



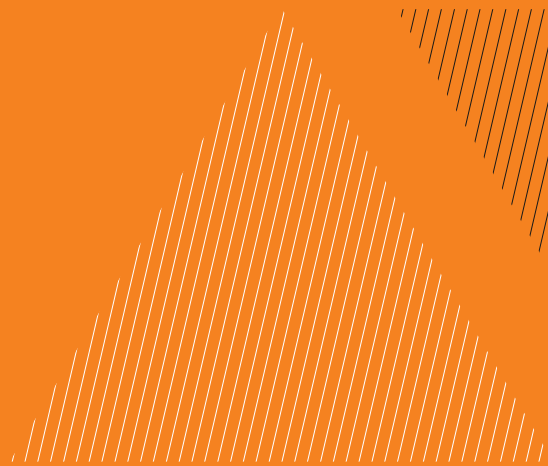
SUSTAINABLE GROWTH

FINANCE, IT AND ORGANISATION

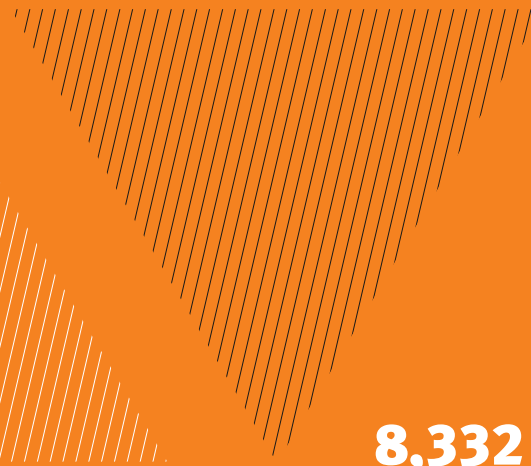
8,597
2016



Net sales (*millions of euros*)



7,497 | 2014



8,332 | 2015

ECONOMIC GROWTH

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

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

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

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

AUTOMOTIVE SECTOR GROWTH

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

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

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

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

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

2016 figures for the sector in Spain



Increase in vehicle production
over 2015

5.6%

Increase in vehicle exports
over 2015

7%

Increase in passenger car
registrations over 2015

10.9%



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

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

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

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



Award for SEAT Accelerator by Conector

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



PROFITABILITY GROWTH

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

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

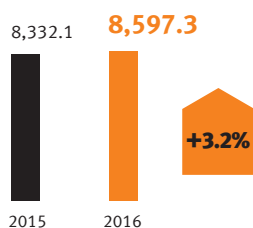


IN 2016, THE BRAND ACHIEVED AN OPERATING PROFIT OF 143.5 MILLION EUROS, THE FIRST OPERATING PROFIT GENERATED SINCE 2007

Improvement in business model (Increase over 2015)

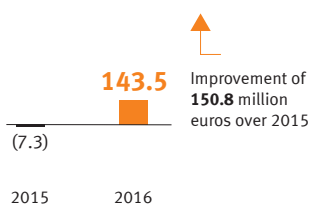
Net sales

(millions of euros)



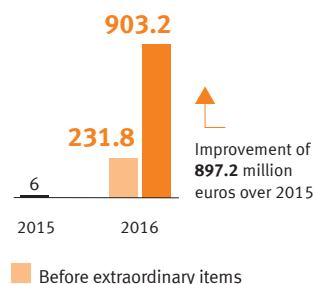
Operating result

(millions of euros)



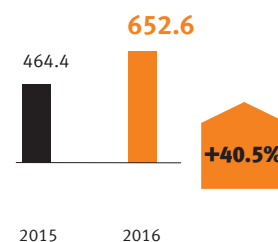
Result for year

(millions of euros)



Investments

(millions of euros)



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

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

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

SEAT, a reference in shared services

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

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

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



Optimisation of the organisation

Key objectives and messages



EFFECTIVENESS

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

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



EFFICIENCY

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

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



EMPOWERMENT

We increase personal responsibility and accelerate decisions

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

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

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

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



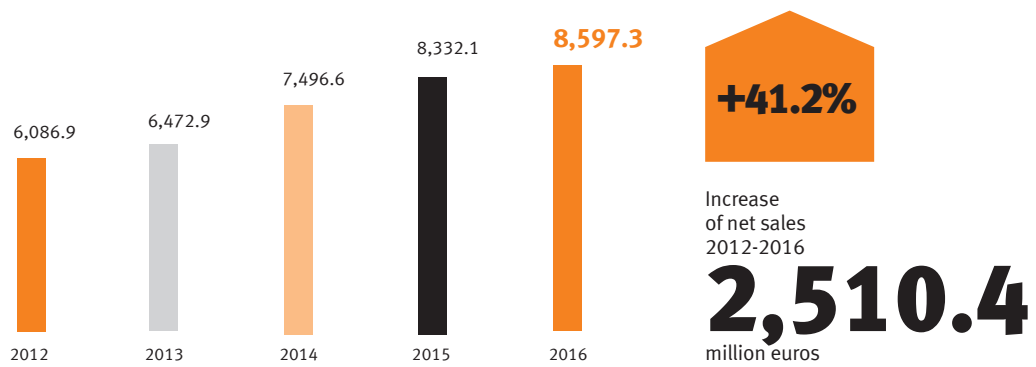
SEAT, one of the best spanish brands

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

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

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

Net sales (millions of euros)



Investments (millions of euros)

