAT allowed it to ensure that the necessary requirements were met at all times and to minimise the impact on the company's business.

After successfully meeting the challenges of 2018, the Technical Conformity department must prepare itself to continue responding to the new challenges of the sector, in view of legislative developments and the corresponding need to adapt internal processes. The main challenges identified for 2019 include the consolidation of the WLTP procedure through the entry into force of its second package of measures, the evolution and confirmation of new legislation such as the General Safety Regulation (GSR), the new regulations on electronic security or cybersecurity (CS) or the new Framework Regulation for the Approval of Vehicles in Europe.



Economic sustainability

The fulfilment of the requirements of sustainability of the Volkswagen Group is a compulsory condition for contracting and renewing projects with SEAT's suppliers.

On the path of sustainable growth

New technologies (artificial intelligence, Internet of things, big data, robotics, drones, 3D printing or augmented reality, among others) have become the engine that enables industrial companies to survive in an increasingly demanding environment. These new tools pose multiple opportunities and challenges: they allow the improvement of efficiency, productivity and profitability while developing new business models that consolidate growth and reinforce social welfare and job satisfaction.

SEAT is also immersed in a process of change which takes advantage of the challenges and opportunities of digitalisation to generate profits, while at the same time contributing to create prosperity and progress in the organisation and its environment. For this reason, the company needs to strengthen the economic-financial structure and consolidate the path of sustainable growth by controlling spending, improving the profitability of its products and designing new business models.

In 2016, SEAT launched the largest product offensive in its history and in 2018 created a new vehicle brand, CUPRA, with which to target a segment of customers looking for sportier, more sophisticated cars. For the third year running, the company obtained a positive operating result, which strengthens its position in the sector and supports the path undertaken to achieve the sustainability of its business model, in accordance with the decisions included in its "2025 Strategy".

Sustainability guarantee in the supply chain

The fulfilment of the requirements of sustainability of the Volkswagen Group is a compulsory condition for contracting and renewing projects with SEAT's suppliers. This requirement extends to any subcontracting by direct suppliers, who are responsible for enforcing these requirements in their supply chain, so that the company's entire value chain has to take them into account.

To ensure the sustainability of all operations, SEAT has a protocol for compliance with the Group's principles in business ethics, social rights and the environment. This regulation includes both the compliance commitment in the hiring of new suppliers and the periodic control of current suppliers.

In order to guarantee up-to-date knowledge of these requirements, regular training sessions are held for both suppliers and professionals of the Purchases team, responsible for their hiring. The unit responsible for the task of training and control is the so-called Ad hoc team of experts in suppliers, which also assumes the investigation and resolution of cases of violation of sustainability requirements.

Ad hoc Team of experts in suppliers

Created in 2013, the main function of the Ad hoc team of experts in suppliers is to control suppliers' compliance with the Volkswagen Group's sustainability requirements in the supply chain in the Iberian Peninsula and the North of Africa.

It is a multidisciplinary unit, led by the Purchases area, which meets periodically to design the necessary strategy to reinforce the sustainability of the chain by implementing the Group's criteria in new countries of action (Morocco, Algeria or Tunisia), as well as corrective measures or training actions. It also analyses the cases of non-compliance and sets forth the disciplinary actions to be taken or, where appropriate, the vetoing of the suppliers involved.





The updating of the conditions both the company and the suppliers must comply with is especially relevant in SEAT's current strategy for promoting electric mobility. Electrification involves the development of new components and products, associated in turn with an increase in raw materials that requires an even more exhaustive control of the supply chain. The new objectives in this area are greater visibility and transparency of each process of the chain, the traceability of components and materials and awareness of the consequences of their extraction or production in some countries.

The main lines of the supply chain control strategy are defined by the Volkswagen Group, and SEAT's mission is to accompany and ensure that these procedures are understood, implemented and promoted within its scope of action.

Customer satisfaction: monitoring the brand experience

The process of transformation that the mobility sector is experiencing is also reflected in the evolution of the concept of customer satisfaction. This currently extends to the brand experience in all points of interaction between the user and SEAT: the channels of service and information in the pre-sale phase, the service in the dealership, the use of the vehicle and the after sales services.

In this way, customer satisfaction is a strategic objective for SEAT that transversally involves all areas of the company and requires constant-monitoring systems to detect and correct faults as quickly as possible.

In order to adapt the systems of measurement and collection of customer feedback to the new needs, and replacing the Customer Satisfaction Survey (CSS), January 2018 saw the launch of the application of the Customer Experience Management (CEM) methodology, which collects and interprets comments from customer surveys when buying a new vehicle or performing an intervention at an authorised service. The survey is conducted online and is sent to users who have left their email address and given their consent.

The CEM shows the customer's valuation using the Net Promoter Score (NPS) and Overall customer satisfaction indicators and involves an alert system that detects points of improvement for immediate action by SEAT or its sales or service network.

Another key tool in the measurement of customer satisfaction is the so-called "mystery shopping" (phantom test in the case of after sales), which consists of visits to the dealer network and the authorised services of expert professionals to analyse service quality. This programme allows for the analysis of compliance by the network of dealers and workshops with the sales and after sales processes defined by SEAT to guarantee quality service in any market.

Training for dealers in the novelties of the brand

The constant activity of updating the range of models involves conducting training sessions for the network of authorised dealers and service centres to ensure the best customer service.

In 2018, two training sessions were organised on the latest launches of the brand: the new SEAT Tarraco, held at the Port Aventura theme park (Tarragona), attended by over 4,600 professionals from 30 markets, and the CUPRA range, developed at the Circuit de Barcelona-Catalunya in Montmeló.

Degree of customer satisfaction in 2018

NPS of Customer Experience Management (CEM) in Sales
78.8%

Overall satisfaction in After sales (CEM)
★ ★ ★ ★ ½

NPS: Net Promoter Score.

Social sustainability

Commitment to workers and society

SEAT's work in the social area of its sustainability policy implies, on the one hand, guaranteeing a safe and healthy working environment for its employees and, on the other, contributing to improving the living conditions of the closest communities and of society in general.



Accordingly, the company promotes various initiatives to promote gender equality and diversity among its workers, improving their health and safety conditions, promoting their participation in the company's activities and guaranteeing human and labour rights.

In collaboration with institutions and social entities, SEAT also participates in numerous altruistic and solidarity activities for the benefit of the most disadvantaged groups, with the involvement in some cases of the company's employees.

Gender equality, the key to innovation

Equal opportunities between men and women is one of the pillars of SEAT's social sustainability policy, based on three main lines of action: impulse and support for the presence of women in the company's staff, organisation and dissemination of campaigns and conferences related to gender equality and active participation in forums for debate on the issue.

The company has had an Equality Plan since 2012, which includes measures to avoid discrimination and promote equality. Despite belonging to an industrial field that has historically been unattractive to the female collective, the percentage of women in SEAT's workforce is the highest in the automotive sector: 20.6% of total staff and, of them, 3.8% in management positions. The company encourages women to reach managerial positions, based on the principle that the increase in female presence is one of the keys to innovation.

In this regard, a specific campaign was launched in 2018 to encourage the enrolment of women in the Apprentice School and the "Women in Management" (WIM) programme was continued to foster the promotion of women with managerial potential. SEAT is also one

Equal opportunities in SEAT

3,010
women in the workforce

20.6%
of the workforce are women, double the average in the automotive sector

3.8%
of women in the workforce occupy executive positions

of the companies adhering to the "More women, better companies" convention of the Ministry of Health, Consumption and Social Welfare, which is committed to increasing the number of women in management positions.

In the organisation and dissemination of campaigns and conferences related to gender equality, the company once again took part in the commemoration of International Working Women's Day (8 March), with the participation of staff, trade unions and the company. Activities included the assembly called by the majority of trade unions and a graphic campaign with posters in all the factories, a panel on the past role of women in automotive companies and pop-ups on employees' computers, among other actions. The call was repeated on the International Day for the Elimination of Violence against Women (25 November), with another visual campaign and the publication of an informative leaflet focused on advertising the free and invisible number 016 to report cases of gender violence.

The commitment to the achievement of equality is also expressed in the participation of company representatives in debate forums on this subject. The year 2018 saw the participation of María Ángeles Estévez, head of SEAT's legal advice on Equality and Diversity, in a workshop on Plans for Equal Opportunities between Women and Men and Gender Transversality in the Company organised by Foment del Treball (main employers' organisation in Catalonia). Furthermore, to coincide with International Working Women's Day, Patricia Collados, Head of Management Policies & Global Assignments of SEAT, participated in the panel discussion "Women and Business: present and future", organised by the Government Delegation Office in Catalonia.

Commitment to human and labour rights

SEAT's respect for the basic principles of human and labour rights can be seen in the company's express and indefinite adherence to two framework documents that explicitly reflect this principle:

- Labour Relations Charter signed in July 2016 by company and unions. It includes a commitment to apply fundamental principles in defence of human rights and to comply with the conventions of the International Labour Organization (ILO).
- Declaration of the SEAT Group against Slavery and Human Trafficking, endorsed in June 2017. It describes the actions taken against modern slavery both within the company and in the supply chain.

SEAT also has permanent channels for detecting and reporting any breach of these rights, such as external intermediaries, or ombudsman.

Free annual gynaecological check-up

Among SEAT's actions in support of gender equality and the normalisation of the presence of women in the workforce, the highlight in 2018 was the first full year for the free annual gynaecology service at the company's own facilities.

This service allows the diagnosis and treatment of women's illnesses, as well as the early detection of possible cancers, in addition to advising and resolving any questions related to gynaecological health.

The company thus became the first Spanish company to offer this service on an optional basis.



Diversity adds up

14,627
people of **65** different nationalities who speak **26** different languages

4
generations working together in **8** different areas

Diversity as a hallmark

In accordance with the values of the Volkswagen Group, and in line with the demands of being a benchmark employer in Spain, SEAT encourages diversity in the broader idea of this concept: gender, age, or race and culture diversity.

In 2018, an internal campaign was launched with messages promoting integration and diversity on the computers used by employees and on posters distributed throughout the facilities, recalling the Group's values. In addition, SEAT once again joined the celebration of Cultural Diversity Day (21 May).

Healthy company

SEAT's actions in the field of health and safety at work clearly reflect the company's work in creating shared value for the company, employees and society as a whole. In recent years, initiatives have been promoted which have a direct impact on the improvement of employees' conditions and which, at the same time, contribute to the development of knowledge, which is shared with society as a whole.

SEAT is recognised and accredited as a healthy company and, as such, its mission is to generate confidence in a management model based on integration and proximity. In order to obtain greater effectiveness and efficiency in the care of workers' health, professionalism, innovation and cutting-edge technological equipment are combined with synergies with other companies, both within the sector and in other fields.

Highlights within this framework include the work of the Health Care and Rehabilitation Centre (CARS) and the SEAT Healthy Company Scientific Committee (CCSES), which collaborates in research with prestigious entities in the medical and health sector.

The suppliers of the catering service in the SEAT company canteens also obtained the Amed (Mediterranean food) accreditation, granted by the Public Health Agency of the Catalan Government (Generalitat de Catalunya). The objectives of the Amed programme are to maintain and promote Mediterranean food in the field of collective catering, and to accredit and identify establishments with specific characteristics linked to this food model so that customers can eat healthily away from home.

These initiatives are developed under the overall concept of the "healthy company", which encompasses the will to participate in the health and welfare of workers during the working day. The purpose is to achieve a direct beneficial impact on the company's productivity and on employees' personal lives through actions and campaigns that promote healthy habits in any environment. Thanks to this concept of occupational health, SEAT has the official certification of AENOR as a Healthy Company and is the only company in the automotive sector in Spain with this recognition. This model, based on the criteria of the World Health Organization (WHO) and on a methodology of continuous improvement, accredits that a management system that promotes and protects health, safety and well-being in the workplace has been implemented with excellence. In addition, SEAT has received several awards from leading entities in the field of human resource management.

First company in the sector with ISO 45001 health and safety certification

In 2018, SEAT obtained certification for its occupational health and safety management system in accordance with the new ISO 45001 standard, which was approved in February after five years of work. In this way, the company became the first company in the sector, and one of the first in the whole of Europe, to achieve this certification.

The ISO 45001 standard recognises the strategic nature of the initiatives carried out in the field of health and safety and their alignment with the company's objectives.

Dr. Bonaventura Clotet renews with the CCSES

The SEAT Healthy Company Scientific Committee (CCSES) is made up of prestigious professionals from various public and private entities in the field of health and safety, including Dr. Bonaventura Clotet, a world leader in the fight against AIDS.

The renowned researcher renewed his commitment to the CCSES in 2018 and assured that the purpose of the studies carried out at SEAT is to translate them into benefit for the general population.



Specialist knowledge in occupational health

The SEAT Healthy Company Scientific Committee (CCSES) has the mission of researching the areas of health, well-being and work, as well as proposing specific measures to improve the health of the company's employees and society as a whole. Set up in 2017, in its first full year of activity the CCSES performed intense research work and presented the results of its first tasks, which focused on analysing the habits of workers to identify areas for improvement.

Ongoing research includes "Sitting Less and Moving More", focusing on glycaemic control and the anthropometric profile of office staff with type 2 diabetes, developed in collaboration with the Catalan Health Institute (ICS), seven primary care centres and two hospitals in Catalonia and Madrid. The CCSES also participates in the study "Barcelona Brain Health", led by the Guttmann Institute in collaboration with Obra Social "la Caixa" and dedicated to investigating factors and mechanisms that can help prevent neurological diseases.

SEAT also collaborates with the Catalan Health Institute on two other initiatives: the detection and treatment of cases of tuberculosis, and an integrative health pilot project (a combination of traditional and natural medicine) the public body is carrying out in the Baix Llobregat Nord area, where the Martorell plant is located. With the latter, the aim is to optimise the company's resources and detect pathologies at an early stage.

In collaboration with the Ministry of Health of the Generalitat de Catalunya regional government and the Catalan Blood and Tissue Bank, a blood donor campaign was also developed and involved the company's employees.

SEAT managers in this area had the opportunity to share the initiatives developed at the Volkswagen Group's quarterly meeting on health issues, which was held for the first time in Barcelona in 2018. It was attended by the Group's head of Occupational Health and Safety, Dr. Lars Nachbar, as well as the directors of the Occupational Health and Safety departments of the Group's various brands. During the meeting, the Volkswagen Group Health Steering Committee was set up to lead the global health strategy. In the same vein, the Martorell plant hosted the Volkswagen Group's Annual Occupational Hazards Prevention Committee (OHRP) in June, attended by the people responsible for these matters at each brand.

Do you have an ecoidea?

As part of the "Ecomotive Factory" project, the "Improvement ideas" programme launched a campaign to encourage company employees to collect practical proposals that save water, waste, CO_2, volatile organic compounds or energy.

547
participants

199
ecoideas presented

Work Climate Survey





"Improvement ideas" programme

11,284
ideas received

5,386
award-winning ideas

€ 12,970,000
in savings

€ 2,020,000
in prizes

30% participation

Photos of the employees at the Autostadt in Wolfsburg

For the project to remodel the corporate image of the SEAT pavilion in the Autostadt, the Volkswagen Group centre in Wolfsburg (Germany), company employees were asked to contribute photos taken by themselves reflecting Barcelona's lifestyle, its light, its areas or people in order to include them in a mural at the pavilion.

Involvement of employees in the company's progress

SEAT's Labour Relations Charter recognises the importance of the active participation of employees in the company's development, based on their collaboration in the continuous improvement of working processes and conditions. In order to channel this involvement in a practical and effective way, the company develops innovative tools and platforms that also contribute to reinforcing the pride of belonging.

In particular, the new initiatives promoted in 2018 involved a series of meetings between groups of workers and members of the SEAT Executive Committee, headed by its president, Luca de Meo. Throughout the year there were five editions of "Talking with... Luca de Meo", with the participation of 500 workers, in which the attendees had the opportunity to ask questions about the company's development and the main challenges it faces. With the same objective in mind, a series of breakfasts was also launched with the vice-president of Research and Development, Dr. Matthias Rabe; and various digital encounters with the vice-president of Human Resources, Xavier Ros; and the vice-president of Finance, IT and Organisation, Holger Kintscher.

The use of new technologies was also extended to the programme that disseminates the company's knowledge and innovation actions among its employees. In 2018, game-based education was used to select workers invited to the presentations of the Ateca, Tarraco and CUPRA models.

Other brand experience activities included the organisation of the fourth edition of the SEAT Cursa race, with the participation of more than 4,000 people, as well as promotions and raffles for various leisure events.

One of the oldest employee involvement programmes is "Improvement Ideas", which for more than two decades has encouraged workers to submit proposals for savings and the improvement of processes. In accordance with the sector's transformation process, this programme progressively incorporates concepts of innovation, game-based education and social collaboration, in a change that will culminate in 2019 with its relaunch as "SEAT Ideas".

In addition, a new edition of the Work Climate Survey (*Stimmungsbarometer*) was developed in 2018, the purpose of which is to enable SEAT workers to give their opinions on different aspects of the company. The questionnaire repeated the same format as the previous year, with a total of 24 questions divided into five blocks to find the level of satisfaction of employees with their work.

Altruism and solidarity for social causes

Education and employment

SEAT's commitment to society is complemented by active collaboration, through various formulas, with social entities and foundations that work to protect underprivileged groups, promote health and road safety or develop training and employment initiatives. Thanks to this collaboration, the company contributes to improving the conditions and quality of life in the communities closest to it.

In 2018, one of the main lines of support for training was continued: the donation of equipment (parts and vehicles) to universities and vocational training centres to make the latest technologies in the sector available to students.

"BeSEAT" is a training and employment programme, aimed at students in the final year of the Advanced Automotive Degree, which reinforces the company's commitment to professional training. Its aim is to improve the employability of these young people through further training and specific work practices. Following the implementation in the 2017-2018 academic year of a pilot programme in the Community of Madrid, the registration period for the 2018-2019 academic year was opened to students in October 2018. In 2019, it is planned to develop the pilot programme in Catalonia.

Health & well-being

To promote health and well-being, SEAT supports and organises solidarity actions for the benefit of groups affected by various diseases.

In 2018, it collaborated financially with the Paideia Foundation, which defends the rights of people with disabilities through social integration activities, as well as with the Fight Against AIDS Foundation in organising the People in Red gala.

In addition, the SEAT Cursa donated part of its registration fees to the project "Candela Bracelets", promoted by the Social Work Department of the Hospital Sant Joan de Déu, in favour of research into child cancer.

Road safety

As an automotive company, road safety is one of SEAT's main social concerns. At the 14th Benchmarking Conference on Corporate Responsibility of the Sustainability Excellence Club, held in Seville on 10 and 11 May 2018, SEAT showed participants the Leon Cristobal, a prototype equipped with 16 driving assistants to achieve maximum safety at the wheel and reduce accidents.

Meanwhile, the chairman of SEAT, Luca de Meo, held a meeting on 6 November in Madrid with the Director General of Traffic, Pere Navarro, to present the Cristobal prototype and the most outstanding projects the company is developing in the field of road safety.

"BeSEAT" (pilot programme)

Participants

15
students from **8** schools

9
authorised services in the Community of Madrid

After the 1st phase of the programme (work experience + online training), **7** students passed on to the attendance phase.

Currently, 5 students are working within SEAT's dealership network

Striving for safe mobility, with a goal of achieving zero accidents, is one of SEAT's main objectives.

Donation of vehicles for training purposes

For their use for teaching purposes in public vocational training centres

Ministry of Education and Research of the Community of Madrid
20 **cars**

Vocational Automotive Training Consortium of the Catalan Government (Generalitat de Catalunya)
10 **cars**

Ministry of Education and Culture of the Principality of Asturias
10 **cars**

For the practical training of students on the Automotive Engineering course

University of Vic (Universitat de Vic, UdVic)
2 **cars**

Engineering School of Manresa (Escola Técnica Superior d'Enginyeria de Manresa, UPC-ETSEM)
1 **car**



This concept car also had an outstanding presence in Madrid on 23 and 24 November at the third edition of the Imperdible 03 Cities & Innovation festival, the flagship event of the COTEC Foundation which this year focused on the theme "Cities and Innovation". Its aim was to invite citizens to experience, first-hand, how innovation will change cities and how to build increasingly liveable and human-oriented spaces. Thanks to SEAT's participation, attendees had the opportunity to see the Leon Cristobal and the CUPRA e-Racer, which was shown for the first time in the Spanish capital, as well as attend the final of the Autonomous Driving Challenge, a competition promoted by CARNET, SEAT and the Volkswagen Group.

Awards

International award for the mundoSEAT app

The European Association for Internal Communication (FEIEA) distinguished the mundoSEAT application as the best European digital communication channel for employees.

The jury highlighted that this platform connects SEAT workers with company news, with special attention to audiovisual content and the use of storytelling techniques to encourage participation.

Acknowledgements from the human resources observatory

In 2018, SEAT's strategic plan to promote health and safety at work was recognised by the Human Resources Observatory: the Healthy Business Award and the award for the Best Communication Plan. The latter recognises the importance of communication for workers to participate actively and with commitment to achieve the objectives of the plan.

The collaboration with the Aura Foundation receives an award

The principle of respect for diversity promoted by SEAT was recognised in 2018 by the Aura Foundation, which on 5 July presented its awards in Barcelona to companies that have promoted the employment of people with intellectual disabilities. SEAT was one of the companies receiving an award for promoting the incorporation of several of the foundation's users to the staff that provides services in the canteens, dedicated to improving the quality of life of people with intellectual disabilities through employment and inclusion in society.



Environmental sustainability

Leading provider of sustainable mobility

SEAT's self-demand to reduce the impact of its activity on the environment was reflected in 2018 in the publication of a new Environmental Policy and in the development of initiatives and projects that extend its work to the entire life cycle of the product.

The Environmental Policy details the commitments acquired by SEAT to achieve its objective of promoting the new sustainable mobility model and becoming a benchmark in respect for the environment at all levels. This purpose extends to the entire life cycle of its products and all the activities carried out by the company through a philosophy of continuous improvement, compliance with the most demanding standards in environmental and energy management and the involvement of all participants in the value chain.

To ensure this involvement, training and awareness-raising actions are promoted among employees and suppliers, together with a policy of transparency in the information and communication of environmental indicators and activities.

In the conceptualisation and design of new models, the company proposes three ambitious lines of action: the application of the circular economy model to the process, so that the commitment of the brand extends to the entire life cycle of its models; the commitment to compressed natural gas (CNG), and the development of the electric vehicle.

Certification of the environmental management of all SEAT plants

Compliance with the most demanding standards of respect for the environment was accredited during fiscal year 2018 with certification of compliance with the new ISO 14001-2015 standard for all the company's centres: the various production plants, the SEAT Technical Centre (CTS) and the Original Parts Centre (CROS). This standard certifies the complete integration of environmental management with business strategies.

The company is also certified with the energy management standard ISO 50001 and has ISO 14006, which accredits the eco-design of the company's products.

The Environmental Policy details the commitments acquired by SEAT to achieve its objective of promoting the new sustainable mobility model and becoming a benchmark in respect for the environment at all levels.



Accumulated percentage improvement in environmental indicators 2010-2018

Energy
22%

CO_2
63%

Water
31%

Waste
34%

Solvents
22%

"SEAT al Sol", the largest solar energy plant in the automotive industry in Europe

53,000
panels

276,000m^2
of surface area (equivalent to 40 football pitches)

17
million kWh generated each year

16,286
MWh/year of clean energy, free of CO_2 emissions

Environmental efficiency in production processes

Protecting the environment is a priority issue for a company such as SEAT, which specialises in the mobility sector, one of the most aware in this area due to the impact of its activity in terms of emissions. Thus, the company works to incorporate the most efficient solutions in the protection of the natural environment during the life cycle of its products. This includes both the technologies that the models incorporate and the reduction of the environmental impact of industrial activity.

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 and fuel technologies.

The objective of mitigating the impact of industrial production on the environment is managed through the Ecomotive Factory initiative, which began in 2010 and has already successfully surpassed its goal of reducing the environmental impact of producing a vehicle by 25%: an overall reduction of 34% was achieved in 2018. In order to achieve this goal, numerous projects were carried out that had an impact on the main environmental and resource efficiency indicators: energy, CO_2, waste eliminated, water consumption and emission of volatile organic compounds. The new challenge is to reduce the environmental impact of these indicators by 50% by 2025.

The progress achieved by each of the environmental indicators at the end of 2018 is detailed below.

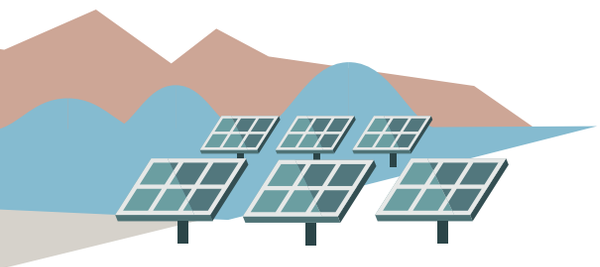
Energy efficiency

In 2018, energy saving and efficiency initiatives led to a reduction of 30,160 MWh. The main measures implemented include energy optimisation and temperature adjustments in surface treatment processes, energy recovery from fuel gases in paint installations and improved insulation on the walls and roofs of the sheet metal warehouses at SEAT Barcelona. They also highlighted the replacement of conventional light fittings with high-efficiency LEDs in the interior and exterior lighting of production centres, and the implementation of variable regulation pumps with high energy efficiency in the different production processes.

CO_2 emissions

In the reduction of polluting emissions, the SEAT al Sol photovoltaic plant was particularly significant. The six photovoltaic plants on the roof and in the

All the electrical energy at SEAT's production plants comes from certified 100% renewable sources and high-efficiency co-generation.





fields of the Martorell factory generated, in 2018, 16,286 MWh of clean energy, free from CO_2 emissions, and together form the largest solar plant of the automotive industry in Europe and one of the largest in the world. In addition, all the electric energy in SEAT's production plants comes from certified 100% renewable sources and high-efficiency co-generation.

Another important action in this area, which will save 2,400 tonnes of CO_2 per year, was the commissioning of an installation to recover energy from the emission sources in the drying furnaces of Workshop 5: the hot air that comes out of each one is used to heat water that is then used in the painting processes. This initiative also enables savings of 11.7 GWh/year in gas consumption.

Water consumption

The most significant measures implemented in the field of reducing water consumption include the improvement of efficiency in the humidification of painting installations, which reduces water consumption in the painting process, and the recovery of condensed water from air conditioning systems for other cooling processes.

Waste management and emission of volatile organic compounds

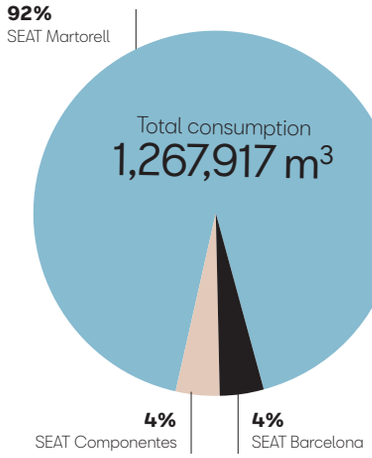
The waste management policy contemplates comprehensive actions that range from minimising waste generation to recycling and recovery. In 2018, two aspects were specifically addressed: the implementation of efficiency measures in the processes to ensure a minimum generation of waste and the management of its treatment to make use of it.

In this sense, it highlighted the construction of a new line of two-tone painting with the latest technology in painting machines and spray systems in order to achieve the maximum transfer of paint, incorporating dry scrubbers to purify the air of any remains of particles. These technologies helped reduce the generation of waste and the emission of volatile organic compounds.

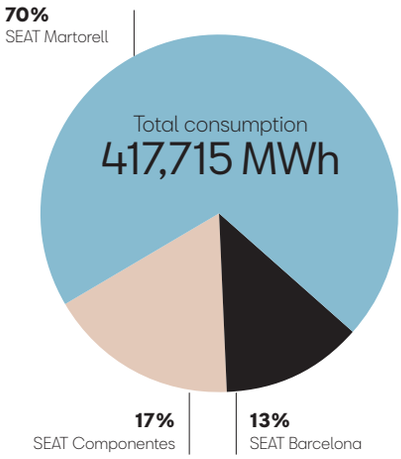
In the line of environmental awareness and employee participation measures, the "Claki" project, which promotes the recycling of domestic oils generated at workers' homes for subsequent recycling as biofuel, was implemented at SEAT Componentes.

Consumption at SEAT factories 2018

Water



Electricity





The SEAT forest

The company's global commitment to sustainability was extended in April 2018 to the protection of biodiversity by planting, with the help of volunteer employees, a forest with 80 species of trees and shrubs of Mediterranean flora in the Can Cases park in Martorell, near the SEAT plant.

The forest has an area of more than 6,000 square metres and is aimed at promoting awareness and training in environmental matters. For this purpose, each specimen of tree, bush or shrub carries an identification plate with a QR code that can be queried using a smartphone for all the information on each species.

The project integrates the adaptation of a pool to favour the protection and reproduction of the autochthonous amphibian Hyla meridionalis or Mediterranean tree frog.

Circular economy: a new paradigm in vehicle design

The new Environmental Policy specifically states that SEAT makes advanced and efficient environmental technologies available to its customers worldwide, taking into account the life cycle of its products and services. This definition represents a significant advance in terms of the environmental approach to the design and production of its models in that it incorporates a concept specific to the so-called circular economy: preserving the value of vehicles for as long as possible.

All this means moving from a business model based on extracting, manufacturing, using and throwing away to a new paradigm in which eco-design is one of the tools that guarantee new business models through "servicing" (offering of supplementary services for a product offered by the same manufacturer), re-manufacturing (parts used that are repaired and updated to adapt them for new use) and other possible derivatives of industrial symbiosis.

In 2018, the company began the development of two projects that follow this new model: EXCITE (EXergy approach to encourage CIrcular economy practices in vehicles) and CLOSE (Circular Life of used Components).

EXCITE aims to analyse the use of metals used in vehicles at the manufacturing stage in order to define eco-design measures that reduce the demand for critical metals – due to their scarcity, risk to supply capacity and economic fluctuation – and increase their recycling potential. CLOSE, on the other hand, is an explanatory project to capitalise, within the framework of the circular economy, on opportunities for the use of vehicles at the end of their life cycle.



With these initiatives, SEAT incorporates the new business opportunities offered by the circular economy into its commitment to sustainability in the development of new products, along with new technologies and the use of cleaner alternative fuels

Development of compressed natural gas (CNG) models

For SEAT, CNG cars are a sustainable and profitable alternative thanks to the autonomy they provide, the ease of refuelling and a price similar to that of diesel or petrol cars. In addition, it is a technology in which large investments are not necessary and which can be offered widely to customers.

Within this framework, 2018 saw the launch of the first version of the Arona model with a CNG engine, introducing in the market the first hybrid CNG-petrol urban SUV in the world. This new version features a TGI 1.0 engine capable of delivering 90 HP and a six-speed manual transmission. With a top speed of 172 km/h and acceleration from 0 to 100 km/h in 12.8 seconds, it contributes to reducing CO_2 and NOX emissions, without sacrificing the performance offered by new technologies while driving.

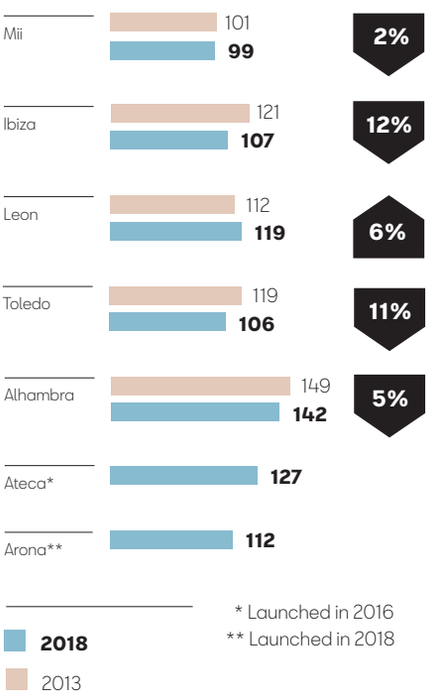
The Arona TGI is the fourth model in the CNG range, after the Mii, the Leon and the Ibiza. With this, SEAT has the largest portfolio of CNG cars in Europe. All these models in Spain have the ECO label, the environmental label of the Directorate General of Traffic (DGT) which corresponds to the second environmental category with the greatest contribution to improving air quality and they can be used during episodes of high pollution.

Introduced in 2018, the SEAT Arona TGI is the world's first urban CNG-powered SUV.



Average reduction of CO_2 emissions in the SEAT model range (g/km)

(2013-2018)



In accordance with the exemption established in article 49.6 of the Code of Commerce, SEAT, S.A. has opted not to prepare a consolidated statement of non-financial information, given that the company and its subsidiaries are included in the consolidated report of non-financial information of the Volkswagen Group, through which it complies with this obligation. VOLKSWAGEN AG, parent company of the group to which SEAT, S.A. and its subsidiaries belong, is a company incorporated in Germany, with registered address at Berliner Ring 2, D-38436 Wolfsburg, Germany, and inscribed in the Companies Register of the Wolfsburg City Court under entry number HRB 215. The Volkswagen Group's consolidated statement of non-financial information can also be found at the website https://www.volkswagenag.com.

SEAT Arona: Environmental information

Eco-friendly driving

ECO tips: messages 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.

Renewable materials

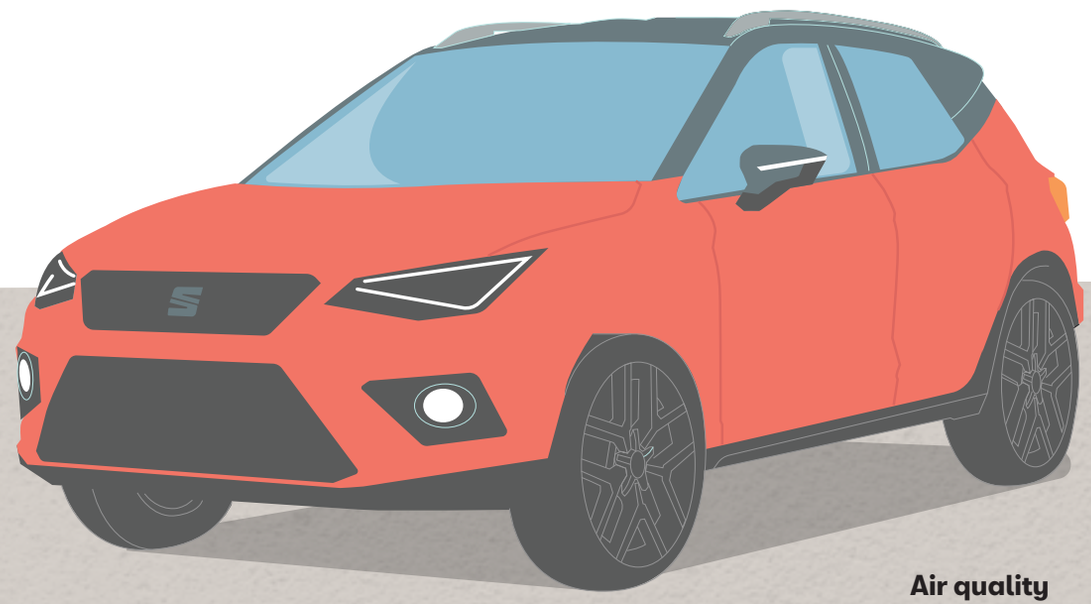
The presence of renewable materials such as cotton, natural rubber and cellulose/paper in various parts of the vehicle.

Engine

The modular configuration helps to reduce the number of components and assemblies, reducing the weight of bare bodywork.

The SEAT Arona offers a TGI engine, making it the first Compressed Natural Gas (CNG) and petrol hybrid urban SUV in the world.

It carries the ECO label, which places it in the second highest category in terms of contribution to improving air quality and allows it to be driven during episodes of high pollution.



Lighting

The incorporation of Full LED headlights and LED daytime lights reduces electricity consumption while increasing their duration and power.

Air quality

The diesel engines incorporate the selective catalytic reduction (SCR) system to minimise nitrogen oxide emissions.

Factory

During the period 2010-2017, CO_2 emissions per car manufactured have been reduced by 54%, and energy consumption per car, by 16%.

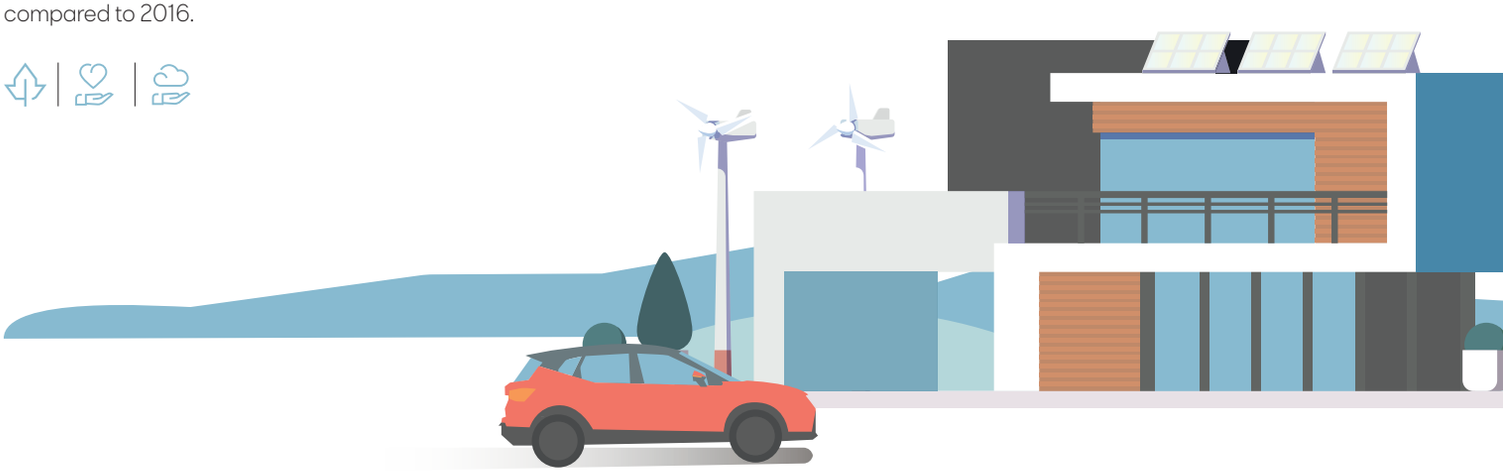
Improvement in the solvent purging system, reducing emissions of volatile organic compounds (VOCs) by 50% compared to 2016.

Fuel tank

The improvements in the system have helped to reduce the weight and volume of the fuel tank, without reducing driving range.

Seats

A 15% weight reduction thanks to the optimisation of the seat frames.



Air conditioning

Use of the new R1234YF refrigerant reduces the system's potential contribution to global warming by 99.7%.

Acoustics

Full compliance with the new noise regulations, thanks to improvements implemented in the exhaust pipes and in the acoustic package.

Tyres

Tyres with low rolling resistance.

Environmental goals of SEAT's technical development

- Preserving resources.
- Protecting people's health.
- Protecting the climate.

Production and Logistics / Quality





SEAT's new product launches, the requirements arising from the fourth industrial revolution and digitalisation, as well as the company's commitment to training, determined the path followed by two key areas of the company in 2018: Production and Logistics, and Quality.



Increased production

With 474,300 vehicles assembled, in 2018 the Martorell factory registered a 4.1% increase in production and reached 87% of its current maximum capacity. As part of SEAT's strategy, and in line with that of the Volkswagen Group, the production division also took on the challenge of increasing its productivity 30% by 2025.

The success of the SEAT Leon, which continues to be one of the pillars of the company, the excellent reception in the market of the new Ibiza and Arona models, the production of the Audi Q3 (replaced by the Audi A1 in the second half of the year), as well as the investment made in the factory for the new models and the commitment of its employees, turned Martorell into a synonym for progress and growth.

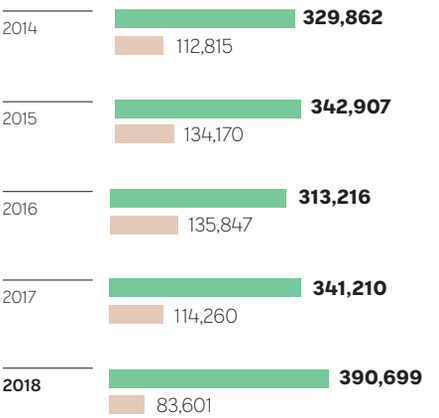
The factories of SEAT Barcelona (in Barcelona's Zona Franca district) and SEAT Componentes (in El Prat de Llobregat) also registered an increase in their production volumes, building gearboxes and parts for the Martorell factory and other centres of the Volkswagen Group. SEAT Barcelona produced as many as 52.3 million parts in 2018, while SEAT Componentes produced 690,158 gearboxes.

In addition to the production figures of these factories was the brand's external production, with 14,371 model Mii units produced in Bratislava (Slovakia), 10,151 Toledo units in Mladá Boleslav (Czech Republic), 90,824 Ateca units in Kvasiny (Czech Republic), 19,588 of the Alhambra in Palmela (Portugal) and 2,660 of the Tarraco in Wolfsburg (Germany).

In North Africa, where SEAT is leading the Volkswagen Group's globalisation strategy, a particular highlight was the start of final assembly operations for the Arona, the Leon and the Ateca at the Group's factory located in the Algerian city of Relizane. These three models joined the Ibiza, bringing the number of models assembled in this factory exclusively for the Algerian market to four.

Production at the Martorell plant

Units



SEAT models
Audi models

Increase in production (2014-2018)
31,623
vehicles

7.1%

Production of SEAT models in Volkswagen Group plants

Total production

528,293
SEAT vehicles

10.2%
over 2017

390,699	90,824	19,588	14,371	10,151	2,660
SEAT vehicles	SEAT vehicles	SEAT vehicles	SEAT vehicles	SEAT vehicles	SEAT vehicles
Martorell (Spain)	**Kvasiny** (Czech Republic)	**Palmela** (Portugal)	**Bratislava** (Slovakia)	**Mladá Boleslav** (Czech Republic)	**Wolfsburg** (Germany)

Production at the Martorell plant

Units

			Variation	
	2018	2017	Absolute	%
SEAT models	**390,699**	341,210	49,489	14.5
Ibiza	**120,287**	160,377	(40,090)	(25.0)
Arona	**110,926**	17,527	93,399	—
Leon	**159,486**	163,306	(3,820)	(2.3)
Audi models	**83,601**	114,260	(30,659)	(26.8)
Q3	**67,075**	114,198	(47,123)	(41.3)
A1(*)	**16,526**	62	16,464	—
Total production(**)	**474,300**	455,470	18,830	4.1

(*) Figure for 2017 corresponding to pre-series.
(**) Figures for 2018 and 2017 do not include 137,594 and 138,092 SEAT vehicles produced at other Volkswagen Group plants, respectively.

New launches, new challenges

With the beginning of the Audi A1's production in 2018, the Martorell factory added three new models to its assembly lines in just 18 months, following the arrival in early 2017 of the fifth generation of the Ibiza and, six months later, the new SEAT Arona urban crossover. These product launches, which lay the foundations for a high level of production over the next few years, required a number of challenges to be overcome in relation to the factory's organisation and facilities.

On the other hand, at the Volkswagen factory in Wolfsburg (Germany), mass production began for the new SEAT Tarraco model, designed and developed entirely in Barcelona. This serves as an example of how, in the future, an increasing number of the Volkswagen Group's factories will manufacture vehicles for the various brands that form the Group.

Goodbye, Audi Q3; hello, A1

In 2018, the Martorell plant stopped producing the Audi Q3, which had been assembled at its facilities since 2011, in order to welcome the Audi A1, the second premium model to be manufactured in Spain after the Q3. The first units were produced in early July, after an evaluation of the factory was carried out in April through a workshop known as Leistungstest Fertigung (LTF), involving representatives from both Audi and SEAT. The LTF is a Volkswagen Group standard that enables multiple tests to be carried out in all phases of the production process, thus ensuring a successful launch of the cars when they go into mass production.

The arrival of this compact and sporty model, which is manufactured exclusively in Martorell and distributed to all the markets in which it is sold, helped to boost the factory's export volume, which reached 80%. Its arrival also served as recognition of the excellent work performed by the centre's team over the



last few years in the production of the Audi Q3, thanks to its high level of skill and focus on quality.

Manufactured on line 3 using the MQB A0 platform, the Audi A1 has enhanced synergies and efficiencies with the SEAT models that it shares the platform with, the Ibiza and the Arona.

SEAT Tarraco, a commitment to efficiency

Another of the innovations of 2018, the new SEAT Tarraco, completed the company's SUV offensive alongside the Ateca and the Arona. The Tarraco went into production in October, in Wolfsburg (Germany), sharing the MQB A+ platform and the production line with Volkswagen's Tiguan and Touran models. In this way, the Group is maximising synergies at its facilities, while also making the most of the knowledge acquired by its operators following the launch of Volkswagen's models and guaranteeing production volumes.

The process of integrating the SEAT model into the Wolfsburg factory was very fast, which made it possible to achieve the established quality levels, as well as the expected production volumes, within a short time frame.

Appointments

Dr. Christian Vollmer, new vice-president of Production and Logistics

The role of overseeing the management of SEAT's three production sites located in Martorell, El Prat de Llobregat and Barcelona was passed on to Dr. Christian Vollmer in July 2018, after he was appointed the company's new vice-president of Production and Logistics, replacing Dr. Andreas Tostmann. With a PhD in Mechanical Engineering, Dr. Vollmer has been with the Volkswagen Group since 1999 and offers his experience in a new phase for the company, marked by the digital transformation of the sector and the company's commitment to Industry 4.0. Dr. Vollmer will continue to promote the company's plans related to environmental sustainability and the challenges posed by the mobility of the future.

Dr. Reiner Fessel, new director of the SEAT factory in Martorell

The Martorell factory also began a new phase in May 2018, with the appointment of Dr. Reiner Fessel as director of the factory, replacing Steffen Reiche. Fessel, who reports to SEAT's vice-president of Production and Logistics, is a technical engineer and holds a PhD in Environmental Sciences. He began his career at Volkswagen in 1995, where he has held various positions of responsibility.



The path of excellence

Consolidation of the Fast Lane service

The Order to Delivery 4.0 project, led by the Production and Logistics division, began its life in 2017 with the goal of achieving greater speed and reliability in the purchasing, production, distribution, and concession processes for SEAT's vehicles, thus making a short deliver time one of the brand's competitive advantage.

One of the most noteworthy initiatives of this project is the Fast Lane service, available in the East of Spain, in Germany and in Austria. This is an innovative process aimed at facilitating the user's buying experience, allowing them to configure their vehicle and arrange collection within 14 to 21 days.

During 2018, the Fast Lane service was consolidated in Austria, where it achieved a 25% share of all the brand's sales. This figure, which translates into one in every four Austrian customers being able to enjoy their customised SEAT vehicle within just 14 days of placing their order, turned SEAT into the brand with the fastest delivery times for customised vehicles. Austria is the market in which the Fast Lane service is currently at its most developed, and it is where all the new processes and tools that are later passed on to Germany and Spain are implemented.

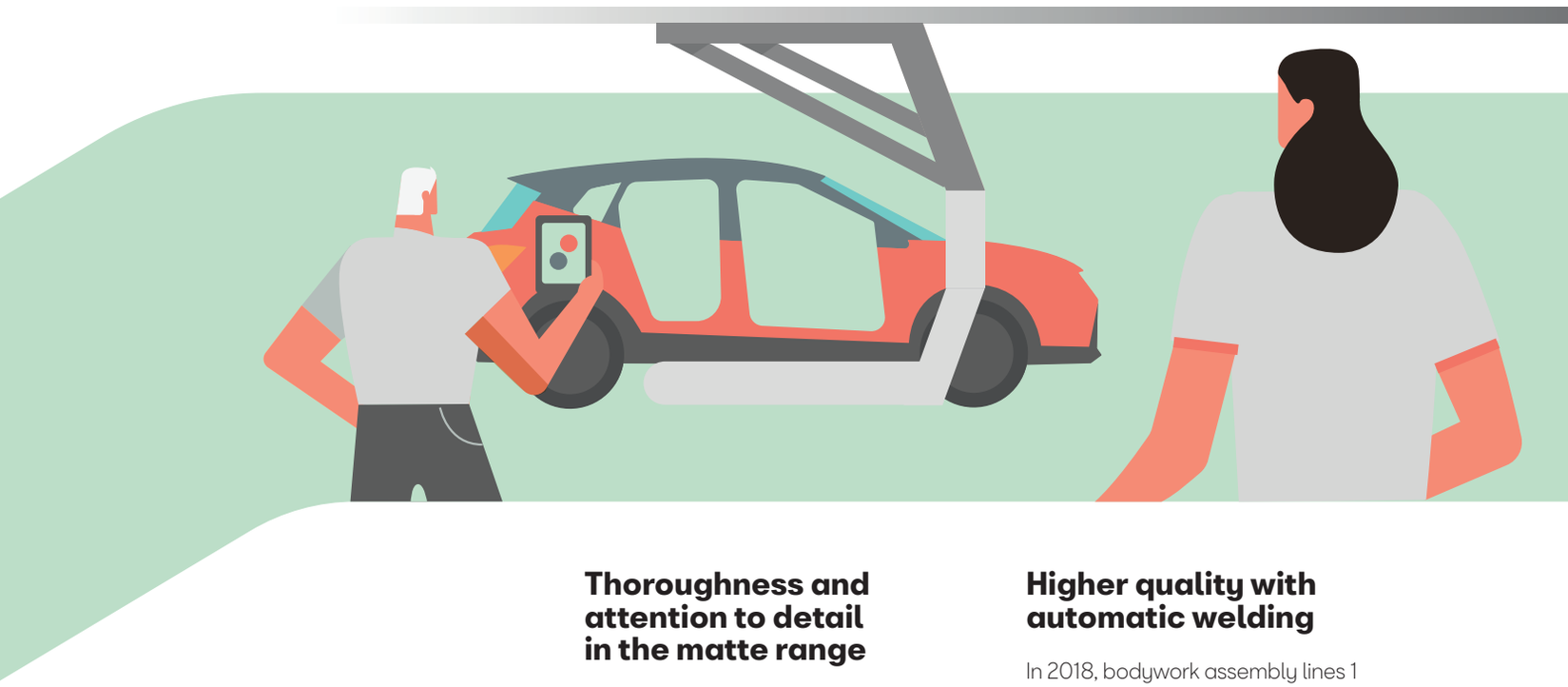
In 2019, the Fast Lane service will take on the challenge of connectivity, keeping the customer informed about the status of their order through an innovative tracking tool. In addition, a pilot project will be kick-started, aimed at moving towards a connected supply chain. This project will connect SEAT dealerships with the most important suppliers for the first time, in order to ensure the availability of components at the time of sale and thus to guarantee customer delivery dates for car orders.



The new MQ281 gearbox, one step closer to becoming a reality

During 2018, SEAT continued work at the El Prat factory to begin mass production of the new MQ281 gearbox.

To accommodate the MQ281 gearbox, the layout of the SEAT Componentes facilities was redistributed in order to improve the process and make the very most of the available space. The new gearbox also required investments in machinery, which included a new assembly line, the renovation or acquisition of around one hundred machines for the machining of gears, shafts and aluminium, as well as new ovens for heat treatments and foundry processes. Thanks to these investments, several procedures were automated and ergonomic improvements were obtained in the process.



Thoroughness and attention to detail in the matte range

In 2018, the Painting department added new matte shades to the colour range of the various SEAT and CUPRA models.

Due to the large difference between the gloss and matte varnishes, which rules out the possibility of making corrections and requires the car bodywork to exit the process in immaculate condition, modifications were made to the varnish circuits, to the paint booths and to the washing process performed by robots.

Furthermore, thanks to the training received by the department's team of experts, a high standard of quality was ensured despite the difficulties involved in producing the new matte finish.

Higher quality with automatic welding

In 2018, bodywork assembly lines 1 and 3 of the Martorell factory began to employ an automatic laser sanding system, which follows the process of welding the car roof and sides together. This system proved decisive in improving the quality of the final product. The principle of this new system is that it allows the force applied to the surface in any orientation to be kept constant, as well as compensating for tolerance and providing information on the contact with the surface throughout the entire procedure. Thanks to these improvements, it is now possible to control all parameters of the process, as well as to detect and instantly correct any deviations that occur.



A better maintained and more efficient factory

For the past 20 years, the TPM system (SEAT Total Productive Maintenance) encourages staff to take care of the facilities to guarantee the condition, efficiency and quality of processes in the factories.

In 2018, the system was perfected thanks to the adoption of the quality standards of its creator, the Japanese Institute Plant of Maintenance (JIPM). The objective of this system is to convey to staff the systemic importance of TPM in order to avoid potential shortcomings that could affect the production process as a result of equipment in poor condition.

After several pilot tests in Segment 3 of Workshop 6, and thanks to the dedication of the Factory Management, the general management team and the chain of command, the new position of TPM Expert was created. The mission of this figure is to ensure the deployment of the concept across the rest of the factory, together with the coordinators of the system and the Planning and Maintenance coordinators.

The new TPM system brings SEAT closer to achieving its goal of excellence in order to become the number 1 in Europe in terms of productivity and quality by 2025.



Duo trailer, the biggest and most efficient lorry on Europe's roads

SEAT and Grupo Sesé were once again at the forefront of road transportation with a pilot test intended to analyse the performance of the duo trailer. This is the biggest and most efficient goods distribution lorry on European roads in 2018, consisting of two trailers measuring 13.6 metres each and a total length of 31.70 metres, adding up to a maximum capacity of 70 tonnes.

The first journeys, made between Zaragoza and SEAT's headquarters in Martorell, gathered data that will culminate in a report to demonstrate the performance and benefits of this new vehicle. Among these benefits, the report is expected to confirm the lorry's ability to reduce emissions (by 20% per journey), enhance efficiency (a 25% reduction in logistics costs for transporting components) and improve road safety (a 50% reduction in the number of lorries on the roads).

Optimisation of the supply of materials for the production line with e-Frame

During the first quarter of 2018, the Logistics Planning division launched the e-Frame project, with the aim of improving the supply of materials to the production line. Previously, the process of supplying sheet metal to the production line involved wagons that followed set routes – a far from optimal system in terms of ergonomics and one which required complex and slow manoeuvres in order to replace the empty containers.

With e-Frame, and through the "Bus on demand" concept, a cyclical route is followed that passes through various delivery points and transports both empty containers and full ones. This results in greater efficiency in the routes, improved ergonomics and fewer movements around the workshops.

The pilot project was launched in October 2017 in Workshop 6 and it was implemented definitively in Body Shop Segment 3 during 2018.





Industry 4.0 and digitalisation

Changes in society as a result of hyper-connectivity and new consumer habits that have emerged as a result of digitalisation have led to the need for a transformation in the industry in order to adapt to the fourth industrial revolution.

In this regard, in 2018 SEAT continued to work on developing initiatives and innovative projects aimed at creating factories that are smart, digitalised and connected, and which can adapt to production needs and processes through more efficient resource management and fluid and effective communication between divisions.

Some of the technologies and applications that SEAT is already implementing to shift towards Industry 4.0 include advanced automation, collaborative and sensory robotics (a new generation of industrial robots that cooperate with humans and are notable for their flexibility, accessibility and relative ease of programming), automated guided vehicles (AGVs), exoskeletons and 3D printing.

The smart factory

Two of the innovations that will have the biggest impact on the future operation of SEAT Martorell are additive manufacturing, commonly known as 3D printing, and virtual reality. The former is currently used for prototyping model parts and assembly tools, reducing costs and development time. In the future, this innovation is expected to transform the current concepts of the supply chain, since it will allow for greater customisation on the production line and, therefore, greater value.

On the other hand, the application of virtual reality in the company allows ad hoc training environments to be created. This allows staff to interact with production processes in order to optimise production line methods and working times.





SEAT has cutting-edge technologies in all areas: next-generation applications, drones, early warning systems (incidents and production data can be viewed on a smartwatch), data processing and analytics methods to anticipate faults and stoppages, etc. All this enables improvements in the processes and their quality. The Martorell factory, therefore, already operates as a smart factory, with innovation at its heart.

Predictive maintenance and internet of things

SEAT's shift of mentality towards automation and digitalisation has led to significant changes in its processes. One of the most noteworthy initiatives is the "BiDrac" project, the aim of which is to transition from corrective maintenance (taking action when an incident happens) to predictive maintenance, through the use of algorithms applied to data that allow incidents to be anticipated and actions to be planned. One of the benefits of predictive maintenance is the fact that, rather than performing checks according to a pre-determined schedule, it is the system that sets the order of priority.

Another important development is the incorporation of Celda 4.0, which makes it possible to monitor and analyse operating data produced by a facility's various elements, as well as to find out how they influence each other.

On the other hand, one of the major challenges that SEAT faces is the deployment of the internet of things. This involves installing sensors in objects and developing applications that can channel the information gathered by these sensors towards an artificial intelligence layer that is capable of making decisions autonomously. The ultimate goal is to generate use cases that are unknown at present and that provide SEAT with an exponential degree of added value.

Ensuring skill and quality throughout the logistics chain

During the course of 2018, more than 1,000 people participated in the Basic Skills course of the Logistics Training Centre (known as the TCL in Spanish), which is aimed at both internal staff and the company's logistics partners with the aim of ensuring the same level of skills and quality throughout the logistics chain.

Other training courses provided by the TCL, which in 2018 delivered over 220 courses, focused on topics of interest such as best practices and the implementation of new logistics concepts in the factory related to Industry 4.0. All these courses covered the use of the latest technologies in the sector, allowing participants to familiarise themselves with their use.

Working to achieve the car of tomorrow

In March, the Production and Logistics division organised a multi-disciplinary workshop with the aim of generating ideas on what the car manufacturing process should consist of in order to ensure customer satisfaction and turn SEAT into a more competitive company. The results of the workshop, which was attended by more than 40 experts from different areas of the company and the Volkswagen Group, were grouped into several different packages to be worked on in the future.

Construction of the tallest automated logistics centre in Europe

In 2018, SEAT continued its preparation for the fourth industrial revolution with the construction of the new logistics centre, a components warehouse equipped with smart technology that allows processes to be fully automated. With a total capacity of 119,000 boxes and a maximum height of 43.7 metres, its 5,700m²-surface area is used for the storage of assembly parts.

The building is divided into two facilities. The first, measuring 42 metres in height – making it the tallest warehouse in Spain –, allows up to 500 containers to be moved every hour and is distributed across seven aisles with capacity for 23,900 large containers. The second facility, 21 metres tall, has five aisles, capacity for more than 95,000 boxes and can move 1,100 boxes per hour.



SEAT's new logistics centre

Facility 1

42 m
high

7
aisles

Capacity for
23,900
containers

Movement of
500
containers/hour

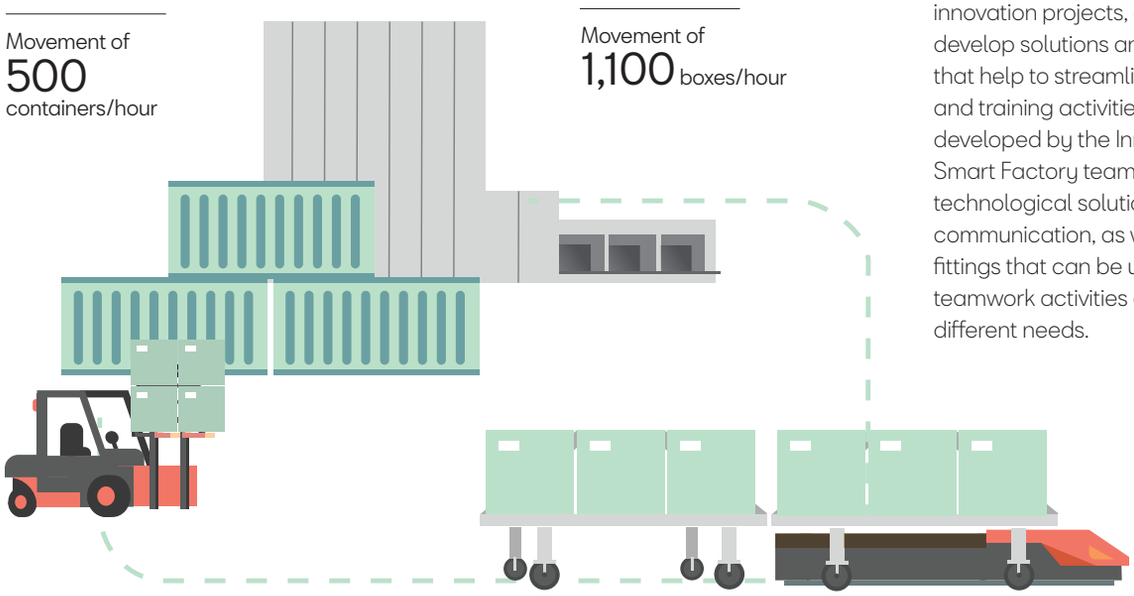
Facility 2

21 m
high

5
aisles

Capacity for
95,000
boxes

Movement of
1,100 boxes/hour



Thinking Lab: a new space for exploring, sharing and problem-solving

The Production and Logistics division added the Thinking Lab to its facilities in 2018. This is a multi-functional room intended to be used to facilitate innovation projects, explore challenges, develop solutions and host activities that help to streamline the organisation and training activities. This new space, developed by the Innovation and Smart Factory team, is equipped with technological solutions that promote communication, as well as multi-purpose fittings that can be used in different teamwork activities and arranged to suit different needs.



Applications to foster communication and information

In February 2018, the Martorell factory brought a new emergency maintenance service into operation, which is available 24 hours a day and complements the telephone helpline already set up for this purpose. Through this system, non-production breakdowns or damages that occur in the Martorell facilities and in the Technical Centre can be reported using the Facility Service SEAT application, available for Android and iOS.

Furthermore, the SEAT *La Fábrica* bulletin provides the latest information on the company's production operations at its three plants (Martorell, Barcelona and Componentes), and in 2018 it took on a new digital dimension with an exclusive section in the MundoSEAT application. In addition to topics of interest related to production, logistics and quality, *La Fábrica* includes interviews with members of staff, information on various initiatives and a digital version of the printed newsletter.

In 2018, SEAT continued its preparation for the fourth industrial revolution with the construction of the new logistics centre, a components warehouse equipped with smart technology that allows processes to be fully automated.

Awards

CIAC Award for Best industrial productivity

The Automotive Industry Association of Catalonia (Clúster de la Indústria de l'Automoció de Catalunya, or CIAC) awarded SEAT Barcelona the CIAC Award for Best industrial productivity.
The factory's activity was distinguished for having improved its productivity by 24% in the last three years, as well as for the significant advances it has achieved in other indicators, such as the efficiency of its bodywork facilities and the degree of satisfaction among its customers.

Automotive Logistics Awards Europe 2018

SEAT received the Finished Vehicle Logistics Top Quality award as part of the Automotive Logistics Awards Europe 2018, which were delivered by the editorial group Automotive Logistics. The award was given for the quality in the company's finished vehicle distribution processes and its strategy to reduce damages, insurance claims and interruptions in the distribution of its cars.

Recognition of SEAT's leadership in the field of digital transformation

SEAT was distinguished in November 2018 as a leader in digital transformation, according to the ranking drawn up by the prestigious British newspaper, the *Financial Times*. Together with Google, Nesta and The Innovation Foundation, the newspaper selected 100 organisations, individuals and companies, from out of 4,000 nominations received, that are leading the digital transformation in Europe. The *Financial Times* praised the transition process that the company is carrying out in the Martorell factory to address the challenges of digitalisation in its production processes.

Martorell celebrated its 25th anniversary and 10 million vehicles produced

The Martorell factory, the emblem of SEAT's manufacturing, marked 25 years of its existence on 22 February 2018. Since its opening, it has produced more than 10 million vehicles.

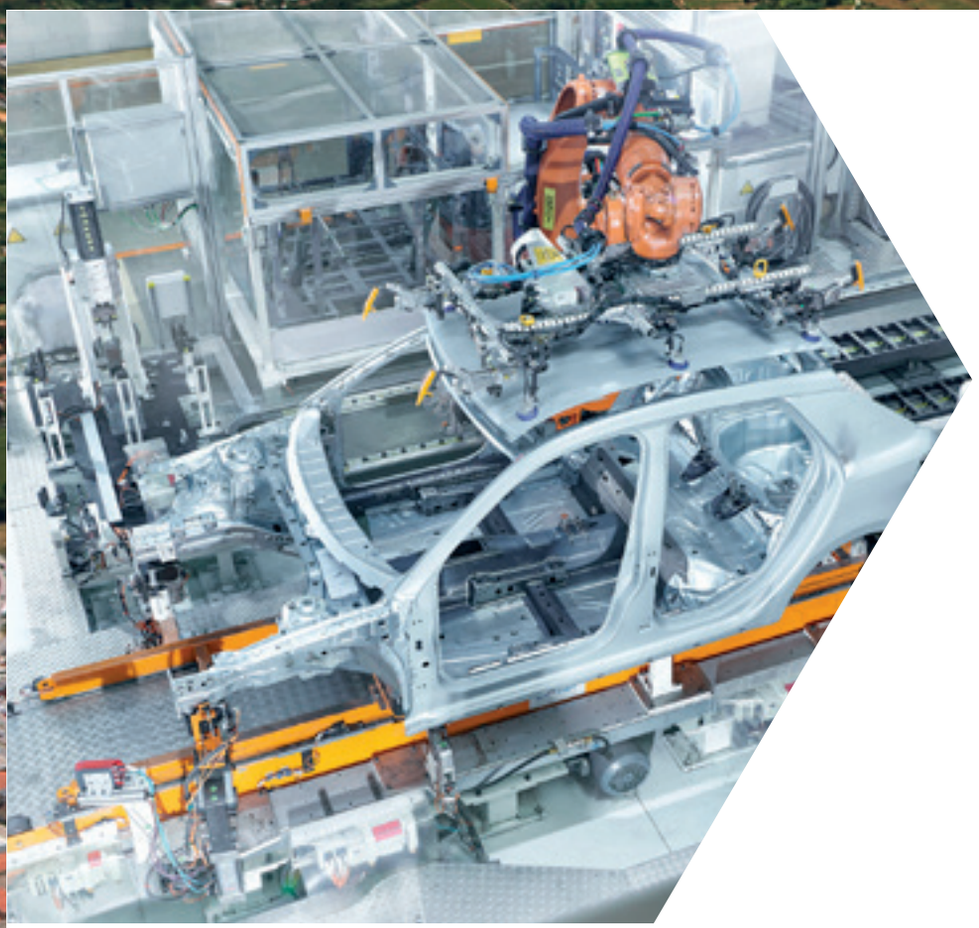




Start of operations

Opened after just **34 months of construction** works and with an **investment of 244,500 million in the old pesetas** (around 1,470 million euros), the new facilities took over manufacturing operations from SEAT's existing factory in Barcelona's Zona Franca district, where it had made all its cars since 1953.

Martorell celebrated its 25th anniversary and 10 million vehicles produced



Large-scale production

Martorell, which has also manufactured models of other brands of the Volkswagen Group, such as the Polo, the Caddy, the Audi Q3 and the Audi A1, has a total surface area of **2,800,000m²** and produces around **2,300 vehicles per day.**

The centre has **125 automated guided vehicles** (AGVs) that carry **23,800 parts per day** to the production line, following invisible lanes located throughout the factory.

It has grown by over 50% since 2009, and in 2018 it was one of the highest-producing car factories in Europe.



Martorell has a total surface area of 2,800,000m² and produces around 2,300 vehicles per day.





Parade of models

The second generation of the Ibiza and Cordoba were the first models to come off their production lines, at a rate of 1,500 units a day. Since then, and over the course of the past 25 years, a number of SEAT models have paraded through the factory: from the Leon to the new Arona, as well as the Inca van, the Arosa, the Altea and the successive generations of the Ibiza and Leon. All in all, a total of over **10 million vehicles of 39 different models** and different versions have been produced at the factory.

Martorell celebrated its 25th anniversary and 10 million vehicles produced







A benchmark in digitalisation

For the past few years, the factory has been immersed in the implementation of **Industry 4.0,** the result of the fourth industrial revolution, and has incorporated some of the tools and technologies that will become commonplace in manufacturing processes within the next few years. These include virtual reality, collaborative robots, 3D printing and augmented reality.

As a benchmark in smart, digitalised and connected manufacturing, the factory also has a highly qualified team of staff who have developed their potential through **training programmes** implemented by SEAT, allowing them to transform themselves together with the industry.





Economic driver and care for the environment

The Martorell industrial centre has served as a salutary lesson for the country over the past 25 years, as well as a driver of growth for the generation of employment and industrial development. Between the manufacturing plant, the company's headquarters and the SEAT Technical Centre, it provides direct employment to **more than 12,000 employees.**

It has also increased the number of sustainability projects it is involved in, and since 2011 it has had an **Ecomotive Factory Plan** intended to optimise resources while also limiting the environmental impact of the manufacturing operations. Through these initiatives, it aims to achieve a factory that is efficient, sustainable and respectful to the environment.

The Martorell industrial centre has served as a salutary lesson for the country over the past 25 years, as well as a driver of growth for the generation of employment and industrial development.



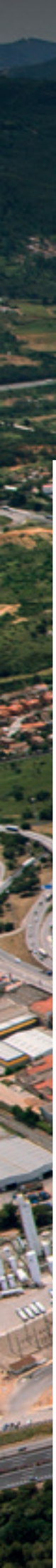








Martorell celebrated its 25th anniversary and 10 million vehicles produced



The Martorell factory, past and present

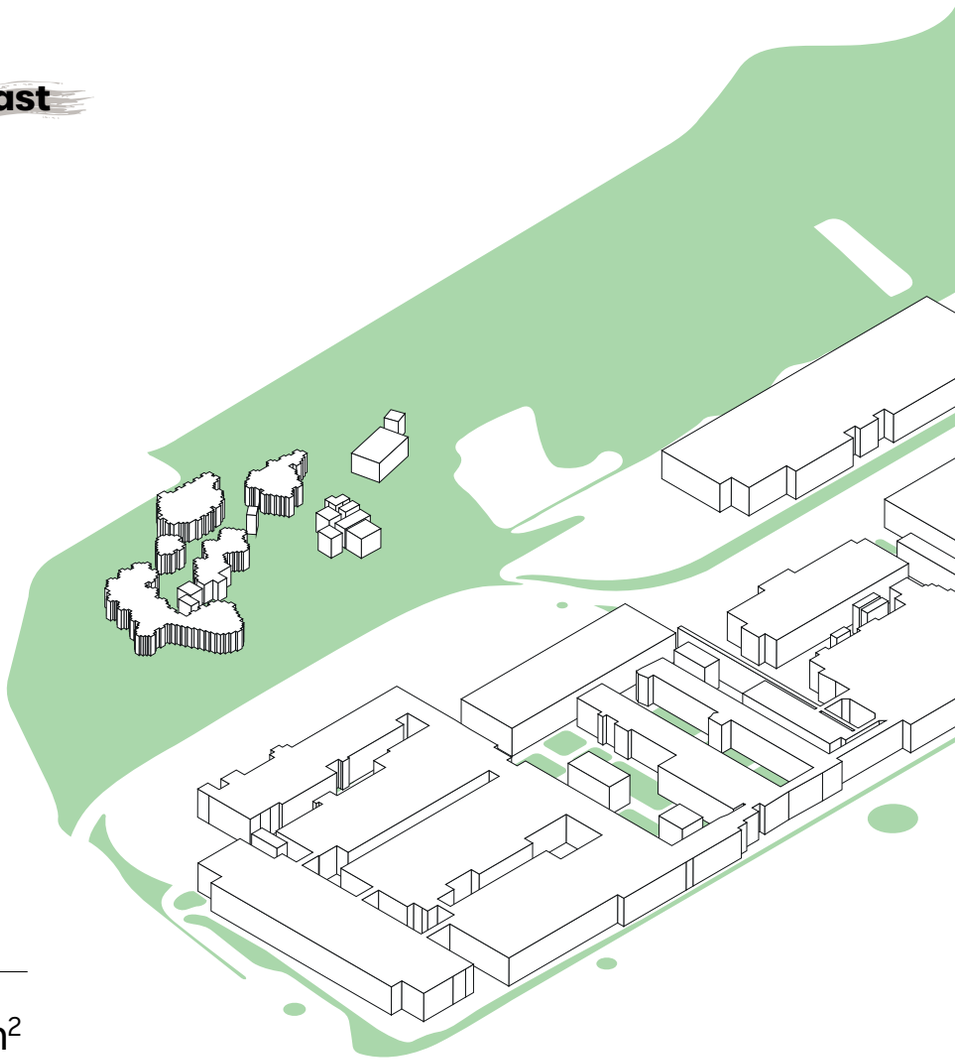
2018

Surface area
2,800,000 m²

2,300
cars/day

Equivalent to 400 football pitches

1 every 30 seconds



1993

Surface area
404,000 m²

1,500
cars/day

A factory that is efficient, sustainable and respectful to the environment.



Quality goes digital

The classical concept of quality is linked to elements such as measurement and control, inspections and audits or manual processes. The challenges and opportunities that SEAT faced in 2018 allowed it to change this concept and to turn reactive work, focused on the resolution of errors or specific situations, into predictive and proactive work, incorporating tools and strategies to anticipate certain circumstances and prevent problems.

This process of change was made possible through the use of new technologies. The Quality division opted to make a firm commitment to digitalisation in terms of developing new methods, acquiring new equipment and investing in staff training.

The birth of the "school of the senses"

An example of innovation in staff training was the launch of the Training Centre of the Senses. At this centre, inspectors received new training to work on their sight, hearing, touch and smell, senses that are essential to their task of performing final checks on the cars before they leave the factory and reach the customer.

Quality in production

With regards to the tasks performed by the Quality division that are directly related to production, a number of projects were implemented linked to the application of new technologies in the fields of digitalisation, artificial vision and the handling of data and information. The goal of these projects is to automate processes that are repetitive and offer no added value.

The main areas of focus for this division's work included, on the one hand, ensuring a smooth launch of the new projects in 2018, such as the Audi A1 and the SEAT Tarraco, and, on the other hand, ensuring that the existing products already on the market continue to be of the utmost quality.

SEAT's customers, the most satisfied of them all

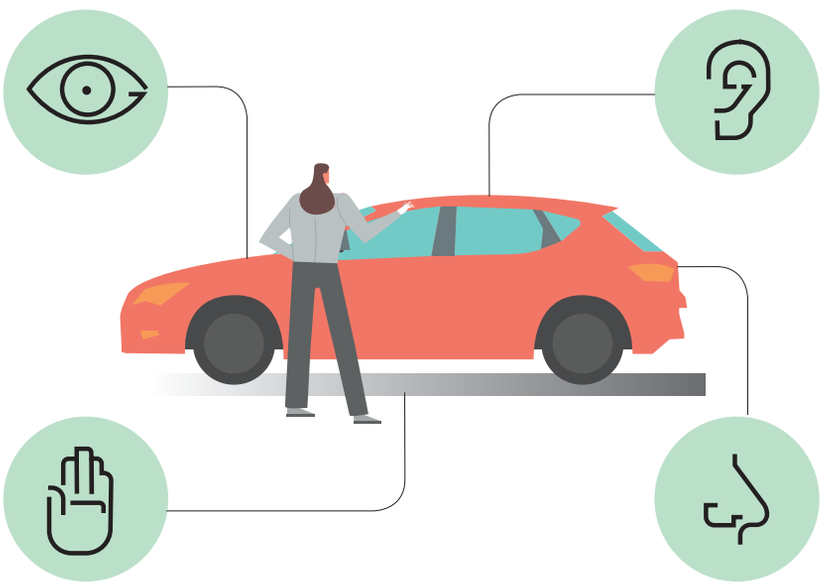
The quality of these efforts was confirmed by SEAT's customers, both in the satisfaction surveys (NEVQS), in which the brand came top of the list, and in the number of claims made during the warranty period, which fell again in 2018, adding up to a 48% reduction in the last five years.

Furthermore, in a study performed by US consulting firm J.D. Power, which measured customer satisfaction in relation

SEAT Training Centre of the Senses

Sight
The human eye is capable of distinguishing 10 million different colours.

Hearing
The audible frequency range is from 20 Hz to 20 KHz.



Touch
Human touch can distinguish surface roughness measuring as little as 13 nanometres.

Smell
Humans can perceive over 10,000 different smells.

to the quality of new cars and their long-term reliability, SEAT came second, rising nine positions compared to the results of 2017.

Reduction in customer claims during the warranty period (2014-2018)

48%

Digital and cultural transformation

During 2018, the Quality team kick-started the division's digital and cultural transformation, which it aims to complete by 2021. In this regard, the strategy to be followed between now and that year was planned, with the aim of taking on new functions and covering the needs arising from some of the new challenges facing the company: the electric car, the connected car and services associated with the vehicle. The Digital Quality department, which is responsible for checking and approving digital products both from a technical point of view and from a customer perspective, put extensive effort into promoting these concepts.

Several projects were also kick-started in 2018 relating to new technologies, Industry 4.0 and digitalisation. The most noteworthy among them included digital audits, colour management through data analytics methods such as big data, automatic checks of car underbodies using artificial vision, the use of tools for monitoring customers' comments and opinions across the various communication channels (internet monitoring) and the application of advanced robotics for the automated measurement of photometry.

A meeting point for a collaborative and interactive environment

Within Workshop 3, a coworking space was created in 2018 in order to make the most of synergies among users. Its main function is to act as a driver for innovation and an incubator for cultural change, allowing the ideas that are generated in this space to provide support for the company's new services and lines of business.

Digital projects of the Quality division

Digitalisation
Digital audits.

Big Data / Data analytics
Colour management (interior/exterior).

Artificial vision
Automatic checks of underbodies.

Internet Monitoring
Using a contemporary communication channel (social media, blogs, etc.) to thoroughly and precisely monitor customer comments.

Advanced robotics
Automated photometric measurement.



Purchases




4

The priority mission of Purchases is to manage the acquisition of the products, goods and services required for SEAT's operations, guaranteeing the fulfilment of deliveries and a high-quality service at the best price. In addition, the area encourages a growing participation of suppliers in the company's goals in order to contribute to achieving common progress and benefits.

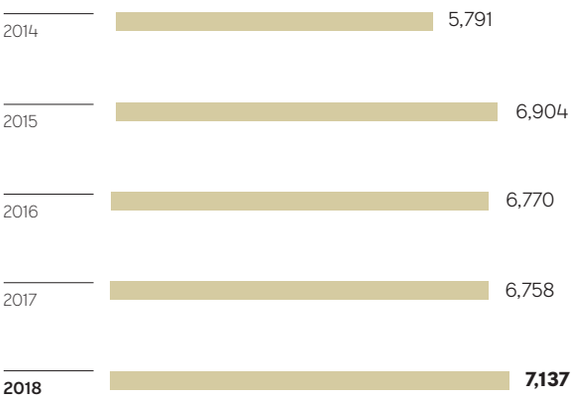


A strategic area for SEAT

The work performed by Purchases has taken on a strategic importance in recent years in order to meet the company's cost optimisation goals, develop projects that are increasingly global in scope and have suppliers that comply both with SEAT's quality standards and with its corporate principles. All these challenges are tackled from a cross-departmental perspective and through constant collaboration with all areas of the company.

Volume of purchases managed

Millions of euros

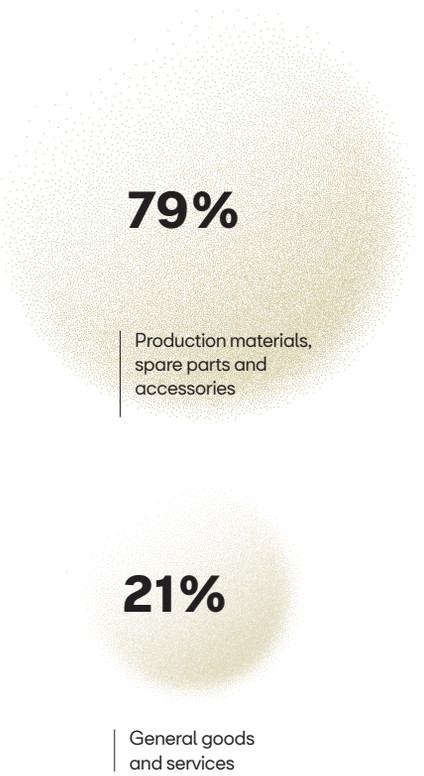


Increase of purchases managed (2014-2018)
1,346
million euros

23.2%

Distributions of purchases in 2018

Destination of purchases



New increase in the volume of purchases

The Purchases area handled a total of 7,137 million euros of acquisitions in 2018, representing a 5.6% growth over the previous year. This volume reflects the purchases made for all models of the Volkswagen Group that are manufactured at the Martorell plant, both for the SEAT brand (the Leon, Ibiza and Arona) and for the Audi brand (the Q3 and A1). This figure does not include SEAT models produced in other factories of the Group located in other European countries (the Mii in Slovakia, the Toledo and Ateca in the Czech Republic, the Alhambra in Portugal and the Tarraco in Germany), although the area is also responsible for assigning suppliers for the production of the Ateca and the Tarraco.

In 2018, of particular note was the work undertaken for the launch of the new Tarraco, which was developed under tight time constraints and in coordination with Volkswagen AG in Wolfsburg (Germany) and Volkswagen Mexico. SEAT had the support of the Volkswagen brand to lead and manage the project, and it oversaw the selection of suppliers, the pre-series tests and the checking of parts. The collaboration with the Wolfsburg factory came about to allow the Tarraco to share a production line with Volkswagen's Tiguan model, and the area was responsible for ensuring the necessary allocation of materials to the production lines.

Another step in cost optimisation

Material Cost Forum (FMK)

Purchases area programme

Ideas implemented
179

Savings in millions of euros
141

Collaboration with other areas of SEAT is coordinated through cross-functional programmes that seek to achieve maximum process efficiency and fulfilment of the company's strict cost optimisation policy. The ultimate aim is to maintain the company's market positioning, as well as to uphold the quality and innovation standards that the brand is known for.

In 2018, SEAT set itself the goal of gradually reducing the total cost per vehicle in order to achieve an ambitious target of progressive savings by 2025. To achieve this, the Full Cost Optimisation (FCO) programme was initiated, managed by an interdisciplinary group of professionals from the Finance, Research and Development (R&D), Production and Purchases areas. The Purchases area plays a key role in this initiative, due to the high proportion of costs that arise from the purchase of materials to produce a vehicle.

The first actions of the FCO project were carried out as part of the FMK (Material Costs Forum) programme, in which Purchases and R&D work together to achieve savings in the costs associated with the procurement of production materials. In the last financial year, proposals for improvement were implemented within the FMK programme on a volume of purchases amounting to 3,136 million euros, and savings of 141 million euros were achieved. This analysis, which previously focused on the models in production, was extended in 2018 to also cover the development of future models.

With the multidisciplinary team of the FCO project, the company also aims to examine the current methodology used to develop all future models, as well as to identify the concepts and technologies that really add value to the end user. This makes it possible to streamline costs and to implement cross-departmental solutions that optimise investment. Certain concepts related to analysis of the manufacturing process, logistics and complexity, as well as the use of groups of parts that are shared between several models, offer opportunities to reduce costs even further.



The new Full Cost Optimisation (FCO) programme aims to substantially reduce total costs per vehicle by 2025.



Monitoring of all acquisitions in the Iberia region

In 2017, SEAT's General Purchases area assumed the role of supervising all of the Volkswagen Group's general procurement activities in the Iberian Peninsula. The aim of grouping together all the purchases made in Spain and Portugal was to negotiate more efficiently, as well as to identify synergies and thus contribute to the corporate goal of cost optimisation.

To manage this new model, a Regional Sourcing Committee (RSC) was created, which made particular progress in 2018 in the communication and exchange of knowledge between all those involved, considering the wide variety of participants.

The total volume of purchases managed through the Iberian region in the last financial year amounted to almost 2 billion euros.

Volume of purchases managed

Iberia region

2,000

million euros in 2018

International development of suppliers

The Purchases area was also closely involved in the implementation of strategic projects in the countries of North Africa, such as Algeria and Morocco, in terms of both identifying and assessing new local suppliers as well as involving current suppliers in these projects.

Algeria is a key market in SEAT's internationalisation strategy in North Africa. In July 2017, a factory was opened in the Algerian city of Relizane for the assembly of several models of the Volkswagen Group, with the goal of assuring and increasing sales in the country. In addition, in 2018 numerous activities have been carried out with potential local and international suppliers interested in the manufacture of parts in Algeria.

Morocco is a highly developed country in the automotive sector. Due to its proximity to the Iberian Peninsula, it offers us new opportunities for collaboration with suppliers established in the country. This effect has already been reflected in current projects with various assignments given to these suppliers.

In 2018, the Purchases area has created a new department to manage relationships with suppliers in these new markets, thus contributing to the brand's internationalisation strategy.



Involvement of suppliers in the strategic objectives

Together with the Quality and R&D areas, Purchases carried out activities aimed at achieving greater cooperation with suppliers in order to optimise working processes and trade relations. The initiative involves suppliers participating in conferences and meetings, which are organised by the respective specialist areas of the company and in which Purchases actively collaborates. Among the conferences held in 2018, the supplier days organised by the different areas were of particular note.

On the one hand, the "Supplier Day" organised by the Quality area brought together 34 of SEAT's main suppliers, providing an opportunity to share the company's new approach to digital transformation. During the meeting, the Purchases area presented the performance in 2017.

At the supplier days organised by the R&D area, on the other hand, some of the company's main suppliers were invited to share their updates and innovations in order to evaluate new possibilities for collaboration. The presentations were conducted individually and on different days, with the heads of SEAT's R&D and Purchases areas in attendance.

Purchases Academy: specialised training for tomorrow

Since 2014, the Purchases area's team has had access to continuous training through the Purchases Academy, intended to update their skills and knowledge in different areas (technical, organisational and related internal procedures). The work of this training unit takes on a particular importance in the current environment, which is marked by the full-scale development of Industry 4.0 and by digital transformation, particularly in the mobility sector, with the emergence of more sustainable forms of transportation and technologies.

The contents of the Academy are reviewed annually in order to anticipate buyers' needs and to offer staff indispensable learning tools. The 2018 curriculum focused on the trends and future challenges posed by electro-mobility, with a training programme developed in collaboration with AutoUni and the Volkswagen Group Academy.

The Purchases Academy's 2018 curriculum focused on the trends and future challenges posed by electro-mobility.





Sales and Marketing





SEAT's Sales and Marketing division manages the relationship with customers and centralises the sales of the products and services of the after sales network in order to provide the highest quality. In addition, it backs and develops advertising and promotional initiatives that strengthen the company's image and bring the brand closer to society.

Record sales

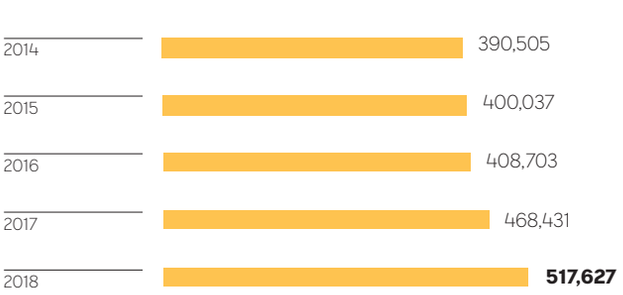
SEAT's global sales in 2018 reached their highest in the company's 68-year history, with 517,627 vehicles delivered to end customers, representing an increase of 10.5% compared to 2017.

In Europe, SEAT remained one of the fastest-growing brands, with a total of 448,967 units. Sales in Germany reached 114,155 vehicles (+11.8% versus 2017), once again positioning this market as the largest for the brand worldwide in terms of volume. Other countries leading the company's growth in sales with double-digit growth included Spain (107,688; +13.3%), where SEAT was the best-selling brand and the Leon and Ibiza were the highest-selling models; the United Kingdom (62,871; +12%), with a new sales record; France (31,797; +31.3%), with the best sales figures since 2011; and Italy (20,045; +10.9%).

Most European countries also registered significant increases in sales. They included Austria (18,450; +5.3%), Portugal (9,607; +16.7%), Belgium (9,502; +24.4%) and the Netherlands (8,937; +16.3%).

Retail sales

Units



Increase in retail sales (2014-2018)
127,122
vehicles

32.6%

Retail sales

Units



The SEAT Leon is the best-selling vehicle
158,332

SEAT Ibiza
136,058

SEAT Arona
98,923

SEAT Ateca
78,227

SEAT Alhambra
22,301

SEAT Mii
13,129

SEAT Toledo
10,422

SEAT Tarraco
226

SEAT Altea
9


2002 TXA

SEAT, a global brand

Distribution of 2018 retail sales among main markets

77
countries

Total retail sales 2018
517,627

2017	468,431
2018	**517,627**



05
Mexico
23,067

Other countries

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

01
Germany
114,155

02
Spain
107,688

03
United Kingdom
62,871

04
France
31,797

06
Italy
20,045

07
Algeria
18,511

08
Austria
18,450

09
Poland
11,934

10
Switzerland
10,673



A boost to the company's globalisation

During 2018, SEAT boosted its international presence as part of the brand's globalisation plan.

During 2018, SEAT boosted its international presence as part of the brand's globalisation plan. In this regard, the company took steps to boost its activity in North Africa and South America, and it laid the foundations in order to enter the Chinese market in 2021.

Landing in China

SEAT signed an agreement to become a shareholder of JAC Volkswagen, the joint venture created in the previous year by Volkswagen Group China and Anhui Jianghuai Automobile Group Corp., Ltd (JAC), and it became the leading brand within the Volkswagen Group in this project. The agreement marked a new milestone for the company and its introduction into the Chinese market, which will culminate in 2021, thus beginning a new phase and establishing the foundations for its globalisation strategy.

The operation was signed in July at a ceremony in Berlin which was attended by SEAT's chairman, Luca de Meo; the chairman of Volkswagen Group China, Dr. Jochem Heizmann; and the chairman of JAC, An Jin. Together, they signed the agreement in the presence of German Chancellor Angela Merkel and Chinese Prime Minister Li Keqiang.

In November, SEAT signed a new strategic agreement with Volkswagen Group China and JAC, under which the three companies committed to use their technical know-how and product strength to jointly develop a platform for electric vehicles. The president of the Spanish Government, Pedro Sánchez, and the president of the Republic of China, Xi Jinping, witnessed the signing, which was ratified by Luca de Meo, An Jin and Dr. Herbert Diess, the chairman of the Volkswagen Group. The agreement marked a new milestone in the introduction of the SEAT brand in China and a step forward in the company's globalisation strategy. China is the leading market for electric vehicles and, in this way, SEAT is supporting the development of this new technology in order to respond to Chinese customers' needs and promote an increasingly sustainable form of mobility.





Greater presence in Latin America and North Africa

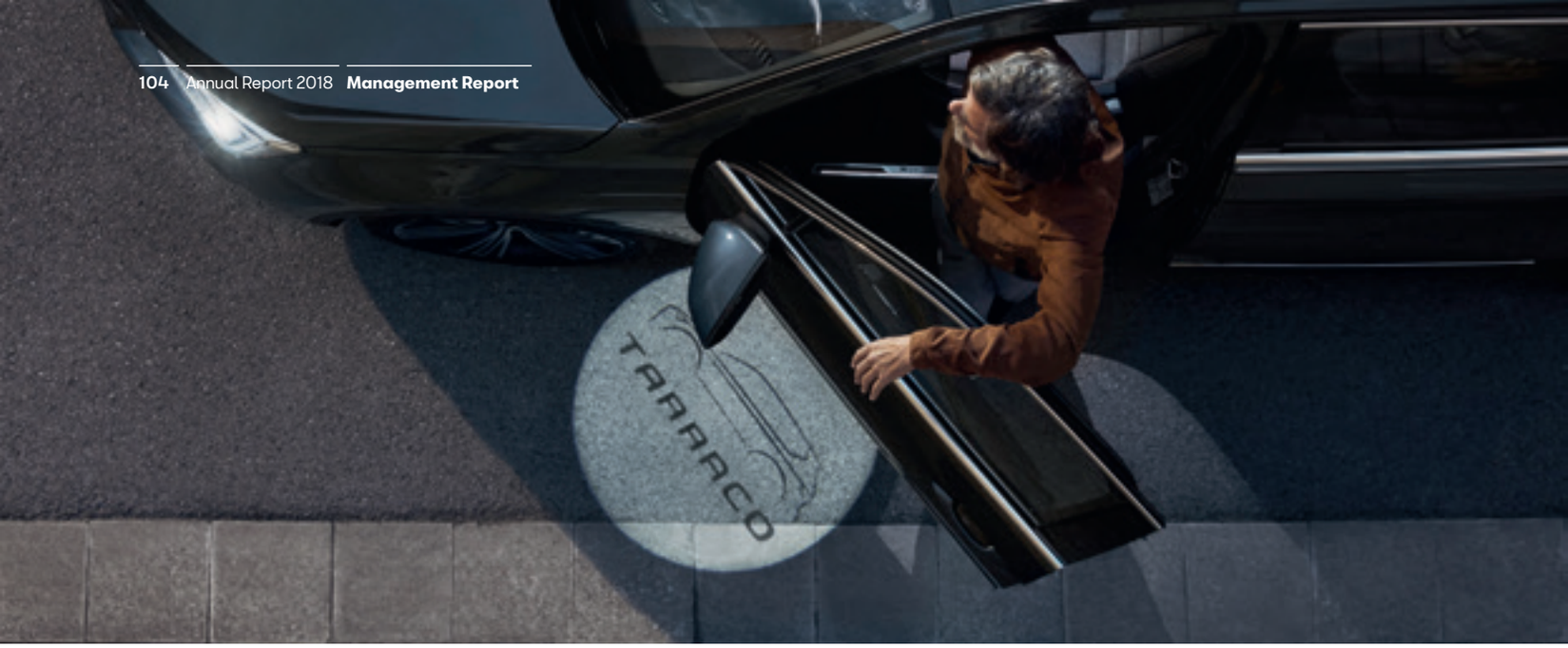
Latin America is one of SEAT's priority regions. Therefore, during 2018 plans were approved to enter new markets, such as Chile and Ecuador, in addition to the relaunch of the brand in other countries, such as Colombia and Peru. With this first step, SEAT aims to strengthen its presence in this strategic region, supported by its success in Mexico. Chile, Ecuador, Colombia and Peru represent over 75% of the Latin American market, excluding Brazil and Argentina.

The other strategic region for SEAT, North Africa, began to show strong signs of growth, both for the brand and for the Volkswagen Group. This was due to the launch of the assembly plant in the Algerian city of Relizane in 2017, where the company is taking the lead role within a multi-brand project. Thanks to the success achieved in Algeria, the Group nominated SEAT to lead the Regional Directorate of North Africa for all its brands, aligning its strategy with the company's plans to increase revenues and industrial activity in the region. In addition, SEAT has taken on the responsibility of identifying synergies and boosting collaboration agreements with other companies.

In 2018, Algeria was one of the top ten global markets in terms of the company's sales volume, and it was the country with the highest growth rate in deliveries, with 18,511 units sold. This increase is due to the fact that various SEAT models are assembled in Relizane: the new Ibiza, since 2017, and the Leon, the Arona and the Ateca since 2018.

In 2018, Algeria was one of the top ten global markets in terms of the company's sales volume, and it was the country with the highest growth rate in deliveries.





Main new products and launches

In September, the city of Tarragona hosted the presentation of the new Tarraco, designed and developed at the facilities in Martorell and manufactured in Wolfsburg (Germany).

2018 was a year of intense sales and marketing developments for SEAT, which set itself the target of launching a new car every six months up until 2020.

SEAT Tarraco

In September, the city of Tarragona hosted the presentation of the new Tarraco, designed and developed at the facilities in Martorell and manufactured in Wolfsburg (Germany). This model, with up to seven seats, completes the SUV offensive that began with the Ateca and the Arona, and it shows the future design language of SEAT's new cars.

Considered to be the brand's flagship model, the Tarraco combines cutting-edge technology, agile and dynamic handling, a comfortable ride and functionality with an innovative and elegant design. Furthermore, it combines the benefits of its larger dimensions with the versatility offered by its five or seven seats to offer a vehicle that is capable of adapting to the circumstances of modern-life.

Ibiza and Arona Beats

SEAT's commitment to music was bolstered in 2018 with the launch of two exclusive versions of the Ibiza and the Arona, developed in collaboration with the audio company Beats, which reached dealerships in the last quarter of the year.

The new Ibiza and Arona Beats have aesthetic details and exclusive capabilities, as well as a premium sound system consisting of an amplifier (with 8 channels and producing 300 watts), a digital audio broadcasting (DAB) processor and seven exceptional-quality speakers: two tweeters in the front pillars, two woofers in the front doors, two wide-band speakers in the rear and a subwoofer integrated into the spare wheel hollow that channels the sound towards the interior of the passenger compartment. It also incorporates the Full Link system to link a smartphone to the 6.5-inch, on-board screen via MirrorLink, Android Auto or CarPlay.

Bolstering TGI

The increased demand for engines that are more environmentally friendly is a trend that will grow over the coming years.

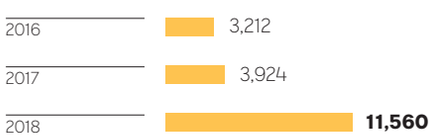
In this context of opportunity and growth for vehicular natural gas (VNG), and after introducing the new Arona TGI model in 2018, SEAT has a complete product portfolio with compressed natural gas engines and has managed to considerably increase sales of models with these engines in the past two years. This increase continued during 2018, with 11,560 vehicles sold (195% more than in 2017) and the Leon TGI (6,458 units) being the best-selling model.

The countries with the highest sales of TGI models are currently Spain, Germany and Italy. Other markets have seen a surge in demand, including Belgium, Switzerland, Sweden and Finland, where there has been exponential growth.



Retail sales of SEAT TGI models

Units



Activity in the fleets and leasing channels

The fleets channel achieved all-time record sales, reaching 113,255 units delivered to companies in 2018, representing a growth of 20%.

Large transactions

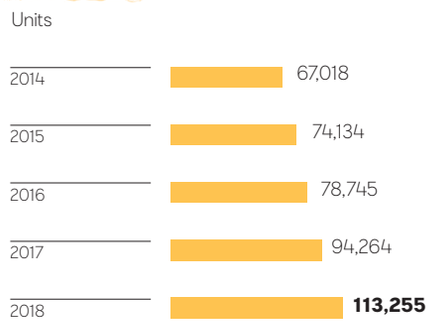
Among the largest agreements reached during 2018 was the purchase of 800 units of the Leon ST by the German company METRO. This company, which leads the wholesale and retail sale markets in the food sector in Germany, valued the reliability, comfort and safety of the company's vehicles for its sales managers. In addition, the prestigious German car club ADA Autovermietug acquired 300 units of the Leon ST and 250 of the Alhambra.

In Spain, the Basque Government bought 300 units of the Leon X-Perience for the fleet of vehicles of the Ertzaintza, the regional police force. The specific vehicle chosen for this fleet was the Leon X-Perience 2.0 TDI with 150 HP and automatic DSG transmission. This model incorporates various adaptations, such as reinforced seats, winter-summer tyres, a specific suspension and a full range of equipment.

SME channel

Work was also undertaken to boost sales in the small and medium-sized enterprises (SMEs) channel, which accounted for almost 50% of total sales in the fleets channel. The SME segment not only contributed significant revenues, but it is also one of the most profitable segments for the company.

Retail sales in the fleets channel



Increase in deliveries in the fleets channel (2014-2018)

46,237 vehicles

69%

Recognition for SEAT's fleets channel

The company's fleets channel received an award in 2018, being named the Most Improved Manufacturer of the Year by the magazine *Fleet World*. The award recognised SEAT's fleets programme and highlighted its products, its team, the strengthening of the distributor network and the facilities available to its customers.





Innovations in the sales network

SEAT's sales network ended 2018 operating in 77 countries, with 1,697 official dealerships and showrooms.

New distribution formats in Norway

One of the most noteworthy developments of 2018 in SEAT's sales network was the company's arrival in Norway, a benchmark country in new trends and mobility of the future. Here, innovative distribution concepts have been set up that offer an uninterrupted buying experience, focused on the customer.

The key element in the system is an online e-commerce platform which allows users to buy a car 24 hours a day, 365 days a year in a simple and intuitive manner. This platform also has the support of a consumer call centre, which acts as a single point of contact and blurs the divide between sales and after sales activities.



Buy a SEAT in 5 clicks

After choosing their preferred model, the easy and intuitive use of the e-commerce platform allows the customer to purchase a car in 10 minutes with just 5 clicks:

01. **Select the finish: FR, Xcellence or Style.**

02. **Choose the engine that best suits their needs.**

03. **Choose the desired colour.**

04. **Add accessories if desired.**

05. **Conclude the purchase transaction and confirm the financial product.**





In parallel with the e-commerce platform, three new physical sales formats were introduced in Norway. These were the brand experience centre, the brand experience spot and the interior pop up stand, which improved the brand's reach in the country and offer customers experiences that combine the digital world with that of the senses. With installations that incorporate a highly digital content (video walls, digital screens, digital silent salesmen and tablet computers), these spaces are intended to accompany the customer throughout their visit and to integrate the digital and the physical worlds.

The brand experience centre in Oslo is the company's main showroom in Norway. With a surface area measuring 250m^2, it has a large and comfortable space to hold conversations, with sofas and low tables, as well as a high table with physical samples of colours and fabrics together with mounts for the tablet computers. It also includes a live store, where customers can contact a SEAT adviser over the internet to show them the vehicle, no matter where they are.

The brand experience spots in Trondheim and Bergen, on the other hand, measure 110m^2 and offer the same services as the centre in Oslo but in a format consisting of innovative containers that can be easily assembled and disassembled, allowing them to be set up in the most appropriate locations.

Finally, the smallest of the formats is an interior pop up stand, which can be used to display, configure and even buy SEAT vehicles at locations with the greatest footfall in the country, such as shopping centres, train stations and airports.

A more flexible sales model

To meet the new challenges facing the automotive sector and mobility, in 2018 SEAT merged the Network Development and Customer Journey departments into a single department called VX, which integrates the online and off-line distribution of the brand.

VX forms part of the company's strategic initiatives for the year 2025, which seek to make the distribution system more efficient and cost-effective. It will also make it possible to develop SEAT's new sales model, "Future Sales", which is more flexible for the customer.

The two main areas in which the "Future Sales" project is focusing are digitalising and optimising the dealership network in order to prepare it for the future, and developing new sales channels that enable direct contact with the customer, such as online sales.

An after sales network at the customer's service

The main goal of SEAT's after sales network is to ensure customer loyalty with the brand. To achieve this, it offers customers high-quality technological solutions and services that are tailored to their needs, focusing on ensuring their satisfaction and peace of mind.

The most noteworthy initiatives of the after sales network in 2018 were aimed at making customers' lives easier, both at the repair garage and outside it.

Technical assistance at any time and place

In 2018, the pilot test of the SEAT Mobile Service began in Spain, the Netherlands and Mexico, and it will be expanded next year with more services in Spain and Portugal. This is an innovative service that takes the repair garage to wherever the customer needs it, thus saving time and providing greater convenience, flexibility and a personalised service. In addition, this type of "mobile repair garage" is connected via remote access with SEAT, allowing the user to manage all the formalities online as if they were physically at the repair centre. This service, aimed at both private customers and fleets, makes it possible to increase customer satisfaction and loyalty among users, differentiate the brand against the competition – no other company offers a service with connected and digitalised units –, and improve the coverage of the company's after sales network.

One of the initiatives of the network was designed to adapt to customers' needs and lifestyles, offering them convenience and a flexible timetable to visit the repair garage, as well as constant and simple communication with it at any place and time. This new concept, called Extended Hours Service, began its pilot phase in the Catalunya Motor Martorell repair garage, located next to the SEAT factory in Martorell. The repair centre extended its opening hours from Monday to Friday, from five o'clock in the morning until seven o'clock in the evening for the company's employees, thus making it easier for them to manage the services with a flexible timetable and at their place of work. In addition to the extension of the opening hours, new processes were introduced for booking and managing appointments and for express delivery of the vehicle at the repair garage, as well as an improvement in online communication.

During 2018, SEAT also set up as many as 100 Express Service points, located in 14 countries. These can be used to carry out over 80 types of procedures on the car in a quick and convenient manner, at competitive prices and with the possibility to get the car back in just one hour, depending on the nature of the work required.

The main goal of SEAT's after sales network is to ensure customer loyalty with the brand.





Worry-free driving

Customer satisfaction is another of the priority objectives of SEAT's after sales network. To increase it, the brand offers the SEAT Care service, which combines a Warranty Extension and the Service and Maintenance Contracts in a single package. In this way, the company offers vehicle protection and maintenance in a single product, with up to a 50% saving on the price of these services when purchased separately.

The SEAT Warranty Extension offers customers the possibility to extend the two-year manufacturer's warranty by up to three additional years, under exactly the same conditions as the first two years, with the exception of wearing parts.

The warranty extension project has successfully developed since its inception in 2010 and is now present in more than 30 countries worldwide, with a 50% penetration rate on sales. This project continues to experience constant growth because it increases the residual value of the vehicle, since the warranty extension is transferable to the new owner if the vehicle is sold, as it is linked to the chassis number rather than to the customer.

The SEAT insurance is the only insurance policy that guarantees that all the repairs it covers are carried out at a SEAT Authorised Service centre, using original replacement parts and complying with the brand's quality standards. Thanks to the possibility to extend the manufacturer's warranty to three, four or five years, the customer can prolong the peace of mind offered by the extensive range of available coverages and options, all without any geographical limits.

Innovation and mobility

During 2018, the after sales network joined the "D!AS" project of the Volkswagen Group, a new digital experience aimed at customers in which they are the focal point of the development process for new products and services. The goals of "D!AS" include increasing the reliability of systems and reducing the time spent on administrative procedures at the repair garages. These changes will make SEAT's after sales network more dynamic, inspiring customers with an innovative service and a sustainable form of mobility.





Innovative and creative advertising

Refuse to conform, challenge the status quo, move, grow, create, experience... SEAT's advertising campaigns in 2018 reinforced the brand's "Created in Barcelona" slogan with actions aimed at encouraging users to take advantage of the mobility solutions that the company offers.

Aligned with its corporate identity, these campaigns reflect the innovative and diverse mentality of SEAT, which, like the city of Barcelona, is known for its creative and urban nature, as well as for its firm focus on the future.



The Ateca invites you to continue to explore your routine

A routine does not have to be boring, and when we choose what we want to experience day to day, we feel happier and more upbeat. With this guiding principle, SEAT's advertising campaign for its Ateca model, consisting of an advert for every day of the week, celebrates those little moments in life.

Under the slogan "Make every day a great day", from Monday to Sunday, first on television and then in print media and on digital platforms, the brand surprised the public by posing different challenges to change their routine and enjoy it, and to inspire them to explore it together with their new vehicle.



The future today. Welcome to the now

The campaign "Future Today" was born with the goal of unifying in a single concept all the technologies that SEAT offered throughout 2018, as well as those it will offer in the future. Under this slogan, the company aims to provide solutions to today's needs through sustainable technologies in the field of connectivity, while also seeking to facilitate users' mobility and to improve their experience both inside and outside the car.

Through this campaign, SEAT encouraged its customers to go one step further and to take advantage of the opportunities provided by technology and which the company includes in its vehicles to make their life easier and more comfortable. One of the most noteworthy of these technologies is the environmentally friendly mobility alternative offered by the TGI engines.



New SEAT Tarraco, why not now?

The 146,124 SEAT fans from 134 countries who took part in the last phase of the #SEATseekingName project chose Tarraco as the name for the brand's new SUV. With its launch, SEAT took a leap into a new segment, consolidating the biggest product offensive undertaken to date and placing the new model at the head of the company's SUV range, which already included the Ateca and the Arona.

The new SEAT Tarraco has a distinctive and elegant design, cutting-edge technology and a large internal capacity, and it offers versatility for drivers who want to continue to expand their horizons. With the slogan "Why not now?", the campaign of the new SEAT Tarraco seeks to encourage those who refuse to conform or settle for second best and who want to grow, laying aside the excuses imposed by society.

Passion for music

SEAT's commitment to music and sound systems was reinforced in 2018 with the campaign of the Beats special editions of the Ibiza and Arona, underscoring the company's connection with urban culture. Based on the idea that music encourages us to move and to discover the world, to stay connected and to share, the brand presented the exclusive versions of the Ibiza and Arona Beats.

The new Beats versions of the Ibiza and Arona were debuted before the public at the Primavera Sound festival, as part of an innovative sensory experience of light and sound. The public had the opportunity to interact with the lighting of the façade of the Torre Glòries building in Barcelona, which was synchronised with the rhythm of the music that was mixed live from inside the new SEAT models.



Promoting the SEAT brand through culture and sport

For yet another year, SEAT collaborated with various partners from the world of entertainment and sport to enhance the brand, improve its visibility, communicate its values and bring the product closer to the end customer.

Commitment to music and urban culture

In 2018, SEAT took another step in its commitment to music as a link with society and as a means to connect with the public and unlock new experiences.

Primavera Sound and Primavera Club

For the second year in a row, SEAT reached an agreement with the Primavera Sound music festival and became a strategic partner of the event, which was held between 30 May and 3 June in Barcelona. The brand put on a number of activities surrounding the event, which encompassed spaces both inside and outside the concert area.

On the one hand, and as a sign of its commitment to providing mobility solutions, the company offered attendees a free bus service from Barcelona-El Prat Airport, as well as two shuttle buses within the Parc del Forum area of Barcelona to connect the focal points of the event enclosure. On the other hand, at the entrance to the festival, six international artists from France, Germany, Italy, Great Britain, Mexico and Spain created a unique, collaborative and multicultural work of urban art on a wall measuring 55 meters in length. In it, they expressed their perception of Barcelona's light, culture, sound, gastronomy, colour and art, which connects with the city's avant-garde and artistic spirit and brings urban culture to the festival and the attending public. The main stage of the festival, sponsored by SEAT, was also decorated with an enormous work of street art by the artist Uriginal.

In addition, in the SEAT Village, a space for artistic and musical expression open to the public, the more nostalgic fans relived the musical roots of Primavera Sound thanks to a robot, developed in collaboration with in collaboration with the Polytechnic University of Catalonia (Universitat Politècnica de Catalunya), which acted as a professional disc jockey, playing songs requested by a dedicated audience. In this same space, attendees were also able to enjoy sets performed by a further six international DJs.



The company was also the exclusive sponsor of the fifth edition of Primavera Club for the second consecutive year. Between 26 and 28 October, this event brought the most innovative proposals within the contemporary music scene to fans in Barcelona and Madrid. One of the novelties of 2018 was the SEAT Sounds Studio, a radio and television space located in Barcelona's Sala Apolo venue, where the festival was held. With recordings of concerts and interviews with bands, artists and other personalities from the music scene, this event brought the Primavera Club to a wider audience, beyond those in attendance.

Lollapalooza festival: urban art and mobility

Another of the demonstrations of SEAT's commitment to music was its collaboration with the Lollapalooza festival. At its editions held in Paris (21 and 22 July) and Berlin (8 and 9 September), the brand promoted the creation of a mural with international graphic artists, as well as a SEAT Village where music lovers were able to enjoy a chill out area with Wi-Fi and mobile phone chargers. In addition, activities were organised in the family zone, including a Parkour circuit and an urban art space.

In Berlin, where SEAT was the main sponsor, a special tribune was installed on the stage.





Promoting sporting values

SEAT, with the Spanish national football team

In the field of sport, SEAT has strengthened its collaboration with football, becoming the main sponsoring partner of the Spanish national football team (known as "la Roja"). The agreement between the company and the Royal Spanish Football Federation (RFEF) linked the brand with the "la Roja" team until March 2021 and established SEAT as its official car and one of its sponsors during the Football World Cup in Russia, as well as the European Football Championship in 2020. Through this agreement, the company sought to bring the brand closer to fans and to increase its visibility at both a national and an international level.

The first support activity took place two days prior to the Spanish team's first match of the World Cup, with the launch of the "Calles" (Streets) television advert. The advert consisted of a poem, focusing on the diversity of Spain, and it was presented with a tour through its streets, with the participation of the players David Silva, Iago Aspas, Koke Resurreción, David de Gea, Sergio Busquets, Rodrigo Moreno and Marco Asensio.

The Copa del Rey tour

The brand also renewed its sponsorship of the Copa del Rey football tournament, sponsoring the entire season of the Spanish Cup and strengthening its presence in the media through physical advertising on the pitches and, above all, by engaging with fans through the "La Copa Tour". Through this tour, more than 10,000 fans were able to see the trophy at 94 official SEAT dealerships located throughout Spain.

Official brand of the CSIO Barcelona

From 5 to 7 October, SEAT was the institutional sponsor and official car of the Official International Show Jumping Competition (CSIO), one of the foremost equestrian events in the world organised by the Real Club de Polo de Barcelona.



Presence at motor shows and other events

SEAT continued in 2018 to build brand experiences at major international events in order to highlight the company's achievements and continue to enrich its strategy for the future.

Connectivity at the Mobile World Congress

For the fourth year in a row, in February the company took advantage of the Mobile World Congress (MWC) in Barcelona, the biggest technology trade fair in the world, to continue to work on digital transformation, one of the pillars of the brand.

During the event, SEAT announced that it would be the first car manufacturer in the world to incorporate Shazam, the song recognition service that will allow customers to identify their favourite songs from inside the vehicle in a safe and easy manner. The company also announced the creation of the new company XMOBA to identify, test, market and invest in business models that help to promote solutions aimed at improving the mobility of the future.

In addition, the company presented the SEAT Leon Cristobal prototype, which is pursuing the goal of achieving zero road accidents through the incorporation of 16 safety assistants. Furthermore, the company displayed the SEAT Connected Experience 2.0, a powerful simulator that allowed attendees to have an interactive experience of what driving will be like in the future with the advances in connectivity and the driving assistants that the brand is currently working on.

Meetings were also organised between SEAT executives and representatives from major technology companies in order to seek new partnerships in the fields of connectivity and artificial intelligence in the car.

For the fourth year in a row, in February the company took advantage of the Mobile World Congress (MWC) in Barcelona to continue to work on digital transformation, one of the pillars of the brand.







New launches at the Geneva Motor Show

At the International Motor Show in Geneva, held in March 2018, two separate worlds, SEAT and CUPRA, met for the first time at the company's stand to build a unique experience and to once again surprise all those in attendance.

The event included the public debut of the new CUPRA brand, which seeks to reinterpret the sporting spirit, combining uniqueness, sophistication and performance. Two new models were also presented, the CUPRA e-Racer, the first 100% electric passenger race car in the world, and the CUPRA Ateca, a unique SUV that marks the beginning of the new brand.

In the SEAT space, the company displayed the Ibiza 1.0 TGI FR, a compressed natural gas (CNG) and petrol vehicle, and the five-door Leon FR. The company also presented the new "Digital Cockpit", a modern and versatile digital instrument panel designed for interactive viewing.





Pop-up stores and developments in Paris

In October, SEAT presented multiple new products in the city of Paris. On the one hand, on the occasion of the Paris Motor Show, two pop-up stores were set up to display the new models on the streets of the French capital and to bring them closer to the brand's followers. On display in these pop-up stores was the new SEAT Arona TGI, among other models, as well as a space reserved for the CUPRA brand.

On the other hand, and as part of the events of the Motor Show, those in attendance were able to try out the Leon and the Ibiza powered by natural gas at a test drive centre set up by the organisation. In addition, at the company's stand, all the models of the SUV family were exhibited for the first time, including the Arona TGI, the first SUV in the world to use CNG. To crown it all, the mythical SEAT 600 formed part of the parade held in the Place de la Concorde to commemorate 120 years of the Paris Motor Show.





Smart City Expo World Congress

During the 8th edition of the Smart City Expo World Congress, held in Barcelona from 13 to 15 November, SEAT presented some of the brand's main developments to improve the future of mobility.

Congress attendees had the opportunity to discover the new solutions for facilitating mobility developed by the SEAT Metropolis:Lab Barcelona, and which XMOBA will implement as part of a pilot test next year. These include *Ride-sharing*, an app that allows users who drive to work to connect and share rides, and *Bus on demand*, which seeks to optimise the use of existing bus lines by offering flexible routes adapted to demand in real time.

In addition, the Cristobal 5G, the updated version of the brand's prototype, was exhibited during the event. This vehicle now incorporates 5G technology to connect the car with its environment. SEAT's new socially responsible navigation project, developed in conjunction with Waze and Barcelona City Council, was also presented. This project will make it possible to predict events that could affect traffic.

On the other hand, attendees were able to try out the SEAT eXS electric scooter powered by Segway, the company's first vehicle as part of its urban micro-mobility strategy.

During the 8th edition of the Smart City Expo World Congress, SEAT presented some of the brand's main developments to improve the future of mobility.



Research and Development







SEAT understands innovation as a key factor not only for the progress of industry but also for wider society, enabling it to pursue the transformation required in a world that is increasingly immersed in new technologies. For this reason, the company is the leading industrial company in Spain in terms of investment in research and development.

The SEAT Technical Centre (CTS), an icon of R&D&I in Spain

SEAT is the only company that both designs and develops cars in Spain, giving it a differential factor that has helped to turn it into a technology company. The SEAT Technical Centre (CTS), a true benchmark in the field of research, development and innovation (R&D&I), is the only one of its kind in Spain that possesses the experience and the technologies required for the end-to-end development of a new vehicle. The CTS staff work with a future-focused perspective, continuously capturing customers' ideas and needs in order to create SEAT's future of mobility.

The majority of the CTS staff hold middle and higher-grade qualifications from different countries that are based on the latest technological developments for designing modern and reliable cars. They also research new solutions in order to further examine the topic of sustainability applied to the car, especially in the reduction of CO_2 emissions and the search for maximum efficiency. In the field of design, the engineers and technicians combine the latest technology with functionality and the unmistakable SEAT seal, which is present in all the brand's models.

The use of simulation techniques and virtual reality allow the CTS to shorten development times, reduce costs and increase quality. In addition, the centre plays an important role in fostering industrial development, since it acts as a driver for the technological development of the company's suppliers located throughout Spain.

The use of simulation techniques and virtual reality allow the CTS to shorten development times, reduce costs and increase quality.

The SEAT Technical Centre in figures

Year of creation
1975

Surface area
200,000 m²

Number of engineers
1,087

Kilometres of tests
2,416,292

Number of projects
437

Number of prototypes
38

Hours of engineering
3,155,492



The next level of the CTS

During 2018, SEAT continued to work to shape the future of the brand. The Research and Development (R&D) division is highly committed to successfully tackling the digital disruption that is taking place in the automotive industry. Therefore, throughout the year it expanded its capacity and expertise in the fields of connectivity, shared and electric mobility.

Creation of the SEAT Digital Lab

Within the CTS, and under the umbrella of the Easy Mobility Team (a cross-departmental team whose mission is to lead SEAT's transformation in digitalisation, R&D, customer experience and the development of new businesses), the company launched the SEAT Digital Lab. This is an open space in which staff can visualise and develop future digital products and services for cars, as well as new mobility concepts. Various disciplines are combined in the space, including electronic architecture, design, information technologies and quality, with the goal of fostering innovation and digital culture.

The work of the Digital Lab proved critical to the success of some of the projects launched throughout the year, such as the integration of the Amazon Alexa and Shazam assistants into SEAT's cars. This laboratory made it possible to easily interact with the external partners related to these applications, providing real user experience in the initial stages of the projects through the use of simulators and product concepts.

Besides these actions, many other digital and mobility-related initiatives are developed in the Digital Lab, facilitating both rapid decision-making processes and the joint creation processes of the various divisions that participate in it. In short, it is the new benchmark for SEAT's digital transformation.

In the coming years, SEAT plans to integrate the company's entire Digital division team into this space, while at the same time enhancing its capacity to create prototypes in order to conceive new experiences based on cutting-edge technologies, such as artificial intelligence, the internet of things and augmented reality.

Development of sustainable drivetrains

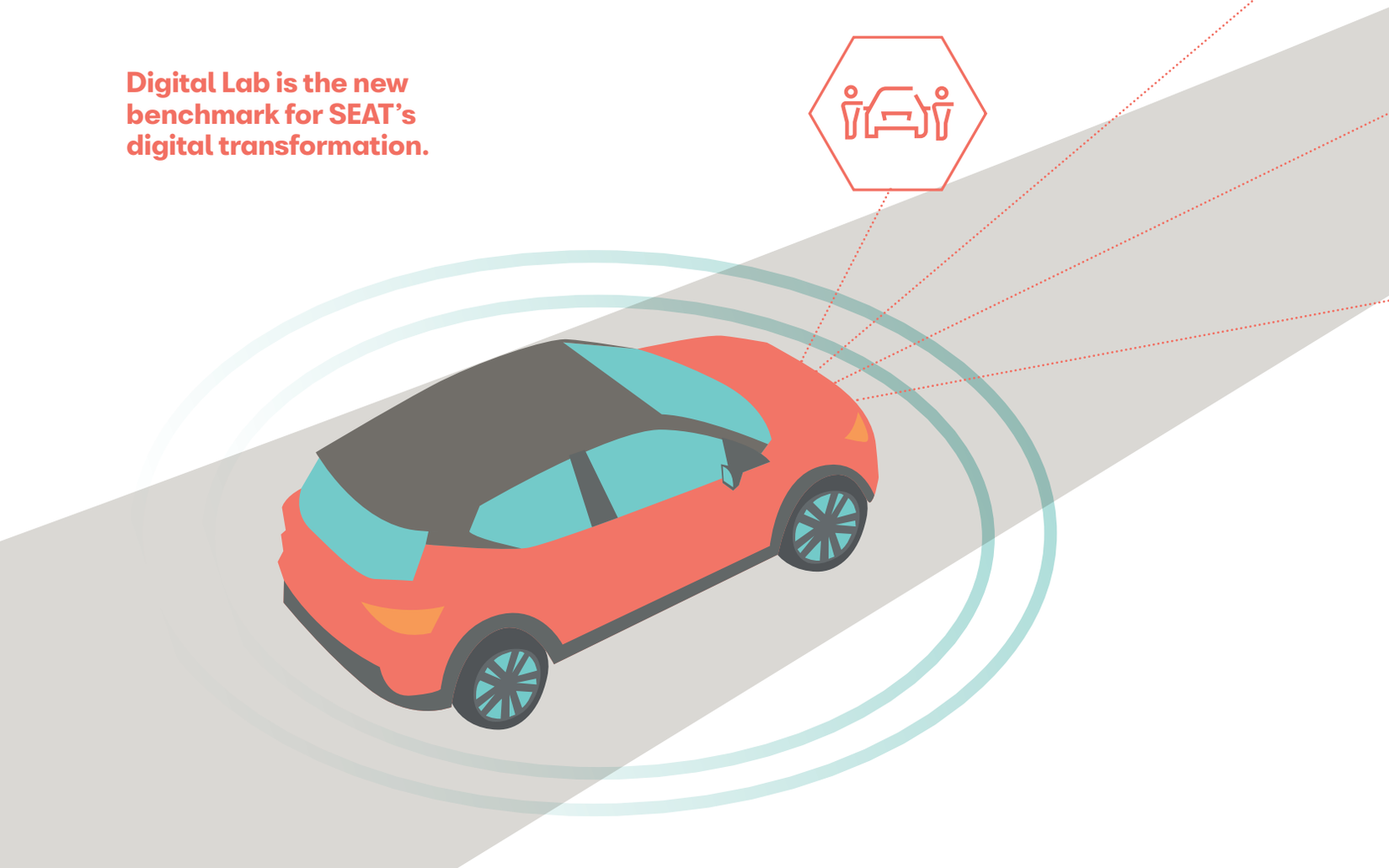
The drivetrain strategy of SEAT's future product portfolio incorporates the most advanced Otto, diesel and CNG engines, as well as the latest technology in electrified drivetrains (mHEV, HEV and PHEV) and completely electrified drivetrains (BEV).

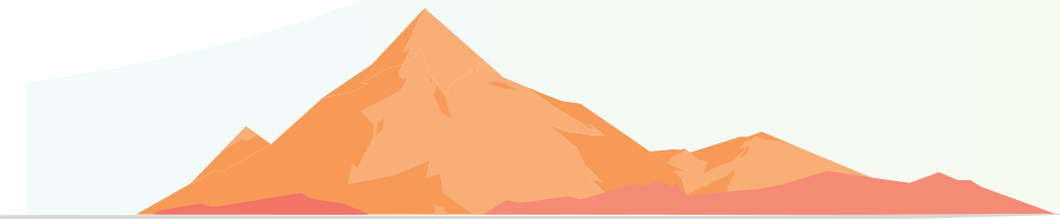
During 2018, SEAT R&D invested in expanding its competencies and capacities in the field of drivetrain development in order to comply with future emission standards. These new competencies and facilities are utilised for both SEAT and the Volkswagen Group projects.

A driver of CNG technologies

One of SEAT's objectives is to promote the use of compressed natural gas (CNG) to improve mobility, since it is a sustainable and cost-effective alternative. The company's innovation in this field allows its CNG vehicles to emit less nitrogen oxide compared to its diesel engine cars, while also reducing CO_2 emissions compared to its petrol engine cars and eliminating nearly all the particles in suspension.

Digital Lab is the new benchmark for SEAT's digital transformation.





Increased capacity to measure emissions

To address the new European directive for the measurement of vehicle emissions, WLTP (Worldwide harmonised Light-duty vehicles Test Procedures), the test facilities at SEAT R&D have been modernised and expanded.

To this end, two new laboratories for measuring emissions were built, equipped with the latest systems available on the market, and nine PEMS (portable emissions measurement system) devices were also acquired, which allow emissions to be quantified in real traffic conditions through online calculations of emissions while out on the road.

Battery laboratory

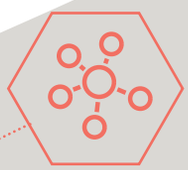
The SEAT Battery Laboratory accredited by the Volkswagen Group, with temperature/climate chambers and high-power cycling test channels allows testing, development and research activities to be conducted in the fields of mHEV, HEV, PHEV and BEV battery technologies.

With the focus on lithium-ion technology, ranging from modules through to complete battery systems and vehicle battery integration, testing activities are continuously undertaken to ensure performance, stability and functional safety in accordance with global standards and regulations.

The high-quality testing technology available in the Battery Lab has served as a catalyst for the development, manufacture, implementation and testing of several battery concepts across a wide range of applications. These activities have also played a leading role in national and international projects.

Battery charging processes play an important role within electrified drivetrains, encompassing aspects ranging from safety to efficiency and from power to charging methods. These values and parameters are validated using the Battery Laboratory's facilities.







SEAT offers the widest range of CNG vehicles in Europe and was the first brand in the world to present an urban SUV with a CNG and petrol engine: the Arona TGI. SEAT's TGI engines use natural gas as the main fuel and can also use petrol when the gas tank is empty. To develop the TGI technology, investments were made in engine power banks, roller banks for road simulations and installations for the supply of natural gas.

In addition, the R&D division participated in various European projects to use biogas in CNG cars with the goal of achieving a carbon-neutral combustion engine that provides the same performance.

SEAT was the first brand in the world to present an urban SUV with a CNG and petrol engine: the Arona TGI.



SEAT's entry into the joint venture JAC Volkswagen to boost electric mobility

In July 2018, SEAT signed an agreement through which it joined JAC Volkswagen Automotive Co. Ltd, the joint venture established in the previous year by Volkswagen Group China and Jianghuai Automobile Group Corp. Ltd (JAC). This operation forms part of the company's globalisation strategy and aims to bolster the development of the electric vehicle by becoming the leading brand within the Volkswagen Group in this project.

Months later, in November, SEAT signed a new agreement with Volkswagen Group China and JAC under which the three companies will use their technical know-how and product strength to develop a platform for electric vehicles. In addition, JAC Volkswagen will launch the SEAT brand in China in 2021 and will collaborate in the electrification of SEAT's vehicles.

The two agreements have represented a step forward in the cooperation between Volkswagen Group China, SEAT and JAC, who will work together in China's important electric mobility market.

China's government policies are promoting the development of new electric vehicles, and they expect to increase sales of this type of car to 70% by 2050. The Volkswagen Group has invested over 15 billion euros in future cooperation with partners in China, and it has marked out SEAT as an important player within the Group's development strategy in the country.

Since the creation of JAC Volkswagen in 2017, SEAT has contributed with its know-how and expertise in the fields of design and R&D. It is also actively participating in the creation of JAC Volkswagen's new R&D centre, which will specialise in new energy vehicles (NEVs) for passengers and will be located in the Chinese city of Hefei. The ceremony of laying the centre's foundation stone took place in late 2018 and, once finished, the centre will focus on key areas such as electrification, connectivity and autonomous driving.

SEAT has a team of several professionals based in China, who are working at the JAC Volkswagen facilities. Their task is to support the design and development of new products, contributing SEAT's enthusiasm and passion for excellence, and to lead the R&D functions, as well as making preparations for the future introduction of SEAT into the Chinese market.



New products with the latest innovations

As part of SEAT's goal to launch a new model onto the market every six months up until the end of 2020, in 2018 the new CUPRA Ateca, the CUPRA R ST and the SEAT Tarraco were presented. These launches and the CUPRA e-Racer displayed during the Geneva Motor Show underscored the company's clear commitment for the future: to become an even more relevant and innovative brand in the automotive sector.

SEAT Tarraco: excellence in engineering and technology

One of the brand's major developments in 2018 was the launch of the Tarraco. This is a vehicle that has been completely designed and developed within SEAT and is now being produced at the very heart of the Volkswagen Group, in Wolfsburg, as another clear sign of the group's trust in SEAT. The new SUV combines all the ingredients of the SEAT formula: design and functionality, sportiness and comfort, accessibility and quality, and technology and emotion. In addition to these factors is versatility, which translates into five or seven-seat versions and a higher-than-usual driving position.

Following the Ateca and Arona, this new model completes SEAT's SUV range, allowing the company to consolidate its position as a brand with one of the widest ranges in this segment of the market. The Tarraco represents a qualitative leap for the company in terms of winning over new customers, attracted by the potential of the brand's biggest SUV.

This model, which will become SEAT's flagship, combines the benefits of its larger dimensions with a great versatility that allows it to adapt to every circumstance of modern life. The SEAT Tarraco comes in two trim levels – Style and Xcellence – and it has been designed using the latest technologies of the Volkswagen Group and the MQB A+ platform architecture, characterised by its large distance between axes.

All the engines of the SEAT Tarraco are direct-injection and turbocharged, as well as incorporating Start&Stop technology, with 150 and 190 HP versions available. There are two petrol engine versions: a four-cylinder, 1.5-litre engine producing 150 HP and a 2.0-litre, four-cylinder block which produces 190 HP. As for the diesel engines, they also offer two options, both four-cylinder, 2.0-litre TDI engines, producing either 150 or 190 HP.

The new Tarraco includes all the driving assistant tools needed for a more



comfortable and safer driving experience. These include the involuntary lane change assistant and the Front Assist automatic emergency braking assistant with recognition of pedestrians and cyclists. In addition, it optionally comes with systems such as the blind spot detector, traffic signal recognition, Traffic Jam Assist, Adaptive Cruise Control (ACC), automatic lights and the emergency assistant, which warns the driver if it detects inactivity at the wheel, even gently activating the brake. It also includes the automatic emergency call system (eCall) and the pre-collision and rollover detection assistants, making it the model of reference in its segment.

In addition, the Tarraco's Navi Plus infotainment system incorporates the Gesture Control function for the first time in the company's models, which can be used to control certain functions with a simple movement of the hand in front of the screen.











The new Tarraco includes all the driving assistant tools needed for a more comfortable and safer driving experience.

CUPRA e-Racer: from the racetrack to the road

The CUPRA e-Racer, displayed during the Geneva Motor Show, is the first 100% electric passenger racing car in the world. Electric drivetrains will gain a more important role in motorsport in the future and with the e-Racer, CUPRA showcases its technical capabilities. The e-Racer is a true pioneer in high-performance electric drivetrains and the insights gained during its development are directly used as input for the development of SEAT's and CUPRA's future electric passenger cars. The CUPRA e-Racer is the development platform for the upcoming multi-brand ETCR race series starting in 2020, with which CUPRA is leading the digital disruption in touring car racing.



Electric motors

A total of four motors are mounted over the rear axle and deliver a peak performance of 680 HP. Equipped with only a single gear, the car is capable of accelerating from 0 to 100km/h in 3.2 seconds, from 0 to 200km/h in just 8.2 seconds and it has a top speed of 270km/h.

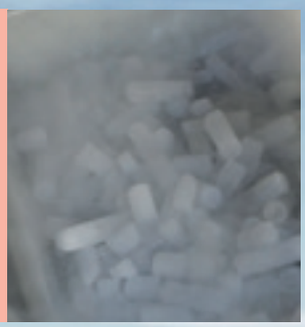


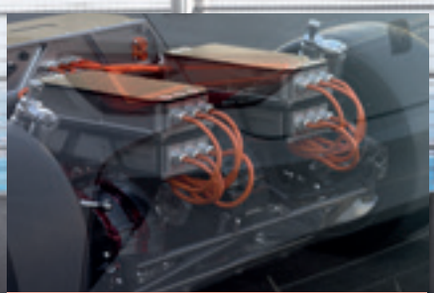
Final stretch towards a new racing format

CUPRA engineers and technicians continue to work to get the most out of the car with the clear goal of making it even faster than internal combustion engine racing cars and crossing the finish line in first place. Components and strategy go hand in hand, a combination that will culminate in 2020 when the CUPRA e-Racer competes for the first time in the new ETCR racing format.

Temperature control

The car is equipped with a bespoke cooling system with three independent cooling circuits, as each element has different temperature limits: the battery threshold is 60°C, the invertors 90°C, and the engines 120°C.





The battery as a core element

The battery is the core element of the car and determines the entire design and position of the remaining elements. It is located as low as possible, ensuring that the centre of gravity is close to the ground and enhancing the car's dynamics. The battery is made up of 23 modules containing a total of 6,072 battery cells.



Energy management

The car features an energy recovery system that harnesses energy from braking and decelerating. The steering wheel of the CUPRA e-Racer has a display panel that the engineers can monitor and which provides a full range of vehicle performance data in real time while driving, thus enabling efficient energy management.

Digital Cockpit: a wealth of information at your fingertips

In 2018, SEAT's Digital Cockpit was incorporated into the Arona, the Ibiza and the new Tarraco, thus completing the range of cars that include this feature, together with the Leon and the Ateca. This instrument panel features a 26-centimetre, high-resolution screen that allows the driver to access the desired information without taking their eyes off the road, or their hands off the multi-functional steering wheel from where it can be navigated.

Controlling what information is displayed by the Digital Cockpit is very easy, as the driver can scroll through the three screens offered by the system – classic, digital and dynamic – with just the push of a button:



1. The classic screen provides the standard analogue information, such as the speedometer and rev counter. It also provides the option to include more information between the two dials, such as navigation indications, the audio from any source, the telephone, the various pieces of data related to the journey and the state of the vehicle, as well as the driving assistant tools.



2. The digital view allows the entire Digital Cockpit screen to be turned into a full-colour, interactive map, with detailed information about the environment to help you to quickly find points of interest. This mode also offers all additional information from the menu, such as the telephone, data on the state of the vehicle and the journey, the driving assistant tools or the audio.



3. The dynamic screen puts the focus on the most relevant information for the driver: the step-by-step navigation indications, the more advanced data provided by the involuntary lane change assistant, the forward-facing people and vehicle detector, the proximity radar, the blind spot warning and the car status tool, among other aspects.



Industrial property

SEAT's creative and research efforts translate into a constant flow of innovation. As a result, year after year the company increases its efforts to develop and protect its industrial property.

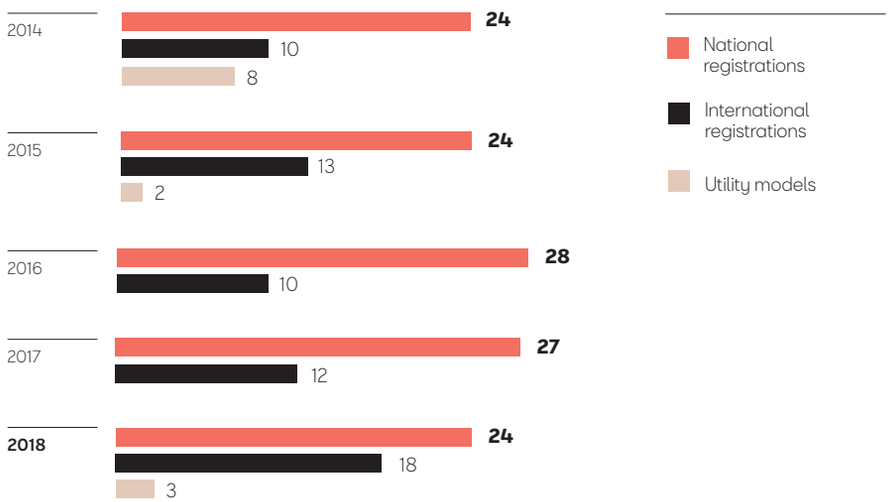
During 2018, the company completed a total of 45 registrations: 3 utility models, 24 national patents (RN) and 18 international patents (RI). With these figures, the total number of registrations in the last five years – including utility models and patents – amounts to 203, while the current portfolio of existing registrations comes to 353.



SEAT's creative and research efforts translate into a constant flow of innovation.

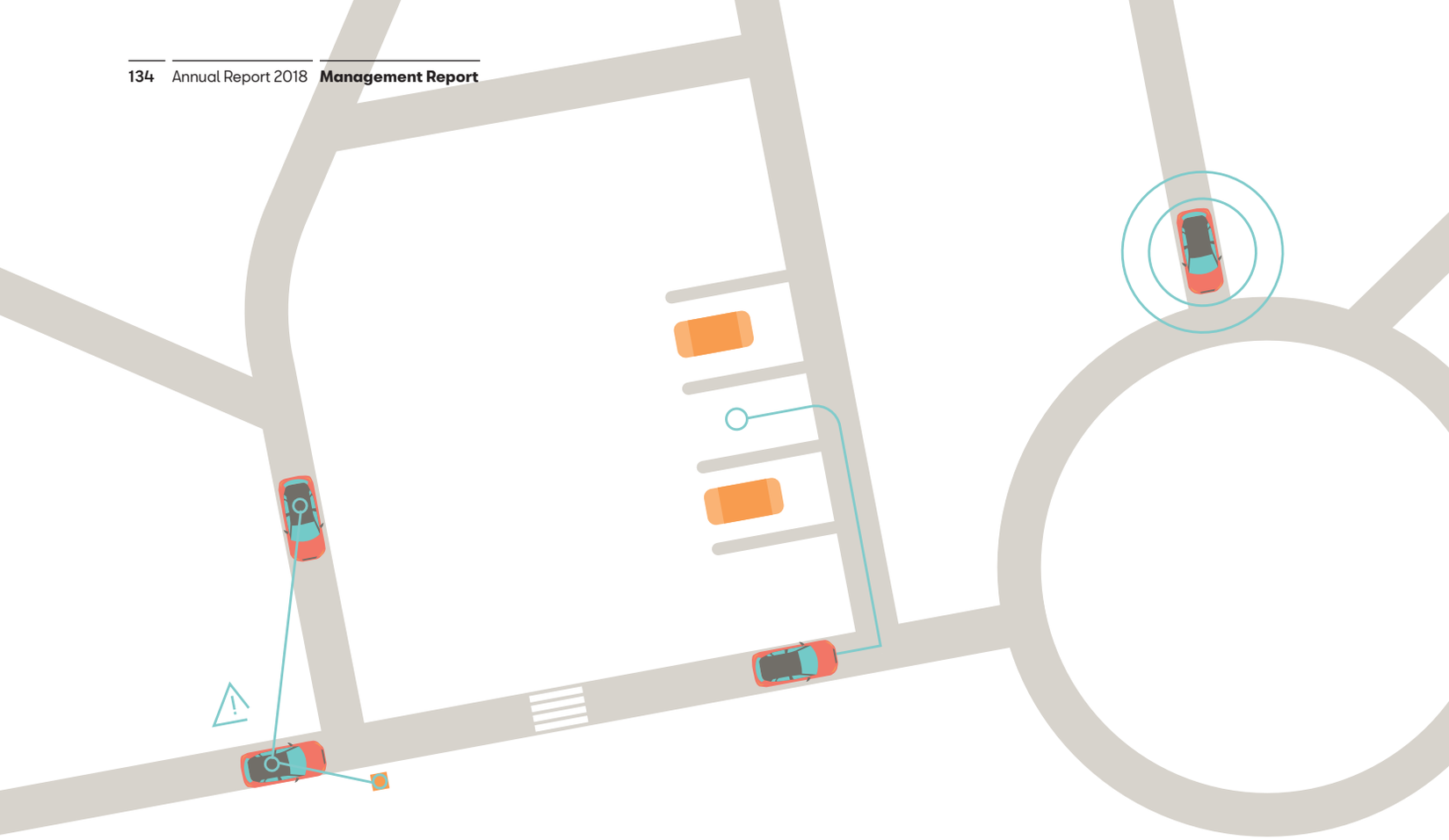


SEAT's patent registrations



203
registrations in the period (2014-2018)





Research and training to transform the automotive industry

To ensure good results in its research activities, SEAT's R&D division has the best professionals from various disciplines and fields, and it offers them training focusing on the needs of the future of the automotive industry and the latest technological advances. It also ensures the hiring of new talent through close and continuous collaboration with various universities. In this regard, SEAT is committed to the presence of young people in its workforce, due to the innovative and disruptive vision that they can offer in the development of the mobility of the future.

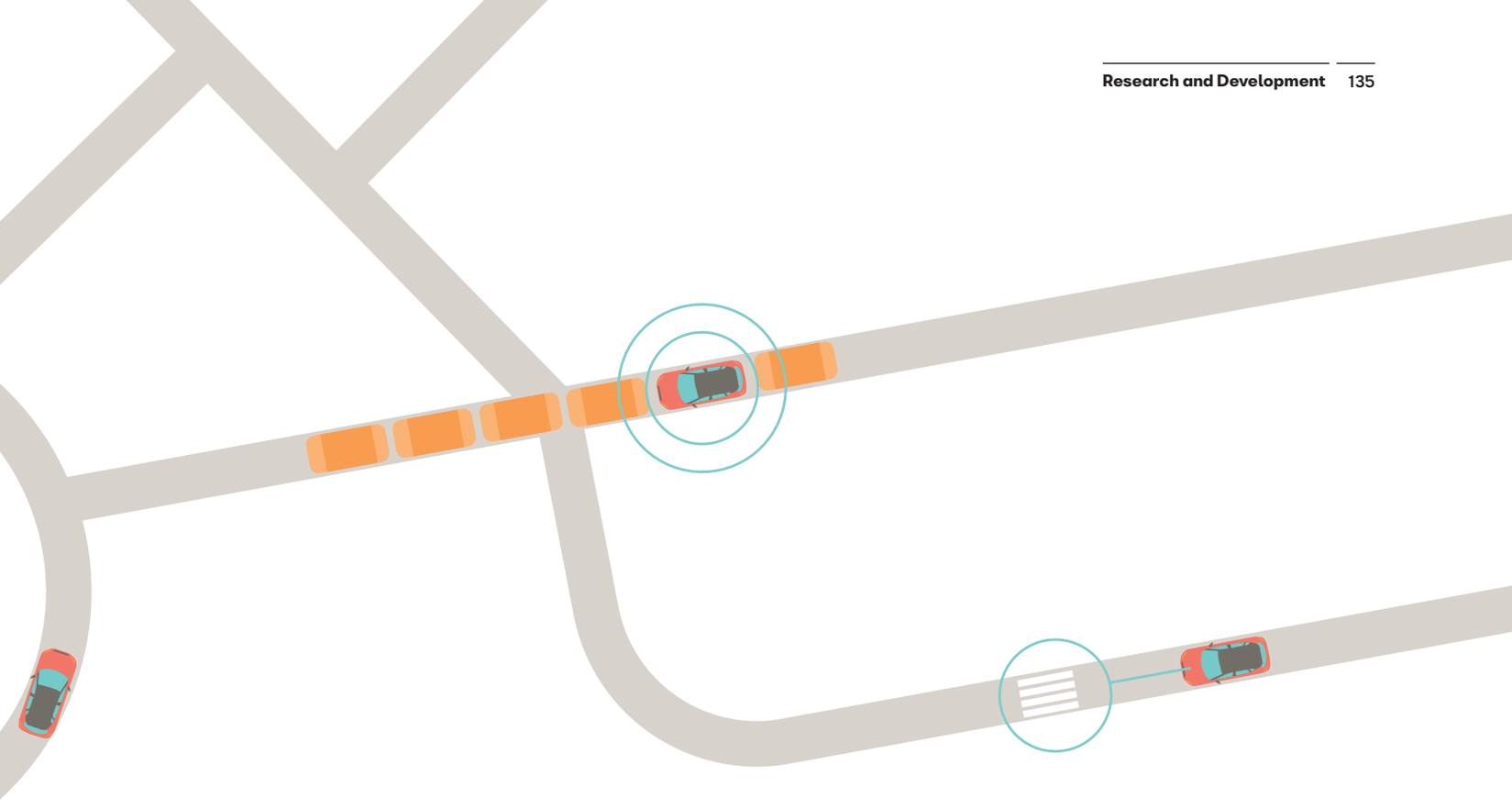
Support for the Polytechnic University of Catalonia (Universitat Politècnica de Catalunya, UPC)

During 2018, SEAT continued to collaborate with the Polytechnic University of Catalonia (Universitat Politècnica de Catalunya, UPC), both through the SEAT/UPC professorship and through CARNET (Cooperative Automotive Research Network), the research and innovation institution backed by the university itself, SEAT and Volkswagen Group Research.

The company continued to provide its support for the two postgraduate programmes offered by the UPC:

Fourth edition of the CREATIVE LAB

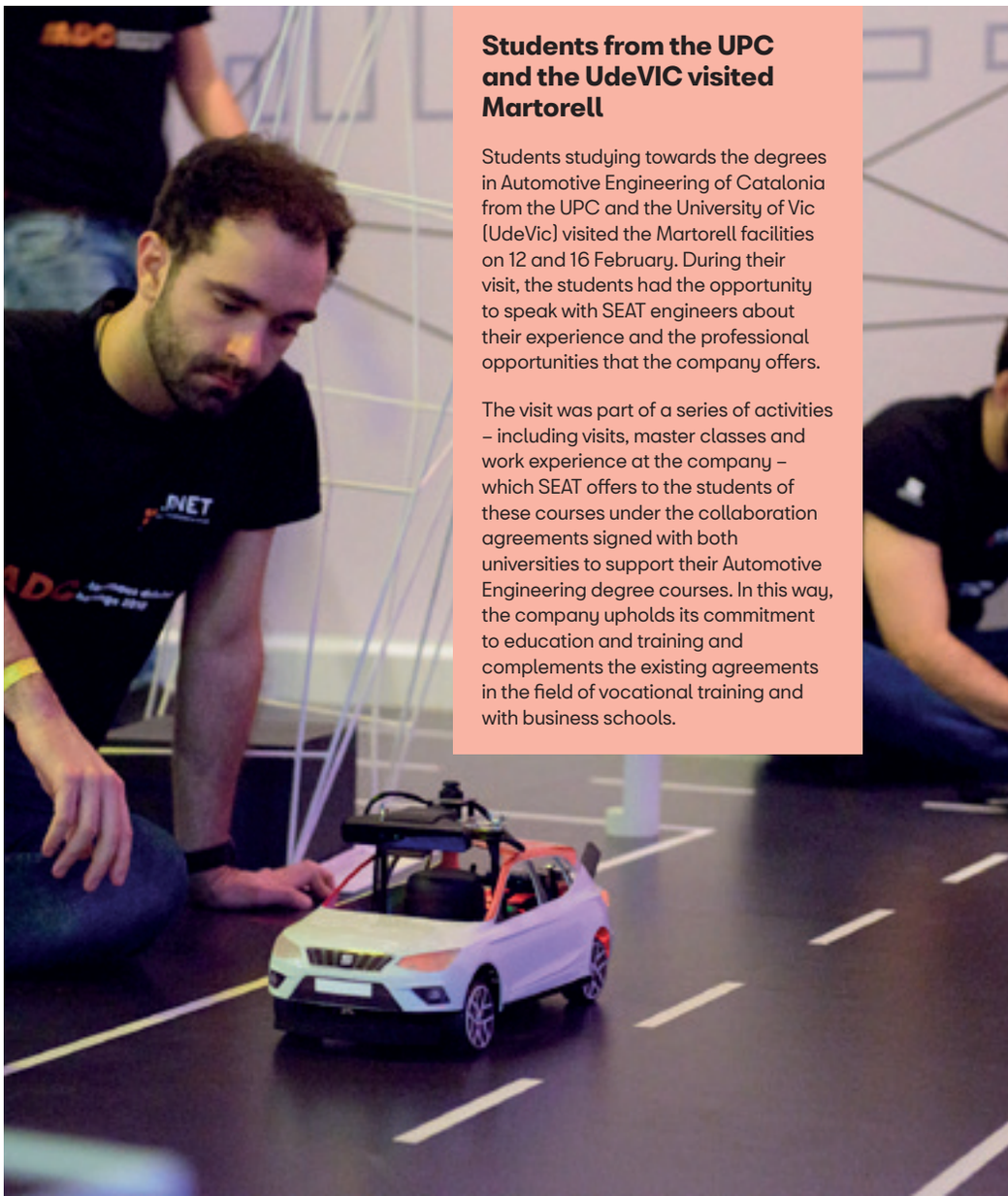
In early May, SEAT's facilities hosted the closing ceremony of the fourth edition of the Creative Lab, a project led by CARNET involving students from the Industrial Engineering, Aerospace and Audiovisual School of Terrassa (Escuela Superior de Ingeniería Industrial, Aeroespacial y Audiovisual de Terrassa, ESEIAAT) and the Centre of Image and Multimedia Technology (Centro de la Imagen y la Tecnología Multimedia, CITM), both part of the UPC. Between October 2017 and May 2018, the students worked on various challenges supported by a group of mentors composed of university professors and professionals from SEAT and Volkswagen.



Automotive Bodywork and Materials (CARMAT) and Electricity and Car Electronics (ELTICA). Both courses deepen the company's desire to support training and to transfer the results of research to the automotive sector.

The CARNET platform marked its third year in existence, consolidating itself as the first major research and innovation hub geared towards the automotive industry and the urban mobility of the future. CARNET works on various collaborative projects focused on transforming the automotive industry through urban mobility. These include the Virtual Mobility Lab, a simulation tool that analyses and evaluates the impact of smart mobility projects in Barcelona, and the On-Demand Shuttle Service, a new system based on shared vehicles that can be hailed on demand.

SEAT is committed to the presence of young people in its workforce, due to the innovative and disruptive vision that they can offer in the development of the mobility of the future.



Students from the UPC and the UdeVIC visited Martorell

Students studying towards the degrees in Automotive Engineering of Catalonia from the UPC and the University of Vic (UdeVic) visited the Martorell facilities on 12 and 16 February. During their visit, the students had the opportunity to speak with SEAT engineers about their experience and the professional opportunities that the company offers.

The visit was part of a series of activities – including visits, master classes and work experience at the company – which SEAT offers to the students of these courses under the collaboration agreements signed with both universities to support their Automotive Engineering degree courses. In this way, the company upholds its commitment to education and training and complements the existing agreements in the field of vocational training and with business schools.

Recognitions for SEAT and CUPRA vehicles



SEAT Mii

> **Best car in its class award in the Environmentally friendly category in Switzerland**, according to the Car environmental performance list drawn up by the Traffic Club of Switzerland.



SEAT Ibiza

> **Silver medal at the European "Car of the Year 2018"** awards, awarded by a judges' panel composed of journalists from various countries who highlighted its combination of distinctive style and exceptional driving dynamics.

> **"Best Cars 2018" award for the Best Utility Car in Spain,** awarded by the Spanish magazine *Autovía*, of Motorpress Ibérica, for its habitability, wide range of equipment, driving assistants and connectivity.

> **Best Utility and Compact Car award in the Schibsted Motor Awards 2018 in Spain**, awarded by Schibsted Spain, owner of the portal coches.net, in recognition of its great value for money and its wide range of engines.

> **"Ecomotor" award for the Best Utility Car in Spain**, awarded by the newspaper *El Economista*, which valued its efficiency and technology, its great value for money and its wide range of engines.

> **"Firmenauto 2018" award in the small car category in Germany**, awarded by the publication *Firmenauto*, which particularly valued the excellent consumption levels of the compressed natural gas TGI engine.

> **"Autoflotte Top Performer" award in the small car category in Germany**, awarded by the publication *Autoflotte*.

> **Best Small Car award in the United Kingdom**, awarded by the magazine *What Car?* for its practicality and low maintenance costs.

> **Best Small Car award in the United Kingdom**, awarded in the UK Car of the Year (COTY) Awards, in recognition of the progress demonstrated by the car and its attractive chassis created on the MQB A0 platform.

> **Best first car award in the Parkers New Car Awards in the United Kingdom**, chosen by car buyers who use the website Parkers.co.uk.

> **Car of the Year award in Finland in the small car category**, awarded by Almamedia/Iltalehti, which particularly appreciated its handling and defined it as one of the most exciting new cars in the Finnish market.

> **"Car of the Year / Crystal Steering Wheel" award in Portugal**, awarded by the Expresso & SIC Notícias media outlet, which valued aspects such as the car's aesthetics, performance, safety, price and sustainability.

> **"Car of the Year in Portugal" and "Urban Car of the Year" awards in Portugal**, awarded by a judges' panel of specialist journalists from Portugal who recognised the car's technological advances, safety, pleasurable driving experience, price and running cost.

> **"Best Safety Equipment" award in the small car category in Austria**, awarded by ÖAMTC/Auto Touring, which took into account the active and passive safety aspects that have been incorporated into the model.

> **"Interia Moto AS" award for the Best Urban Car in Poland**, awarded by the readers of the magazine *Moto AS*, who recognised its design, modern safety and connectivity technology, and comfortable and spacious interior.

> **"Urban Flagship Car of the Year 2017" award in France**, awarded by the French magazine *La Revue Automobile*.



SEAT Leon

> **"Estrella Luike del Motor" award for the Best-selling Compact/Medium-sized Car among Individual Customers in Spain**, awarded by Luike Iberoamericana de Revistas.

> **"Estrella Luike del Motor" award for the Best-selling Car of the Year in Spain**, awarded by Luike Iberoamericana de Revistas.

> **"Sport Auto Award 2018" in the compact car - import category in Germany** for the SEAT Leon CUPRA R, awarded by the publication *Sport Auto*,

> **Award for the Best Family Car for less than 18,000 Pounds in the United Kingdom**, awarded by the British magazine *What Car?* for its exceptional equipment and quality for its price.



SEAT Ateca

> **"Firmenauto 2018" award in the compact SUV category in Germany,** awarded by the magazine *Firmenauto*, which valued its safe handling and the excellent economy of its turbo-diesel engine.



SEAT Arona

> **International Best Product Design award in the Red Dot Design Awards 2018**, in recognition of its outstanding exterior design, which is fresh, dynamic and attractive, and its multiple customisation options.

> **Best Small SUV award in the Schibsted Motor Awards 2018 in Spain, awarded by Schibsted Spain**, owner of the portal coches.net, in recognition of its dynamic quality, comfort, technology, variety of engines, and safety and connectivity equipment.

> **"R&D" award in the 3rd Technology and Innovation Awards in Spain** for the SEAT Arona TGI, awarded by the newspaper *La Razón* in recognition of its compressed natural gas and petrol technology.

> **Best Small SUV award in the United Kingdom**, awarded by the magazine *What Car?* for its comfortable interior and comprehensive equipment.

> **"Urban SUV of the Year 2018" award in France**, awarded by *4x4 Magazine*.

> **Best Small Crossover of the Year award in the Irish Car of the Year awards in Ireland**, for the model's successful sales achieved in the country.

> **"Most Economical New Model" award in the small SUV & crossover category in Austria**, awarded by ÖAMTC/Auto Touring, which highlighted the fact that it had the lowest fuel consumption in its category, as well as its extensive range of equipment that comes as standard.

> **Best small SUV award in Denmark**, awarded by the media group Berlingske.



SEAT Alhambra

> **"Best Cars 2018" award in the imported MPV category in Germany**, awarded by the readers of the magazine *Auto Motor und Sport*.

> **"Auto Bild Allrad" award in the van category in Germany**, awarded by the magazine *Auto Bild Allrad*.

> **"Auto Trophy 2018" award in the foreign MPV category in Germany**, awarded by the magazine *Auto Zeitung*.



SEAT Tarraco

> **Special Award for Innovation in the Motor Axel Springer 2018 Awards in Spain**, chosen by the editors of the website Business Insider.

> **"SUV 2019" award in the Car and Driver Awards in Spain,** chosen by the readers of the magazines of the publishing group Hearst España.

> **"Awards de l'Innovation 2018" award in the Driving aids category in France**, awarded by the publication *Auto-Moto*.



CUPRA e-Racer

> **"Automotive Brand Contest 2018" award in the "Concept" category in Germany**, awarded by the German Design Council.

> **"German Design Award 2019" in the "Conceptual Transport" category in Germany**, chosen by an international panel of judges in the awards organised by the German Design Council.

Awards

CARNET, National Research Award from the Catalan Government (Generalitat de Cataluña)

As a result of its good track record, in October 2018 the research and innovation platform CARNET-Future Mobility Research Hub, which is backed by SEAT, the Polytechnic University of Catalonia (Universitat Politècnica de Catalunya, UPC) and Volkswagen Group Research and which focuses on the automotive industry and the urban mobility of the future, received the National Award for Public-Private Partnership in Research and Innovation 2017. This is an award bestowed by the Catalan Government (Generalitat de Catalunya) and the Catalan Foundation for Research and Innovation (Fundación Catalana para la Investigación y la Innovación).

Eurostars Award for SEAT's design director

SEAT's Design Director, Alejandro Mesonero-Romanos, was given the Eurostars award in the design category in October 2018. This is an award given each year by the magazine *Automotive News Europe*. According to the publication, the award was given to Mr. Mesonero-Romanos for his excellent work over the last seven years in renovating the design of the entire SEAT range.

The award ceremony was held in Paris and was attended by more than 70 leaders from the automotive sector. At the ceremony, Mr. Mesonero-Romanos passed the recognition on to the whole of the company's design team, stating that it would provide additional motivation to continue the pursuit of excellence in the future.

Human Resources







SEAT considers its people to be its most valuable asset, which is why it promotes a series of initiatives aimed at their personal and professional development, while also attracting talent to the company. It also dedicates a portion of its resources to improving its employees' health and well-being, offering them a safe working environment in addition to numerous benefits and services.

Human resources as a driver of change

In 2018, SEAT's Human Resources (HR) division initiated a change process to promote a culture of transformation in the company.

With a basic workforce made up of 14,627 professionals and consisting of 65 nationalities, SEAT is currently the largest employer in the industrial sector in Spain, and its human resources management policy is a benchmark in various areas. On the one hand, it is a model in offering high-quality employment in terms of job stability – 98% of the workforce has a permanent contract. On the other hand, it serves as an example in guaranteeing equality, diversity, multiculturalism, sustainability, teamwork and respect for values in its daily activities.

In 2018, SEAT's Human Resources (HR) division initiated a change process to promote a culture of transformation in the company. With this goal in mind, its people management strategy has been updated to provide greater value in seven specific areas:

Areas of transformation in the HR division

01.
Pride in "being SEAT".

02.
New model for leadership and professional development.

03.
Identifying, specifying and advancing in skills for the future.

04.
More streamlined structures and processes.

05.
Healthy working environments.

06.
Bolstering digitalisation.

07.
Transforming employees' career paths.

To achieve these goals, a number of initiatives are being developed. These include those carried out in the Healthcare and Rehabilitation Centre (known as CARS) and the SEAT Healthy Company Scientific Committee (known as CCSES), the renovation of the Apprentice School, personalised management of each employee's training, the implementation of new remuneration systems and flexible working, and the development of new internal information and management platforms.

As a benchmark organisation, SEAT shares all these initiatives and the knowledge it has acquired with wider society in order to play an active part in its transformation and development. The company's chairman, Luca de Meo, presented this vision at the opening of the European HRC Meeting, which was held in June in Sitges (Barcelona) and attended by over 250 European business leaders. According to de Meo, human resources play a key role in companies, as they facilitate adaptation to technology and new models of working methods, while also promoting changes in society, regulation and public policies.





Hiring specialised talent

The increase in the production volumes and the growing demand for new professional profiles allowed SEAT to grow its workforce in 2018 for the fifth consecutive year.

Strengthening the production workforce

The increase in the production volumes and the growing demand for new professional profiles allowed SEAT to grow its workforce in 2018 for the fifth consecutive year. Of particular note are the 515 new members of staff who joined the Martorell factory in response to the increased production volumes of the Ibiza, Arona and Leon models following the growth in sales.

In addition, 279 new specialists were hired, primarily in the fields of easy mobility and digitalisation, as well as in other specific areas, in order to cover the expertise required to develop new products.

Digitalised selection process and new welcome programme

In the selection process for the 60 apprentices who joined the company for the 2018-2019 academic year, new online assessment tools were used that allowed for a significant reduction in processing times, cutting the time spent conducting face-to-face assessments from four hours to just 40 minutes.

In order to introduce the company to all the new hires – employees, apprentices and trainees – a new welcome programme was developed which begins days before the new member of staff joins SEAT and which, for the first time, includes personalised digital content.



Basic workforce by functions and centres

At December 31

			Variation	
	2018	2017	Absolute	%
Direct	**8,659**	8,263	396	4.8
Martorell	**7,111**	6,774	337	5.0
SEAT Barcelona	**659**	668	(9)	(1.3)
SEAT Componentes	**889**	820	69	8.4
SEAT Technical Centre	**0**	1	(1)	—
Indirect	**5,968**	5,843	125	2.1
Martorell	**3,866**	3,818	48	1.3
SEAT Barcelona	**526**	515	11	2.1
SEAT Componentes	**264**	255	9	3.5
SEAT Technical Centre	**1,264**	1,209	55	4.5
Other centres	**48**	46	2	4.3
Total workforce (*)	**14,627**	14,106	521	3.7

(*) Figures for 2018 and 2017 do not include 210 and 141 employees in partial retirement, respectively. Likewise, figures for 2018 and 2017 do not include 160 and 173 apprentices with labour contracts, respectively.

Rejuvenation of the workforce

Since 2016, SEAT has been applying a workforce rejuvenation plan which helps to renew its workforce. In 2018, 76 employees of 61 years of age benefited from this plan. For the positions that were left vacant, new professionals were hired, thus generating employment and helping to rejuvenate the workforce.



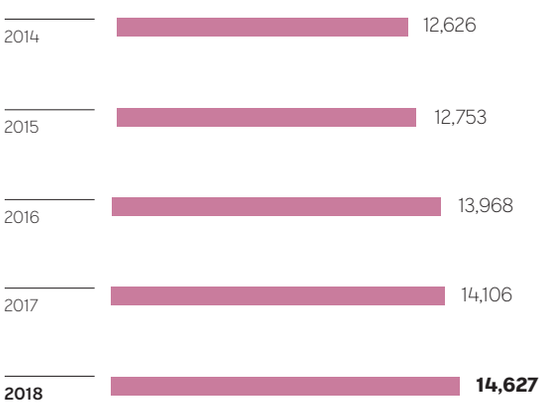
The Brain, first internal staff hackathon

A total of 60 young students doing internships at SEAT took part in the first edition of The Brain, an internal hackathon organised by the Staff Selection department. Divided into 12 teams, the students spent a week working with the Training, Marketing and Digitalisation divisions, as well as with the development prototype centre and the Smart Factory team, on four projects which they presented in May to their tutors and to experts from each area.

The objective was to identify new talent and promote the generation of ideas relating to some of the challenges that the company will face in the future.

Basic workforce

At December 31



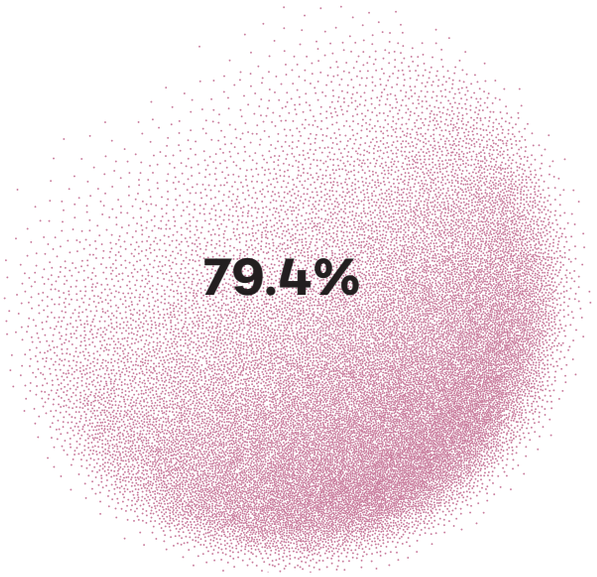
Increase in workforce (2014-2018)
2,001
employees

15.8%

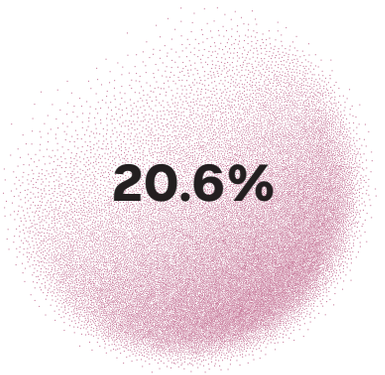
Since 2016, SEAT has been applying a workforce rejuvenation plan which helps to renew its workforce.

Basic workforce structure

At December 31



Men
11,617



Women
3,010

Structure by age

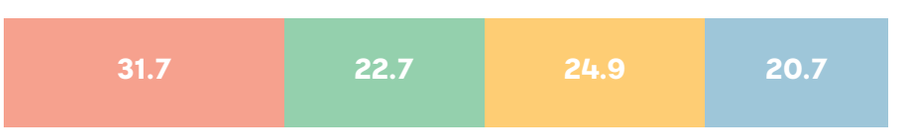
Percentage



Up to 30 years **31-40 years** **41-50 years** **Over 50 years**

Structure by educational qualifications

Percentage



School-leaving certificate **VT Middle Grade** **VT Higher Grade** **University**

42.9
Average age

15.4
Average seniority

97.6%
Long-term contracts

5.7%
Proportion of employees from outside Spain

2.5%
Proportion of employees with disabilities

44.3%
Proportion of employees on training programmes

65
Nationalities

26
Languages

SEAT, a model in preventive medicine and healthy company management

SEAT is a pioneer in the development of a new model for managing the health, safety and well-being of its staff based on prevention in the workplace and the promotion of healthy habits in all areas of life. In 2017, this model was given a definitive boost with the opening of the Healthcare and Rehabilitation Centre (CARS) and the establishment of the SEAT Healthy Company Scientific Committee (CCSES). Despite having been launched only recently, both initiatives fully established themselves in 2018 as examples of the company's commitment to the health and well-being of its employees.

CARS, a commitment to health and prevention

Located in Martorell, CARS is a health centre that offers comprehensive, multidisciplinary and free care to all SEAT staff. It includes the specialities of traumatology, cardiology, gynaecology, mental health, diagnostic imaging, physiotherapy, fitness and rehabilitation, and it provides the medical attention and care for each of the cases it deals with. It also has the largest and most advanced in-house biomechanical laboratory of any company in Spain. In 2018, dynamometry tests were incorporated into the laboratory to assess employees' physical ability – with these techniques being implemented first in the production lines –, as well as surface electromyography tests to assess muscle strain.

As part of the strategy for the future, in October the centre also began tending to staff of the companies Volkswagen Group Retail España, Volkswagen Group Services and MAN Energy Solutions, with the short-term goal of extending its services to all employees of the Volkswagen Group in Spain.

The ability to offer assistance to the entire workforce in a space located within SEAT's own facilities allowed the number of visits made to external centres in cases of trauma to be considerably reduced, as well as cutting patient diagnosis, treatment and recovery times. In the field of prevention, the centre's services cover



One year of CARS

14,642
traumatology consultations

40,897
physiotherapy sessions

897
Return to Work sessions

575
Back school sessions

1,145
gynaecology consultations

1,384
mental health consultations

5,980
diagnostic tests

4,075 ultrasound scans
1,123 x-rays
516 mammograms
266 injections of platelet-rich plasma

2,760
CARSFIT sessions

566
biomechanical tests

1,248
cardiology consultations

70,094
interventions (total)

areas such as diagnostic imaging, which includes performing ultrasound scans, x-rays and mammograms; gynaecology, which is the most-valued service among female staff; and cardiology, also very well received given the impact of cardiovascular diseases. In 2018, the mental health services also came into operation, aimed at treating cases of anxiety, depression and insomnia, among others, as did the CARSFIT fitness sessions.

Other developments in the services provided by CARS in 2018 included the promotion of emotional fitness, with the implementation of training in managing emotions and stress; mindfulness sessions; and the introduction of new techniques in the treatment of musculoskeletal diseases, such as ultrasound-guided injections of platelet-rich plasma (PRP), which helped to significantly improve the musculoskeletal health of SEAT's staff.





CARSFIT, fitness and rehabilitation

One of the CARS services that was best received among workers in 2018 was CARSFIT, which offers one-hour fitness sessions under the supervision of a personal trainer. The success of its launch, with a retention rate of close to 90%, led to an extension of the timetable and the hiring of new training staff. Rehabilitation sessions relating to musculoskeletal injuries are also conducted at the centre.

Initiatives to boost employee health and safety

As a company, SEAT promotes numerous campaigns and projects aimed at improving the health and well-being of its staff and their families, as well as promoting good practices in the field of road safety.

Among the initiatives promoted in 2018 to improve the workers' quality of life was the celebration of the first SEAT Healthy Week, coinciding with World Day for Safety and Health at Work, as well as the incorporation of healthy foods into the vending machines in the offices and manufacturing workshops.

In addition, the improvement plan for unified management of General Emergencies and Evacuation Plans was implemented. This plan integrates all the medical, evacuation, fire-prevention, ambulance, fire-fighter and self-protection emergency services under one umbrella. The aim is to ensure an optimal and coordinated response to accidents and major incidents.

Another of the most noteworthy initiatives was the MedCARS intervention study on the Mediterranean diet, which was carried out at the SEAT Barcelona and SEAT Componentes factories and involved all members of the CCSES. This research was based on a complex retrospective study of over 10 million items of health-related data from the past 20 years, and it allowed the researches to take a long-term approach to monitoring the health of SEAT's staff.

As a company, SEAT promotes numerous campaigns and projects aimed at improving the health and well-being of its staff and their families.



Health and road safety campaigns

"Mission possible. This winter we won't give the flu virus a chance". Vaccination campaign against the flu virus which was promoted by the SEAT ambassador Maxi Iglesias and involved nearly 1,500 vaccines being administered to employees. The company's medical personnel visited the workshops and installed a rapid vaccination stand in the Central Medical Service centre.

Awareness-raising course in ergonomics. Aimed at all direct employees of SEAT, with the goal of fostering ergonomic working through the application of basic rules to prevent injuries and ailments caused by bad postures or movements at the workstation.

First-aid courses for workers and apprentices delivered by staff from SEAT's Health and Prevention department.

Launch of the "SEAT Road Safety Manual". Initiative led by the Occupational Risks Prevention team, and the company's first manual of good road safety practices.

More than 10,000 participants in the first SEAT Healthy Week

From 23 to 27 April, the SEAT Healthy Week was held. The week consisted of activities related to health, safety and well-being, including theoretical and practical workshops on healthy living, food, healthy skin and sleeping well, in addition to practical sessions on relaxation and an introduction to mindfulness.

Staff were also offered the opportunity to perform various diagnostic tests to learn about the status of their health, take a guided tour of the Biomechanical Laboratory, learn how to extinguish a fire and even give blood. The participation level was very high, involving over 10,000 members of staff.



Specialised training on Industry 4.0 and digitalisation

Industry 4.0 represents a revolution that combines advanced manufacturing techniques and operations involving smart technologies which will be integrated into organisations and individuals, as well as into the tools that are used.

The digitalisation of society and industry poses challenges and creates opportunities for the industrial sphere, particularly in the automotive sector. The sector must adapt its processes, products and business models, and continuously update its training programmes and working methods in order to respond to the demand for greater flexibility, agility and capacity to adapt.

In this regard, in 2018 SEAT put this approach into practice through a complete renovation of its training programmes. These included the new range of courses available at the Apprentice School, a revised training schedule for employees, and updates to the company's leadership programmes and the collaboration agreements with other entities.

Tailoring the range of courses at the Apprentice School

The Apprentice School, SEAT's vocational training centre opened more than 60 years ago, underwent a renewal of its range of training courses with the goal of boosting training for Industry 4.0. The School went from delivering middle-grade vocational training courses to offering extended higher education training courses, tailored to the new needs arising from the transformation of industry and digitalisation.

In particular, starting in the 2018-2019 academic year, the School now delivers courses on Automation and Industrial Robotics (15 places), Production Programming in Mechanical Manufacturing (15 places) and Industry Mechatronics (30 places). These courses last three years and continue to be based on the German dual training system, which combines theoretical education with practical learning, both in the School itself and at SEAT Martorell, SEAT Barcelona or SEAT Componentes. In addition, it offers an official dual degree, recognised in both Spain and Germany.

The dual vocational training that the Apprentice School has been providing since 2012 has led it to become a benchmark in Spain: it offers more than twice the number of teaching hours than the average for higher education centres in the country, and it provides specific training on the latest technologies, languages (English and German), programming and streamlined project management. All students have a paid, full-time training contract, and upon successfully completing their training they join SEAT on a permanent contract. In July 2018, 52 apprentices who completed their training joined the company's workforce.

"Always Learning": renewal of SEAT's internal training model

The "Always Learning" concept, launched in 2018, summarises SEAT's historical commitment to the continuous training of its staff. This is a principle that has been renovated in light of the challenges raised by the current technological and information revolution: you can only tackle what the future brings by continuously learning. This new model allows employees to customise their training on three levels: through the development of their current position, through addressing the necessary transformation towards the future, and through voluntary learning outside of working hours to delve deeper into areas that are of personal interest.

To meet the new training needs arising from the current environment of transformation that the automotive sector is currently operating in, SEAT's range of programmes and courses is constantly being renewed, and specific actions are organised on the topics that are of greatest interest, such as visits and talks by experts. Among the range of courses offered in 2018, the following initiatives were of particular note:



"Industry 4.0" training programme. In 2018, progress was made in the online version of this initiative, designed to raise awareness of the general meaning of Industry 4.0 and to take a closer look at aspects such as data analytics and 3D printing, among others. Since its launch and up to the end of the year, a total of 2,269 people took part in this programme.

"Digital Skills" programme. This programme has been designed to improve the digital skills of all of the company's indirect workforce, since these skills are essential in order to respond to the present and future work required. Starting with a small test that allowed the company to find out the skill level of each person in the organisation in a confidential manner, training is now being offered to each employee, tailored to their specific needs and covering the eight digital skills that have been defined, ranging from digital culture and communication to continuous learning.

The dual vocational training that the Apprentice School has been providing since 2012 has led it to become a benchmark in Spain.

New coworking space in the training centre

As part of the new SEAT Always Learning transformation strategy, the Training Centre opened a coworking space which is freely available to employees.

The space is divided into four zones: Eat&Talk; Agora, for discussions or classes in a relaxed atmosphere; El Pati, for breaks; and the Open Working Area. It features modern and functional furniture, two glass-fronted and spacious meeting rooms, sofas, table football and table tennis tables.



Training for the management team: towards a new form of leadership

The new challenges in the automotive sector, and in particular the speed at which the current changes are taking place, have also required the functions of managers to be reviewed and updated in their role as the leaders of SEAT. With this goal in mind, in 2018 the "On Route" strategy was launched, which includes a new skills profile and development concept for management. This concept includes five phases: orientation, development, visibility, confirmation and regular follow-up.

Also relevant to the training of the company's leaders was the international development programme "iLead", promoted by several brands of the Volkswagen Group and focused on improving leadership skills. The closure event of the latest edition of the programme took place in June 2018, in Barcelona, with a conference at which the future challenges that SEAT faces were presented, as well as some of the brand's latest initiatives.

2018 was also the year that saw the first edition of the "Pro Talent" programme take place. The goal of this programme is to develop high-performing and high-potential managers so that they can lead the company's production and quality operations in the near future. Participants received training in leadership skills, as well as personalised advice on their professional development, and they carried out projects related to the strategic challenges facing the future of production.

On the other hand, the Volkswagen Group agreed on common criteria for future appointments at the manager (MK), senior manager (OMK) and director (TMK) levels, thus standardising the requirements needed to qualify for these positions across all the brands. The ultimate goal is to achieve an executive profile with a greater breadth of perspectives and a greater openness to innovation and cooperation.

The international placements in SEAT encourage the exchange of employees between brands of the Volkswagen Group.

International placements for the exchange of talent and knowledge

The international placements in SEAT encourage the exchange of employees between brands of the Volkswagen Group, allowing them to share knowledge and nurture talent. In 2018, 219 placements were overseen, with the novelty this year that new markets were incorporated into the scheme, where new forms of placement are being investigated in collaboration with other areas.

Furthermore, the company's new projects as part of its internationalisation strategy contributed to the increase in the number of placements in countries such as Algeria, China and Israel. The new criteria for the appointment of management profiles, which were approved in 2018 in the Volkswagen Group, also led to a greater number of international placements in order to promote a more open and internationally-focused mindset in the future leaders of the company.



Flexible and personalised performance assessment system

The model for customising and adapting each employee's career path to their specific needs also extends to the company's performance assessment policy. This is achieved by conducting individual interviews in order to document each employee's work and their potential, to identify talent and to request training and development actions.

In 2018, a pilot test of the OKRs (Objectives & Key Results) model was conducted. This is a new performance assessment system that allows employees to assess their objectives and competencies in a more flexible and continuous manner, as well as allowing them to provide multi-directional feedback among peers.

SEAT is the first brand of the Group to use this system, which seeks to encourage employees to work more aligned and committed towards achieving the company's strategic objectives, thus strengthening a culture of collaboration.

International placements

During 2018 the company oversaw:

219 international placements

144 expatriates
75 inpatriates

in 15 countries

of 25 brands

38.8% of placements were undertaken by management staff

56.5%

of placements were undertaken with the employee's family

12.5%

under the split family format (their family remains in the country of origin)

New formulas to attract future leaders

As part of the company's constant effort to identify new talent and future leaders, in 2018 the "SEAT DisrUP" initiative was implemented. The purpose of this initiative is to reflect on the future of mobility and to find solutions for users in major urban centres. Developed using the international youth talent platform Pangea – later renamed Trivu –, the initiative was conducted in the form of a hackathon, with editions held in Barcelona and Madrid and involving 60 young participants. SEAT DisrUP was presented at the fifth edition of 4 Years From Now (4YFN), the international conference for entrepreneurs and technology startups which is held in Barcelona as part of the Mobile World Congress.

Also in collaboration with Pangea, SEAT participated in the third edition of the Unleash festival, which included presentations from some of the most promising young talents in the world and more than 1,000 people between the ages of 20 and 30 in attendance.

In the field of support for the training of young people, progress was also made in executing the collaboration agreements signed in 2017 for the degree courses in Automotive Engineering at the Polytechnic University of Catalonia (Universitat Politècnica de Catalunya, UPC) and at the University of Vic (Universitat de Vic-Universitat Central de Catalunya, UVic-UCC).

Through the SEAT Car Sharing 2025 competition, the company also developed an active collaboration with the prestigious design school Elisava. This joint initiative set students at the school the task of developing projects to offer mobility and design solutions that could form part of the services of the shared car of the future. In creating their various proposals, the Elisava students were able to receive advice from professionals from SEAT's Design Centre and from the User Experience & New Mobility department.

The social benefits of "being SEAT"

Under the slogan "Being SEAT is more", in 2017 the Human Resources department implemented a programme involving a series of measures to make employees' lives easier, both inside and outside the company. The initiative involved the development of a proprietary remuneration system and the launch of various digital platforms and tools for managing staff benefits. Furthermore, in 2018 new benefits and features were added to these platforms.



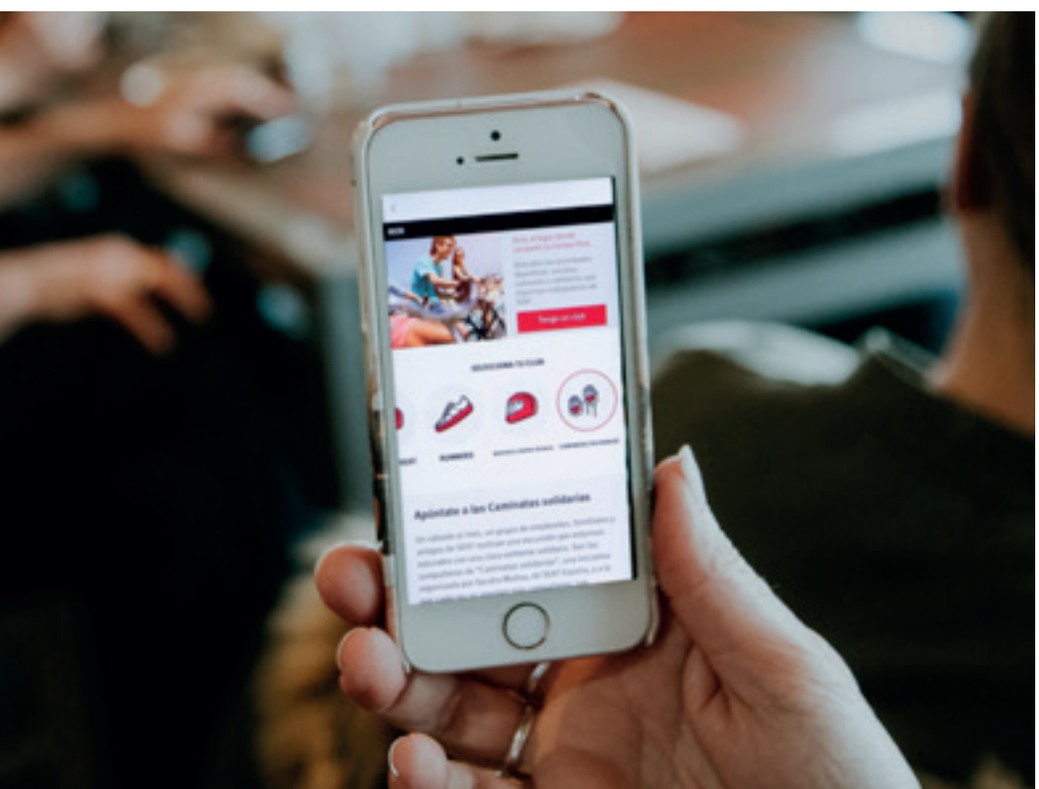
Me at SEAT (*Yo en SEAT*) and SEAT Card platforms

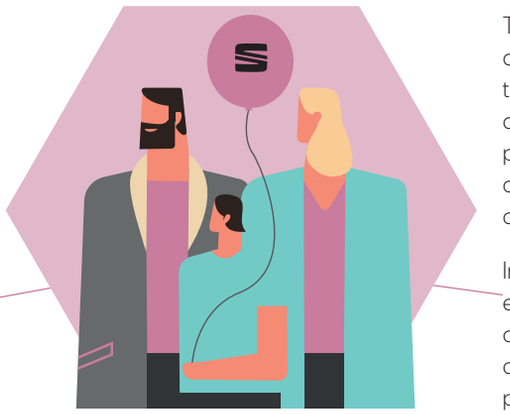
The new employee portal, named Me at SEAT (*Yo en SEAT*, or YeS), was launched in November 2017 to serve as the place where employees can find all the information on their employment relationship with the company, as well as manage their personal details. Continuously being updated, in 2018 the YeS portal incorporated new functions, such as the ability to send requests to the personnel manager (for advanced wage payments, or to request an increase to the personal income tax withholding rate on wage payments, among others), to request a home loan or the possibility to modify the details of the contact person in the event of an emergency. The *Quick Guides and Manuals* section was also introduced for the first time. This section contains practical information on how to carry out personal administrative procedures, and employees' company phone numbers were added to their user profiles to facilitate contact among the staff. At the end of 2018, 8,400 employees, representing 57% of the company's total workforce, were users of this tool.

SEAT Card also consolidated its position as the place for finding information on – and requesting – exclusive discounts and promotions for staff. With access through the Employee Area of the mundoSEAT app, some of the services and special offers launched in 2018 by the SEAT Card included reduced prices for tickets to various leisure activities, direct discounts on purchases in supermarkets and prize draws to win tickets to the Primavera Sound festival. Employees also benefited from being able to manage the collection of online purchases, with the installation of new parcel delivery terminals at the various production plants, as well as children's activities in the summer at a special price to facilitate a better work-life balance during the school holidays.

Users of Me at SEAT (*Yo en SEAT*)

8,400	57%
employees	of the workforce





Flexible remuneration and other staff benefits

The "Being SEAT is more" concept was applied in a practical manner, within the framework of the collective labour agreement currently in force, through providing remuneration based on a share of the company's profits and by conducting a pilot test for trust-based work.

In this regard, in 2018 a one-off extra salary payment was distributed among the employees based on the company's profits obtained in the previous year. Specifically, each member of staff employed under the collective agreement received 716 euros gross, almost 50% more than in the previous year.



Other measures applied that represent a benchmark in the business sector in Spain include:

An extension of the **flexible remuneration system, "Activate your Pay Cheque"** (*Activa tu Nómina*), with tax benefits in the payment for services such as child care, language courses and health insurance.

Extension of the **trust-based work** scheme to all indirect employees of the day shift. This concept involves eliminating the process of signing in and out at the beginning and end of the shift. The goal is to promote more flexible working hours and facilitate a better work-life balance, without changing the length of the working day or the working conditions.

Development of the **"Compensation 360º"** (*Compensación 360º*) **sheet**, which is a new way to inform employees about the cash remuneration they receive, in a clearer and more transparent manner, as well as the rest of the services and costs that SEAT covers on their behalf and which represent a significant benefit for them.

Digitalisation of the records of all staff in order to phase out the use of paper in the field of human resources management and provide easier access to documentation.

Exclusive activities and discounts to experience the brand in first person

Throughout the year, SEAT organises exclusive activities for employees to allow them to find out first-hand about the company's new releases and thus become better ambassadors. In 2018, a number of prize draws were held, giving employees the opportunity to attend Superbike races at MotorLand Aragón and the presentation of the CUPRA brand at the Geneva International Motor Show, or to experience the CUPRA TCR racing model as co-pilots of the professional racing driver Jordi Gené. Employees and their families also enjoyed exclusive discounts and conditions when purchasing or leasing SEAT models.

Throughout the year, SEAT organises exclusive activities for employees to allow them to find out first-hand about the company's new releases and thus become better ambassadors.

New staff benefits and services

New collective transport lines that connect the centres in Martorell with the north of Barcelona and the county of Garraf.

"Loan Today" and "Home Loan" products for personal needs or to buy a first home, with advantageous conditions compared to the market.

Parcel delivery service in all SEAT centres for receiving online purchases.

Free probate service for staff and their spouses.



Cafeteria service in all the canteens, with free Wi-Fi, coworking spaces and a take-away menu option.

Improved access and increased **parking** capacity for bicycles, cars and motorcycles.

Homage to the most long-serving employees

The annual event for acknowledging and giving thanks to the company's most long-serving employees was held in 2018 at the Palau de la Música Catalana in Barcelona. This edition was led by the vice-president of HR, Xavier Ros, as master of ceremonies and was attended by more than 350 employees and their families.

The event, which adopted the slogan "That's what SEAT sounds like" (*Así suena SEAT*), acknowledged the contribution of staff who had accomplished 25 and 30 years in the company.

More streamlined, cross-disciplinary and digital working methods

One of the areas of focus for SEAT's global transformation strategy is the development of new tools and methods which, based on new technologies, allow staff to work in a more streamlined and cross-disciplinary manner, eliminating unnecessary processes and costs.

In this context, in 2018 the Lync/Skype applications were installed on all corporate computers and smartphones, allowing staff to optimise communications through live chats, video conferencing, online meetings and sending files and documents, among other benefits, in addition to facilitating connections with the other members of the Volkswagen Group. In order to get the best possible performance out of these technologies, the Training department provided micro-training to staff by sending content to the very smartphones in question.

Awards

Top Employer certificate for the fourth consecutive year

In 2018, SEAT once again received the Top Employer certificate, which certifies it as one of the best companies to work for in Spain and acknowledges its promotion of its employees' personal and professional development. The company is the only vehicle manufacturer in Spain to be accredited with this recognition, which is awarded each year by the Top Employers Institute.

The certificate is obtained on the basis of an international study which meticulously analyses more than 600 practices in fields such as talent strategy, workforce planning, learning and development, career and succession management, and compensation and benefits, among others. Companies participating in the certification process must go through a demanding analytical process and achieve the levels required. The process confirmed the excellent conditions at SEAT, awarding it a higher score than in previous editions.

Healthy company award

Throughout 2018, SEAT earned new recognitions for its commitment to the health and well-being of its staff. These included the European Sport and Healthy Company 2019 award, granted by the European Healthy Companies Association in the European Parliament, and the Atlante Award of the Foment del Treball employers' association. These awards showcase the company's efforts as an organisation committed to healthy policies and encouraging physical activity among its employees.

Awards for students of the Apprentice School

The project for the creation of an electric kart, developed by a team of students from the Apprentice School, won a prize in the "Industry" category awarded by FP Emprèn – an organisation that acknowledges vocational training schools in Barcelona and its metropolitan area.

In addition, the award-winning kart won second place in the Kart Academy competition, in which teams of students from colleges and automotive training schools in Catalonia take part.

On the other hand, three apprentices from the School obtained two awards in the Mechatronics category, and a third in Machining, in the CATskills competition, the regional vocational training championship of Catalonia. Despite studying towards middle-grade qualifications, the SEAT students competed against higher education students and got the gold medal, not making any mistakes in any of the three tests. Among the winning students was the first woman to win this award.

"SEAT Breaking Fab", best talent development programme

The "SEAT Breaking Fab" initiative was recognised as the best talent development programme in the Factories of the Future Awards 2018, which were delivered during the Advanced Factories trade show, held in Barcelona in April 2018.

"SEAT Breaking Fab" is an open innovation programme which, in October 2017, invited entrepreneurs, startups, designers, students and researchers to learn about the 16 biggest digital challenges the company faces in the production environment and to propose creative and innovative solutions.



Governmental and Institutional Relations







Throughout 2018, SEAT strengthened its relations with political institutions, companies and other entities through the signing of various collaboration agreements and its participation in institutional and business meetings, thus consolidating its links with the community.

Key institutional events

Presentation of SEAT's strategy in Algeria

SEAT began its institutional activities for 2018 on 18 and 19 January, with a trip to Algeria made by a delegation led by the company's chairman, Luca de Meo. The purpose of the visit was to present the brand's strategy to the authorities of the country, where SEAT assembles vehicles.

De Meo was accompanied by the vice-president of Purchases, Klaus Ziegler, and met with Algerian Prime Minister Ahmed Ouyahia and the country's minister for Industry, Youcef Yousfi. The visit also included Begoña Cristeto, secretary general for Industry of Spain's Government; Mourad Oulmi, chief executive officer of SOVAC and SOVAC Production, SEAT's importer and a partner of the Volkswagen Group for the assembly of vehicles; Ould Kaddour, chairman of Sonatrach; and Santiago Cabanas, the Spanish ambassador in Algeria.

This meeting was conducted as part of the company's globalisation strategy, in which Algeria plays a key role due to its great potential in North Africa. In 2018, the Volkswagen Group put SEAT in charge of the company's expansion in this region.

Contact with important personalities at the MWC

The company took advantage of its presence at the Mobile World Congress (MWC) in Barcelona, held from 26 February to 1 March, to receive numerous personalities from the fields of politics, economics and new technologies, and to strengthen its relations in these spheres.

The brand's stand, which was a benchmark for car digitalisation and the development of the mobility of the future, welcomed a number of prominent figures, including the minister for Energy, Tourism and Digital Agenda, Álvaro Nadal; the director general of Israel's Ministry of Economy and Industry, Shay Rinsky; the mayor of l'Hospitalet de Llobregat, Núria Marín; the managing director of the Fira de Barcelona, Constantí Serrallonga; the director of Mobile World Capital, Carlos Grau, and the managing director of Telefónica, Kim Faura.



Visit from the Israeli director general for Economy and Industry

Coinciding with his visit to Barcelona to attend the MWC, and in response to the contacts made during SEAT Chairman Luca de Meo's visit to Tel Aviv in October 2017, the director general of Israel's Ministry of Economy and Industry, Shay Rinsky, visited SEAT's headquarters on 27 February. He was accompanied by a delegation composed of various senior Israeli representatives, including the director of the Administration of Foreign Trade, Ohad Cohen, and the head of the Finance department of the Ministry of Economy and Industry, Nisim Ben Elin.

The aim of the meeting was to raise awareness about the SEAT brand in Israel and explore the possibility of expanding cooperation as part of XPLORA, the alliance between SEAT and Champion Motors to develop technological innovation projects in the country.



Appointment with the chairmen of the company committees of the Volkswagen Group in China

In May, SEAT's facilities received a visit from the chairmen of the company committees of the Volkswagen Group's factories in China. During their visit, the chairmen had the opportunity to learn first-hand about how the brand is tackling the challenges posed by its transformation.

This meeting took place after the joint venture between the Volkswagen Group China and the company JAC led to the creation of Sihao, a new brand of electric vehicles for the Chinese market. SEAT provides technical support in the fields of R&D and design.





A group of MEPs, at SEAT Martorell

On 29 June, SEAT's chairman, Luca de Meo; the vice-president of Governmental and Institutional Relations, Ramón Paredes; and the director of SEAT Spain, Mikel Palomera, received a group of Members of the European Parliament (MEPs) at the company's facilities in Martorell, including Francesc Gambús (EPP), José Blanco (S&D), Santiago Fisas (EPP) and Ramon Tremosa (ALDE). During their visit, the MEPs attended various presentations at the Technical Centre and later toured Workshops 1 and 10 of the factory.

Meeting with young people from the Scuola di Politiche in Cesenatico (Italy)



On 16 September, Luca de Meo shared his vision regarding Europe's economic future with young people from the Scuola di Politiche in the Italian city of Cesenatico. In an event presided over by Enrico Letta, former prime minister of Italy, de Meo spoke about the challenges facing the automotive sector in Europe in the context of transformation created by digitalisation and changes in mobility.

The SEAT chairman stressed the importance of innovation and training and underscored the need for companies, public administrations, financial institutions and social players to work together to promote a European model of innovation.

SEAT receives the minister for Industry, Trade and Tourism, Reyes Maroto

With the goal of learning about the future challenges that the company faces, Reyes Maroto, the minister for Industry, Trade and Tourism, visited SEAT's headquarters in Martorell on 25 July, accompanied by Luca de Meo and other members of the Executive Committee. The minister had the opportunity to learn about the car assembly process that takes place in the factory, as well as some of SEAT's prototypes and new models for the next few years to come in the Technical Centre.

This visit is part of the company's commitment to collaborating with the Administration to boost innovation in Spain's industry and in the automotive sector in particular. Reyes Maroto stressed the company's commitment to Industry 4.0, which is already resulting in an increase in the company's global competitiveness.



Institutional sponsorships

6th GASNAM Congress

SEAT was the official sponsor of the 6th Congress of the Iberian Association of Natural Gas for Mobility (GASNAM), held in Madrid on 11 and 12 April under the slogan "Natural Gas: smart ecology for mobility".

Luca de Meo delivered the opening speech, in which he stressed the brand's desire to boost the use of compressed natural gas (CNG) as a sustainable and efficient fuel for vehicles.

The GASNAM Congress was attended by around 800 institutional and professional representatives from companies in the field, including Gas Natural Fenosa, Endesa, Enagás, IVECO, Scania and Repsol. In addition to the chairman, other members of the company played an active role in the congress, including Mikel Palomera, director of SEAT Spain, and Antonio Calvo, SEAT's head of Sustainable Mobility.

3rd Economics and Business Congress of Catalonia

SEAT was one of the official sponsors of the 3rd Economics and Business Congress of Catalonia, which took place on 17 May and was organised by the Economists Association of Catalonia (Col·legi d'Economistes de Catalunya) under the slogan "Towards an efficient and equitable model". In addition to providing funding as a sponsor, Joachim Hinz, director of Controlling, participated in the conferences as a representative of the company.

Third edition of the Míting d'Auto

Through its sponsorship of the third edition of the Miting d'Auto automotive industry conference, held on 28 and 29 June in Barcelona, SEAT strengthened its position as a leading company in the field and consolidated its link with the city of Barcelona.

The conference, which was organised by the Automotive Industry Association of Catalonia (Clúster de la Indústria d'Automoció de Catalunya, or CIAC), welcomed 300 attendees and was chaired by the director general for Industry of the Catalan Government (Generalitat de Catalunya), Matilde Villarroya.



17th CEDE Executives' Congress

Held on 25 October in Palma de Mallorca under the slogan "Keys to grow in the 4th Industrial Revolution", the 17th CEDE Executives' Congress included the participation of SEAT's chairman, Luca de Meo. In his presentation, de Meo pointed out that in the fourth Industrial Revolution, society is moving quicker than industry and that disruption in companies and business models is more necessary than ever.

2nd Connected Industry 4.0 Congress

On 26 September, Madrid hosted the 2nd Connected Industry 4.0 Congress, organised by the Ministry of Industry, Tourism and Trade and the Spanish Association for Quality. The event, of which SEAT was one of the promoting brands, provides a forum for debate on innovations and the latest technological trends in leading sectors of Spain's industry, as well as a space for the exchange of knowledge and success stories between cutting-edge businesses.

The company had a stand at which it showcased some of the progress achieved in this area. In addition, Francisco Requena, head of Innovation and Smart Factory, coordinated a panel discussion based on the theme "Information: key to the digital transformation of the automotive industry", at which attendants reflected on SEAT's key initiatives in terms of Industry 4.0 applied to the automotive industry.



Collaboration in the business sphere

SEAT plays a more prominent role in ANFAC

Luca de Meo was appointed as a member of the Board of Directors of the Spanish Association of Car and Lorry Manufacturers (ANFAC) in June 2018. In his new position, de Meo participates not only in the decisions of the Board of Directors, but also in defining the positioning and interests of the automotive industry in Spain, in areas such as investment, development and taxation. The SEAT chairman was clearly proud to represent the only Spanish brand that designs, develops, manufactures and sells vehicles in Spain in an institution like ANFAC, as well as to be able to continue to lead a key sector for the Spanish economy in this way.

One of the first actions spearheaded by SEAT within ANFAC was the creation of a working committee specifically devoted to electric and alternate fuel vehicles. The goal of the committee, in which the companies of the Volkswagen Group in Spain are represented by the Governmental and Institutional Relations division of SEAT, is to work on various proposals to promote sustainable and smart mobility.

During 2018, SEAT defended its interests through continued participation in all of ANFAC's strategies. One of the association's goals was to establish a structural plan of incentives to encourage the public to purchase alternative fuel vehicles, which includes the installation of public electric charging points and gas refuelling stations. Furthermore, SEAT collaborated with ANFAC in other areas, such as striving to remove or increase the flexibility of the regulatory framework for load managers, achieving a favourable taxation system for alternative vehicles and striving for greater uniformity in the legislation to boost their development.





Cooperation to promote compressed natural gas and electro-mobility

In July 2018, the Iberian Association of Natural Gas for Mobility (GASNAM) appointed SEAT as coordinator of the new Terrestrial Infrastructure Working Group, which was created one month earlier and is made up of 33 companies. The purpose of this group is to determine the roadmap to allow more gas refuelling stations to be built and brought into operation on the Iberian Peninsula, thus expanding the options available for refuelling with compressed natural gas (CNG) in the short term.

With the goal of promoting the use of CNG in the Balearic Islands and in the North and Central Iberian Peninsula, SEAT signed a memorandum of understanding (MOU) with the company Redexis, and progress was made in defining the areas for collaboration in order to develop infrastructure in the archipelago, as well as in other regions of Spain in which Redexis operates as a distributor.



On the other hand, SEAT's chairman, Luca de Meo, and the president of the French Association of Natural Gas for Vehicles (Association Française du Gaz Naturel pour Véhicules, or AFGNV), Jean-Claude Girot, signed an agreement in October to bolster joint projects and expand the use of natural gas in the field of mobility in France. This alliance consolidates SEAT's position as a benchmark company in the field of CNG at the European level.

In addition, at the end of November, Luca de Meo and the CEO of Snam, Marco Alverà, signed a strategic agreement in Milan to promote the use of CNG and biogas for sustainable mobility, as well as to promote joint research projects. SEAT and Snam share strategic markets such as Italy, France and Austria, which will allow the two companies to create synergies to promote CNG and biogas as a clean and efficient alternative fuel. Under the alliance, the two companies will explore business and commercial development opportunities aimed at corporate customers, dealerships and consumers in order to promote the network of gas refuelling stations and identify technological projects.

In the field of electro-mobility, SEAT, Volkswagen Group China and Anhui Jianghuai Automobile Group Corp., Ltd (JAC) signed two agreements in 2018 that will allow them to promote the development of electric mobility in China. The first agreement, signed in July in Berlin in the presence of German Chancellor Angela Merkel and Chinese Prime Minister Li Keqiang, led to the company's entry as a shareholder of the company created by Volkswagen Group China and JAC. In addition, this agreement marks the beginning of the company's active participation in the creation of an R&D centre in the Asian country, which will be mostly dedicated to the electric vehicle, connectivity, and the autonomous car. The second agreement, signed in November in the Moncloa Palace in Madrid at an event attended by the president of the Republic of China, Xi Jingping, and the president of the Government of Spain, Pedro Sánchez, represented a step forward for the partners in intensifying the development of e-mobility in China.

Similarly, SEAT held meetings with high-level representatives from various stakeholders in the energy sector, including Enagás, Repsol, Cepsa, Naturgy, Endesa, Enel and Iberdrola. In this series of discussions, avenues for collaboration were explored that will enable the deployment of the infrastructure required to support the development of electro-mobility and CNG.





Commitment to youth employment

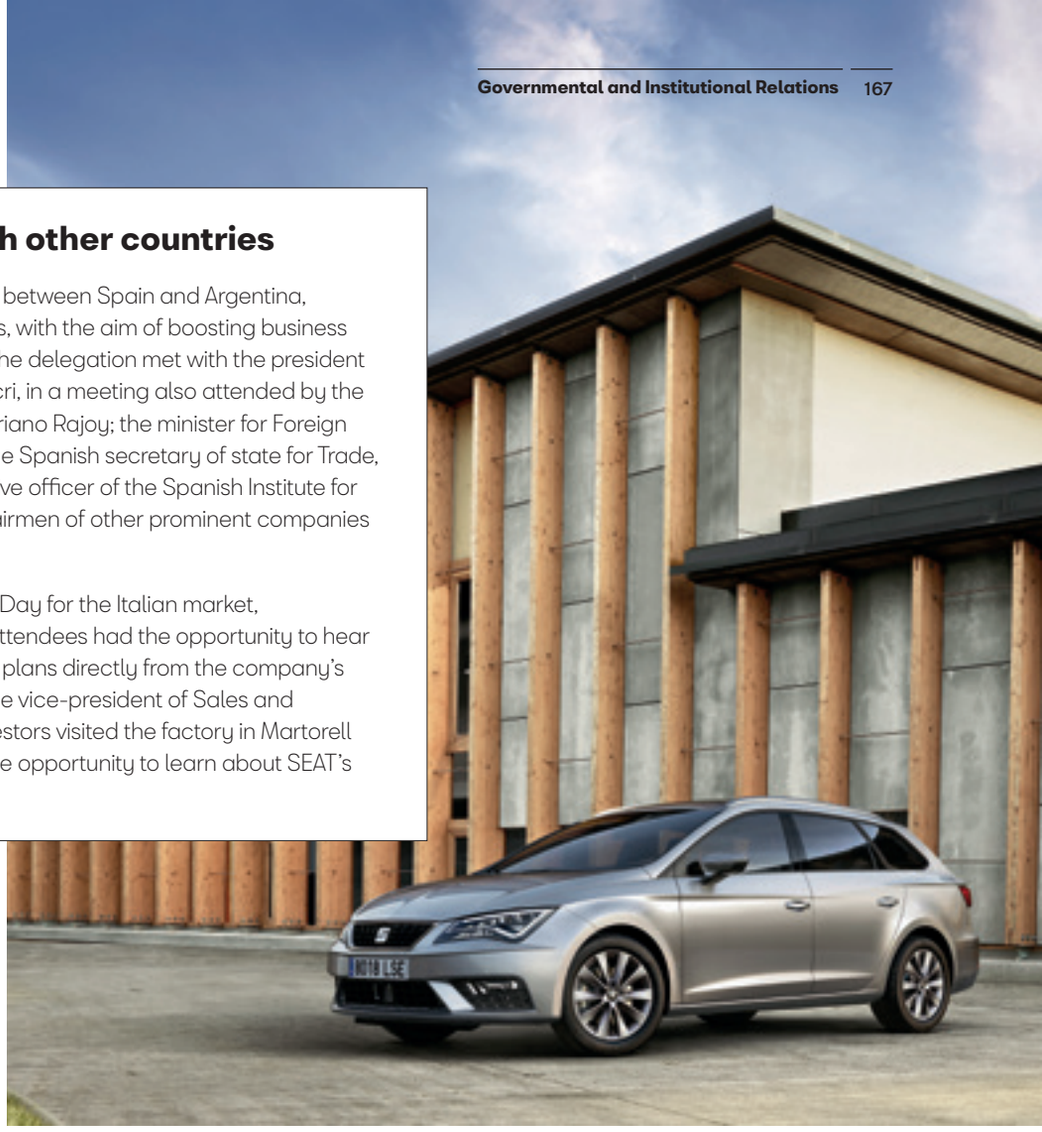
The Excellence in Sustainability Club (Club de Excelencia en Sostenibilidad), of which SEAT is a member, together with the company Adecco, presented in April their Study on International Practices for the Promotion of Youth Employment, in which the company participated with its StartUp Europe programme.

The event was attended by the minister for Employment, Fátima Báñez, who stressed the importance of collaboration between institutions and companies to generate opportunities.

Business relationships with other countries

SEAT participated in the business meeting between Spain and Argentina, held between 9 and 11 April in Buenos Aires, with the aim of boosting business cooperation between the two countries. The delegation met with the president of the Republic of Argentina, Mauricio Macri, in a meeting also attended by the president of the Spanish Government, Mariano Rajoy; the minister for Foreign Affairs and Cooperation, Alfonso Dastis; the Spanish secretary of state for Trade, María Luisa Poncela, and the chief executive officer of the Spanish Institute for Foreign Trade (ICEX), in addition to the chairmen of other prominent companies such as MAPFRE and Indra.

At the end of July, SEAT held the Investors Day for the Italian market, which was attended by 13 investors. The attendees had the opportunity to hear about the brand's advances and its future plans directly from the company's chairman, Luca de Meo, as well as from the vice-president of Sales and Marketing, Wayne Griffiths. The Italian investors visited the factory in Martorell and the Design Centre, where they had the opportunity to learn about SEAT's upcoming releases.



Christian Stein, SEAT's new general manager of Communications and Institutional Relations

In October, SEAT's global director of Communications, Christian Stein, was appointed SEAT's new general director of Communications and Institutional Relations at the international level, as well as general director of Institutional Relations for the Volkswagen Group in Spain. In his new position, which he assumed on 1 November, Stein continues to lead all the activities of SEAT's Communications division, while also coordinating the Volkswagen Group's Institutional Relations strategy in Spain, Portugal and North Africa.

Through the integration of these two roles, it is hoped that synergies will be forged and that greater coherence will be achieved in all of the SEAT brand's communication, institutional and brand-projection activities around the world. The newly-merged Communications and Institutional Relations division will be responsible for enhancing the company's image and consolidating relations with all its stakeholder groups, ranging from its staff to the highest levels of Government, including the partners and startups from several sectors with which SEAT is building its innovation and mobility ecosystem.

Awards

GASNAM award for SEAT

Ramón Calderón and Andrew Shepherd, members of the CNG team at SEAT, had the honour of collecting the GASNAM Award that was granted to the company in the "Innovative Project" category, for its "Smart Green Gas" initiative.

Led by Aqualia in collaboration with the brand, this project was recognised for its success in getting SEAT cars that run on CNG to travel long distances using only biogas obtained from wastewater from a sewage treatment plant in Jerez de la Frontera (Cádiz).

SEAT acknowledged as the biggest industrial exporter in Spain

SEAT received an award from the newspaper *ABC* and the Consortium of Barcelona's Zona Franca district for being the leading industrial exporting company in Spain.

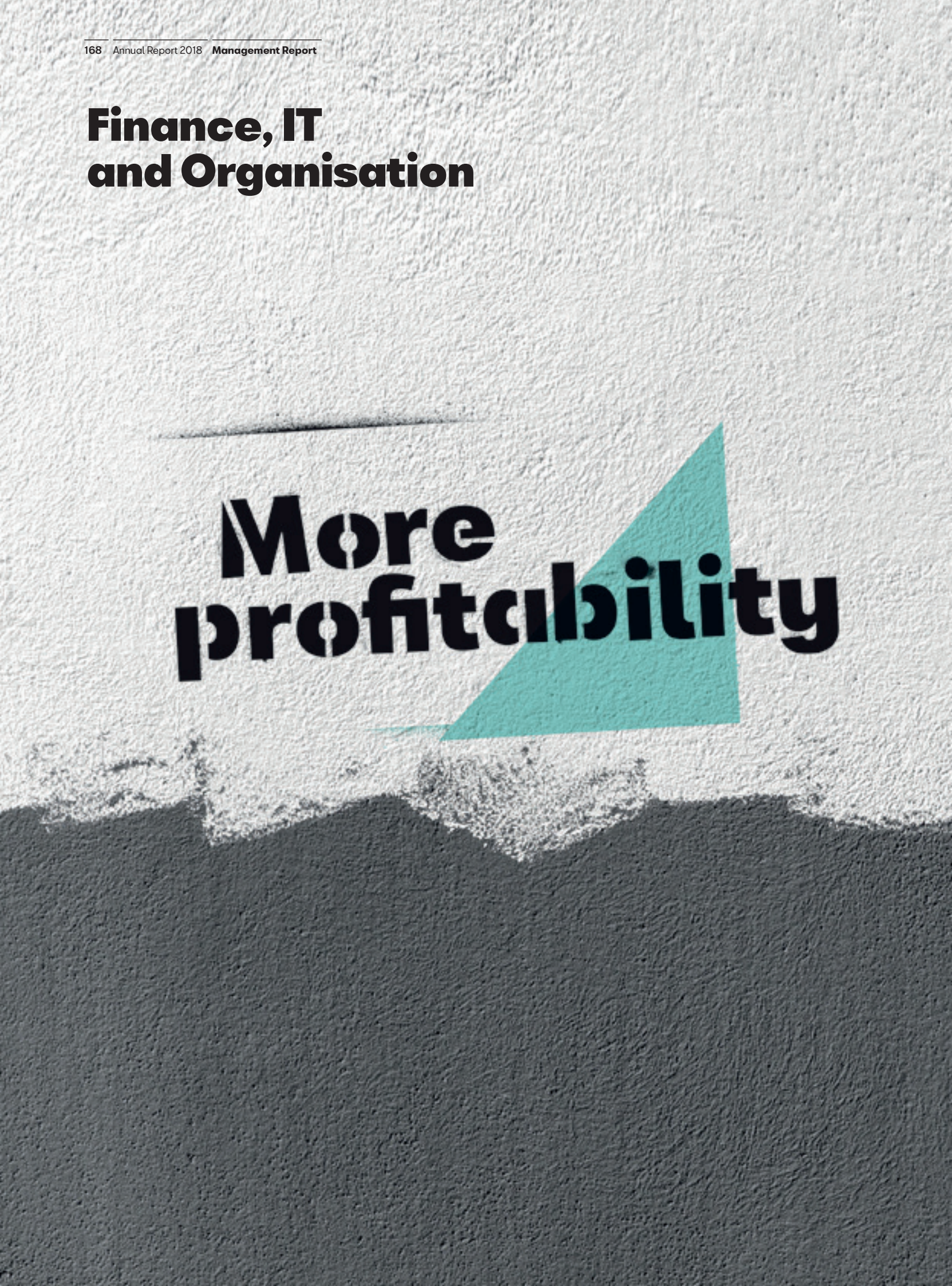
The company's chairman, Luca de Meo, collected the award at an event held in Madrid, which was attended by Reyes Maroto, the minister for Industry, Trade and Tourism; Pere Navarro, special delegate of the Government in the Zona Franca Consortium; and Catalina Luca de Tena, editor of the newspaper *ABC*.

SEAT, Company of the Year 2018

The newspaper *El Periódico de Catalunya* awarded SEAT the Company of the Year 2018 award, in recognition of the company's progress and excellent results achieved in the year.

Luca de Meo, SEAT's chairman, received the award at an event held at Barcelona's Llotja de Mar venue, which was attended by the minister for Economy and Business, Nadia Calviño; the councillor for Business and Knowledge from the Catalan Government (Generalitat de Catalunya), Àngels Chacón; the Government representative, Teresa Cunillera; the deputy mayor of Barcelona, Gerardo Pisarello, and more than 300 executives.

Finance, IT and Organisation





Growth of the economy

In 2018, the global economy finally maintained stable growth at the level of 3.7% initially reached in the previous year. A number of political and economic factors led to reductions in the optimistic forecasts previously maintained by most financial institutions. The escalating trade tensions between the United States and China, the persistent uncertainty of Brexit, political tensions between the two Koreas, the rise in commodity and oil prices, volatility in the stock markets and the problems experienced by the emerging economies led to lower global growth in 2018.

The "tariff war" between the United States and China affected business confidence. Nevertheless, the indicators ended up reflecting a US economy with full employment, dynamic growth and a gradual increase in interest rates. The growth rate of the Chinese economy, meanwhile, continued to slow down despite the implementation of policies intended to support investment and credit.

The increase in oil prices caused inflation to rise and also held back growth in the developed economies. In addition, the higher interest rates and the strength of the dollar affected emerging economies with high external financing needs, such as Argentina and Turkey, which had to carry out painful adjustments to their currencies.

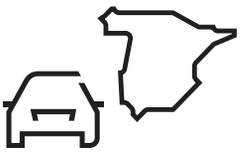
The eurozone economy has also suffered the effects of a changing environment, which played a decisive part in the slowdown of its growth. External political risks were exacerbated by two internal pockets of uncertainty: the possible consequences of Brexit and the negotiations with the Italian Government to reduce its high level of debt.

The tailwinds that gave further impetus to the growth of the Spanish economy during 2016 and 2017 lost strength (fall in the price of oil, interest rate cuts by the ECB and the depreciation of the euro). After five years of uninterrupted growth, in 2018 Spain continued its expansion at a strong rate (2.5%), although the first signs of a slowdown of growth began to appear, driven by the weakening of domestic consumption and of the country's exporting capacity. Progress was also made in reducing its two largest structural imbalances: the deficit, which fell below 3% for the first time since the start of the financial crisis in 2008, and unemployment, which stood around 15%, also for the first time in the last decade.



The eurozone economy has also suffered the effects of a changing environment, which played a decisive part in the slowdown of its growth.





2018 figures for the sector in Spain

Vehicle production
2.8
million

Vehicle exports
2.3
million

Passenger car registrations
1.3
million

New challenges in the automotive sector

Digitalisation and new business models are revolutionising industry. The automotive sector is no exception and its future presents many challenges, but also new opportunities. Global connectivity, electrification, autonomous cars, new distribution and sales channels, in addition to shared mobility platforms and changes in customer needs, are the most significant challenges that the automotive industry will have to overcome.

2018 was the ninth consecutive year of growth for the sector (following the decline in 2009), in terms of both vehicle production and sales. However, while the traditional three producers (Europe, the United States and Japan) only accounted for around 45% of total global production, China accounted for 30%. In addition, the Asia/Oceania/Middle East region accounted for over 50% of total global vehicle sales.

The automotive industry remains a strategic pillar for the European Union. Nevertheless, there were two factors that had a detrimental impact on the sector and which can explain the modest growth in passenger car sales experienced in 2018 in the single market (+0.1%). On the one hand is the uncertainty surrounding Brexit and its implications for the industry, which led to a significant drop in sales in the United Kingdom. On the other hand, on 1 September the new WLTP (Worldwide harmonised Light-duty vehicles Test Procedures) measurement protocol came into force within the EU. This new system, which is one of the strictest in the world, serves to more precisely standardise the measurement of power consumption and emissions for new vehicles produced from this date onwards, as well as those put on sale starting from January 2019. Its application caused a number of disruptions in the production activities of European manufacturers, as well as in their distribution and sale channels.

In the ranking of countries in terms of production in 2018, Spain remained in the top ten worldwide, with more than 2.8 million units assembled (–1%) and more than 2.3 million vehicles exported (–0.6%). Competitiveness is the main differentiating factor of Spain's 17 factories, which produce more than 40 different models, many of them on a worldwide exclusive basis. The decline of the market in the United Kingdom and in Turkey, two of the destinations of Spanish models, had a detrimental impact on the sector, which exports more than 80% of its production. At the same time, sales of passenger cars reached 1.3 million vehicles, with a growth of 7% thanks to the positive contribution of the three traditional channels: individuals, companies, and rental firms.

Another year of records

SEAT's operations registered a historic year once again in 2018, achieving new records in its main financial indicators, allowing it to continue to make firm progress.

In 2018, SEAT achieved an after-tax profit of 294.2 million euros, once again the company's highest profit before extraordinary effects in its history. This figure represents a 4.6% increase over the previous year. Operating profit relating to the company's core operations also grew significantly (+93.2%), reaching 223.3 million euros, the highest operating profit achieved by the company since it became part of the Volkswagen Group in 1986.

The higher contribution margin generated by the brand's new range of SUV models, the Arona and the Ateca, and the improvement in the vehicle sales mix, due to the increase in demand for better-equipped versions, contributed to optimising the quality of revenues. Furthermore, the implementation of various efficiency plans, including Full Cost Optimisation, achieved greater competitiveness in the product costs, namely the material, production, warranty, investment, development and launch costs.

The increase in production and wholesale volumes allowed the company to once again end the financial year with the highest revenue in its history, 9,991 million euros, which represents a 4.6% increase over 2017. Revenue from the Spanish market, which amounted to 2,045.9 million euros, increased by 13.3%, while exports, at 7,945.1 million euros, rose by 2.6%. Thus, in the past five years revenue grew by 33.3%.

Wholesales of new vehicles to the commercial network

Units

			Variation	
	2018	2017	Absolute	%
SEAT models	**511,990**	464,966	47,024	10.1
Mii	**14,131**	13,775	356	2.6
Ibiza	**118,249**	150,622	(32,373)	(21.5)
Arona	**108,597**	16,024	92,573	—
Altea	**1**	431	(430)	(99.8)
León	**153,414**	160,223	(6,809)	(4.2)
Toledo	**9,892**	13,510	(3,618)	(26.8)
Ateca	**87,020**	77,654	9,366	12.1
Tarraco	**1,536**	0	1,536	—
Alhambra	**19,150**	32,727	(13,577)	(41.5)
Audi models	**84,191**	114,477	(30,286)	(26.5)
A1	**15,068**	0	15,068	—
Q3	**69,123**	114,477	(45,354)	(39.6)
Total wholesales(*)	**596,181**	579,443	16,738	2.9

(*) Figures for 2018 and 2017 do not include 14,435 and 15,072 used vehicles, respectively.





Net sales

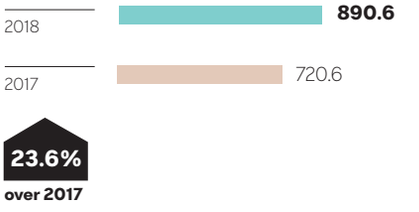
Millions of euros



4.6%
over 2017

Investments

Millions of euros



23.6%
over 2017

Result for the year

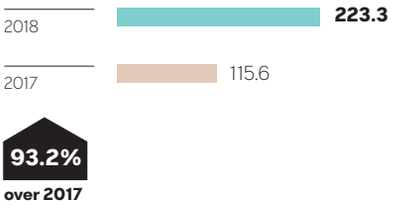
Millions of euros



4.6%
over 2017

Operating result

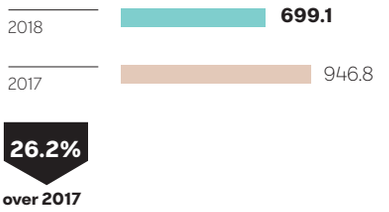
Millions of euros



93.2%
over 2017

Operating cash flow

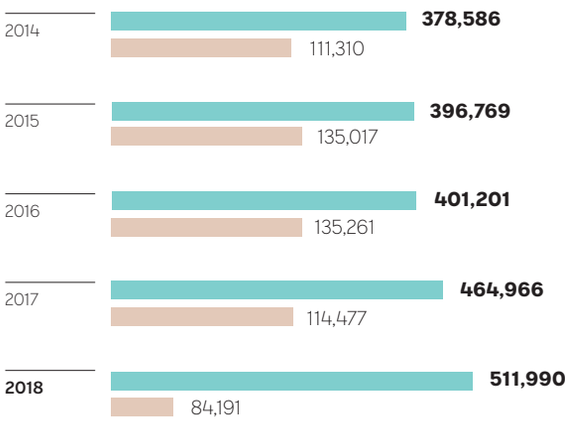
Millions of euros



26.2%
over 2017

Wholesales of new vehicles to the commercial network

Units



SEAT models
Audi models

Increase in wholesales (2014-2018)
106,285
vehicles

21.7%

Investment in the future remains one of the company's priorities, which is why it continues to carry out an ambitious investment programme intended to consolidate SEAT's future. To this end, the company has a clear strategy focused on four areas: transformation of the organisation, strengthening of the brand, globalisation and sustainability of the business.

The excellent performance of the business and the generation of an operating cash flow of 699.1 million euros (representing 7% of sales revenues) allowed the company to maintain its high level of investment. In 2018, 890.6 million euros were devoted to investment, 23.6% more than the previous year and representing 8.9% of the brand's total turnover.

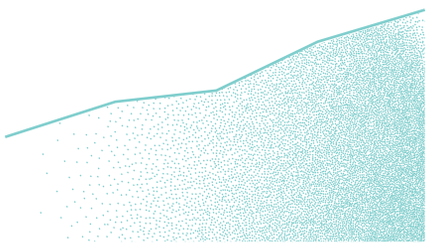
Following the notable investment effort carried out in recent years, SEAT has a sound financial base and a renewed product range. Furthermore, having achieved its profit target and confirmed its sustainability in the financial field as well, it is now ready to face the new challenges of the future and to finance its growth plans.

Investment in the future remains one of the company's priorities, which is why it continues to carry out an ambitious investment programme intended to consolidate SEAT's future.

Net sales

Millions of euros

7,496.6 8,332.1 8,597.3 9,551.8 **9,991.0**



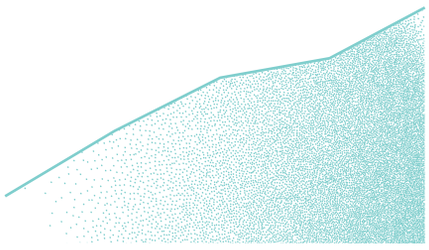
2014 2015 2016 2017 2018

Increase in net sales (2014-2018)
2,494.4
million euros

Investments

Millions of euros

221.9 464.4 652.6 720.6 **890.6**



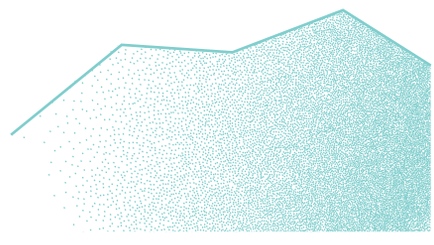
2014 2015 2016 2017 2018

Increase in investments (2014-2018)
668.7
million euros

Operating cash flow

Millions of euros

522.5 781.3 761.1 946.8 **699.1**



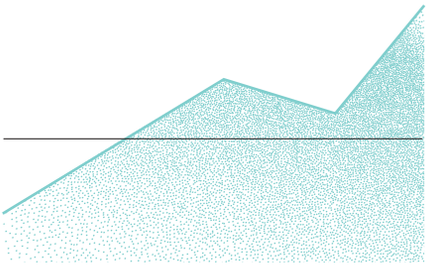
2014 2015 2016 2017 2018

Increase in operating cashflow (2014-2018)
176.6
million euros

Operating result

Millions of euros

–166.7 –7.3 143.5 115.6 **223.3**



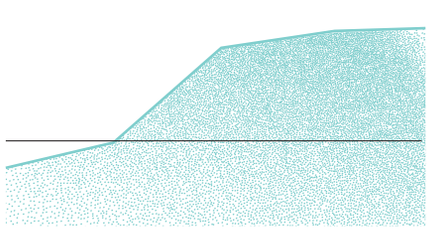
2014 2015 2016 2017 2018

Increase in operating result (2014-2018)
390.0
million euros

Result for the year

Millions of euros

-65.7 6.0 231.8(*) 281.2 **294.2**



2014 2015 2016 2017 2018

(*) Before extraordinary items

Increase in result for the year (2014-2018)
359.9
million euros



Towards a digital model

New SAP S/4HANA system

SEAT has taken a major step forward in its digital transformation process by becoming the first company of the Volkswagen Group, and one of the first companies in Spain, to migrate its finance environment to the new SAP S/4Hana system. This first step allows the new tool to be used as a lever for change in future projects to improve the brand's business processes.

Finance, like the rest of the company's divisions, is in the midst of a digitalisation process that covers two main areas:

> The first is the adaptation of the financial systems to new models involving online sales of connectivity and mobility services to the end customer. To achieve this, the necessary processes and the billing and accounting systems are currently being prepared, as is the incorporation of digital payment methods.

> The second area is the implementation of different technological tools that enable the necessary transformation to take place in order to tackle new strategic challenges, which include:

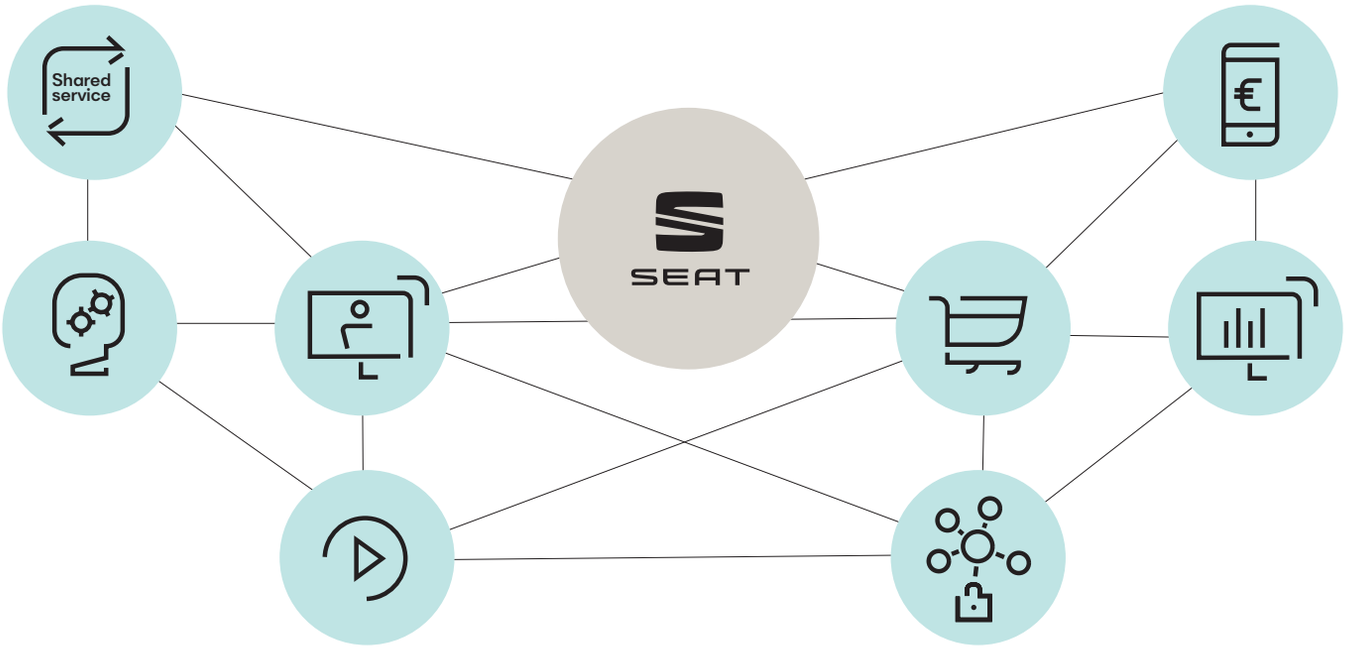
> The use of robots (robot process automation) that perform repetitive and structured processes, thereby freeing people from tasks that add no value, at the same time as increasing both efficiency and productivity and also reducing the risk of error.

> The development of chatbots based on artificial intelligence to optimise the service for handling employees' and third parties' enquiries and addressing their questions and queries 24 hours a day, 365 days a year.

> The analysis of blockchain technology for its application in processes involving third parties.

The division also takes part in the Volkswagen Group's strategy for the digitalisation of Finance (Group One! Finance), the goal of which is to harmonise data and systems across the various brands of the Group in order to apply big data analytics.

Digital financial accounting





Continuous training

The Finance, IT and Organisation Academy, created in September 2017, promotes SEAT's strategy using new models for learning. It also encourages staff development by sharing knowledge through internal and external experts. To this end, the Academy has two competency profiles covering all the division's components, one for IT and another for Finance.

Since its creation, it has shown commitment to transparency and teamwork with initiatives such as Meet The Director, in which the Management team invites staff from different departments to have breakfast with them in order to share relevant information and to find out their opinion in a relaxed atmosphere. Furthermore, the Academy is working to achieve greater knowledge specialisation through training activities such as master-class sessions with experts and role play sessions with professional actors.

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 35 days in 2018. There have been no events having an impact on the financial statements after the closure of the financial year.

#MAKE
MOBILITY
EASY

03

Socioeconomic Impact





Summary of the study performed by SEAT, with the guidance of PricewaterhouseCoopers (PwC), based on the figures of SEAT, S.A. for the 2017 financial year, in order to highlight the company's contribution in economic, tax, social, environmental and innovation terms.



Economic impact

SEAT actively contributes to Spain's economic development, with revenues representing over 0.8% of the national GDP and providing more than 100,000 jobs, including both direct and indirect jobs and those induced by the company.

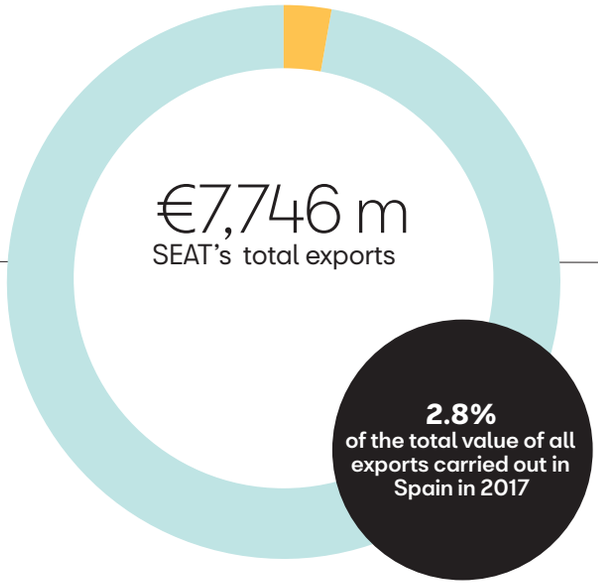
€9,552 m
in revenues in Spain
(0.82% of GDP)

+100,000
direct, indirect and induced jobs in Spain
(0.53% of Spanish employment)

7
jobs created for every direct employee

60%
national suppliers

SEAT is the leading exporter company in Spanish industry, with exports of nearly 7,800 million euros during 2017, representing 2.8% of the total exports carried out in Spain.



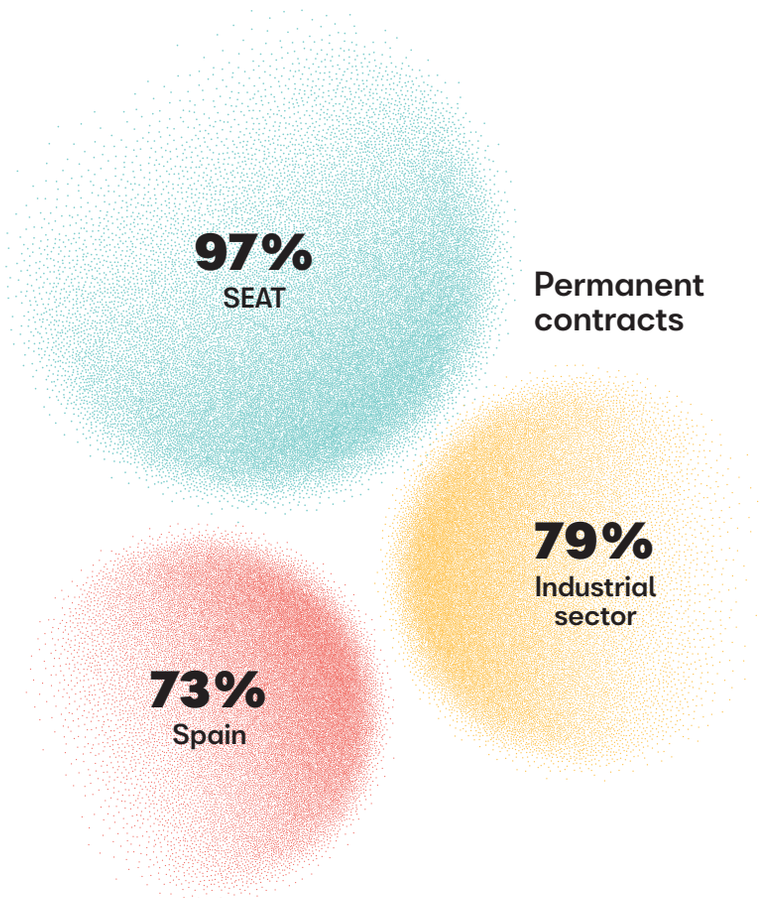


Source: Analysis based on information from SEAT, the Spanish National Statistics Institute (the 2017 National Accounts and the Labour Force Survey) and the Ministry of Economy and Competitiveness.

Social impact

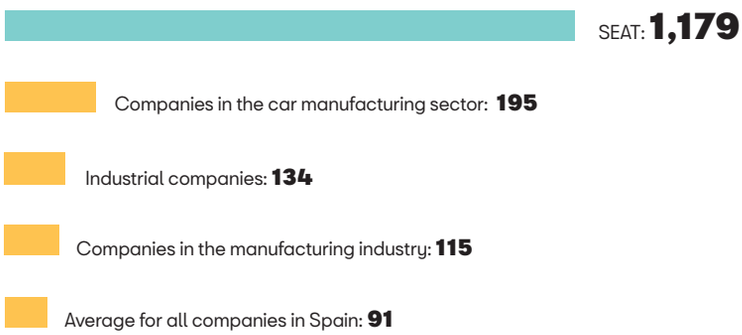
97% of SEAT's workforce has a permanent contract, which is 24 and 18 p.p. higher than the average for Spain and for the industrial sector, respectively.

51%
of employees hired by SEAT in 2017 were under 30 years of age



SEAT promotes the education and training of its staff, for which it allocated 17 million euros in 2017.

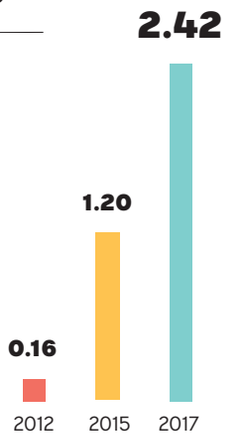
13 times the national average invested by SEAT in training/ employee



Investment in training in 2017 (€/employee)

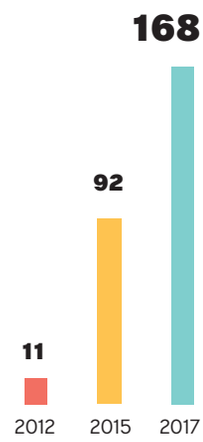
SEAT allocated more than 2.4 million euros in 2017 to social projects in Spain.

Twice the investment in social action since 2015



Investment in Social Action by SEAT (€ millions)

Since 2015, investment in social action per employee has increased by 82%



Investment in Social Action by SEAT (€/employee)

Source: Analysis based on information from SEAT and the Spanish National Statistics Institute (the Labour Force Survey and the Annual Labour Cost Survey)



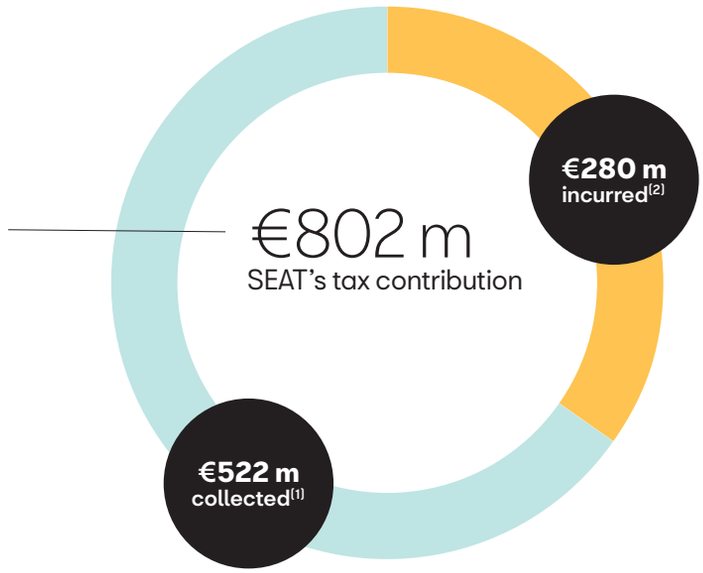
Fiscal impact

SEAT contributes to the public funds with 802 million euros in taxes, which represents 8.4% of its total turnover in Spain.

... 4.4 % of the Central Government **budget for unemployment benefits.**

... 14.6% of the Central Government **budget for active employment policies**.

... equivalent to the Central Government **budget for Culture**



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

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

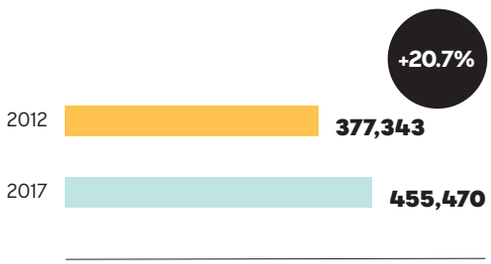
Source: Analysis based on information from SEAT and the Ministry of Finance and Civil Service.



Industrial impact

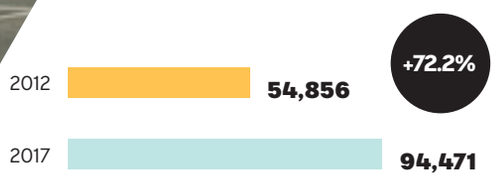
The SEAT Martorell factory manufactured 20% of the total number of cars produced in Spain during 2017.





Total vehicle production

The increase in production compared to 2012 amounts to 20.7%.



Cars registered in Spain

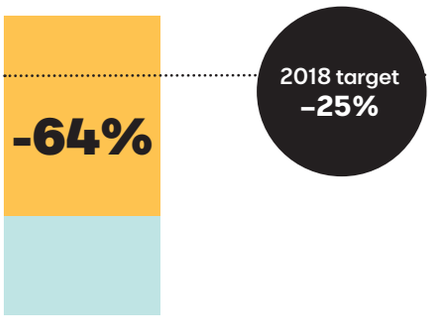
With the number of passenger car registrations reaching 94,471, SEAT has increased the number of registrations of this type of vehicle by 72.2% since 2012, and by almost 22% in the last year.

Source: Analysis based on information from SEAT and ANFAC (the Spanish Association of Car and Lorry Manufacturers).



Environmental impact

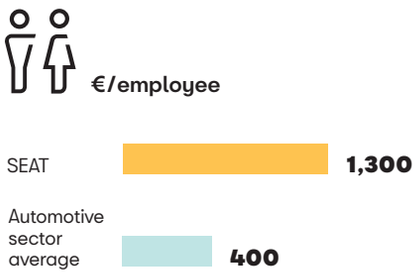
SEAT's investments in the environmental sphere produced optimal results, with the company managing to easily surpass its reduction target for CO_2 emissions per vehicle produced.



CO_2

Since 2010, the CO_2 emissions generated in SEAT's manufacturing process have reduced by 63.6%, surpassing the 25% target set for 2018.





Resources allocated to environmental protection

In 2017, SEAT allocated more than 19 million euros to improving environmental protection. This figure represents 1,300 euros per employee and is three times the sector average (400 euros).

Source: Analysis based on information from SEAT.



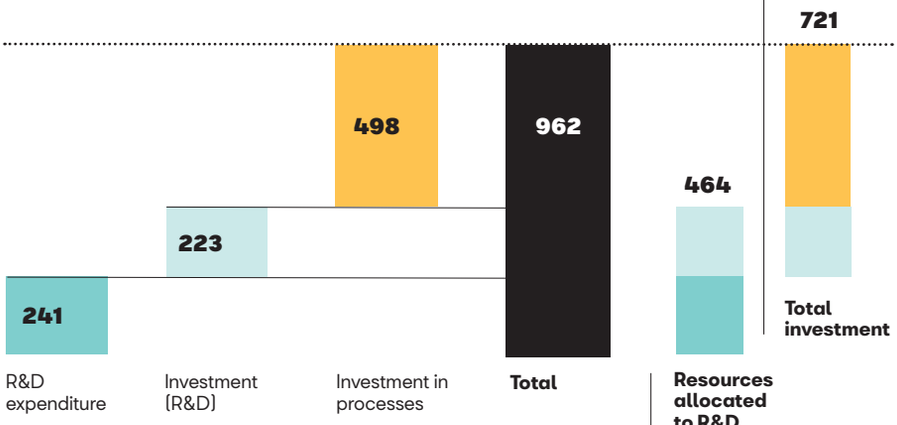
R&D impact



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

The company's total investment and expenditure on R&D came to 962 million euros in 2017, which equates to a contribution of 66,685 euros per direct SEAT employee.

3.5% of the total investment of the industrial sector in Spain[2]



SEAT's total R&D investment and expenditure (€ millions, 2017)

3.3% of all the R&D activities carried out in Spain[2]

(1) 2016 Business Innovation survey. Spanish National Statistics Institute.

(2) 2015 Structural Business Statistics. Spanish National Statistics Institute.

Through its activities, SEAT makes a significant contribution to Spain's socioeconomic development.





Business driver

SEAT is among the top ten Spanish companies in terms of turnover (9,552 million euros) and has the highest in the automotive sector.

Job creator

SEAT is the biggest employer in the industrial sector, and one of the most important in Spain (14,420* direct jobs and 101,438 direct, indirect and induced jobs).

*Includes partial retirees and trainees with an employment contract.

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.

SEAT

Figures for 2017

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 (7,746 million euros).

R&D contribution

Leading industrial investor in R&D (464 million euros in R&D expenditure and investment, which represents 3.3% of the total investment in Spain) and the fourth largest R&D investment programme overall.

Stability

SEAT increased its operations in the period 2012-2017, with growth of 20.7% in vehicle production and 56.9% in turnover, thus contributing to the stability of the Spanish economy.

#MAKE
MOBILITY
EASY



04
SEAT, S.A. Annual Accounts



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, 2018, 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, 2018, 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 December 31, 2017 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.

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

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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, tangible assets or deferred tax assets, detailed in notes 6 and 18 to the annual accounts, which jointly represent 53% 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 notes to the annual accounts 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.

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Key audit matter	How our audit addressed the 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 annual accounts. We focus on this area because of its significance in the balance sheet of the Company (represents 33% of the total liabilities of the balance sheet) and because it requires management and 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 which have been calculated based on historical ratios of costs incurred for this reason for vehicles sold.	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 external and internal lawyers and tax advisors who work with the Company to check 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.



Other information: Management report

Other information comprises only the management report for the 2018 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 applicable to the statement of non-financial information, that consists of verifying solely that the aforementioned information has been provided in the management report, or if applicable, that the management report includes the pertinent reference in the manner provided by the legislation and if not, we are required to report that fact.

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 above, we have ascertained that the management report includes a reference mentioning that the information described in section a) above is disclosed in the consolidated management report of the Volkswagen Group, based in Germany, to which the Company belongs, although it is not included in the management report, not in a separate report, a non-financial information statement with complementary information, and that the rest of the information contained in the management report is consistent with that contained in the annual accounts for the 2018 financial year, and its content and presentation are in accordance with the applicable regulations.

Responsibility of the directors and the audit, compliance and governance commission 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, compliance and governance commission 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.

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

pwc

SEAT, S.A.

From the matters communicated with the Company´s audit, compliance and governance commission, 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, compliance and governance commission

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit, compliance and governance commission dated March 1, 2019.

Appointment period

The General Ordinary Shareholders' Meeting held on June 28, 2018 appointed us as auditors for the year ended December 31, 2018.

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)

March 1, 2019

Balance Sheet

At December 31 (millions of euros)

ASSETS	NOTE	2018	2017
Non-current assets		**3,464.3**	**3,144.1**
Intangible assets	6b	818.9	588.2
Tangible assets	6c	1,465.4	1,389.8
Long-term Group company investments	6d	759.0	737.7
Long-term financial investments		2.7	1.8
Deferred tax assets	18	418.3	426.6
Current assets		**1,599.3**	**1,899.4**
Inventories	9	422.8	382.2
Trade and other receivables	10	848.9	807.6
Short-term Group company investments	11	324.3	709.5
Short-term financial investments	11	0.0	0.0
Short-term prepaid expenses		2.0	0.1
Cash and cash equivalents		1.3	0.0
Total		**5,063.6**	**5,043.5**

EQUITY AND LIABILITIES	NOTE	2018	2017
Equity		**1,663.8**	**1,515.7**
Shareholders' equity	12	1,661.4	1,512.1
Valuation adjustments		0.2	0.0
Grants	13	2.2	3.6
Non-current liabilities		**513.0**	**489.3**
Long-term provisions	14	291.0	291.5
Long-term liabilities	15	87.6	108.9
Long-term Group company liabilities	15	0.0	0.0
Deferred tax liabilities	18	8.3	8.9
Long-term prepaid income	5i	126.1	80.0
Current liabilities		**2,886.8**	**3,038.5**
Short-term provisions	14	829.6	850.3
Short-term liabilities	15	113.2	155.0
Short-term Group company liabilities	15	14.9	4.8
Trade and other payables	16	1,871.1	1,993.9
Short-term prepaid income		58.0	34.5
Total		**5,063.6**	**5,043.5**

Profit and Loss Statement

January 1 to December 31 (millions of euros)

CONTINUING OPERATIONS	NOTE	2018	2017
Net sales	19a	9,991.0	9,551.8
Change in inventories of finished goods and work in progress	19b	(29.1)	(0.6)
Material, wages and overheads capitalized as assets	5a	314.0	213.3
Supplies	19c	(7,237.9)	(7,090.1)
Other operating income	19d	504.1	461.6
Personnel costs	19e	(876.1)	(842.1)
Other operating expenses	19f	(1,937.3)	(1,595.4)
Depreciation of fixed assets	6a	(422.0)	(460.9)
Change of grants from non-financial fixed assets and others	13	2.7	4.5
Excess of provisions		41.7	116.9
Impairment and result on disposal of fixed assets	6a	(127.8)	(243.4)
Operating result		**223.3**	**115.6**
Financial income	19g	79.9	98.7
Financial expenses	19h	(5.4)	(7.6)
Exchange rate differences	17	(0.9)	24.7
Impairment and result on disposal of financial instruments	19i	(10.9)	0.3
Financial result		**62.7**	**116.1**
Result before tax		**286.0**	**231.7**
Corporation tax	18	8.2	49.5
Result for year		**294.2**	**281.2**

Statement of Changes in Equity

At December 31 (millions of euros)

STATEMENT OF RECOGNIZED INCOME AND EXPENSES	NOTE	2018	2017
A) Result of Profit and Loss statement		**294.2**	**281.2**
For valuation of financial instruments		0.3	0.0
Financial assets available for sale		*0.0*	*0.0*
Other income/expenses		*0.3*	*0.0*
For coverage of cash flow		0.0	0.0
Grants	13	0.7	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		(0.3)	0.0
B) Total income and expenses entered directly to equity		**0.7**	**0.0**
For valuation of financial instruments		0.0	0.0
Financial assets available for sale		*0.0*	*0.0*
Other income/expenses		*0.0*	*0.0*
For coverage of cash flow		0.0	0.0
Grants	13	(2.7)	(4.5)
For non-current assets and linked liabilities, maintained for sale		0.0	0.0
Conversion differences		0.0	0.0
Taxation effect		0.8	1.3
C) Total transfers to Profit and Loss statement		**(1.9)**	**(3.2)**
D) Total recognized income and expenses (A+B+C)		**293.0**	**278.0**

STATEMENT OF TOTAL CHANGES IN EQUITY	SUBSCRIBED CAPITAL	SHARE PREMIUM	RESERVE	PROFIT/ LOSS FROM PREV. YEARS	PROFIT/ LOSS FOR YEAR	VALUATION ADJUSTMENTS	SUBVENTIONS	TOTAL
Final balance 2016	**0.1**	**1,008.1**	**159.4**	**(589.9)**	**903.2**	**0.0**	**6.8**	**1,487.7**
Adjustments for changes of criterion	0.0	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	0.0
Adjusted balance beginning 2017	**0.1**	**1,008.1**	**159.4**	**(589.9)**	**903.2**	**0.0**	**6.8**	**1,487.7**
Total recognized income and expenses	0.0	0.0	0.0	0.0	281.2	0.0	(3.2)	278.0
Operations with partners or owners	0.0	0.0	0.0	0.0	(250.0)	0.0	0.0	(250.0)
Capital increase	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Capital reduction	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Conversion of financial liabilities into equity	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Distribution of dividends	*0.0*	*0.0*	*0.0*	*0.0*	*(250.0)*	*0.0*	*0.0*	*(250.0)*
Operations with own shares or participations (net)	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Variation in equity due to business combinations	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Other operations with partners or owners	*0.0*	*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	0.0
Final balance 2017	**0.1**	**1,008.1**	**222.7**	**0.0**	**281.2**	**0.0**	**3.6**	**1,515.7**
Adjustments for changes of criterion	0.0	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	0.0
Adjusted balance beginning 2018	**0.1**	**1,008.1**	**222.7**	**0.0**	**281.2**	**0.0**	**3.6**	**1,515.7**
Total recognized income and expenses	0.0	0.0	0.0	0.0	294.2	0.2	(1.4)	293.0
Operations with partners or owners	0.0	0.0	0.0	0.0	(140.6)	0.0	0.0	(140.6)
Capital increase	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Capital reduction	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Conversion of financial liabilities into equity	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Distribution of dividends	*0.0*	*0.0*	*0.0*	*0.0*	*(140.6)*	*0.0*	*0.0*	*(140.6)*
Operations with own shares or participations (net)	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Variation in equity due to business combinations	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Other operations with partners or owners	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Other variations in equity	0.0	0.0	136.3	0.0	(140.6)	0.0	0.0	(4.3)
Final balance 2018	**0.1**	**1,008.1**	**359.0**	**0.0**	**294.2**	**0.2**	**2.2**	**1,663.8**

Cash Flow Statement

January 1 to December 31 (millions of euros)

	NOTE	2018	2017
A) Cash flow from operating activities		**699.1**	**946.8**
Result before tax		286.0	231.7
Adjustment of result		451.1	489.6
Depreciation of fixed assets	*6a*	*422.0*	*460.9*
Valuation corrections due to impairment		*129.5*	*218.5*
Variation of provisions		*(20.7)*	*(66.2)*
Accounting entry of grants	*13*	*(4.0)*	*(6.8)*
Results of disposal of fixed assets		*0.2*	*0.0*
Results of disposal of financial instruments		*0.0*	*0.0*
Financial income	*19g*	*(79.9)*	*(98.7)*
Financial expenses	*19h*	*5.4*	*7.6*
Exchange rate differences	*17*	*0.9*	*(24.7)*
Valuation at reasonable value in financial instruments		*0.0*	*0.0*
Other income and expenses		*(2.3)*	*(1.0)*
Changes in current capital		(110.0)	189.6
Inventories	*9*	*(32.3)*	*25.5*
Trade and other receivables		*(22.2)*	*(57.2)*
Other current assets		*(1.8)*	*1.7*
Trade and other payables		*(123.0)*	*202.1*
Other current liabilities		*69.3*	*17.5*
Other cash flow in operating activities		72.0	35.9
Payment of interests		*(1.8)*	*(1.8)*
Collection of dividends		*79.4*	*98.1*
Collection of interests		*0.5*	*0.6*
Collection (payment) for corporation tax		*(6.1)*	*(61.0)*

	NOTE	2018	2017
B) Cash flow from investment activities		**(528.3)**	**(693.5)**
Payments for investment		(921.0)	(702.3)
Group and associated companies		*(27.9)*	*(5.8)*
Intangible assets		*(416.2)*	*(265.3)*
Tangible assets		*(475.9)*	*(430.7)*
Other financial assets		*(1.0)*	*(0.5)*
Collection for disinvestments		392.7	8.8
Group and associated companies		*391.4*	*8.3*
Intangible assets		*0.6*	*0.1*
Tangible assets		*0.4*	*0.2*
Other financial assets		*0.3*	*0.2*
C) Cash flow from financing activities		**(168.6)**	**(278.0)**
Collection and payments for equity instruments		2.0	2.5
Acquisition of own equity instruments		*0.0*	*0.0*
Disposal of own equity instruments		*0.0*	*0.0*
Grants		*2.0*	*2.5*
Collection and payments for financial liability instruments		(30.0)	(30.5)
Issue		*0.5*	*0.1*
Borrowing from credit institutions		*0.0*	*0.0*
Borrowing from Group and associated companies		*0.0*	*0.0*
Other liabilities		*0.5*	*0.1*
Repayment and depreciation of		*(30.5)*	*(30.6)*
Borrowing from credit institutions		*0.0*	*0.0*
Borrowing from Group and associated companies		*0.0*	*0.0*
Other liabilities		*(30.5)*	*(30.6)*
Payments for dividends and remuneration of other equity instruments		(140.6)	(250.0)
Dividends		*(140.6)*	*(250.0)*
Remuneration of other equity instruments		*0.0*	*0.0*
D) Effect of exchange rate variations		**(0.9)**	**24.7**
E) Net increase/decrease in cash or equivalents (A+B+C+D)		**1.3**	**0.0**
Cash or equivalents at beginning of year		0.0	0.0
Cash or equivalents at end of year		1.3	0.0

Notes

Notes to the Annual Accounts (Financial year ending December 31, 2018)

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 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.

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

b) 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 (Article 256 of Capital Company Act).

c) 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.

d) 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.
- 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 5k 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 March 1, 2019, the Board of Directors formulated a proposal to the General Shareholders' Meeting whereby profit generated in 2018 (294.2 million euros) be allocated as follows: 277.0 to voluntary reserves and 17.2 to capitalization reserve.

In compliance with the Capital Company Act, dividends which reduce the balance of reserves below the balance of R&D expenses pending 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 the useful life of the model they refer to. 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.

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 (see Note 6c).

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.

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) Long-term prepaid income
This heading includes the amount relating to warranty extensions that the company offers its customers. This amount is recognized in the Profit and Loss Statement according to the type of contract in question, which is usually linked to an additional period of one or more years beginning at the end of the contractual warranty period.

j) 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.

k) 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.

l) Income and expenses
Income is recognized at the fair value of the consideration received, and represents the amounts receivable for goods delivered and services rendered in the ordinary course of the company's activities, less returns, reductions, discounts and value added tax.

Income is recognized when its amount can be reliably valued and it is likely that the future economic benefits will flow to the company.

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.

m) 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.

n) 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.

o) 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.

p) 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 5o).

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).

q) 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 CO_2 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 CO_2 for the above-mentioned period.

During the financial year, there have not been any acquisitions of emission rights (EUAs) (neither in 2017).

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 41.9 million euros (243.4 million euros in 2017). 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 5.5% in 2018 (5.8% in 2017). 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 2018 the investment in intangible assets acquired from VW Group companies amounted to 260.7 million euros (143.1 in 2017).

The value of fully depreciated and in-use assets amounts to 889.6 million euros (1,058.9 in 2017).

At the end of the financial year, the company has firm commitments for the purchase of goods to the amount of 0.8 million euros (1.7 in 2017).

In 2018 and 2017 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.

Correction due to impairment amounts to 85.7 million euros (0 in 2017). Said corrections are linked to the estimate of future sales volumes of 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 5.5% in 2018 (5.8% in 2017). A ±10 percentage-point variation in the rate 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 2017).

In 2018, assets unrelated to operations amount in 3.5 million euros at cost value and 1.8 million euros of accumulated depreciation (3.5 and 1.9 respectively in 2017). The value of assets fully depreciated and still in use amounts to 3,964.6 million euros (3,581.8 in 2017). Of these 166.5 million euros relate to buildings (159.7 in 2017).

Likewise, in 2018 investment in tangible assets acquired from VW Group companies amounted to 71.5 million euros (47.4 in 2017).

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

MILLIONS OF EUROS	2018		2017	
	Gross Value	Depreciation	Gross Value	Depreciation
Tangible assets acquired from VW Group companies	546.6	416.7	505.5	379.7
Tangible assets used by VW Group companies	46.1	32.6	49.5	35.0
Tangible assets used by non-Group suppliers	1,825.2	1,616.7	1,593.7	1,409.9
Tangible assets placed abroad	315.7	237.5	270.3	188.3

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 410.2 million euros (316.4 in 2017).

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 company does not hold any assets under finance leases at the 2018 year end. The breakdown of the rights over goods held under finance leases included in the 'Land and Buildings' category of tangible assets at the 2017 year end was as follows:

MILLIONS OF EUROS		LENGTH OF CONTRACT (YEARS)	COST	PURCHASE OPTION VALUE	QUOTAS PENDING PAYMENT 2017
Desing building	(22.01.08)	10	4.2	0.0	0.1

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 15.6 million euros (15.4 in 2017). Rents received, mainly for buildings, fields and warehouses, amounted to 6.6 million euros (2.3 in 2017). Future amounts to be paid and received, in the event of early cancelation 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	
	2018	2017	2018	2017	2018	2017
Long-term financial assets						
Group company investments (Note 6a)	759.0	737.7	0.0	0.0	0.0	0.0
Financial investments (Note 6a)	0.0	0.0	0.0	0.0	2.7	1.8
Short-term financial assets						
Loans and receivables	0.0	0.0	0.0	0.0	983.1	1,333.2
Trade and other receivables (Note 10)	*0.0*	*0.0*	*0.0*	*0.0*	*658.8*	*623.7*
Group company investments (Note 11)	*0.0*	*0.0*	*0.0*	*0.0*	*324.3*	*709.5*
Financial investments (Note 11)	*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	
	2018	2017	2018	2017	2018	2017
Long-term financial liabilities						
Debts and other payables	0.0	0.0	0.0	0.0	87.6	108.9
Group company liabilities (Note 15)	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Third-party liabilities (Note 15)	*0.0*	*0.0*	*0.0*	*0.0*	*87.6*	*108.9*
Short-term financial liabilities						
Debts and other payables	0.0	0.0	0.0	0.0	1,955.3	2,111.2
Group company liabilities (Note 15)	*0.0*	*0.0*	*0.0*	*0.0*	*14.9*	*4.8*
Third-party liabilities (Note 15)	*0.0*	*0.0*	*0.0*	*0.0*	*113.2*	*155.0*
Trade and other payables (Note 16)	*0.0*	*0.0*	*0.0*	*0.0*	*1,827.2*	*1,951.4*

Financial instruments relate mainly to loans and receivables and debts and other payables.

During the financial year, SEAT did not hold any own shares, and therefore carried out no related operations; neither was this the case in 2017.

II. Profit and Loss Statement and equity

The net amount of valuation corrections due to the impairment for financial interest in Group companies at the end of the financial year totaled 10.9 million euros (0.2 in 2017).

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 (244.8 in 2017).

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, Mexican peso, 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, both the company and the Volkswagen Group manage these foreign currency operations to mitigate this risk.

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. The company does not have any open positions at the year end.

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	2018	2017
Acquired products	146.2	89.2
Raw materials and other supplies	66.2	53.1
Work in progress and partly-finished goods	38.4	33.7
Finished goods	172.0	206.2
Total	**422.8**	**382.2**

At the year end the impairment of inventory amounted to 125.2 million euros (133.5 in 2017), with provision/application for the financial year totaling -8.3 million euros (-25.7 in 2017).

The company maintains a commitment to purchase cars invoiced to rental car companies (see Note 5f) to the value of 34.2 million euros (17.9 in 2017).

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

10. Trade and other receivables

MILLIONS OF EUROS	2018	2017
Trade receivables	158.9	103.7
Group company receivables	494.4	514.7
Other receivables	4.4	4.2
Personnel	1.1	1.1
Current tax assets	131.6	107.3
Government bodies	58.5	76.6
Total	**848.9**	**807.6**

Impairment of the value of receivables from commercial operations totals 6.7 million euros (1.4 in 2017).

11. Short-term investments

MILLIONS OF EUROS	2018	2017
Group companies	324.3	709.5
Loans	*1.0*	*1.4*
Other financial assets	*323.3*	*708.1*
Third-party	0.0	0.0
Loans	*0.0*	*0.0*
Other financial assets	*0.0*	*0.0*
Total	**324.3**	**709.5**

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% in 2017).

12. Shareholders' equity

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

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

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

The "Reserve" section includes a capitalization reserve of 62.0 million euros booked on June 28, 2018 in accordance with the Article 25 of the Corporation Tax Act. This reserve will remain unavailable for a 5-year period starting on December 31, 2017.

The company does not have any treasury shares.

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	2018	2017
Initial balance	**3.6**	**6.8**
Addition	*0.5*	*0.0*
Transferred to results	*(1.9)*	*(3.2)*
End balance	**2.2**	**3.6**

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

The total of operating grants amounts to 1.3 million euros (2.3 in 2017).

14. Provisions and risks

MILLIONS OF EUROS	BALANCE 01.01.18	ADDITION 2018	DISPOSAL 2018	BALANCE 31.12.18
Trade operations	561.8	188.1	(196.9)	553.0
Personnel benefits	47.3	41.3	(45.4)	43.2
Environmental activities	6.3	0.6	(0.6)	6.3
Other provisions	526.4	152.3	(160.6)	518.1
Total	**1,141.8**	**382.3**	**(403.5)**	**1,120.6**

At the year end, provisions amounted to 1,120.6 million euros, of which 829.6 million euros were long-term (discounted at a market interest rate) and 291.0 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 5q). 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 0.2% in 2018 (0.08% in 2017).

15. Liabilities

MILLIONS OF EUROS	2018	2017
Group companies	**14.9**	**4.8**
Third-party	**200.8**	**263.9**
Financial institutions	0.0	0.0
Financial leasing	0.0	0.1
Other financial liabilities	200.8	263.8
Official loans with granted interest	*114.5*	*139.4*
Bonds, deposits received and other liabilities	*0.9*	*0.4*
Suppliers of fixed assets	*85.4*	*124.0*
Total	**215.7**	**268.7**

At the year end liabilities amounted to 215.7 million euros, 14.9 million euros with Group companies (short-term) and 200.8 million euros with third parties (87.6 long-term and 113.2 short-term).

Liabilities are distributed according to maturity date as follows: 128.1 million euros in 2019, 65.9 million euros for 2020-2023 and 21.7 million euros in later financial years (159.8, 74.4, and 34.5 respectively in 2017).

When granting a loan to the company financial institutions apply current market interest rates applicable at time of authorization. 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, 2018 of which 0 million euros were used (500 and 0 respectively in 2017).

16. Trade and other payables

MILLIONS OF EUROS	2018	2017
Trade payables	900.5	1,085.9
Group companies payables	775.4	733.0
Other payables	43.3	29.8
Personnel (remunerations pending)	108.0	102.7
Current tax liabilities	0.1	0.1
Government bodies	43.8	42.4
Total	**1,871.1**	**1,993.9**

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 10,528.5 million euros and pending payments totaled 881.5 million euros (9,758.1 and 941.0 respectively in 2017). Furthermore, the weighted average payment period to company suppliers was 35 days, with the ratio of transactions paid being 35 days and the ratio of transactions pending payment, 30 days (37, 37, and 37 respectively in 2017).

17. Foreign currency

The net value of balances in foreign currency totaled a debit balance of 63.5 million euros on December 31, 2018 (debit balance of 97.2 million euros in 2017), 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, 56.7 million euros correspond to credit balances with Group companies and other suppliers, and 120.2 million euros to debit balances with Group companies and other customers (36.5 and 133.7 respectively in 2017). The amounts attributed to income and expenses for exchange rate differences during the year total 18.9 and 19.8 million euros, respectively (60.9 and 36.2 in 2017).

Amounts (in millions of euros) of the main transactions carried out in foreign currency are as follows:

MILLIONS OF EUROS	2018	2017
Purchases	146.8	127.1
Sales	1,814.3	1,716.7
Services received	68.0	71.1
Services rendered	5.4	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 (hereinafter CGTP) of the Spanish Tax Agency, adopts a nonaggressive 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 CGTP, promoted by the Spanish Tax Agency and which the SEAT Group adhered to in 2010.

II. Tax strategy

The main objective of the SEAT Group's tax strategy is to ensure compliance with the tax legislation and all the tax obligations in each of the jurisdictions it operates in, all within a framework of respect toward the corporate principles of integrity, transparency and achievement of social interest.

Similarly, the SEAT Group is committed to maintaining a relationship of cooperation with the different Public Administrations.

III. Good tax practices

In order to include the above points in the corporate tax policy, as well as the recommendations included in the CGTP, the SEAT Group assumes the following practices:

III.I. Prevention of tax risk

Without prejudice to an optimal business management, the SEAT Group will always respect the tax legislation:

> Promoting and implementing both processes and practices leading to the prevention, reduction and elimination of tax risk at a global company level.

> Informing the Board of Directors on the tax implications of any operations and/or matters that are to be submitted for its approval.
> Adopting decisions on tax matters on the basis of a reasonable interpretation of the rules and, where applicable, avoiding possible conflicts of interpretation through the use of instruments provided by the relevant Tax Authorities, such as prior consultations, assessment agreements, etc.
> Avoiding the use of opaque or artificial structures, as well as the acquisition of companies in tax havens with the aim of evading the applicable tax burdens.
> Making a preliminary assessment of investments and/or operations that carry a particular tax risk.

III.II. Relations with Tax Administrations
The relations of the SEAT Group with the relevant Tax Authorities will be governed by the principles of transparency, mutual trust and good faith. Specifically, the following good tax practices will be assumed:

> Collaborating with the relevant Tax Administration to detect and search for solutions regarding fraudulent tax practices in the countries where the SEAT Group operates.
> Providing information and documentation that is relevant for tax purposes when it is requested by the Tax Authorities, in the shortest time possible and in a comprehensive manner.
> Promoting as much as possible agreements with the competent Tax Administrations.

III.III. Reporting to the Board of Directors
The SEAT Board of Directors assumes powers such as the approval of the tax strategy, the supervision of the internal tax risk control system that forms part of the general company risk control system (RICORS), as well as the approval of investments and/or operations that represent a particular tax risk due to their nature.

The principles mentioned throughout this document, which are to govern the activities of the SEAT Group in tax and corporate matters, will be drafted and executed by the SEAT Tax Department, establishing the internal control mechanisms and rules required to ensure they are complied with.

The Tax Department will report the results of the actions taken in relation to tax risk control and management to the Audit Commission, so that it can inform the Board of Directors appropriately.

III.IV. Communication of the corporate tax policy and good tax practices
The Board of Directors will promote the communication of the corporate tax policy, not only through its Chairman, but also through its senior managers. Similarly, the SEAT tax policy will be communicated:

> By being included in the SEAT 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, was 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 3.5 and 1.1 million euros respectively.

In 2018, the taxable profit of the SEAT Group deriving from its consolidated corporation tax totaled 86.7 million euros, after offsetting negative tax assessment bases for previous years amounting to 4.7 million euros, and applying fiscal deductions amounting to 86.7 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	**294.2**	**0.0**	**294.2**	**0.0**	**0.0**	**0.0**
Corporation tax	**0.0**	**(8.2)**	**(8.2)**	**0.0**	**0.0**	**0.0**
Permanent differences	**10.9**	**(79.4)**	**(68.5)**	**0.0**	**0.0**	**0.0**
Specific to the company	10.9	0.0	10.9	0.0	0.0	0.0
From consolidation adjustment	0.0	(79.4)	(79.4)	0.0	0.0	0.0
Timing differences	**358.5**	**(344.6)**	**13.9**	**0.0**	**0.0**	**0.0**
Specific to the company	354.5	(341.0)	13.5	0.0	0.0	0.0
Originating in the year	*354.0*	*(0.6)*	*353.4*	*0.0*	*0.0*	*0.0*
Originating in previous years	*0.5*	*(340.4)*	*(339.9)*	*0.0*	*0.0*	*0.0*
From consolidation adjustment	4.0	(3.6)	0.4	0.0	0.0	0.0
Originating in the year	*0.0*	*(3.6)*	*(3.6)*	*0.0*	*0.0*	*0.0*
Originating in previous years	*4.0*	*0.0*	*4.0*	*0.0*	*0.0*	*0.0*
Tax assessment base	**663.6**	**(432.2)**	**231.4**	**0.0**	**0.0**	**0.0**

Corporation tax comprises income of 11.2 million euros of current tax and income of 1.6 million euros of deferred tax.

Additionally, due to the adjustments from the previous year an expense has been accrued and posted on the Profit and Loss Statement for corporation tax of 4.6 million euros.

In the consolidated corporation tax settlement, 80.6 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 101.9 million euros.

At December 31, 2018, the accumulated deferred tax assets amounted to 418.3 million euros, all of them arising from timing differences.

For their part, deferred tax liabilities amount to 8.3 million euros, of which 7.3 million euros arise from timing differences, basically due to the tax depreciation of assets acquired under the system of finance leases, and 1.0 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 -8.3 and 0.6 million euros, respectively. The detailed breakdown of the net movement of the same is as follows:

MILLIONS OF EUROS	2018	2017
Initial balance	**417.7**	**356.9**
Deferred taxes entered directly to Profit and Loss statement	*(10.1)*	*59.5*
Deferred taxes entered directly to equity	*1.6*	*0.0*
Deferred taxes transferred to Profit and Loss statement	*0.8*	*1.3*
End balance	**410.0**	**417.7**

At December 31, 2018, 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 31.12.18	2019	2020	2021	2022	Later
R&D	142.7	0.0	0.0	0.0	0.0	142.7
Export companies	0.0	0.0	0.0	0.0	0.0	0.0
Environmental investment	0.0	0.0	0.0	0.0	0.0	0.0
Vocational training	0.1	0.0	0.0	0.0	0.0	0.1
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 2013-2018, with the exception of corporation tax which extends to the period 2012-2017.

19. Income and expenses

a) Net sales

The distribution of items is as follows:

MILLIONS OF EUROS	2018	2017
Vehicles	8,819.6	8,486.7
Spare parts	608.4	568.9
Gearboxes	228.0	232.0
Other sales	335.0	264.2
Materials	*193.6*	*154.1*
By-products and reusable waste	*37.4*	*33.5*
R&D services	*57.1*	***68.9***
Hedging	***35.1***	***0.0***
Other services	*11.8*	***7.7***
Total	**9,991.0**	**9,551.8**

The geographical distribution of markets is as follows:

MILLIONS OF EUROS	2018	2017
Spain	2,045.9	1,805.8
Rest of European Union	6,845.1	6,813.0
Rest of world	1,100.0	933.0
Total	**9,991.0**	**9,551.8**

b) Change in inventories of finished goods and work in progress

MILLIONS OF EUROS	2018	2017
Decrease/increase of inventory	48.0	33.9
Work in progress	*(3.0)*	*14.2*
Partly-finished goods	*1.6*	*4.1*
Finished goods	*49.4*	*15.6*
Impairment of inventory	(18.9)	(33.3)
Total	**29.1**	**0.6**

c) Supplies

MILLIONS OF EUROS	2018	2017
Acquired products	2,132.3	2,214.7
Purchases	*2,195.0*	*2,202.7*
Decrease/increase of inventory	*(62.7)*	*12.0*
Raw materials and other supplies	5,068.9	4,853.4
Purchases	*5,086.4*	*4,873.8*
Decrease/increase of inventory	*(17.5)*	*(20.4)*
Other external expenses	26.1	14.4
Impairment of acquired products, raw materials and others	10.6	7.6
Total	**7,237.9**	**7,090.1**

d) Other operating income

MILLIONS OF EUROS	2018	2017
Sundry income	502.1	459.2
Operating grants (see Note 13)	1.3	2.3
Discounted provisions	0.5	0.1
Other income	0.2	0.0
Total	**504.1**	**461.6**

The 'Sundry income' section includes, among others, income from the rendering of services to Group companies and personnel.

e) Personnel costs

MILLIONS OF EUROS	2018	2017
Wages, salaries and similar concepts	692.2	654.1
Social costs	195.3	188.0
Social security	*184.9*	*175.9*
Others	*10.4*	*12.1*
Provisions	(11.4)	0.0
Total	**876.1**	**842.1**

f) Other operating expenses

MILLIONS OF EUROS	2018	2017
External services	1,880.2	1,478.5
Taxes	12.9	13.3
Losses, impairment and variation in provisions due to trade operations	39.6	100.3
Greenhouse gas emission rights	0.1	0.1
Other expenses	4.5	3.2
Total	**1,937.3**	**1,595.4**

g) Financial income

MILLIONS OF EUROS	2018	2017
For participations	79.4	98.1
Group companies	*79.4*	*98.1*
Third-party	*0.0*	*0.0*
For other investments and financial instruments	0.5	0.6
Group companies	*0.0*	*0.0*
Third-party	*0.5*	*0.6*
Total	**79.9**	**98.7**

h) Financial expense

MILLIONS OF EUROS	2018	2017
For Group company debts	1.2	1.0
For third-party debts	4.7	6.8
Discounted provisions and debts	(0.5)	(0.2)
Total	**5.4**	**7.6**

i) Impairment and result on disposal of financial instruments

This heading primarily contains impairments and reversals of stakes in Group companies. In 2018, they have not been significant.

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 181.4 million euros, and accumulated depreciation stands at 136.5 million euros (165.8 and 129.2 respectively in 2017).

In the wide-ranging investment program implemented in 2018, a capitalized amount of 15.6 million euros, plus another totaling 11.9 million euros (6.3 and 3.6 respectively in 2017) corresponding to firm commitments for the purchase of capital goods has been identified, which can be devoted entirely to environmental protection-related activities.

b) Environment-related liabilities

In compliance with the European Union directive on end-of-life vehicles, approved in 2000, the company set up a provision to cover risks deriving from end-of-life vehicle recycling (see Note 14).

c) Environment-related expenses

Expenses for material and outside services have been identified. Said expenses, earmarked for protection and improvement of the environment, can be broken down as follows:

MILLIONS OF EUROS	2018	2017
Control and monitoring of air pollution	1.8	0.8
Waste water treatment and management	3.0	2.6
Industrial waste treatment and management	6.3	5.5
Energy savings	1.4	1.4
Visual impact improvement	0.7	0.7
Communication management	0.0	0.0
Environmental process management	0.4	0.4
End-of-life vehicles management	0.8	0.8
Miscellaneous	0.5	0.3
Total	**14.9**	**12.5**

Expenses incurred for the financial year, regarding amortization of environment-related assets, amount to 7.4 million euros (7.1 in 2017).

The overall estimated staff costs of SEAT employees devoted to total or partial implementation of environmental protection-related activities amount to 1.8 million euros (1.7 in 2017).

d) Environment-related income

Income deriving from the sale of by-products and reusable waste totaled 37.4 million euros (33.5 in 2017).

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	2018	2017
Supplies	3,266.8	3,256.7
Materials	*1,234.2*	*1,181.6*
Spare parts	*224.2*	*216.7*
Vehicles	*1,808.4*	*1,858.4*
Net sales	6,672.5	6,763.1
Services received	689.6	461.1
Services rendered	193.1	235.7
Accrued financial income	0.0	0.0
Dividends received	79.4	98.1
Accrued financial expenses	1.2	1.0

The breakdown of the amounts of the main transactions with related parties carried out in foreign currencies is as follows:

MILLIONS OF EUROS	2018	2017
Supplies	38.1	17.7
Net sales	1,559.7	1,422.6
Services received	58.2	61.5
Services rendered	5.1	2.8

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: 40.3% in materials (37.8% in 2017), 28.5% in spare parts (29.8% in 2017), 13.7% in vehicles (14.3% in 2017) and 32.8% in gearboxes (23.3% in 2017). 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 1,101.8 million euros (1,315.1 in 2017); net sales 210.2 million euros (173.3 in 2017); services received 378.0 million euros (193.4 in 2017); services rendered 33.8 million euros (62.6 in 2017); 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: trade and other receivables 58.8 million euros (112.1 in 2017), and trade and other payables 147.0 million euros (119.8 in 2017).

On December 31, 2018, 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 2018 stood at 14.3 million euros (10.2 in 2017).

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 2018 and 2017 financial years.

During 2018, public liability insurance premiums amounting to 0.09 million euros (0.05 in 2017) 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.

22. Other information

a) Workforce

The breakdown of the total average basic workforce by functions of SEAT, S.A. is as follows:

MILLIONS OF EUROS	2018	2017
Productive wage earners	8,656	8,316
Time-rate wage earners	899	892
Managers, technicians, administrative and support staff	5,006	4,853
Members of the Executive Committee	8	9
Total	**14,569**	**14,070**

The average number of employees with a disability greater than or equal to thirty three percent, amounts to 361 people: 281 productive wage earners, 9 time-rate wage earners and 71 managers, technicians, administrative and support staff (323; 245, 8 and 70 respectively in 2017).

The breakdown of SEAT, S.A.'s basic workforce at December 31 is as follows:

	2018			2017		
	Men	Women	**Total**	Men	Women	**Total**
Productive wage earners	6,927	1,732	**8,659**	6,583	1,680	**8,263**
Time-rate wage earners	896	24	**920**	865	26	**891**
Managers, technicians, administrative and support staff	3,786	1,254	**5,040**	3,713	1,230	**4,943**
Members of the Executive Committee	8	0	**8**	9	0	**9**
Total	**11,617**	**3,010**	**14,627**	**11,170**	**2,936**	**14,106**

SEAT, S.A.'s Board of Directors comprises 9 members (two female and seven male).

b) Auditors

The fees accrued by PricewaterhouseCoopers Auditores, S.L. (PwC) for audit services and other services rendered to the company amounted to 0.3 million euros and 0.1, respectively (0.3 and 0.1 in 2017). 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 0.3 and 0.1 million euros, respectively (0.1 and 0.3 in 2017).

Services other than audit provided to the company by PricewaterhouseCoopers Auditores, S.L. have been the following: review of financial information for Group consolidation and review of grants justification.

Services other than audit provided to subsidiaries by PricewaterhouseCoopers Auditores, S.L. have been the following: review of financial information for Group consolidation, review of quality standards of the dealer network, and advice in the review of the internal Governance Risk and Compliance annual report regarding the information requirements of the Volkswagen Group.



c) Emissions

In relation to the issue detected in September 2015 in some of Volkswagen's EA189 diesel engines, during 2018 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.



Appendix 1. Evolution of Non-current Assets

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**

	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	**0.0**	**(0.4)**	**0.0**	**0.2**	**0.2**	**724.9**	**737.7**
	0.4	0.0	(0.4)	0.0	0.2	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	**460.9**	**(654.6)**	**0.0**	**243.6**	**6,070.0**	**3,068.5**	**3,144.1**

2018	COST OF ACQUISITION OR MANUFACTURE					
Millions of euros	Initial balance 01.01.18	Additions	Disposals	Transfers	Impairment	End balance 31.12.18
Intangible assets	**2,119.8**	**420.0**	**(288.0)**	**0.1**	**0.0**	**2,251.9**
Research and Development	1,486.3	75.6	(286.5)	69.4	0.0	1,344.8
Software	49.1	6.9	(1.3)	2.0	0.0	56.7
Other intangible assets	417.2	86.7	(0.2)	6.0	0.0	509.7
Intangible assets in progress	167.2	250.8	0.0	(77.3)	0.0	340.7
Tangible assets	**5,928.0**	**437.3**	**(76.3)**	**(0.1)**	**0.0**	**6,288.9**
Land and buildings	839.1	16.0	(0.2)	0.6	0.0	855.5
Technical equipment and machinery	2,261.1	102.2	(31.4)	117.7	0.0	2,449.6
Other facilities, tools and office equipment	2,580.8	110.9	(42.8)	10.4	0.0	2,659.3
Other tangible assets	39.5	2.0	(1.9)	0.5	0.0	40.1
Tangible assets in progress	207.5	206.2	0.0	(129.3)	0.0	284.4
Long-term Group companies investments	**737.9**	**32.2**	**(6.0)**	**0.0**	**0.0**	**764.1**
Participations in Group companies	737.9	32.2	(6.0)	0.0	0.0	764.1
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	**1.8**	**1.1**	**0.0**	**(0.2)**	**0.0**	**2.7**
Participations	0.0	0.0	0.0	0.0	0.0	0.0
Loans	1.4	0.4	0.0	(0.2)	0.0	1.6
Derivatives	0.0	0.2	0.0	0.0	0.0	0.2
Other financial assets	0.4	0.5	0.0	0.0	0.0	0.9
Deferred tax assets	**426.6**	**15.8**	**(24.1)**	**0.0**	**0.0**	**418.3**
Total	**9,214.1**	**906.4**	**(394.4)**	**(0.2)**	**0.0**	**9,725.9**

	DEPRECIATION / IMPAIRMENT					NET BOOK VALUE	
	Initial balance 01.01.18	Additions	Disposals	Transfers	Impairment	End balance 31.12.18	Initial balance 01.01.18	End balance 31.12.18
	1,531.6	**146.5**	**(287.1)**	**0.1**	**41.9**	**1,433.0**	**588.2**	**818.9**
	1.165.1	103.0	(286.4)	0.0	28.5	1,010.2	321.2	334.6
	45.6	2.9	(0.7)	0.1	0.0	47.9	3.5	8.8
	320.9	40.6	0.0	0.0	13.4	374.9	96.3	134.8
	0.0	0.0	0.0	0.0	0.0	0.0	167.2	340.7
	4,538.2	**275.5**	**(75.8)**	**(0.1)**	**85.7**	**4,823.5**	**1,389.8**	**1,465.4**
	436.8	18.0	(0.2)	(0.1)	0.5	455.0	402.3	400.5
	1,861.2	120.9	(31.4)	(0.1)	42.3	1,992.9	399.9	456.7
	2,211.1	133.1	(42.3)	0.0	42.8	2,344.7	369.7	314.6
	29.1	3.5	(1.9)	0.1	0.1	30.9	10.4	9.2
	0.0	0.0	0.0	0.0	0.0	0.0	207.5	284.4
	0.2	**0.0**	**(6.0)**	**0.0**	**10.9**	**5.1**	**737.7**	**759.0**
	0.2	0.0	(6.0)	0.0	10.9	5.1	737.7	759.0
	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**	**1.8**	**2.7**
	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	1.4	1.6
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2
	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.9
	0.0	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**426.6**	**418.3**
	6,070.0	**422.0**	**(368.9)**	**0.0**	**138.5**	**6,261.6**	**3,144.1**	**3,464.3**

Appendix 2. Subsidiary companies

2017	LOCATION	HOLDING (*****)	
Millions of euros		Dir	Ind
Production			
SEAT Sport, S.A. (*)	Martorell (Barcelona)	100	
Volkswagen Navarra, S.A. (*)	Arazuri (Navarre)	100	
Distribution and Marketing SEAT			
SEAT Center Arrábida Automovéis, LDA	Setúbal (Portugal)	2	98
SEAT Deutschland GmbH	Weiterstadt (Germany)	100	
SEAT Deutschland Niederlassung GmbH (****)	Frankfurt (Germany)		100
SEAT Motor España, S.A. (*)	Barcelona		100
Distribution and Marketing VW/Audi/Skoda (***)			
Volkswagen Group España Distribución, S.A. (*)	Prat de Ll. (Barcelona)	100	
Volkswagen Group Retail Spain, S.L. (*)	Prat de Ll. (Barcelona)		100
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	
SEAT 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.
(*****) Voting rights do not differ to the participate rate.

	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		0.1	1.1	0.4	
	660.5		660.5	689.4	55.9	70.5
				0.7	0.3	
	51.1		51.1	80.5	4.3	
				0.3		
				(0.9)	0.8	
	20.5		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		0.6	1.0	0.4	
	5.0	(0.1)	4.9	4.9	(0.1)	

2018	LOCATION	HOLDING (*******)	
Millions of euros		Dir	Ind
Production			
SEAT Cupra, S.A. (*) (***)	Martorell (Barcelona)	100	
Volkswagen Navarra, S.A. (*)	Arazuri (Navarre)	100	
Distribution and Marketing SEAT			
SEAT Center Arrábida Automovéis, LDA	Setúbal (Portugal)	2	98
SEAT Deutschland GmbH (**)	Weiterstadt (Germany)	100	
SEAT 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
Wagen Group Retail España, S.A. (*) (***) (****)	Barcelona		100
Services			
SEAT Portugal, Unipessoal, LDA	Lisbon (Portugal)	100	
SEAT Metropolis Lab Barcelona, S.A. (*)	Barcelona	100	
Connected Mobility Ventures, S.A. (*)(******)	Barcelona	100	
Respiro, S.L. (*) (*****)	Madrid		100

(*) Companies subject to corporation tax under the consolidated tax regime.
(**) On January 1, 2018, SEAT Deutschland GmbH sold SEAT Deutschland Niederlassung GmbH.
(***) In 2018, the company changed its business name.
(****) In 2018, Volkswagen Madrid, S.A., Volkswagen Barcelona, S.A., Leioa Wagen, S.A., Levante Wagen, S.A., Málaga Wagen, S.A., Sevilla Wagen, S.A., Valladolid Wagen, S.A. and Audi Retail Madrid, S.A. were absorbed for Wagen Group Retail Spain, S.A.
(*****) Company acquired on January 2018 and sold on November 2018 to Connected Mobility Ventures, S.A.
(******) Company set up in 2018.
(*******) Voting rights do not differ to the participate rate.

	GROSS VALUE 31.12.18	DEPRECIATION 31.12.18	BOOK VALUE 31.12.18	EQUITY 31.12.18	PROFIT/LOSS FOR YEAR 2018	DIVIDEND RECEIVED 2018
	0.1		0.1	0.7	(0.3)	
	664.0		664.0	701.5	64.6	55.9
				1.4	0.7	
	51.1		51.1	80.8	0.2	
				(1.3)	(0.4)	
	21.6		21.6	146.8	32.7	23.5
				30.9	1.4	
				22.4	(1.0)	
	0.6		0.6	1.7	0.7	
	5.0	(0.7)	4.3	4.3	(0.6)	
	21.6	(4.3)	17.3	17.3	(4.3)	
				1.3	(2.2)	

Consumption and emission figures

Consumption (mveg) l/100 km - CO_2 (g/km) emissions

MODEL (*) (**)	POWER		GEARBOX		CONSUMPTION (MVEG) L/100 KM			CO_2 EMISSIONS
	KW	HP	MAN.	AUT.	TOWN	OUT OF TOWN	AVERAGE	AVERAGE (G/KM)
Mii								
1.0 MPI	44	60	•		4.8-4.9	3.9	4.3	96-97
1.0 MPI	55	75	•		5.0-5.1	3.8	4.3	96-97
1.0 MPI SQ	55	75		•	5.4	4.1	4.6	103-104
1.0 MPI CNG (***)	50	68	•		5.6	4.0	4.6	82-83
Toledo								
1.0 EcoTSI	70	95	•		5.8-5.9	4.0-4.1	4.6-4.7	104-106
1.0 EcoTSI	81	110	•		5.8-5.9	4.0-4.1	4.6-4.7	105-108
1.0 EcoTSI DSG	81	110		•	5.5-5.7	4.2	4.6-4.7	105-107
Nuevo Ibiza								
1.0 MPI	48	65	•		6.1	4.3	5.0	112
1.0 MPI	59	75	•		6.1	4.3	5.0	112
1.0 EcoTSI	70	95	•		5.4	4.1	4.6	105
1.0 EcoTSI	85	115	•		5.5	4.4	4.8	108
1.0 EcoTSI DSG	85	115		•	5.5	4.6	4.9	112
1.5 TSI Evo	110	150	•		6.3	4.4	5.1	111
1.0 TGI (***)	66	90	•		6.7	4.2	5.1	92
1.6 TDI	59	80	•		4.4	3.5	3.8	100
1.6 TDI	70	95	•		4.1	3.4	3.8	100
1.6 TDI DSG	70	95		•	4.4	3.8	4.0	105
1.6 TDI	85	115	•		4.6	3.8	4.1	111
Arona								
1.0 EcoTSI	70	95	•		5.9-6.1	4.5-4.7	5.0-5.2	115-118
1.0 EcoTSI	85	115	•		5.8-5.7	4.6-4.8	5.0-5.1	114-117
1.0 EcoTSI DSG	85	115		•	5.6	4.6	5.0	112
1.5 TSI Evo	110	150	•		6.1-6.3	4.2-4.3	4.9-5.0	112-114
1.0 TGI (***)	66	90	•		6.7-7.0	4.7-4.9	5.4-5.6	98-101
1.6 TDI	70	95	•		4.9-5.0	4.0	4.3-4.4	113-116
1.6 TDI DSG	70	95		•	4.7-4.8	4.2-4.3	4.4-4.5	115-118
1.6 TDI	85	115	•		4.9-5.1	4.0-4.1	4.3-4.4	114-117
León/ST								
1.0 TSI	63	86	•		5.7-5.8	4.3	4.8-4.9	109-111
1.0 TSI Ecomotive	85	115	•		5.6	4.2	4.8	108
1.0 TSI DSG Ecomotive	85	115		•	5.4	4.4	4.8	109
1.5 TSI	96	86	•		6.3-6.5	4.1-4.3	4.9-5.1	111-116
1.5 TSI	110	110	•		6.4-6.7	4.1-4.5	5.0-5.3	113-120
1.5 TSI DSG	110	125		•	6.3-6.6	4.2-4.5	5.0-5.3	113-120
2.0 TSI DSG	140	125		•	8.0	5.2	6.2	141
2.0 TSI 4WD DSG Xperience	140	150		•	8.5-8.6	5.5-5.6	6.6-6.7	150-153
2.0 TSI DSG CUPRA	213	290		•	8.6	5.4-5.5	6.5-6.7	149-152
2.0 TSI 4WD DSG CUPRA	221	300		•	9.0-9.1	6.0-6.1	7.1-7.2	161-164
1.5 TGI (***)	96	130	•		7.3-7.6	4.4-4.6	5.5-5.7	98-102
1.5 TGI DSG (***)	96	130		•	6.8-7.0	4.4-4.6	5.3-5.5	95-98
1.6 TDI	85	115	•		4.7-4.8	3.8-3.9	4.2	109-111
1.6 TDI DSG	85	115		•	4.4	3.8-3.9	4.0-4.1	106-107

MODEL (*) (**)	POWER		GEARBOX		CONSUMPTION (MVEG) L/100 KM			CO_2 EMISSIONS AVERAGE (G/KM)
	KW	HP	MAN.	AUT.	TOWN	OUT OF TOWN	AVERAGE	
1.6 TDI 4WD	85	115	•		5.9	4.7	5.1-5.2	134-136
1.6 TDI 4WD Xperience	85	115	•		5.9-6.0	4.7-4.9	5.2-5.3	135-138
2.0 TDI	110	150	•					
2.0 TDI DSG	110	150		•	5.0-5.6	3.8-4.0	4.3-4.5	112-120
2.0 TDI 4WD DSG	110	150		•	5.6-6.0	4.5-4.7	4.9-5.2	128-135
2.0 TDI 4WD DSG Xperience	110	150		•	5.6-5.8	4.5-4.6	4.9-5.0	129-132
2.0 TDI DSG	135	184		•	5.2-5.3	3.9-4.1	4.4-4.5	115-118
2.0 TDI 4WD DSG Xperience	135	184		•	5.8-5.9	4.5-4.6	5.0-5.1	131-134
Ateca								
1.0 TSI	85	115	•		6.3	4.8	5.4	122
1.5 TSI	110	150	•		6.4	5.0	5.5	126
1.5 TSI DSG	110	150		•	6.9	5.0	5.7	129
1.5 TSI 4WD DSG	110	150		•	7.7	5.9	6.5	149
2.0 TSI 4WD DSG	140	190		•	8.6	5.9	6.9	156
2.0 TSI 4WD DSG CUPRA	221	300		•	8.9	6.5	7.4	168
1.6 TDI	85	115	•		5.2	4.2	4.6	120
1.6 TDI DSG	85	115		•	5.3	4.7	4.9	128
2.0 TDI	110	150	•		5.7	4.1	4.7	124
2.0 TDI DSG	110	150		•	5.4	4.3	4.7	123
2.0 TDI 4WD DSG	110	150		•	6.3	5.0	5.5	145
2.0 TDI 4WD DSG	140	190		•				
Tarraco								
1.5 TSI	110	150	•		7.9-8.5	5.4-5.6	6.3-6.6	147-152
2.0 TSI 4WD DSG	140	190		•	9.0	6.3	7.3	166
2.0 TDI	110	150	•		5.8	4.7	4.9	129
2.0 TDI 4WD DSG	110	150		•	6.2	5.2	5.6	146
2.0 TDI 4WD DSG	140	190		•	6.4	5.1	5.6	147
Alhambra								
1.4 TSI	110	150	•		8.3-8.7	5.5-5.7	6.5-6.8	150-155
1.4 TSI DSG	110	150		•	7.9-8.5	6.0-6.3	6.7-7.1	153-160
2.0 TDI	85	115	•		6.2	4.6-4.7	5.2	135-137
2.0 TDI	110	150	•		6.1-6.2	4.6-4.7	5.2	135-137
2.0 TDI DSG	110	150		•	6.2-6.3	4.7-5.0	5.2-5.4	137-143
2.0 TDI 4WD	110	150	•		7.5-7.9	5.4-5.6	6.2-6.4	162-168
2.0 TDI DSG	135	184		•	6.5	4.9-5.1	5.5-5.6	144-147
2.0 TDI 4WD DSG	135	184		•	7.4-7.6	5.5-5.6	6.2-6.3	163-166

(*) Engines sold in the European Union in 2018. Discontinued models not included.
(**) Where different models provide different results, data shown refer to minimum and maximum values.
(***) Consumption (m^3/100 km—kg/100km).

SEAT, S.A. key figures (2014/2018)

	2014	2015	2016	2017	2018
Retail sales (units)	390,505	400,037	408,703	468,431	**517,627**
Wholesales of new vehicles (units)	489,896	531,786	536,462	579,443	**596,181**
Wholesales of used vehicles (units)	12,264	12,722	11,482	15,072	**14,435**
Production in Martorell plant (units)	442,677	477,077	449,063	455,470	**474,300**
Production of SEAT brand in Group plants (units)	64,998	72,169	103,796	138,092	**137,594**
Basic workforce at 31.12	12,626	12,753	13,968	14,106	**14,627**
Martorell (includes Spare Parts Centre)	10,298	10,422	10,544	10,592	**10,977**
SEAT Barcelona	1,188	1,196	1,192	1,183	**1,185**
SEAT Componentes (*)	1,097	1,092	1,087	1,075	**1,153**
SEAT Technical Centre (**)	0	0	1,102	1,210	**1,264**
Other centres	43	43	43	46	**48**
Partial retirement workforce at 31.12	145	94	116	141	**210**
Apprentices with labor contract at 31.12	168	186	155	173	**160**
Net sales (millions of euros)	7,496.6	8,332.1	8,597.3	9,551.8	**9,991.0**
Spain	1,334.8	1,404.2	1,515.6	1,805.8	**2,045.9**
Vehicles	*806.1*	*868.5*	*950.2*	*1,235.1*	***1,427.4***
Spare parts	*289.9*	*300.4*	*304.2*	*322.8*	***338.5***
Gearboxes	*71.5*	*73.4*	*93.2*	*83.5*	***73.4***
Other sales	*167.3*	*161.9*	*168.0*	*164.4*	***206.6***
Export	6,161.8	6,927.9	7,081.7	7,746.0	**7,945.1**
Vehicles	*5,765.8*	*6,519.9*	*6,592.7*	*7,251.6*	***7,392.2***
Spare parts	*207.9*	*219.3*	*225.8*	*246.1*	***269.9***
Gearboxes	*160.1*	*150.9*	*140.4*	*148.5*	***154.6***
Other sales	*28.0*	*37.8*	*122.8*	*99.8*	***128.4***
Shareholders' equity (millions of euros)	520.1	526.1	1,480.9	1,512.1	**1,661.4**
Result before tax (millions of euros)	(138.8)	(4.3)	874.7	231.7	**286.0**
Result after tax (millions of euros)	(65.7)	6.0	903.2	281.2	***294.2***
Depreciation (millions of euros)	361.9	311.6	323.3	460.9	**422.0**
Investments (millions of euros)	221.9	464.4	652.6	720.6	**890.6**

(*) 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.



SEAT credits

This version sets forth the Management Report, the Auditor's 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 2018, 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 Auditor's Report. These reports are authoritative.

The Consolidated Annual Accounts of VOLKSWAGEN AG, jointly with its Management Report and Auditor's Certificate will be deposited at the same Registry(**).

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