



ANNUAL REPORT **2013**



# Timeline 2013



**01**

**FEBRUARY 22**

20<sup>th</sup> anniversary of official opening of Martorell production facility.



**02**

**MARCH 5**

Geneva Motor Show backdrop for presentation of new Leon SC, 3-door dynamic version of Leon.



**08**

**OCTOBER 23**

Martorell production facility given prestigious 'Automotive Lean Production' award for quality and efficiency in production system and team spirit.



**07**

**SEPTEMBER 19**

Apprentices School opens doors to new course with record number of students.



**09**

**NOVEMBER 7**

Dr. Francisco Javier García Sanz proclaimed 'Distinguished Personality of the Spanish Automotive Sector' by ASEPA.



**10**

**NOVEMBER 11**

Official opening of SEAT al Sol, largest photovoltaic plant in automotive world.



**03**

**APRIL 15**

Jürgen Stackmann takes over from James Muir as Chairman of Executive Committee.



**04**

**MAY 8**

Leon Cup Racer main brand novelty at 32<sup>nd</sup> edition of Wörthersee.



**06**

**SEPTEMBER 10**

New Leon ST, first-ever estate version of Spanish compact car, unveiled at Frankfurt Motor Show.



**05**

**JULY 2**

Prestigious British car magazine *Auto Express* proclaims Leon 'Car of the Year 2013' in UK.



**11**

**NOVEMBER 13**

60<sup>th</sup> anniversary of start-of-production of SEAT 1400, brand's first-ever vehicle.



**12**

**DECEMBER 19**

SEAT Leon given the 'ABC Best Car of the Year Award 2014' in Spain, awarded by a jury of specialized automotive journalists.

SALES TO END  
CUSTOMERS  
**355,004** vehicles

SEAT MODELS

PRODUCTION  
MARTORELL PLANT  
**390,048** vehicles

SEAT MODELS **285,574**  
AUDI Q3 **104,474**

BASIC WORKFORCE  
**11,458** employees

NET  
SALES  
**6,473** millions of euros

INVESTMENTS  
**337** millions of euros

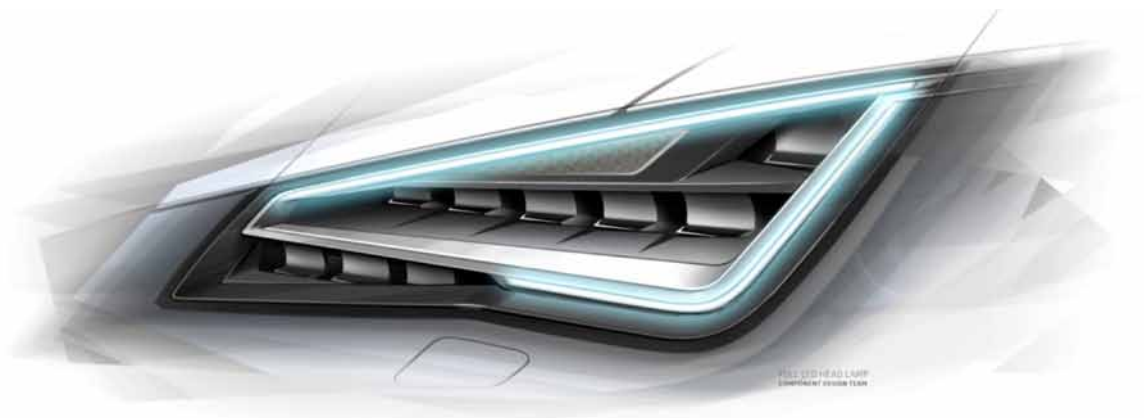
MARKETS  
**76** countries

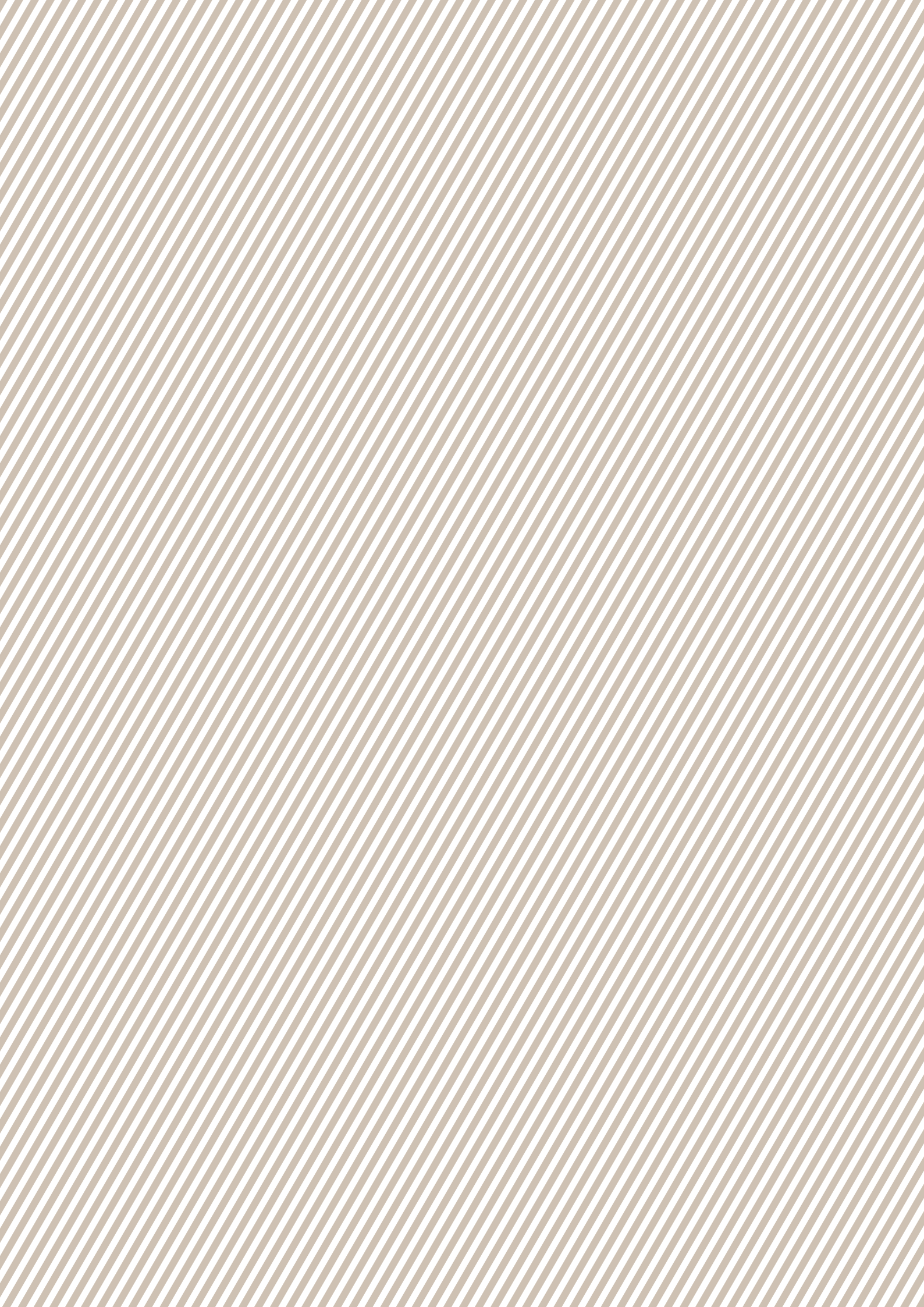






ANNUAL REPORT **2013**





# NEW SEAT LEON



**THE EXPERIENCE**  
THAT JOINS US



# AN ENJOYABLE TECHNOLOGY COMES TO LIFE



The launch of the new Leon has set the SEAT spirit free. We are Spanish and German. We are passionate perfectionists and emotional technologists. We are SEAT, and the new Leon is the car that embodies the full meaning of this statement.

We have created a car in which everything we know is everything you feel. With the new Leon, our brand DNA goes on the streets so that everyone can share it, and experience what happens when technology is made to enjoy.

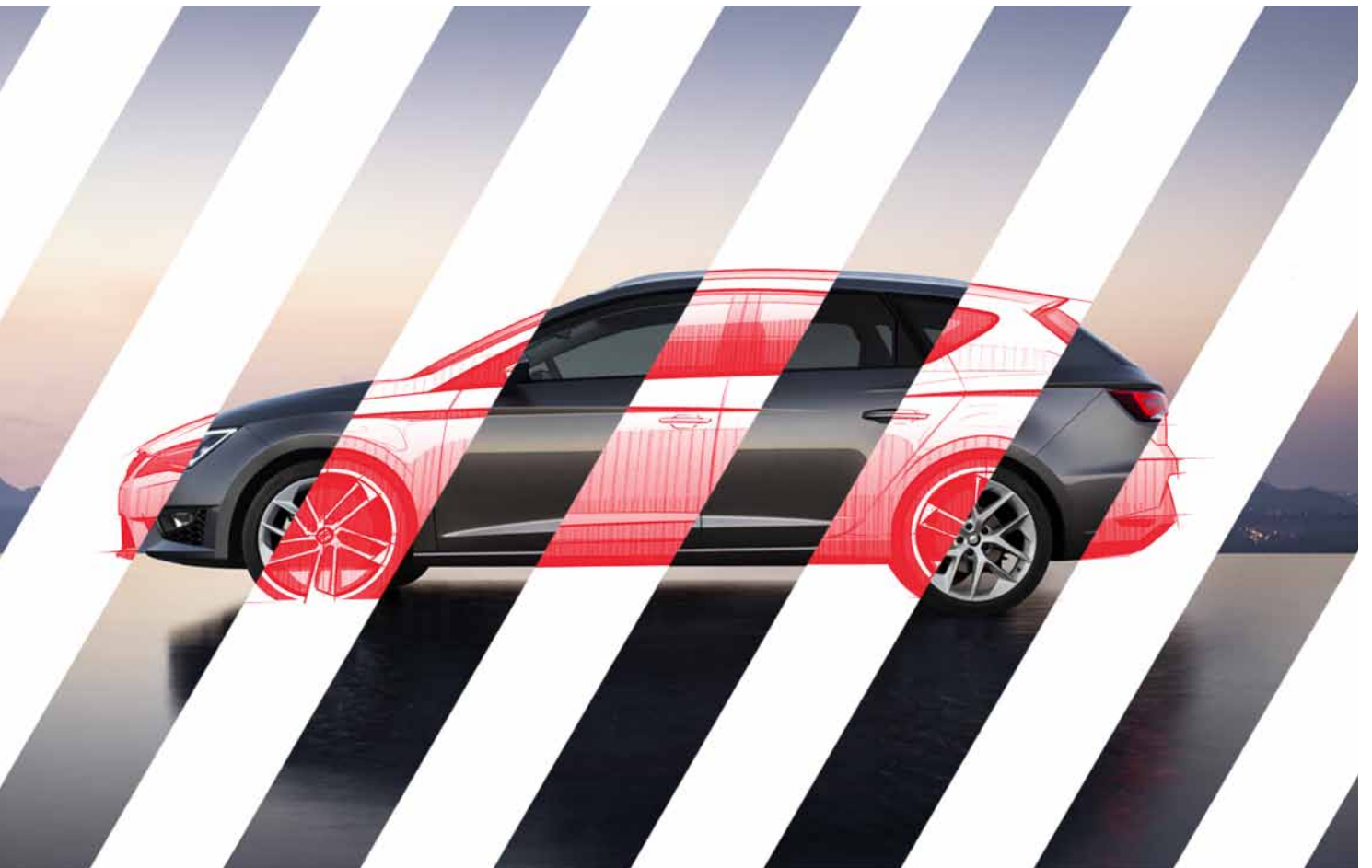




What is the experience they are all taking about? They say you have never felt something like this before. It's in the media, it's on the streets, it's all around you... but you can't really know it until you live it for yourself.

They say it gives design a purpose. They say it brings technology to life. You can't stop imagining how much fun it must be. You want to go for it, and let the experience begin.

# ATTRACTIVE AT FIRST SIGHT



The new Leon's outline is the perfect combination of passion and precision. Like a cross-bow, lines are tensed to the maximum. It's dynamic. Proportions have been enhanced to set a new standard of compact car. It's an outstanding design born from the hands of more than 100 people.

There is no turning back. The new Leon is eye-catching from the moment you see it. You instantly appreciate the top modern design. It seems to be shaped by the wind. It looks incredibly balanced. This must be the most beautiful way of driving a functional car.

# DESIGNED TO BOOST DRIVING ENJOYMENT

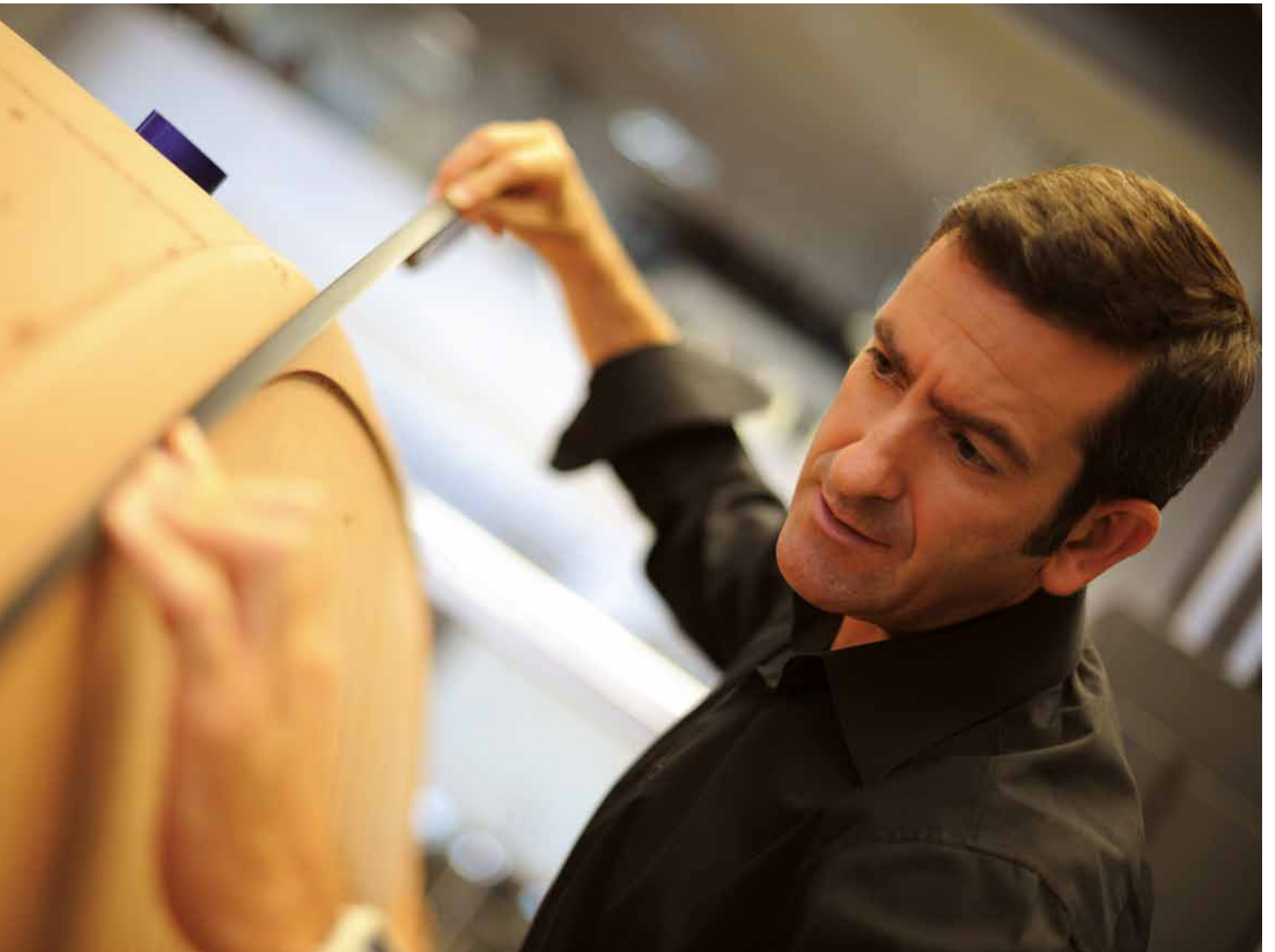
Design enters a new dimension in the hands of our clay modellers and 3D artists. The new Leon has been accurately built on screen before we had the perfect model for a real size mock-up.

The closer you are, the more you feel it. Everything is just the way it should be. The new Leon is design driven in every sense. It engages your eyes and mind with a seductive design language.

# LEON



# DISTINCTIVE PERSONALITY, UNMISTAKABLE CHARACTER



Headlights, tail lights, alloy wheels, grilles, mouldings... the new Leon breathes character through each of its external components. When the superior engineering solutions meet the ultimate design trends, magic happens. The new Leon is one of a kind.

No matter where you are: when you see it, you know it's the new Leon. It has a personality of its own: it's in the look it gives you, it's in every little detail you discover.



# COLORS SET EMOTIONS FREE



Emotion Red, White Nevada, Blue Alor...  
The color gamut of the new Leon is the outcome of two years of research. The result is powerful expressivity that highlights the Leon's personality and design features.



What colors are your emotions? The new Leon is as full of life as you are. You can choose the exterior color and the interior combinations that best suit your style.



# A SPACE TAILORED TO ENJOY

It may look like a stroke of inspiration, but it's actually the result of a very specialized and quality focused teamwork. Inside the new Leon, every detail has been precisely defined to offer an unrivalled comfort standard. Every component combines technological innovation and a purposeful design. As a top-feature, the dashboard provides a dynamic driving experience thanks to a precise and driver-oriented design.

When you get inside the new Leon, you find a bright, clean, comfortable space. You can feel the quality of materials and textures. All around you, there are sharp lines outlining every volume. It's all about definition, precision. It's all within your reach. You can touch everything. You can see everything. When you hold the steering wheel, a challenging young spirit beats in the palms of your hands.











# RELIABLE BY NATURE



Reliability is in our DNA. As part of the Volkswagen Group we are committed to delivering the highest quality every step of the way. Each component of the new Leon has been carefully selected and assigned to the best manufacturing supplier. Before leaving the factory, our quality team carries out random checks to control every detail. Our product managers coordinate all the processes to achieve the best results.

Everywhere you look, everything you touch, there is this feeling of advanced, high quality engineering. In the steering wheel you see the logo of a brand that you trust; a brand of a group that you can rely on. You are about to begin your journey driving the new Leon for the first time. You don't know how it will be, but you have a feeling that it won't let you down.



# DRIVE YOUR STYLE

The new Leon is dynamic. It combines the finest engine technology with an agile chassis for superior handling. The car performance is customized to the driver's profile. Our challenge is to deliver a true personal driving experience.

The journey starts, and your senses are stimulated. It's agile, nimble. You feel it grasping the road. You choose: comfort, eco, or sport driving mode. The car drives according to your style.





# ECONOMY AND ECOLOGY FRIENDLY

The new Leon is the essence of efficiency. It offers an eco, functional performance. Years of research have led us to develop the lightest car in its segment. Improved aerodynamics, green wheels, and many other innovations help to consume less fuel and reduce its CO<sub>2</sub> emissions. We respect people, and the environment. This is our responsibility.

No matter how many times the road changes, you always have the best performance with the least energy consumption. This is good news for your pocket and for the environment. The new Leon not only caters to your needs, but also to your environmental concerns.





# LEAN SPIRIT



The new Leon is born from the quality and efficiency of the SEAT production system. Our efforts to reach the highest standards in Martorell's plant have been recognized with the 'Automotive Lean Production' award. Advanced processes, added value innovations, and technical breakthroughs like the MQB platform mark a milestone in the way we build our cars.

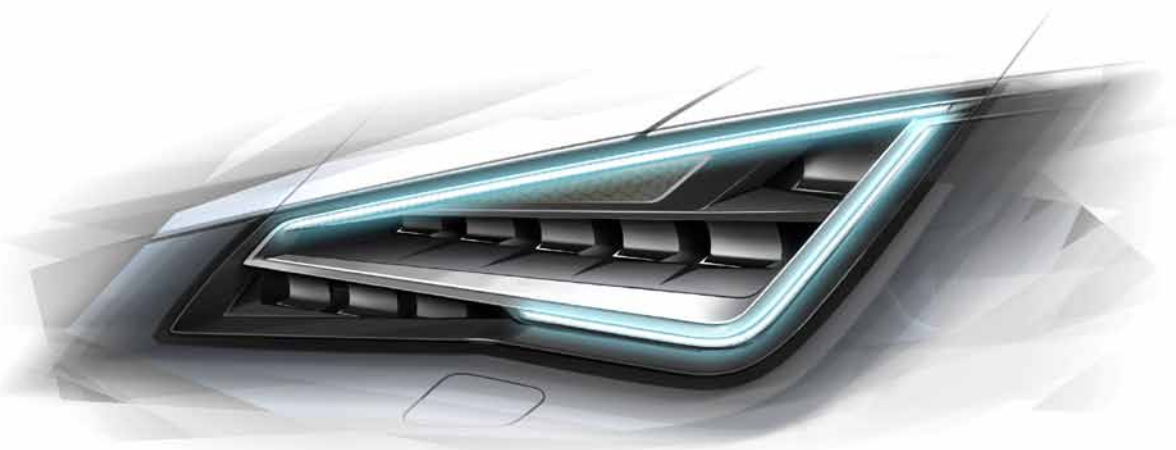
On the road, the car's behaviour distils character. You can feel the perfect assembly of its parts, the total symbiosis of its components. The new Leon has all that you need, and nothing more. There's no waste, only the quality details and finish that make you extremely happy and proud. Beyond a shadow of a doubt: this is exactly what a top-quality car feels like.



# ALWAYS HAVE DAYLIGHT WITH YOU

Superior technology and the most emotional design find the perfect combination in the Full LED lights. Their distinctive outline becomes a distinguishing feature of the new Leon. Our talented engineers have not only made this outstanding technology possible in our best compact; but have also played a key role in defining its personality.

Following the road you enter a tunnel, and suddenly, the darkness is filled with light. It's the brightest you had ever seen. White and blue tones merge in a wide halo that illuminates everything. You can notice headlights and tail lights speak the same language. They are all powered by Full LED light.





# A JOURNEY TO BE LIVED

Our young talented team at the Human Machine Interface department and Design Center have developed a state-of-the-art solution to establish a communication between the car and driver. It's called Easy Connect, and it provides all the information and entertainment on-board at a single touch. Fast, intuitive, safe: the latest technology fits the new Leon's young spirit. Connectivity is a must.

You want to keep exploring, and enjoying the moment to its fullest. A complete world of entertainment is at your fingertips. Phone, music, photos... You play your favorite song, this is the way you want to live; the new Leon is connected to your world and your generation. It communicates. It gives you control. Illumination, temperature, GPS... Anything you need, just a touch away.



# YOUR ENJOYMENT, OUR TRANQUILITY



The Security and Advanced Driving Assistance System (ADAS) has been a tremendous team effort. We have evolved our systems to include the ultimate comfort, safety, and assistance functions. The new Leon cares about everything so that our customers only care to enjoy.

Driving the new Leon you feel it's always looking after you. It warns you in case you are out of your lane; it changes lights to avoid dazzling; it recommends you to stop and take a break if you are tired. Prevention, proactive alerts: this is tranquility.

# ALWAYS THERE FOR YOU



The new Leon has been tested under extreme conditions before its launch. We have pushed it to its limits and we couldn't be more satisfied with the results. However, we know our challenge doesn't finish when the car is ready to go on the market. Our After-Sales team of experts is constantly working to assure an efficient and top quality service. Proximity is to be wherever our clients may need us.

You like to follow your instincts and drive off to new experiences. But that is something that you can only do when you feel backed up by a reliable brand. The new Leon reminds you to carry out technical servicing, and in the event of multifunction, you can benefit from technical innovations to quickly diagnose and find replacements. Close to you, there is a worldwide connected, coordinated and talented After-Sales force.



# DESIGNED TO FIT EVERY LIFESTYLE

Versatility is to be able to adapt to different needs and ways of life. The new Leon has been launched in three body types: 5 doors, 3 doors SC and the estate version, the ST. More than 2,000 people have contributed in our production lines to make this outstanding range a reality.

On the road you come across others who, like you, have this distinctive smile on their face. They are driving the new Leon. It's the same, but different. There are young couples; there are friends driving to singular experiences; there are families spending some special time together.





## **AN EXPERIENCE TO BE SHARED**

The new Leon is accessible. We believe everyone should enjoy technology. Our finances team has worked passionately to offer a price that makes the new Leon affordable to the maximum number of people, so that everyone can feel the SEAT DNA.



Your journey finishes and it's time to share it. It has been a breakthrough you didn't expect. The new Leon sets a new standard of what car enjoyment can be. It's authentic in every sense. And this shouldn't be a privilege for the happy few.

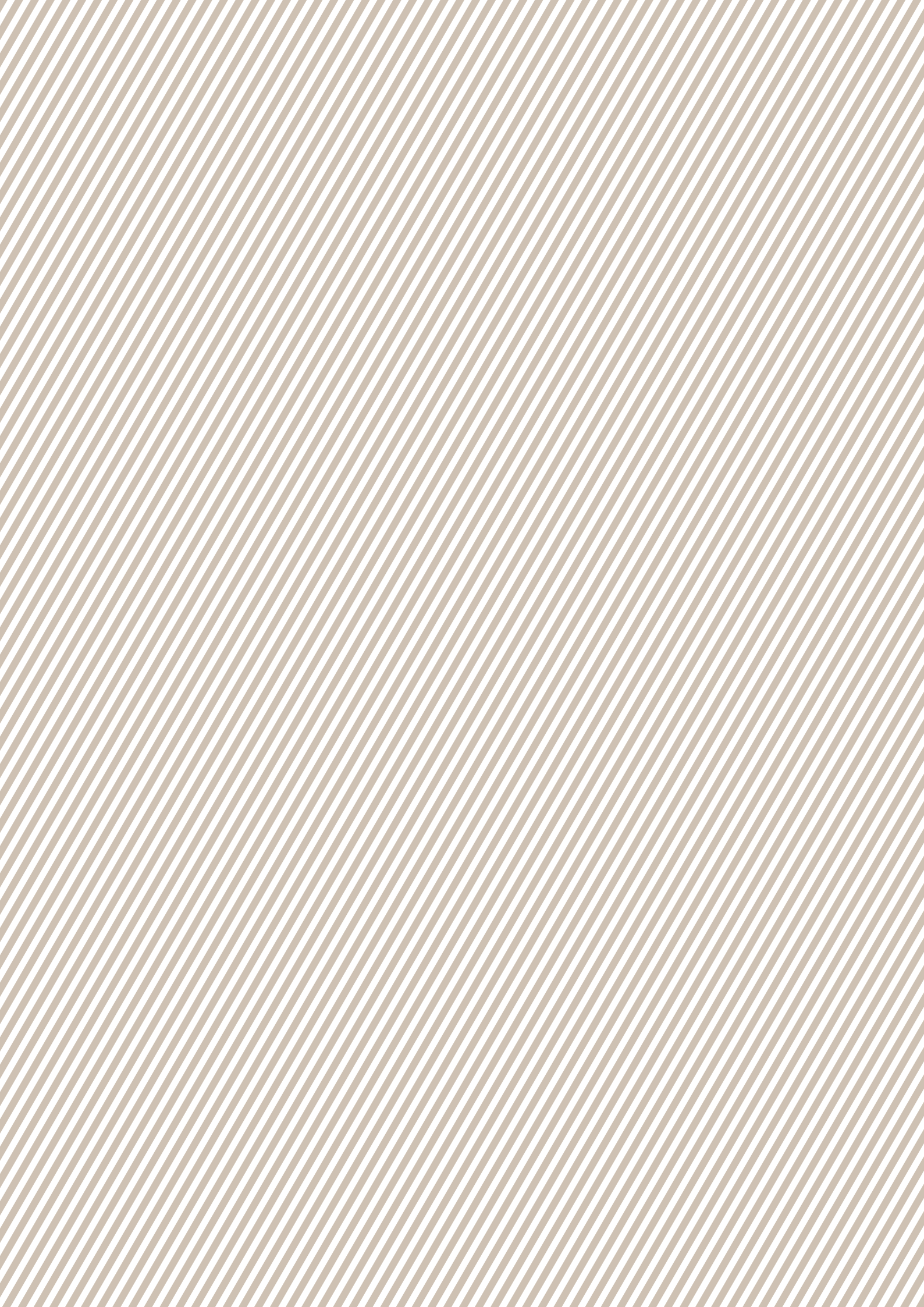


# THIS IS THE NEW LEON EXPERIENCE: TECHNOLOGY TO ENJOY

The new Leon is a great team effort that involves every single SEAT employee. It's a reflection of who we are, and how we like to work: with passion and precision, putting our hearts and our minds in everything we do.

When you drive a new Leon you are sharing this spirit. You can tell by the way you feel. This is a new standard in design and quality that provides a unique driving experience. This is technology to enjoy.







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# 03

## MANAGEMENT REPORT



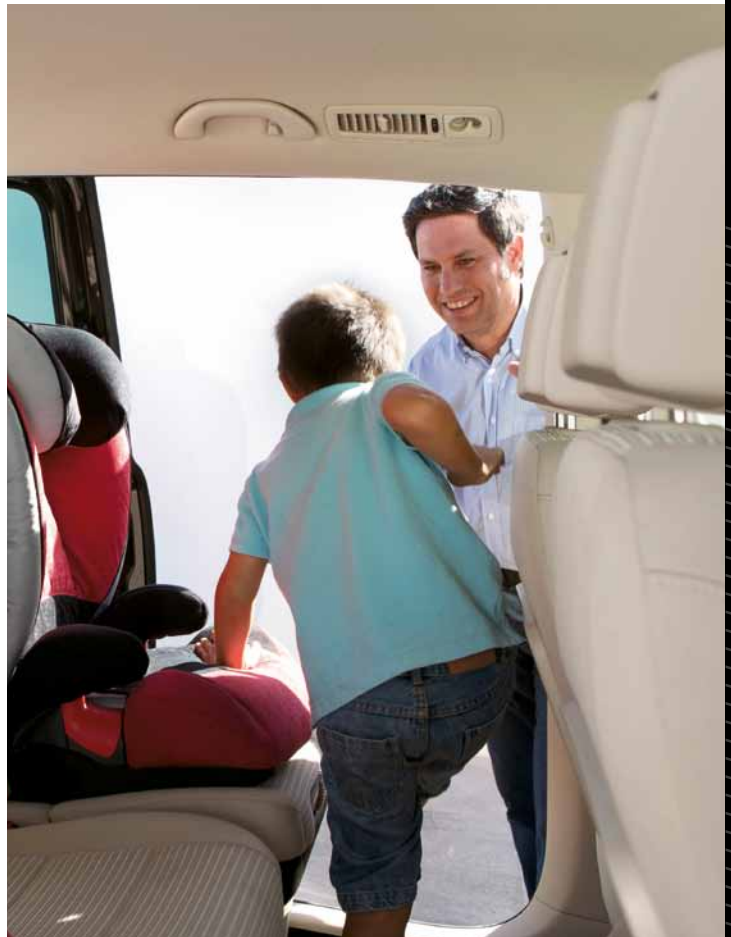
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# 04

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# 01

## MANAGEMENT

Letter from the Chairman of the Board of Directors  
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Board of Directors  
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Executive Committee  
**39**








# TECHNOLOGY TO ENJOY

Connectivity, integration and design.  
Young in spirit with a borderless  
technology connecting to the  
outside world.

We call it:  
**SEAT DNA**



 SEAT Ibiza

A portrait of Dr. Francisco Javier García Sanz, the Chairman of the Board of Directors. He is a middle-aged man with dark hair, a mustache, and glasses, wearing a dark suit, white shirt, and a blue and white striped tie. He is sitting in a dark leather chair with his hands clasped. The background is a light-colored wall with a faint line drawing of a car.

## **LETTER FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS**

DR. FRANCISCO JAVIER GARCÍA SANZ



We have now entered a new twelvemonth period with more than six years of crisis in Europe already behind us, a crisis that has affected different countries with varying degrees of intensity. It is time to change cycles. We are moving into a new era which is forcing us to review our business models, our values, and to think of new ways of doing things. Within this current of thought, the new term *reindustrializing the economy* has become consolidated amongst the political and business élite. In other words, winning back the strategic role which industry has historically played in the healthiest economies.

The fact is that, in spite of the recession, and faced with a complex market environment, one of the symbols of industry –in this case the car, and I refer to the Volkswagen Group– continues with its worldwide upturn, and has been able to break its own record of deliveries to end customers, just short of 10 million vehicles. In line with this upturn, SEAT stands out as one of the Group brands which has grown most, posting a double-digit sales increase compared with 2012. The company has become stronger in the United Kingdom and Germany, the brand's largest market in terms of registration figures. Additionally, in the SEAT universe, Mexico, Algeria and Turkey are positioning themselves at the head of our country ranking in terms of volumes.

In macroeconomic terms and related to markets, the world map of emerging economies is also going through changes. The BRICs (Brazil, Russia, India and China) have ceased to be emerging countries, and have now consolidated themselves as genuine political and economic powerhouses, their former

place being taken at the current moment by the MINTs (Mexico, Indonesia, Nigeria and Turkey). Two of the MINT countries – Mexico and Turkey – figure in SEAT's top ten markets, and so the brand's development over the next few years in these two countries will be something to be followed with interest.

2013 will go into the annals of SEAT as the year of the Leon. Record sales, record awards and an endless list of acclamations, a vehicle that has almost all-round 360° excellence. From the point of view of development and design, but also a model to be imitated in its production process, in its quality standards, in its technology and precision. The Leon is the second pillar, together with the Ibiza, of the company's product strategy; but additionally its strength and character also consolidate the feeling of pride of all of us who form part of SEAT.

We have our sights set on the future and we are confident, that SEAT will be successful with its strategy 2018, the extension of the product portfolio with a new SUV, the continuous cost optimization and the exploitation of synergies within the Volkswagen Group. A future that we are looking forward to with effort, determination and enthusiasm.

*F. Guan*



A professional portrait of Jürgen Stackmann, the Chairman of the Executive Committee. He is a middle-aged man with short, light-colored hair, wearing a dark blue suit jacket, a white dress shirt, and a red and white striped tie. He is standing against a dark background with a light-colored wall behind him. The lighting is soft, highlighting his face and suit. The text "LETTER FROM THE CHAIRMAN OF THE EXECUTIVE COMMITTEE" is overlaid in the upper right corner in a bold, white, sans-serif font. Below it, the name "JÜRGEN STACKMANN" is written in a smaller, white, sans-serif font.

**LETTER FROM  
THE CHAIRMAN  
OF THE EXECUTIVE  
COMMITTEE**

JÜRGEN STACKMANN



SEAT is currently experiencing a positive sales momentum driven by the new Leon. In 2013 our worldwide deliveries grew by 10.6%, totalling 355,000 vehicles, the best result for the past five years. With its sales increase of more than 44%, the Leon is a reflection of SEAT's future – a top-class vehicle which has won unanimous approval from customers, experts and the specialised media alike, as can be seen from awards received and comparative tests with the competition.

Last year however did not witness a change in trends within the automotive industry in Europe, with registrations falling by 1.7% within the EU-27. Even so, our 11.3% sales growth in this region ran clearly counter to the market trend. Europe is still a land of opportunities for SEAT. Our record sales in the United Kingdom, Switzerland and Denmark, growth of more than 20% in Germany, or growth recovery in Spain are just some of the examples that fill us with optimism for the future. And not only in Europe, since today we sell one of every five of our vehicles outside the European continent.

Although this year we do not expect a significant improvement in the sector, with still-persisting difficulties in the European economic environment, there is a perceived slight trend towards recovery, and we are confident that we can continue with our above-average growth. The Leon family, now complete with the launch of the three-door and estate versions, is expanding this year and will be the driver behind our growth, together with the other models in an ever-wider range. A range that is increasingly committed to the environment, where the outstanding contributors are our Ecomotive vehicles and those running on compressed natural gas (CNG).

The increase in sales has not translated into better financial results, mainly because of intense commercial competition

in Europe and amortizations of investments made for the new models. For this reason in 2013 we adopted a plan to be able to continue investing in the future and achieve operational profitability, based on three pillars – the development of models with a large commercial contribution margin, coupled with synergies within the Volkswagen Group; strengthening of the sales and marketing area, giving priority to dealerships and those markets offering greater profitability; and the reduction or elimination of costs in all areas.

The quality and efficiency of production processes at the Martorell plant were recognised as being some of the best in Europe by being given the Automotive Lean Production award, from *Automobil Produktion* magazine. This accolade was one of the best pieces of news of the year for the plant which, in spite of the economic environment, has increased production year on year since 2010 and is one of the most modern and flexible within the Group.

In the months I have been at the head of SEAT, after taking over from James Muir, I have perceived the company's tremendous potential as well as the determination of its professionals. Continuation of the success of the Leon may come with a compact SUV, a logical step forward for our brand, because of its contribution to brand growth and improvement in the quality of income, as has been the case with the Leon. We could say – without throwing caution to the winds – that we are heading in the right direction along the road to achieving our aims. There are good reasons to be optimistic.





## BOARD OF DIRECTORS

Chairman

**Dr. Francisco Javier García Sanz**

Board Members

**Martin Mahlke**

**Matthias Müller**

**Jürgen Stackmann**

**Klaus-Gerhard Wolpert**

Secretary and Legal Counsel

**Luis Comas Martínez de Tejada**

The Extraordinary Shareholders' Meeting, held on May 1, 2013, accepted the resignation of James Muir, and approved the appointment of Jürgen Stackmann to the Board of Directors of the company, with effect as of the same day.



## EXECUTIVE COMMITTEE

<b>1 Jürgen Stackmann</b>	Chairman
<b>2 Holger Kintscher</b>	Finance & Organization
<b>3 Dr. Andreas Offermann</b>	Sales & Marketing
<b>4 Ramón Paredes</b>	Governmental & Institutional Relations
<b>5 Dr. Matthias Rabe</b>	Research & Development
<b>6 Josef Schelchshorn</b>	Human Resources
<b>7 Dieter Seemann</b>	Purchases
<b>8 Dr. Andreas Tostmann</b>	Production

The Board of Directors appointed Jürgen Stackmann as new Chairman of the Executive Committee of SEAT, S.A. in place of James Muir, with effect from May 1, 2013.

The Board of Directors appointed Dr. Andreas Offermann as Sales & Marketing Vice-President, with effect from September 1, 2013, replacing Paul Sevin.





# 02

## HISTORIES AND INTERVIEWS

Spanish national basketball team.  
A legend in the making  
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Training with a swing  
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From Grasse perfumes  
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A passion for perfection  
**60**

The new Mediterranean.  
Bridging cultures  
**66**

Crowdfunding.  
The power of collective giving  
**70**



 SEAT Leon




# **MADE FOR THE ROAD**

Sculpted by the wind. Precision,  
extraordinary tension, and a front-end  
look with unmistakable attitude.

We call it:  
**SEAT DNA**



 SEAT Leon





Spain's greatest generation of basketball players will be in action in this sport's World Cup this year in Spain after achieving unimaginable success and making history in the annals of the game. Pau and Marc Gasol, Navarro, Reyes, Rudy, Ricky, Calderón... Names engraved in gold letters during world and European championships and in silver during the Olympic Games. A talented group with spectacular international resonance, and which has made itself ambassadors of the success of Spanish sport.

# SPANISH NATIONAL BASKETBALL TEAM

## A LEGEND IN THE MAKING



Navarro, flanked by the Gasol brothers, Kissing the silver medal at the London Olympics.

On the threshold of the Basketball World Cup to be held this summer in Spain, expectation is tremendous, since this is one of the most-awaited sporting events by sports lovers. It also provides a new challenge for the major players in the so-called 'golden generation', one of the best teams in the history of basketball, and which will be competing as the host team. The World Cup will be the happy ending of a fairy tale which has earned Spain three gold, four silver and two bronze medals since 2001.

Pau Gasol, the second top European points-scorer in the history of the NBA, will be coming back to the national team for this great event, if nothing untoward

happens. "Playing at the World Cup in Spain is one of my dreams". This center emphasises that this championship is going to be hard, but very special too. "We are playing at home, and that is an encouragement. We have a very powerful team to make a good job of it. It will be difficult, as always, but we can expect to get a good result. Although the final decision lies with the coach and the Spanish Basketball Federation, I would like to play with Spain next summer", admits Serge Ibaka, the Oklahoma City Thunder center, another of the players who will more than probably be at the World Cup. The warning by Juan Carlos Navarro, FC Barcelona's shooting

guard, is categorical – "This group is still hungry after titles". The fact is that the aim of the group is to win the fourth gold in the history of Spanish basketball, just eight years after getting the first.

The 2014 World Cup will have wide-ranging resonance. 24 national teams, including the United States, France, Argentina, Turkey, Greece, Lithuania and Croatia, will all be competing with each other from August 30<sup>th</sup> to September 14<sup>th</sup> so as to reach the highest podium position. Bilbao, Granada, Las Palmas de Gran Canaria and Seville will be hosts to the group phase, and Madrid and Barcelona will stage the qualifying rounds of an event that will





Juan Carlos Navarro, one of Spain's great players, against LeBron James at the London Olympics.

## AT THE DOORS OF THE 2014 WORLD CUP, SPAIN IS ONE OF THE GREAT FAVOURITES

be serviced by 7,000 volunteers. “It’s an event that is profitable in sporting, tourist and financial terms. It will leave a legacy of new or refurbished facilities, improved infrastructure and an enhanced ‘brand Spain’”, sums up José Luis Sáez, President of the Spanish Basketball Federation. And although the championship is still some months away, international interest is evident. “We’ve got what it takes to attract tens

of thousands of people. We already had this experience in the 2007 EuroBasket competition in Spain”, adds Sáez about the 2014 World Cup, which will be broadcast to more than 160 countries.

### Commitment and team spirit, the keys to success

The bronze at the EuroBasket championship held in Slovenia last year brought the team its seventh medal in the last eight continental tournaments. A spectacular haul which consolidates Spain as second in the FIBA world classification, only behind the United States, and a long way ahead of Argentina, Lithuania, Greece, Russia, Turkey and France.

The team’s success goes even further than this. A study carried out by

the Personality Media consultancy company shows that the Spanish national basketball team is the most highly-appreciated sports team by Spaniards. “A model to be copied” and “confidence” are concepts which people associate with this generation of players. The team scores highly in its role as a mirror for future generations. “In addition to striving to win medals, we have to provide a model for those coming behind us”, states Real Madrid player Rudy Fernández.

“Playing in the national team is addictive. I love it. I have a great time and really enjoy myself. Playing at an international level is a challenge which pits you against new approaches and talents”, reflects Marc Gasol. “It is the legacy of past generations who have passed on the baton to us. It does credit to everyone”, adds the Memphis Grizzlies Catalan center. His brother Pau is even more categorical – “Being on the national team is for me something special, different, regardless of the season. It’s a two-month period when





The 'golden Under-19s' begin to make history in the Lisbon World Cup.

I enjoy the luxury of being competitive and winning medals". Minnesota Timberwolves point guard Ricky Rubio asserts that the key to success is the sense of togetherness amongst the players. "If you come and play on the national team, you have to give up vacation time. If we all come back it is to meet friends again. When you come here you do so for the enjoyment, for the atmosphere and for the game itself".

"There is a high level of commitment. NBA players whose clubs have placed obstacles in their paths have not wanted to rest. More than a selection of players, it is a real team", says Real Madrid shooting guard Sergio Llull. "We are all just waiting for the summer to get back, play together and be competitive. The ambition level is sky-high".

### Lisbon 99, the starting point

The dream began to take shape in the summer of '99, the year the 'golden Under-19s' were born. A group of youngsters headed by Charly Sainz de Aja burst in on the scene of the



Timberwolves point guard Ricky Rubio in action at the 2009 EuroBasket championship in Poland.

Lisbon Under-19 World Championship, defeating the United States 94-87 in the final. Raúl López and Juan Carlos Navarro headed a team of *virtuosi* which included, amongst others, Pau Gasol, Felipe Reyes, Berni Rodríguez and Carlos Cabezas. With these names began the writing of an incredible story. "Success at Lisbon is one of the best memories I have of the Spanish national team. There we put on a fantastic show, it was the first grain of sand", recalls Navarro. "To be honest I would never have imagined that this generation would have gone down

in sporting history", says the Barcelona FC basketball captain. The decision taken by the coaches, more than 15 years ago, of encouraging talent and the players' personality was key. "We are working on placing tactics at the service of the players and not the other way round. Starting from that point a great story has been written", recalls Ángel Palmi, the Technical Director of the Spanish Basketball Federation.

The leap made by these young promising players to the national team was almost





José Manuel Calderón, celebrating a triple on the Spanish bench at the 2012 London Olympics.



Rudy Fernández slam dunks the basket opposite Dwight Howard during the final against the US team at the 2008 Beijing Olympics.

immediate – the generation of '80 was taking over. The following summer, at the age of only 20, Navarro and Raúl López reached Sydney for their first Olympic Games with a team in which two key figures loomed large – Jorge Garbajosa and Carlos Jiménez. Pau Gasol and Felipe Reyes added their names at the 2001 EuroBasket in Turkey. Headed by Javier Imbroda, the young 'golden boys' won their first senior medal, a bronze. That same year Pau Gasol beat all records and was chosen as number 3 in the NBA draft, thus launching his meteoric sporting career in the United States.

In 2002, the year when Spain beat the host team at the Indianapolis World Cup, Raúl López joined the American adventure by signing up for the Utah Jazz team. López and the elder of the two Gasol brothers headed the long list of Spanish players completed from 2005 onwards by José Manuel Calderón, Jorge Garbajosa, Sergio Rodríguez, Juan Carlos Navarro, Rudy Fernández, Marc Gasol, Serge Ibaka, Ricky Rubio and Víctor Claver.

### A prodigious decade

The astonishing decade of Spanish basketball got off to a flying start in 2003 with a silver medal at the EuroBasket championship in Sweden. But the explosion of talent, ambition and competitiveness came three years

later at the 2006 World Cup in Japan, when Marc Gasol appeared on the scene. Spanish sport touched the heavens with its gold medal at Saitama, winning the final against Greece by 70-47, in spite of having the big star and MVP injured. The team managed by Pepu Hernández won the first gold medal in the history of Spanish basketball at a high-level competition.

Just one year later, at the 2007 EuroBasket championship, Spain consolidated its leadership, winning a nail-biting silver, that could have been gold if the basket and time-keeping had not rejected the last-second shot played by Pau Gasol right on the buzzer in the final against Russia.

The next milestone was the Beijing Olympic Games in 2008. In the final against a *Dream Team* made up of the

US star players of the moment, the Spanish team kept hundreds of millions of viewers on the edges of their seats with one of the best games in the history of basketball after getting close up and personal for 40 minutes with the greatest power in this sport. Rudy Fernández's slam dunk shot over the giant Dwight Howard has been immortalised in history. Though a very young Ricky Rubio also began to mesmerize people with his magic with a basketball ball in his hands, LeBron James, Kobe Bryant and the rest prevailed by 107-118. It was one more step for the Spanish team, who had dared to challenge the world supremacy of the Americans.

Confirmation of the phenomenal success of the national team came in the shape of results at the 2009 and 2011 EuroBasket championships, held in Poland and Lithuania respectively.



The Spanish national team, glorying in gold on court at the 2009 EuroBasket championship in Poland.

## TALENT, AMBITION AND COMMITMENT ARE THE TEAM'S KEYS TO SUCCESS

The Spanish team took gold twice in commanding performances showing total authority. The team continued to play at an élite level without losing one iota of competitiveness. "One of the special features of this group has always been to leave the desire to stand out as an individual to one side", asserts the then coach Sergio Scariolo. "The high level of competitiveness, and refusal of defeat has always been there. In addition to the talent, the team is restless and wants to go deeper into its knowledge of basketball. They are people with a passion for the game".

At the 2012 London Olympic Games the Spanish team came close to glory once more, although finally it had to resign itself to silver, losing

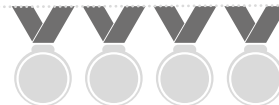
100-107. The Spaniards' mental strength stretched the game and the Americans to the limit, but the NBA star Kevin Durant denied Spain the addition of an almost impossible achievement. The prodigious decade was complete the summer of 2013 with a bronze at the EuroBasket championship in Slovenia. One more-than-deserved medal in view of the major players missing from the Spanish team. In spite of this, the team once more drew hard on its commitment to take itself to the podium. "The fourth place would have been a black mark for our generation. Winning the bronze was very positive", asserts the Dallas Mavericks point guard José Manuel Calderón.

No-one will forget the achievements of this privileged group of players, who have won eight medals since 2003. A long road which began on July 25<sup>th</sup> in Lisbon fifteen years ago, when a group of still-unknown youngsters celebrated their coming of age with an unimaginable show of prowess. This success took Spanish basketball to the forefront of world sport and will reach its zenith at the Basketball World Cup to be hosted by Spain this summer.

### A GOLDEN GENERATION



- 2006**  
World Cup Japan
- 2009**  
EuroBasket Poland
- 2011**  
EuroBasket Lithuania



- 2003**  
EuroBasket Sweden
- 2007**  
EuroBasket Spain
- 2008**  
Olympics Beijing
- 2012**  
Olympics London



- 2001**  
EuroBasket Turkey
- 2013**  
EuroBasket Slovenia



# JUAN MARI AND ELENA ARZAK

## THE RECIPE FOR SUCCESS

**In spite of an age difference of more than two decades, Juan Mari Arzak and his daughter Elena both agree that anyone eating at their restaurant should leave with the feeling that they have been to paradise. The passport for a trip to the stars could be either a big chocolate truffle or Cantabrian hake. Whatever takes your fancy, the ingredients that are never lacking are enthusiasm, teamwork and innovation.**

Sitting by his large marble kitchen table, Juan Mari Arzak describes the recipe that has taken him to success while a plate of *cocochas* (codfish cheeks) lands near him. “The most important thing is to have a good product. But work and the accumulated experience of four generations are also needed. And of course, you need to add that touch of passion and creativity”, says the chef before the watchful gaze of his daughter Elena, who began to learn to cook at the age of 11, when her grandmother was still in charge of the restaurant kitchen, she herself being allowed to help to cut vegetables into strips.

But that was a long time ago. Now Elena Arzak is one of the world’s most celebrated chefs, as can be seen by the fact that in 2012 she was acclaimed as World’s Best Female Chef by the

British magazine *Restaurant*. As for her father, at the age of 71, he still exudes the same freshness as the two-and-a-half kilo hake he has in his hands, and exactly the same vitality as when he was given the Spanish National Gastronomy Award as Best Head Chef in 1974. The restaurant bearing his name is one of the best in the world,

and holds the coveted Michelin three stars; Ametsa (which in Basque means ‘dream’), the establishment the Arzaks set up in London in March 2013, provided them with another star just six months after it opened.

So we are in the presence of the high priest of the new Basque cuisine





## “THE MOST IMPORTANT THING IS TO HAVE A GOOD PRODUCT, BUT THERE IS ALSO THE ACCUMULATED EXPERIENCE OF FOUR GENERATIONS”, SAYS JUAN MARI

some 40 new dishes. You have to be open to everything. Anyone can give you a good idea. That’s why you have to show humility when listening, and not lose your capacity for surprise”, he adds just before he gets up from the table to attend to a dish that requires his blessing.

### A chip off the old block

How does Juan Mari take to working with his daughter Elena? Do they have arguments? And, the most important question of all, who gives the orders in Arzak?

“He does”, answers Elena, after saying that in spite of the generation gap, her position concerning values such as innovation, ambition, training or sustainability is very similar to her father’s. “Do we have arguments?”, she repeats the question. “Not many. Just let me give you an example. For my parents’ generation to say you were tired was taboo. But you can say it in my generation and that’s fine. I remember the first time I said it to my father, and he just did not understand me”, says Elena searching for her father’s eyes.

“Well maybe I *do* give just a few more orders...”, admits Juan Mari with a smile, though he loses no time in adding – “We are a double act, since this sort of cuisine would be impossible without

as well as its culinary heiress, who lately entertains herself by trying to create 3-D effects in cooking. “Yes, but it didn’t work out. All I got was a complete mess! I’ll have to carry on researching”, Elena says in amusement when replying to the question of what new ‘prototypes’ she is working on currently.

As for her father, recently he saw a graffiti artist in the old part of San Sebastián, and so when he got back to the restaurant he had the idea of putting together parsley juice and baby squid-ink sauce to decorate an egg with a stream of black-and-green. “Ours is research cuisine, but never forgetting our Basque roots. Every year we create





Arzak's dishes are the epitome of teamwork.

Elena". "We may have arguments", Elena comes in again, "but in the best sense. I have to say that my father believed in me from the beginning. Thanks to his complicity, and the fact that he has let me do many things in the kitchen, although he had never ceased to be demanding. Without him, I would not be who I am today".

In practical terms, father and daughter are like *yin* and *yang*. So, where Elena is introverted, an early riser and a delightful person, her father speaks in torrents, boasts of having been 'a healthy layabout' and is more disordered, although above and beyond these attributes he is first and foremost an endearing person who gives his all for his guests (whether known or not), and who lives his profession with the passion of a first love.

### A day at the Arzaks' house

If eating at the marble kitchen table is an unforgettable experience, no less so is tasting the menu offered by Juan Mari and Elena Arzak at their restaurant the Alto de Miracruz, in the eastern part of San Sebastián, a place that was once a tavern where wines of very doubtful quality were served, the reason why

many Guipuzcoans call the place 'Vinegars' in remembrance of those brews. To choose a metaphor, eating here is for the stomach the closest thing to a happy birthday party. The treat for the tastebuds begins with a *pudin de kabrarroka* (red scorpionfish cake, one of the dishes that launched Juan Mari to stardom), followed by a *cromlech* of manioc and *huitlacoche* (an edible mushroom that grows on maize when rainfall is abundant), the beetroot blood orange, the egg accompanied by 'milk leaves', the 'sea and garden' lobster, venison with Jerusalem artichokes and fried chestnuts in their juice... Not to mention the surprises, like the *pitonisa* monkfish (enveloped in a crunchy green ball made with leaves of rice and potato starch), *chorizo* with tonic water, sea-bass fillet 'cradled' on an iPad that projects images of sea waves hitting rocks, or the chocolate toolbox (screws, bolts and so on), taking the desserts to a different level.

But, let no-one think that these proposals are a simple *divertimento*, because there are months of hard work behind each of them. "The *cromlech* of manioc and *huitlacoche* for example took us about a year, because the crunch was not crunchy and became wet and soft when we put something inside. The flavour also took us a long time to get right, because initially it tasted a lot like *foie gras* and we added kefir to it", says Elena, after admitting that being a family business the Arzaks have no limits placed on them when it comes to innovating. "If we had to express it in proportions, I would say that Arzak is 40% tradition and 60% modernity", she calculates.

### The art of combining modernity and tradition

Although it may not seem so at first sight, in fact many of the striking *made in Arzak* flavours go right back to very traditional Basque cuisine. "The idea", says Juan Mari, "is to know the fundamentals of what your people like, and work on it". And to take risks so that eating becomes an experience involving all five senses. That is why the



Juan Mari and Elena Arzak in animated conversation over their restaurant menu.



## “MY FATHER HAS LET ME DO MANY THINGS IN THE KITCHEN, ALTHOUGH HE HAS BEEN VERY DEMANDING. WITHOUT HIM, I WOULD NOT BE WHO I AM TODAY”, ADMITS ELENA

Arzaks work with fifteen hundred widely-diverging spices and condiments.

“I remember once”, Elena speaks again, “that I said to him – ‘look *aita* (father in Basque), I want to create a chocolate omelette. When I finished it I took it to my father and he said to me, ‘it’s delicious, a beautiful texture, but really ugly to look at...’. So we thought about it and added a sauce and some crunch which worked very well with the recipe on the one hand, and on the other hand prettied it up a bit, and some flowers, but it was still fairly unsightly... So my father comes back after a week and suggests that we cut the ends off the omelette. ‘Look Elena’, I remember him saying to me, ‘it’s still unsightly, but we’re going to take a risk and we’re going to see how people react, and if their reaction is not good we’ll take it off the menu’. So on the day what we had decided to call the ‘ugly chocolate omelette’ made its *début* in the dining room, we were petrified with fear. But it was a great success. It was then that my father told me something that I have never forgotten – ‘Elena, to make headway in life you have to take risks, because if you don’t, you will never progress’”.

In fact, both Juan Mari and Elena Arzak take the comments of their customers very seriously so as to improve day after day. “Excellence is unattainable”, declares Juan Mari, “so the only thing we can do is work as best we can so that customers walk out of the door happy”. “People”, says Elena, “may think that we don’t listen to them, but we do listen much more than they imagine”,

to such an extent that when a diner comments to the father or daughter that they expected more of a particular dish, both of them spend a few days thinking around the issue to see whether they can make improvements.

### Think locally, cook globally

If it is true that the type of cuisine practised by the Arzaks goes back to old Basque recipes (“My father and I are always going to be Basque chefs because Basque tastes are always present in our minds”, admits Elena), then it is no less true that both of them are open to the world.

On this issue, whereas Juan Mari in his day did his practical learning in benchmark restaurants such as Paul Bocuse or Troisgros (both in France), his daughter Elena comes very close behind, since she decided to study in Lucerne (Switzerland) to improve her German, before moving on to some of the *sancta sanctorum* of European *haute cuisine* – the now-gone Le Vivarois in Paris, the Louis XV in Monte Carlo, the Le Gavroche in London, and the L’Antica Osteria del Ponte near Milan... In spite of this, they would like to continue to travel the world to broaden their gastronomic repertoire. “Of course, I’d like to carry on travelling around my palate as if it were a road. I’d like to go to Lapland, make a hole in the ice, hook a fish and eat it. I’ve seen so many things! I’ve seen

insects...”, Juan Mari Arzak begins to enumerate. “I’m a bit like my father. If I have to eat grasshoppers, well I’ll eat them”, admits Elena. “Going abroad is useful for broadening the mind above all else, because when you are far from home you are much more receptive”, says the chef who was born in Donostia (the Basque name for San Sebastián) in 1969.

However, when both father and daughter are asked how they would like to be remembered, both answer in unison – as Basque chefs. “We are delighted when they talk to us about my grandmother, about how well she cooked, of how good a person she was. The important thing is the work of passing on the cooking knowledge we have been accumulating over the past four generations”, emphasises Elena, with her father nodding in agreement. The fact is, that in spite of the 27-year gap between them, when it comes to cooking father and daughter merge into a single surname – Arzak.



Juan Mari and Elena work with 1,500 widely-diverging spices and condiments.





# THE SANT ANDREU JAZZ BAND

## TRAINING WITH A SWING

**Sant Andreu is a quiet district of Barcelona, very far from New Orleans. Or maybe not so far. For the past seven years it has been home to the Sant Andreu Jazz Band, a group comprising some thirty musicians between the ages of six and twenty, headed by the musician Joan Chamorro. A teaching project that shows like no other that training and passion are essential requirements for success.**

The story of Sant Andreu Jazz Band is one of slow-but-sure success, with no great haste or even great ambition. The very young band members – most of them not even in their teens – have made three records, have featured prominently in the *Sant Andreu Jazz Band*, a film about kids and music documentary, acclaimed the world over, and have played on legendary stages like Barcelona’s Palau de la Música, accompanied by great names in the world of jazz such as the saxophonist Scott Hamilton, the trumpet player Terell Stafford or the trombonist Wycliffe Gordon. In addition to this the band is a sort of hothouse producing promising youngsters like the sweet-voiced Andrea Motis, whom some are already comparing with Norah Jones.

The idea of forming a band came from the ever-busy brain of Joan Chamorro, a music teacher at the local municipal school of music, when he saw that some



Jesse Davis, one more member of the San Andreu Jazz Band.

of his students had that inner push that led them to forget their music sheets and let themselves be carried away by *swing*. With those who felt the greatest passion for jazz, in 2005 he formed a group that rehearsed outside teaching hours, basically by ear. “We don’t work only from sheet music but directly from sources, listening to good performers, using them as role models and fine-

tuning the way we want to sound”, says Chamorro, the heart and soul of a project that is musical and educational in equal measure. “The important thing is what music brings to you as a human being. It is an art that has to make you a better person, it has to stir you inside”.

Saxophones, clarinets, trumpets, trombones or violins that apparently





Eva Fernández is a saxophonist with a bright future.



## “MUSIC IS AN ART THAT HAS TO MAKE YOU A BETTER PERSON, IT HAS TO STIR YOU INSIDE”

sound the same as in a music conservatory, but the difference resides in the fact that the musicians of the Sant Andreu Jazz Band don't work towards a goal, an examination or qualifications which will take them a decade to get. Chamorro insists in imbuing them with the value of the present – that is the essence of his method. “When I am asked what our goal is, I always say that there is none.

What is truly important in education is the getting there. The only thing we do is strive harder to do what we like doing. You have to enjoy yourself. If afterwards music can provide the kids with a living, so much the better”, says the leader convincingly.

His approach makes a perfect match with the youngsters, whom he teaches three times a week. The band has been rehearsing for a couple of years at the *Taller de Músicas* headquarters in Sant Andreu's Can Fabra cultural centre. The band takes in new members every year, and getting in requires the need to show a willingness to learn and a taste for jazz rather than just musical skills. There are no auditions or rigorous screening processes; Chamorro trusts his ear and his intuition. Youngsters have different levels of musical knowledge when they join, so very often he provides support

classes at his own home. “The level each youngster has when joining is secondary. What I want is for them to play and feel they are creating music from day one”, he adds.

Day-to-day organization is a delicate balancing act between musicians of different ages and musical levels. Unlike more conventional schools, here age is not a determining factor. Band members usually rehearse two days in small groups depending on the instrument they play, and another day all 30 get together for a joint session.

Just informally attending one of the rehearsals is enough to see that the prime moving force behind the band is passion for music. There is of course discipline and reprimands for homework not done, but there are also closed eyes that let themselves be carried away and give rise to magical moments of improvisation. Abril Saurí is twelve, and has been playing the drums since the age of five. She joined the band



Abril Saurí and brothers Pau and Nil Galgo go over sheet music.



Víctor Carrascosa, one of the band's youngest trumpet players.

because Chamorro saw her sitting in the audience at a concert, tapping the tempo with her feet to perfection. “Jazz is great fun, it’s inspiring music”, she says opening her eyes, with a maturity not often found in those of her age. Her colleague Alba Esteban is fourteen, and began playing the alto sax seven years ago, having begun the soprano sax from scratch. Now she openly admits that jazz has changed her life. “I am seriously thinking of studying music professionally. None of this would have happened without Joan”.

All the student musicians in the Sant Andreu Jazz Band also point out that they learn and teach at the same time. Twenty-year-old Marc Martín is the pianist and musician with most experience, so the younger members look to him with the admiration reserved for an older brother. Martín jokes that the band looks like a ‘kiddies’ playschool’ to him, but he never ceases to wonder at what six-year-olds can do with a trumpet that is almost the same size as they are. It will not be long before he leaves the

band, to make way for those coming behind. His idea is to study jazz in New York or Amsterdam, and does not miss a single rehearsal while waiting for the right moment to arrive.

### **Humility as a working basis**

It is no easy matter to manage such a widely-diverse group, with youngsters of all ages, many of them rushing headlong into adolescence, but that is where Chamorro’s skills come into play. “I try to generate good energy, and at the same time I want them to be aware that what is happening to them is not due to chance”. Chamorro is in charge of keeping the feet firmly on the ground of those who begin to get distracted by growing media attention, and making sure that humility does not disappear with the band’s growing success. The youngsters themselves say that they rehearse in the same way and with the same enthusiasm whether they are playing at Barcelona’s *Auditori* or at a local small-town jazz festival.

## **“THE GOAL? THERE IS NONE. WHAT IS TRULY IMPORTANT IN EDUCATION IS THE GETTING THERE”**

Chamorro and his students also say that music helps them concentrate, something that comes in very useful at school. And the benefits are not only academic. The leader can provide dozens of examples of students who have overcome their shyness or lack of self-esteem by taking up a musical instrument. Joan Chamorro is the band’s leader, but also a musical companion, adviser and godfather. It is he who makes sure that everyone can have a moment of glory at each concert, and that gifted players like Andrea Motis blend into the background during rehearsals. No limelight-hogging, divos or divas. Everyone is equal.





## Andrea Motis, the rising star

Joan Chamorro admits that Motis' success, who at the age of 18 is already one of the most promising jazz musicians on the international scene, has surprised him, because it is not usual in this musical genre. Four years ago the record *Joan Chamorro presents Andrea Motis* came out, and since then interest in the singer has grown apace. The two form a special musical duo, together they have published three CDs, have collaborated on a dozen projects and receive requests for concerts from half-way around the world. And that is not all. A few years ago several recording companies were interested in producing her budding musical career, but the two decided to put a damper on the maelstrom. Andrea continues with her daily routine, rehearsing with the Sant Andrew Jazz Band. Her sister Carla is also a member.



Andrea Motis, a rising star in jazz.

Little Elsa Armengou, after her trumpet duet with Wycliffe Gordon.



“Right now she is only 18 years old, but already exceptionally skilled with the saxophone and the trumpet. In the world of jazz there are very good people, but Andrea’s case has never been seen before”, says Chamorro excitedly, underscoring the fact that it has all been very natural, and that she has an “incredible” feel for music. But the Sant Andreu Jazz Band continues to come up with the goods. Recently Chamorro has repeated the formula that was so successful with Motis, and has taken under his wing another band member, the saxophonist and vocalist Eva Fernández. They already have a record on the market, and the success of her 2013 debut at the Barcelona Jazz Festival provides confirmation of the fact that the young girl is another winning ticket.

### From Sant Andreu to the world

The very characteristic learning methods of the Sant Andreu Jazz Band and its music are beginning to cross borders. The band self-manages with the sale of

tickets, CDs and DVDs, which means that playing far from Barcelona means more effort. They have already performed in France and Andorra; in July they will be appearing in Switzerland, and they have already received invitations to play in Latin America. But Chamorro is wary and prefers to take things slowly. For the time being he can concentrate on what has already been achieved. He could never have imagined that he would be heading a group of youngsters at Barcelona’s Palau de la Música with musicians he has worshipped all his life. Jesse Davis, Terell Stafford or Wycliffe Gordon, living legends of jazz, performed together with youngsters like Elsa Armengou, who at the tender age of six provided some of the most exciting moments in the short life of the band. “When we perform with musicians we admire, and they tell me we are doing a great job, the satisfaction is indescribable”, points out Chamorro proudly.

The teacher harbours no doubts in his head that his very young musicians will grow in stature, and will go as they

have come. But the future is not in jeopardy. The Sant Andreu Jazz Band has new blood, every year there are new members, and the turnover is surprisingly uneventful. Within a few years hundreds of youngsters will have spent some of the best time of their lives playing jazz. Whether they go on to become professional musicians is another story. And in the meantime, the Sant Andreu district of Barcelona will be just that much closer to New Orleans.

## THE YOUNG MUSICIANS HAVE SHARED THE STAGE WITH STARS LIKE SCOTT HAMILTON, JESSE DAVIS AND TERELL STAFFORD



The leader works with the band’s 30 youngsters and adolescents on a daily basis.

# FROM GRASSE PERFUMES TO BARCELONA'S BIOMEDICAL RESEARCH PARK

## A PASSION FOR PERFECTION

What do a 'nose' which selects fragrances from thousands of possibilities and a scientist doing research into the behaviour of yeast cells have in common? In addition to an exciting job, they share their love of perfection. We travel to Grasse, a peaceful town in France's Provence region which has become the cradle of perfume. And in Barcelona we visit the city's Biomedical Research Park, a benchmark institution in Europe which is producing astonishing results. Perfection is not the goal, but the road towards excellence.

Grasse is a delightful town straddling Nice and Cannes, to be found at a privileged location between the Mediterranean sea and the French *département* of Alpes-Maritimes. Located atop a fertile valley with its own microclimate, it has all the conditions necessary to make it the world's capital of aromas. Its narrow medieval streets offered the world its first perfumes more than 300 years ago. Today the surroundings of Grasse are home to more than 40 essence factories, from which 7% of the world's perfume production emerges. An industry that has successfully adapted to modern times without losing the *savoir faire* of yesterday's artisans.

One of the companies that best represents the spirit of Grasse is Galimard, which takes its name from Jean de Galimard, a visionary aristocrat



Grasse is a quiet medieval town in the heart of France's Côte d'Azur.

who half-way through the 18<sup>th</sup> century began to perfume leather gloves to mask their strong smell – until then Grasse had been known for its tanneries. For years the same procedure was used to obtain essences – first of all vaseline was made from pig fat in which flowers were impregnated, mainly jasmine and rose. For the fat to absorb the aroma the flowers needed to be changed every two days and the

mass left to rest for two months; it was then washed with alcohol and filtered to eliminate impurities. The process was very laborious, requiring large amounts of delicate work and patience as well as enormous costs – two tonnes of flowers were needed for just one-and-a-half litres of oil.

Today things have changed. The process has become industrialised,



The 'nose' Caroline de Boutiny, at the Galimard laboratories.



but the care for detail continues, something that can be readily seen by getting to know the work of the ‘noses’, the wizards of smells. Normally they combine as many as 150 different ingredients to create an essence – the Galimard catalogue alone lists more than one thousand of them. Their work is similar to that of an “orchestra conductor in a laboratory”, as one of the company’s ‘noses’, Caroline de Boutiny, admits. Success is to be found in finding a balanced combination of basic notes – those that remain longest on the skin (woods and spices) – together with more volatile notes (citrus, exotic fruits and flowers like rose, jasmine and peony). “The most important thing is to have a good understanding of what the customer wants. Even so, finding a perfect aroma may be a very long process indeed. Once a customer asked us to create something based on the smell of ants! It took us three years to reach an agreement”, confesses De



Chemist Michel Teti checks the purity of perfume molecules.



Outside view of the historic Fragonard factory.

Boutiny. But her work deals not only with sensations; it requires pin-point precision with quantities – “If you put in 0.001 millilitres of a substance you get one thing; if you put in 0.002 millilitres you get something radically different”, she takes pains to emphasise.

### A perfume’s molecules

Accuracy and meticulousness are both things very familiar to Michel Teti, the chemist in charge of the sophisticated machinery which shows to the tiniest detail the 400 molecules of lavender, for example, to check that the raw material is top quality and not adulterated. “We have to control everything. It sounds hard to believe but the composition of a molecule – such as linalool in the case of lavender – can totally determine the smell of the perfume”, he declares without moving too far from the

densimeter and refractometer, another pair of instruments enabling him to check the texture, colour, density and temperature of the essences.

The quality of the essences is Grasses’ main weapon in a global market where major perfume manufacturers opted for chemical substances a long way back. The industry in this small town had to reinvent itself. Fragonard is another of the emblematic names symbolising this philosophy. Agnès Webster Costa, who heads the company together with her two sisters, represents the third generation in control of the factory, and believes fervently in a vision split between industry and perfection. Some 10,000 bottles leave the Fragonard premises daily to be sold in countries the world over via the internet, and just the historic factory on its own has 20 steel tanks with a capacity of 600



Tanks containing essences in the Fragonard factory.



Jasmine has traditionally been one of the most widely-used flowers in Grasse.

## THE KEY TO SUCCESS IN GRASSE PERFUMES LIES IN THE RAW MATERIALS AND MAKING SURE THAT THE INDUSTRIAL PROCESS FUNCTIONS PROPERLY

litres each. They launch new products every year, their presence in France is consolidated, and they intend to open stores at an international level.

Costa considers that the success of her company in particular and Grasse in general results from paying particular

attention to the quality of the raw material and making very sure that the whole process functions properly. This commitment to excellence has meant that major firms have come back to Grasse once again. “Now it would seem that they are coming back to their roots. Brands like Dior and Chanel are

buying up land so as to grow flowers here again”, says a satisfied Costa, who believes that this enchanting town has everything it needs to maintain its prestige.





Jordi Camí, director and founder of Barcelona's Biomedical Research Park.



Hundreds of scientists from 55 countries work at the centre.

## FROM YEAST TO THE BIOLOGICAL COMPUTER

Neither is Barcelona's Biological Research Park a stranger to prestige either. It is one of the most important scientific hubs in Southern Europe. Inside the impressive building rising opposite the city's Barceloneta beach area, work some 1,400 people from 55 different countries. Its annual R&D budget amounts to 80 million euros, and the centre is equipped with ground-breaking equipment. It is a "factory of the future" as the persons in charge of it like to say. The discoveries made here are key elements for medical science in 20 or 30 years' time.

At first sight, chaos reigns in the centre's laboratories, shared by seven different institutions. Nonetheless it is a perfectly controlled chaos of white coats and test-tubes in which there is margin for trial and error and rectification, but never losing sight of meticulousness and obsession for detail. Each and every movement determines the results.

Some of the most outstanding results include the first biological computer, created by scientists of Barcelona's University Pompeu Fabra (UPF) after five years of intense work. The work concerns the combination

of genetically-modified cells so as to achieve biological systems with decision-making capacity according to pre-defined criteria. The work, headed by researchers Francesc Posas and Ricard Solé, opens a door for the regulation of biological systems and the treatment of their diseases. An entire universe open for exploration.

Jordi Camí, the director of and brain behind Barcelona's Biomedical Research Park, highlights the fact that the discovery is an important one – "They have shown that cells can be programmed to make them work like a computer. It is a major step forward, one of enormous creativity", he says with satisfaction. And although he says that caution is the watchword so as not to create false expectations, he also admits that the possibilities are enormous. For example, in the case of diabetes, there may be cells programmed to capture blood sugar levels, make a computation, and react





## SCIENTISTS FROM THE UNIVERSITY POMPEU FABRA HAVE DEVELOPED A BIOLOGICAL COMPUTER AT BARCELONA'S BIOMEDICAL RESEARCH PARK

One of the Petri dishes enabling construction of the 'biological computer'.

according to requirements – either secrete insulin (bringing down the glucose level) or else glucagon (increasing it). This way these programmed cells would act as an artificial pancreas, bringing about a major improvement in patients' quality of life.

### Salty and shining cells

To build this biological computer, Solé, Posas and their team work with yeast cells. This type of cell was chosen because they are the easiest organisms to manipulate in the laboratory, but also because they have nucleated cells, just like human cells. The yeast cells had different genes inserted so that they would respond to environmental stimuli and produce other signals. For example, some of them were modified to react to the presence of salt; others to produce GFP (Green Fluorescent Protein). If they emitted a green light, it meant that the biological computation was working. In the laboratory, the

yeast cultures are maintained in a chamber at a temperature of 30°C and placed on supports which move them constantly so as to make sure that they get the necessary oxygen.

A discovery of this nature needs years of painstaking work and, as Camí remarks, it also requires special discipline. In the world of science truths are always “perfectible”, he says, and are being constantly reviewed and updated by the scientific community. “We have to carry out experiments in such a way that independent third parties can reproduce the same conditions and reach the same conclusions”. For this reason, there is no margin for error, and there is an obligation for everything to be perfect, since the slightest change might totally invalidate the results of the entire research.

So little matter whether we are dealing with prestigious French perfumes

or research that could save lives a few years hence. The factories of Grasse and the scientists of Barcelona's Biomedical Research Park demonstrate that large amounts of talent, experience and innovation are not by themselves sufficient to bring things to a successful conclusion. One ingredient has to be added, one that is no secret for them – a passion for perfection.



Accuracy is essential at each step of the research process.



# THE NEW MEDITERRANEAN

BRIDGING CULTURES

**Cradle of civilisations, the Mediterranean is the sea of the Egyptian pharaohs, Greek democracy and the Roman empire. Its inhabitants carry in their mixed blood the skilfulness of the Phoenician traders and the weight of history, sharing a common cultural substrate, as well as a world picture that has more points of similarity than differences.**

The Mediterranean sea has been, is, and will continue to be a major area of exchange destined to place this region with its 450 million inhabitants in an optimal economic, commercial and social position in the context of a globalised world in the 21<sup>st</sup> century. To travel around the Mediterranean is to find Roman temples in Lebanon, Greek villas in Sicily, Arab mosques in Spain and Byzantine churches in Venice. Or if you prefer, to take a Turkish Airlines flight from Malaga to Istanbul, drive a SEAT Ibiza around Algeria, or turn on a tap in Morocco for it to pour out water carried by Aqualogy, a Spanish water-management company.

Building a true Mediterranean union is the main challenge facing the countries bordering the Mediterranean sea. In order to achieve this, and to go deeper into those cultural links, as well as increase trading relations, in 2008 the Union for the Mediterranean was born. Headquartered in Barcelona, the UfM brings together the 28 member countries of the European Union and its 15 neighbouring countries on the southern shores of the Mediterranean sea.

### The citizens' sea

But, to what extent do citizens share the Mediterranean project? The person in charge of answering this question is Senén Florensa, President of the European Institute of the Mediterranean (IEMed) and former Spanish ambassador to Tunisia.

“Curiously, there is a series of values which are shared on the various shores of the Mediterranean. On the other hand, what is different is the perception we have about how others see us, which does not reflect reality”, says Florensa quoting a document entitled *Euromed Intercultural Trends. The Anna Lindh Report*. According to this report, whereas the inhabitants of the southern (Egypt, Algeria, Libya, Tunisia and Morocco) and eastern (Israel, Palestine, Lebanon, Syria, Cyprus and Turkey) shores tend to think that family solidarity is not at all important in Europe, the data show that this view is mistaken. And the opposite is the case too – although the inhabitants of the northern shores for example, have the impression that those of the southern Mediterranean are not particularly concerned about the environment, the reality is totally different. In short, the different peoples of the Mediterranean are much more alike than they think, and share points of view which are surprisingly similar on most issues.

The fact is, that when it comes to the moment of truth, all these countries feel that they are “profoundly Mediterranean”, in the words of Florensa, “and what they have in common is that they are hospitable, have a very similar way of looking at and loving life, respect for different cultures, tremendous creativity, curiosity...”, the diplomat adds, as he continues to enumerate further similarities.

### The opportunities of the South

For this reason, Florensa is hopeful of the possibility of there emerging a major Mediterranean area which would provide equal benefits for Turks, Moroccans, Algerians, Spaniards, French, Italians or Greeks. “In my opinion”, says IEMed’s President, “it is an emerging market which can be complemented in many different ways – whereas Europe is an old continent, the southern and eastern shores of the Mediterranean have tremendous demographic vitality. If there is capital to invest and technology in Europe, on the other side there are very young markets with a great potential for growth”.



Senén Florensa, President of the European Institute of the Mediterranean (IEMed).



This opinion is shared by Josep Franch, Director of the Marketing Management Department of the Barcelona business school Esade, and consultant for companies interested in operating in different geographical areas. “The Mediterranean”, he says, “has always been a meeting point. Ninety per cent of today’s world trade continues to be done by sea, and so the Mediterranean will increasingly be a natural market for those countries on its shoreline”.

Franch likes to underscore the fact that people and companies interested in participating in the processes of international expansion would do well to look at cultural differences that are not so obvious because “they are more important than those seen at first sight”. For this reason, companies interested in crossing the Mediterranean in either direction need to be aware of the fact that in other societies the priorities are different, have their own way of negotiating, and a particular way of working which should be known and respected. “That said, there is no doubt in my mind”, concludes this expert, “that when there is a stable environment, the Mediterranean region will experience major growth”.

### **The driving momentum of a young generation**

In fact, according to data from the World Bank, the countries on the southern and eastern shores of the Mediterranean – altogether accounting for some 270 million inhabitants – need to create more than 62 million jobs by 2020 if they want to provide employment for the younger generation. For this reason, at the end of 2013 nine bodies and associations from Turkey, Morocco, Tunisia, Spain, France, Egypt and Belgium set up the MED Confederation, a public-private partnership aimed at boosting socioeconomic cooperation in the Mediterranean for the benefit of the region’s 450 million inhabitants. To date



this new international organization has already implemented various projects, including one that aims to encourage mobility among young professionals amongst international companies by means of an exchange programme.

While waiting for this great market to become consolidated, various companies on both sides of the Mediterranean have already begun to pave the way. This is the case of Turkish Airlines, a company with a presence in 105 countries, including Spain, where it ‘landed’ more than 30 years ago. According to Ali Doruk, Director General of Turkish Airlines in Spain, “Mediterranean culture in general is very rich thanks to the historical relations which its different peoples have maintained with each other. The countries of the Mediterranean are

characterised by their open-mindedness concerning what is different. Thanks to this fact, our culture has many varied influences that make it unique”.

“The Mediterranean area”, he emphasises, “has great potential. We are proud of being so close to many cultures, peoples and ethnic groups. This enables us to be in synchronisation



Aquology laboratories in Oran, Algeria.



Barcelona's Boquería and Istanbul's Great Bazaar, two quintessentially Mediterranean markets.

## MEDITERRANEAN COUNTRIES HAVE A MUTUAL NEED OF EACH OTHER SO THAT THEIR SHARED COMMON PAST WILL OPEN DOORS TO THE FUTURE

with what everyone has to offer. Turkish Airlines aspires to contribute to this process by attracting opportunities, ideas, persons and different cultures”.

Similar thoughts are expressed by Ramón Masip, Director for Turkey, the Middle East and North Africa at Aqualogy, a division of the Agbar (Aguas de Barcelona) Group, specialising in offering efficient and sustainable solutions for all kinds of water-related needs, ranging from sanitation in urban environments to irrigation and industry.

### Standing out in a globalised world

The arc running from Spain to Israel embraces water-stressed countries which have a tradition of making good use of water, saving it and re-using it, something that over time has evolved into technology. “Innovation is almost always the result of a need”, says Ramón Masip. “For this reason, the large-scale water engineering works come from the Mediterranean – the waterwheel, dams, water channels, water treatment, ceramic filtration, water

tribunals. We really can talk about a Mediterranean water culture”.

The aim is therefore to produce the transfer of technology and know-how so as to benefit local companies, “and the result of this collaboration is the appearance of Mediterranean companies that can compete in a global market with leading countries in our sector such as China, Singapore and Brazil. We should not lose sight of the fact that Brazil on its own has a population larger than many Mediterranean countries put together, so that either the Mediterranean sees itself as a group of countries or will simply not exist”, points out Masip.

“It is impossible to imagine”, continues Masip, “a global world in which Spain goes it alone, or France for that matter, or Algeria, or any other country. Today at the very least you have to form part of a major region like the Mediterranean. The key is to be found in our interests and goals to be much more competitive at a global level. More than a trend, it is a necessity”.

When Masip is asked what he has learned in his company over the years he has been working in Morocco, Turkey and Algeria, he replies – “The importance of respect and knowing how to adapt. Without this, you can pack up and go home. Also that on other Mediterranean shores workers are highly trained, and so our contribution is an add-on and not the whole package”.

In fact, there is unanimity on various fronts. On the one hand, there is a shared Mediterranean way of living, thinking, eating and working, its strong points being diversity, creativity and curiosity. But in addition to this there is another even more important factor – the countries around the Mediterranean have a mutual need of each other so that their shared common past will open doors to the future.





# ctineu

## **CROWDFUNDING** THE POWER OF COLLECTIVE GIVING

Defined by the New York Times as the 'Revolution in Giving', the phenomenon of *crowdfunding* is playing an increasingly important rôle in the encouragement of cultural, scientific, artistic and business projects. The surprising surge of this kind of collective funding, whereby persons unknown to each other collaborate financially in developing the same idea, is gaining ground in countries like Spain, the United States, Germany and Mexico. Crowdfunding is a global trend on the up and up, highlighting the growing power of the community.





Xavier Olivella, President of the Spanish Crowdfunding Association, foresees a great future for microphilanthropy worldwide.



Adrià and Jonàs Sala, from Verkami, advise creators so that their projects are successfully funded.

Almost 2 billion euros raised worldwide in 2012; more than 3.6 billion in 2013. Crowdfunding is on the rise and is going through a period of seemingly unstoppable growth. It is a modern form of microphilanthropy whereby people unknown to each other pledge money via the internet for a specific project to become reality.

What is new about this practice when compared with other known cases of collective funding such as for Central Park or New York's Statue of Liberty, or Barcelona's Sagrada Familia? Xavier Olivella, President of the Spanish Crowdfunding Association, puts it succinctly – "The difference is that it is systematic microphilanthropy, since it uses the opportunities offered by the internet, either through specialised platforms or else through social networks".

The way it works is very simple. The owner of an idea presents it via one of the almost one thousand crowdfunding platforms existing worldwide, and then internauts can support it by making financial contributions that are for the most part easily affordable. For example, in Spain the average contribution is 30 euros, so more and more projects have

thousands of contributors. In most cases, the creators of the idea offer some sort of reward for contributions – concert tickets, a copy of the published book or a product offered by a company – and payment is only made when the total amount asked for is reached.

### Spain, one of the world's crowdfunding powerhouses

Crowdfunding was born in the United States in 2009, thanks to Kickstarter, a company that in just five years has contributed to financing 54,000 projects with the collaboration of almost 5.5 million people. As well as the 928 million dollars raised since its beginnings, Kickstarter has been the mirror in which most of the modern microphilanthropy platforms all over the world see themselves.

The model, philosophy and *modus operandi* of the US platform was imported into Spain in 2010. Those responsible were Lánzanos and Verkami, both the fruit of the conviction that this microphilanthropy is necessary to offer any creative mind the opportunity to transform a project into reality. Verkami, currently the most important platform in Spain, with 1,800 projects already funded,

with more than 8.5 million euros raised, is the fruit of the work of three members of the Sala family – Joan, the father, and his two sons Adrià and Jonàs, who created the company after tremendous efforts. "The key has been, and still is, to work hard. We develop an idea for a year with the aim of offering top-quality service, optimising processes and resources", asserts the young Adrià, who at the age of 26 may well regard himself as being a successful entrepreneur.

The Verkami platform concentrates exclusively on cultural projects, although its mission is not limited to funding alone. "One of our main aims is to foster culture. Verkami has been designed not only for creators, but also for cultural consumers. Crowdfunding makes it possible to maintain a direct link with the creator and encourages a more active and participatory culture", asserts the 31-year-old elder brother Jonàs. The idea is to diversify cultural consumption by involving members of the community in the project, so that they not only contribute financially to its development but also become actively involved in the creative process itself.

In 2013 the innovation, creativity and quality of the digital content of Verkami received the recognition of the United Nations. The Spanish platform was chosen from more than 450 projects from 168 countries as winner in the e-Culture & Tourism category at the World Summit Awards, given for excellence in digital products aiming to improve the knowledge society. Official acclaim for the Sala family's innovation, which gives them the encouragement to carry on working on expanding the platform. Although most of the projects they are working on currently are Spanish, they also have some in Southern Europe and Central and South America, where they want to continue growing.

There are more than 50 platforms like Verkami in Spain, most of them working in the sociocultural sphere. But collective funding still has a long road ahead of it. "Today just 1% of internauts know what crowdfunding is", points out Olivella. In spite of this fact, it is estimated that in Spain this form of collective funding will raise 50 million euros in 2014.

### Measuring the viability of a project

Over the past year, there has been a proliferation of cases of companies being created or expanding thanks to collective funding. A good example of this is Mobincube, a start-up company developing a tool enabling anyone to create their own app for mobile, which raised 300,000 euros in just two months. This is a case of business crowdfunding working successfully in countries like the United States and Germany. "It will be an increasingly popular tool to fund companies and projects. It is society at large that, by its financial contributions, decides whether an initiative is worthwhile", reflects Christin Friedrich, one of the people running the Germany crowdfunding platform Innvestment, which fosters investment in business projects in which contributors also share in the profits. Innvestment came into being in 2011 with the aim of supporting innovation and entrepreneurship, and today it has become one of Germany's benchmark crowdfunding platforms.

Crowdfunding also enables the validation of a business model. It is

the internauts who approve the quality of the project, thereby reducing the uncertainty rate. "It is a model based on sustainability and efficiency, since it screens out projects that do not work", adds Olivella. Also, it is the best showcase for giving an idea greater prominence. The success of the funding campaign depends on the capacity to create an attractive narrative and work to disseminate it among the community. The involvement of the creator is a key element – crowdfunding only works if the entrepreneur is totally dedicated and makes a major communication effort.

This is confirmed by Carola Rodríguez, one of the driving forces behind *El Cosmonauta*, a film production which broke crowdfunding records in Spain and which was a turning point for this type of funding in the country. "You have to work very hard. You need to get people to really believe in your project". *El Cosmonauta* raised more than the money necessary to begin the project, which started as a short and ended up as a full-length feature film. Almost 4,500 people contributed nearly 400,000 euros. In order to achieve this amount, the team worked



**CROWDFUNDING IS A WORLDWIDE TREND; OVER THE PAST FEW YEARS THE NUMBER OF PLATFORMS HAS PROLIFERATED**

The feature film *El Cosmonauta* is the crowdfunding project to have raised most money in Spain.



After a decade of work, ICTINEU Submarins has created a submersible craft which puts Spain at the forefront of underwater technology.



Bandtastic: The British group We Have Band performed at a well-known venue in Mexico D.F. in 2013 thanks to Bandtastic.

day and night for the two funding campaigns they set up, communicating about their project via blogs and social networks. “In addition to the funding, the important thing is that people decide whether a project is worthwhile, and that it is a fantastic platform from which to launch your project and get it known”.

“Crowdfunding requires total dedication and a great deal of preparation. You have to work flat out to make your project attractive” – the words of Carme Parareda, director of operations at ICTINEU Submarins. The company has developed the Ictineu 3, a submarine that can submerge to a depth of up to 1,200 metres with a three-person crew, and which will be used for scientific research, the making of documentaries, underwater archaeology, inspections, emergencies, and even tourism. This submersible craft takes Spain to sixth world place among countries with manned submersion capacity, and puts it at the forefront of submarine technology.

“A great exploration adventure”. This is the way Parareda sums up the motivation spurring her and her associate Pere Forés to work for more than a decade on this project. In spite of it not being their main source of income, they have launched two crowdfunding campaigns. All told, they have raised

approximately 175,000 euros thanks to more than 1,600 philanthropists.

Why support a technological and research project like the Ictineu 3? There is no doubt in Forés’s mind – “The people who support us say that it is the most exciting project being carried out in Spain currently. We press emotional buttons, we offer an adventure”. The Ictineu 3 submerges thanks to the community. “We have a commitment to the people who have believed in us, and who have made an effort to collaborate”, asserts Parareda emphatically.

### **A new opportunity in the shape of a global trend**

Over the past few years there has been a proliferation of the number of platforms all over the world, as well as the kind of projects promoted – cultural, entrepreneurial, scientific, technological...– there are even specialised platforms. The Mexican platform Bandtastic, founded in February 2012, is a good example of this trend. Its director general Luis López defines it as “a *Kickstarter* to attract artists to your city”, the first platform to come up with the idea that a music group’s fans should get together to bring it to where they live. A model that has already been repeated in other countries.

## **CROWDFUNDING WILL RAISE 50 MILLION EUROS IN SPAIN IN 2014**

Crowdfunding empowers people to decide about what should and should not exist or happen. Groups of people, followers or persons interested can now help creators and organizations to make things happen”, affirms López. He adds – “It is a democratic tool in everyone’s hands”. Forés agrees with him, asserting that crowdfunding diversifies help. “It is democratisation – society as a whole decides what projects go ahead”.

Crowdfunding depends on the confidence of creators and entrepreneurs in the community, and encourages the active and collaborative involvement of people unknown to each other. It is the victory of the community and sustainability, now more than ever offering a basis for growth and development. And even more so should Friedrich’s prophecy come true – “Crowdfunding will be present in all spheres of our lives, since any project has potential to be funded by the crowd if people feel that its reason for existence is worthwhile”.





# 03

## MANAGEMENT REPORT

Industrial Activity  
**78**

Commercial Activity  
**92**

Brand and Product  
**102**

Research and Development  
**112**

Human Resources  
**118**

Corporate Social Responsibility  
**124**

Governmental and Institutional Relations  
**138**

Financial Activity  
**144**





# **BACK FOR YOU**

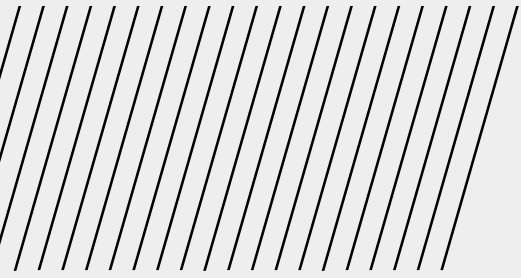
Design with class and excellent technology. One look at a nearby, elegant and large car which seduces the most traditional eyes.

We call it:  
**SEAT DNA**





SEAT Toledo



**3.1**  
**INDUSTRIAL  
ACTIVITY**

**WE ARE**  
***PERFECTIONISTS***





## PRODUCTION

In 2013 the Martorell production plant manufactured 390,048 vehicles. The good reception given the new Leon enabled a volume increase of 3.4% over the previous year, the highest figure for the past five years. Start of production of the 5-door model at the end of 2012 was followed by the SC in March 2013 and the ST in September, replacing the Exeo. The new Leon family (5-door, 3-door and estate) involving implementation of production based on the modular transversal platform (MQB) of the Volkswagen Group. The magnificent quality levels of the Leon family achieved led to multiple accolades on the excellent launch of the model based on the new platform, such as recognition as best MQB launch. Another achievement of the Martorell plant was the 'Automotive Lean

Production' award, in recognition of its quality and efficiency.

Also noteworthy was the production of 67,250 vehicles of the brand at other Group plants: the fourth generation of the Toledo at Mladá Boleslav (Czech Republic), the Alhambra at Palmela (Portugal) and the Mii at Bratislava (Slovakia) contributing significantly to the SEAT brand growth in 2013.

SEAT continued to develop the PQT (Productivity, Quality and Teamwork) strategy with a view to improving production processes, maximizing product quality, increasing productivity and strengthening teamwork amongst its employees. An analysis phase was initiated of indirect processes at the plant to identify potential improvements helping to increase efficiency and optimise resource allocation between the different projects.

Within the PQT strategy framework training workshops, entitled 'Productivity, Quality and Teamwork. Passion for Detail' were completed. Throughout 2012 and 2013, a total number of 10,339 SEAT and supplier workers participated in these training workshops, learning how perfection for the smallest detail in day-to-day work leads to success. Implementation of the second phase of these meetings 'PQT II. The road to perfection' enabled production-line operators, supervisors and spokespersons to apply the routines and mechanisms learned at the Training Centre to their own workplaces.

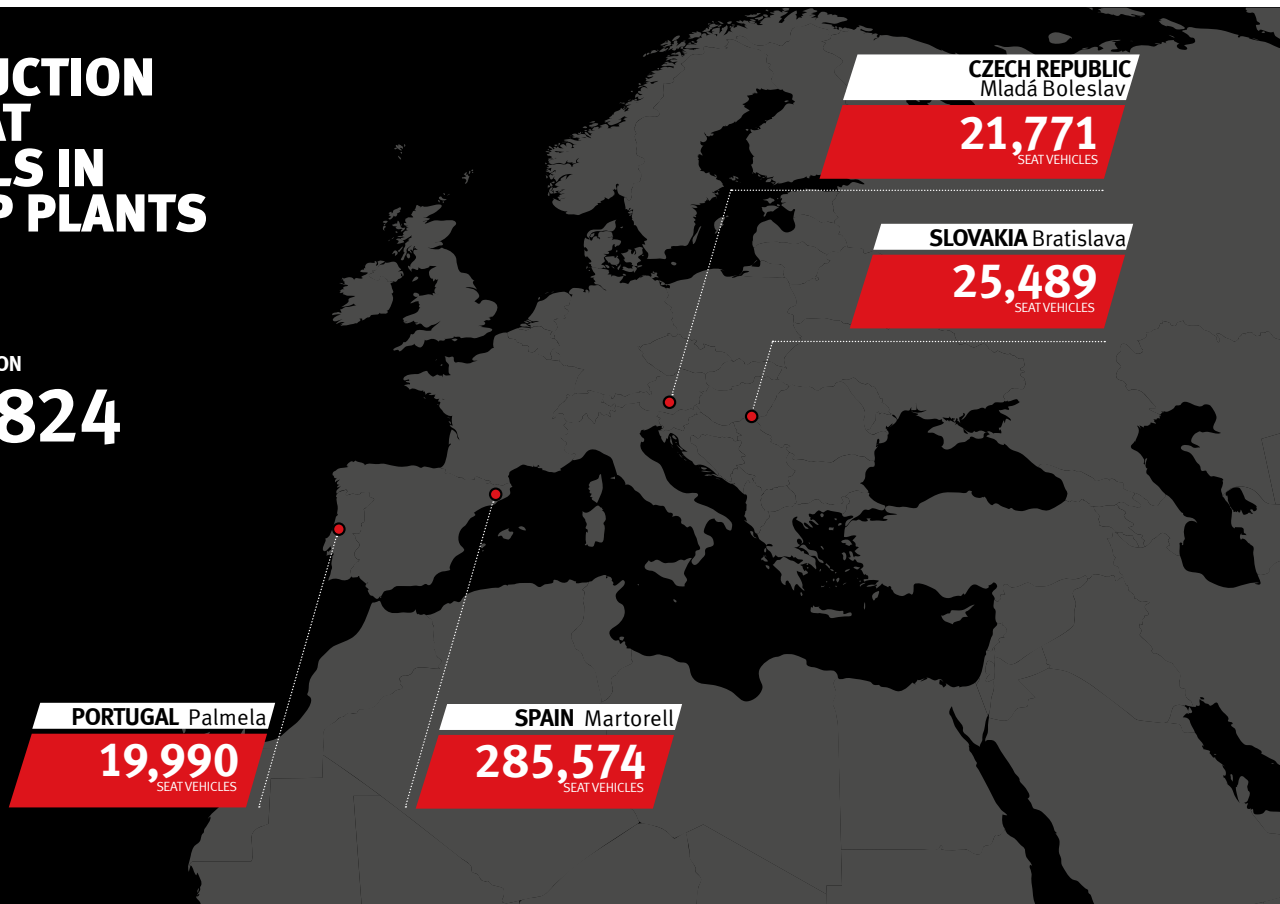
With the aim of improving efficiency, the Production area introduced a new organisational structure. The re-definition and delimitation of responsibilities led to better use of synergies and more transparency in production processes. Experience and

## PRODUCTION OF SEAT MODELS IN GROUP PLANTS

TOTAL PRODUCTION

# 352,824

SEAT vehicles



## PRODUCTION AT THE MARTORELL FACTORY (UNITS)

	VARIATION			
	2013	2012	ABSOLUTE	%
<b>SEAT models</b>	<b>285,574</b>	<b>270,514</b>	<b>15,060</b>	<b>5.6</b>
Ibiza	96,688	100,405	(3,717)	(3.7)
Ibiza SC	31,470	38,709	(7,239)	(18.7)
Ibiza ST	16,883	21,773	(4,890)	(22.5)
Altea	6,569	7,663	(1,094)	(14.3)
Altea XL	13,905	17,639	(3,734)	(21.2)
Altea Freerack	810	2,176	(1,366)	(62.8)
Leon	96,464	71,295	25,169	35.3
Leon SC	12,277	0	12,277	---
Leon ST	5,827	0	5,827	---
Exeo	871	3,289	(2,418)	(73.5)
Exeo ST	3,810	7,565	(3,755)	(49.6)
<b>Audi models</b>	<b>104,474</b>	<b>106,829</b>	<b>(2,355)</b>	<b>(2.2)</b>
Q3	104,474	106,829	(2,355)	(2.2)
<b>Total production (*)</b>	<b>390,048</b>	<b>377,343</b>	<b>12,705</b>	<b>3.4</b>



Detail of turbocharger.

## THE MARTORELL PLANT RECEIVED THE 'AUTOMOTIVE LEAN PRODUCTION' AWARD, IN RECOGNITION OF ITS QUALITY AND EFFICIENCY

\* Figures for 2013 and 2012 do not include 67,250 and 50,802 SEAT vehicles produced at other Volkswagen Group plants, respectively.



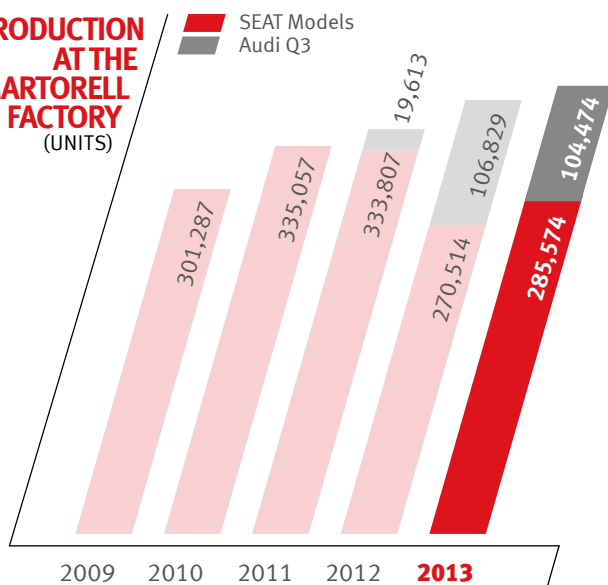
Celebration of launch of MQB platform at Martorell production facility.





Production line at Martorell facility.

**PRODUCTION AT THE MARTORELL FACTORY**  
(UNITS)



expertise gained over previous years enables the creation of a new work team entitled *Baureihemanagement*. Its mission was to coordinate its activities closely with the different areas of the company, and the launches of future models already at a very early stage.

All the above mentioned achievements would not have been possible without the contribution and involvement of the best SEAT team, whose ideas for improvement doubled the initial targets for 2013. The year closed with productivity enhancements between 5 and 10%, as well as a reduction in production costs.

Along similar lines, SEAT also made effective headway in the development of the Digital Factory, together with the Volkswagen Group. This new technology enables the virtual reproduction of all logistic and production processes, so as to test their effectiveness before implementing them in the real world. The work done to date has achieved greater efficiency in the implementation of new projects, with the





latter being better integrated into the planning processes. Thus, the use of new standards and virtual tools in the Consortium, based on the Digital Factory, enabled optimisation of costs and time, with improvements being visualised virtually before introduction in the production plant's different workshops.

Also noteworthy in the logistics sphere was the start-up of the MKD India building at the beginning of the year, from where bodies of the Audi Q3 were sent to Aurangabad (India) for final assembly, as well as the transfer of the Logistics Training Centre to an independent building in November.

The Zona Franca factory produced a total of 49.5 million parts and units destined for the Martorell production plant

and other Volkswagen Group centres. Improvements introduced in the press feeding systems, the start-up of new bodywork facilities and better use of steel plate during the stamping process led to increased productivity.

After three years of optimizations the Gearbox factory has achieved one of its major milestones by implementing a new lay-out shortening the length of production flow by 67%. Gearbox has restructured its entire production plant while maintaining the highest levels of production and quality. This new distribution system for its production lines meant not only increased productivity, but also the release of 15,000 m<sup>2</sup> of workshop floorspace, which will be used for new projects. Improvements in quality took Gearbox to first place on the list of Volkswagen

Group component factories several times throughout 2013.



Vehicle holding area at Martorell plant.



Quality forms part of all spheres and processes in company.

## QUALITY

SEAT continues its march towards perfection in the quality of its processes and products. The implementation of new procedures such as the Problem-solving Process (FAP), which expedites analysis and solution of incidents, guarantees excellence in vehicles and increases quality as perceived by the customer. Work carried out in the technical field was confirmed by the achievement of optimum results in re-certification of processes in accordance with ISO 9001 and VDA 6.1 standards, audits required for the sales and marketing of vehicles as part of the Volkswagen Group.

The Quality area played a major role in the launch of the new Leon by means of the supervision of the different driving tests. The more than 3.5 million kilometres driven – the equivalent of 11 trips to the moon – guaranteed vehicle reliability in even the most extreme

conditions. Likewise, the technical support and validation of suppliers' processes of parts production, the carrying out of intermediate quality audits at the different stages of manufacture, and the 40-kilometre tests all vehicles were subjected to once built, contributed to the outstanding launch of the vehicle.

Activities were not limited exclusively to procedures and product, but also extended to training. After providing instruction to SEAT employees, the Quality area broadened the PQT training ('Productivity, Quality and Teamwork. Passion for Detail') to its suppliers. For the first time ever, SEAT organised a course in which more than 200 workers from suppliers participated.

Another of the programmes rolled out was the 'Live SEAT Quality with us' meeting, in which managers of the company's 40 main suppliers were invited to get close-up and personal with the product, the processes of state-

of-the-art technology and the company's acute awareness of quality – summed up in the motto 'Precision, Perfection and Zero defects'. The close relationship with suppliers was completed with a special work programme. The definition of joint goals and monitoring by SEAT quality experts led to a significant improvement in the results of the audit of finished vehicles, together with a reduction in issues raised by end customers.

SEAT's efforts in promoting and disseminating quality were rewarded by the 'Honorary Company of the Committee of the Spanish Association for Quality', at the 18th Congress of Quality in the Automotive Sector held in Valladolid (Spain).





Integration of processes and purchase systems with the Volkswagen Group is a key programme.



## PURCHASES

In 2013 the company managed a volume in excess of 5,159 million euros for the purchase of goods and services. With the goal of optimising these resources, the Purchases area centred its activities on cost reduction and the more efficient use of raw materials. To this end, throughout the year different events and specific meetings were organised with the suppliers, at which they were given the opportunity to present their latest innovations to SEAT, as well as exchange ideas. A common commitment to quality, innovation, efficiency and stable supply was thus supported.

The Material Cost Forum (*Forum Materialkosten*) once more lived up to expectations by introducing more than 212 ideas for improvement. The very active workload, centred exclusively

in optimising production costs, work carried out within the sphere of the new Leon family being particularly worthy of mention.

In October the Service Costs Forum (*Forum Servicekosten*) was initiated. This new programme aims to review service agreements between the brand with its suppliers, optimising both costs and content of the same. This is an ambitious project on which all company areas will work so as to achieve concrete results over the next few years.

A substantial boost was also given to the integration of processes and purchase systems with the Volkswagen Group. During the year three major projects were initiated, related to the tooling inventories in the hands of suppliers, to the orders placed by the brand for all companies with the SEAT Group, and to the sale of waste on

which a value can be placed. Thus, the high degree of standardisation achieved in the company's processes and systems enables headway to be made towards the harnessing of greater synergies with the Group.









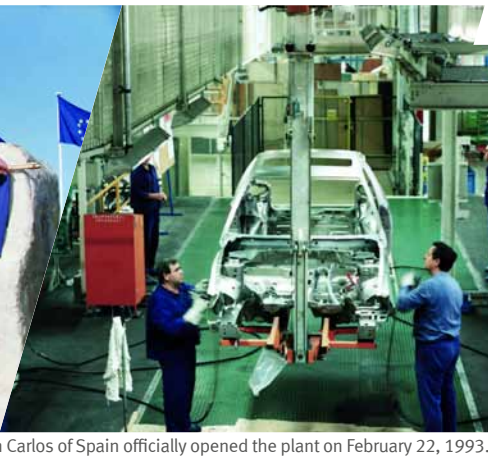
YEARS IN  
**MARTORELL**



 Martorell production



HRH King Juan Carlos of Spain officially opened the plant on February 22, 1993.



1993



Implementation of the MQB platform has been a technological milestone.

# MARTORELL PRODUCTION FACILITY IN FIGURES

**22/02/1993**

OFFICIAL OPENING

**34 months**

TIME TAKEN TO BUILD NEW FACILITY

**2,800,000 m<sup>2</sup>**

SURFACE AREA COVERED TODAY

**400**

FOOTBALL FIELDS, EQUIVALENT OF TODAY'S SURFACE AREA

**1,500**

MILLION EUROS, INITIAL INVESTMENT

**1<sup>st</sup>**

PRODUCTION FACILITY IN SPAIN TO INTRODUCE 'JUST IN TIME' SUPPLY

**2.5 km**

DISTANCE TO SUPPLIERS' PARK

**2,300**

UNITS, DAILY PRODUCTION CAPACITY

**10,233**

PERSONS WORK IN COMPLEX

**12 km**

DISTANCE TRAVELLED BY EACH CAR FROM PRESSES TO END OF ASSEMBLY LINE

## TOMORROW'S PRODUCTION FACILITY

20 years of innovation, teamwork and historic models. In 2013 the Martorell production facility celebrated its 20<sup>th</sup> anniversary. On February 22 1993 His Majesty King Juan Carlos unveiled the commemorative plaque marking the official opening in the presence of Dr. Ferdinand Piëch, then President of the Volkswagen Group and today Chairman of the Supervisory Board, and Juan Antonio Díaz Álvarez, President of SEAT between 1983 and 1993. SEAT's main production centre established a milestone in Spanish industry at the beginning of the 90s thanks to its ground-breaking technology and its innovative working systems.

Over the past two decades, more than 8 million vehicles covering a range of 32 models have been produced there. The second generation of the Ibiza and the Cordoba were the first models to roll off the assembly lines at a rate of 1,500 vehicles per day in December 1993, a year that ended with production figures of 140,275 vehicles. Prior to reaching these historic figures for the company, in

February 1990 the foundation stone had been laid. Improvement in exports and domestic demand made it necessary to increase production capacity which to date had been carried out at the SEAT facilities in Barcelona's Zona Franca, where the company was born in 1950 and produced the first vehicle in 1953 – the SEAT 1400, the 60<sup>th</sup> anniversary of which was celebrated in 2013.

Just 34 months were needed to build the Martorell production plant, a competitive and flexible industrial complex covering 2.8 million square metres (the equivalent of 400 football fields) which even today is regarded as being one of the most advanced of its kind in Europe. The 244,500 million pesetas needed for initial investment would be the equivalent of 1,500 million euros today. From February 1993 to start-up of production of the third generation of the Leon in the autumn of 2012, vehicles such as the Ibiza, Toledo, Cordoba and the Leon itself have converted Martorell into a production centre of motoring icons.

**1990**  
FEBRUARY

Beginning of construction work on Martorell production facility.

**1993**  
FEBRUARY

HRH King Juan Carlos officially opens new facility with Dr. Ferdinand Piëch, Chairman of Volkswagen Group.

**1995**  
MAY

Vehicle 500,000 rolls off Martorell assembly line.

**1995**  
SEPTEMBER

Prince of Asturias drives car 10 million built by SEAT since creation.





**2013**



**1996**  
NOVEMBER

Vehicle 1 million built at Martorell.

**1997**  
DECEMBER

Ibiza 2 million rolls off SEAT assembly line.

**2001**  
JUNE

First unit of SEAT Toledo rolls off Martorell assembly line, after transfer of model production from Brussels.

**2004**  
MARCH

Company celebrates first-ever Open Day at Martorell facility, welcoming 41,000 persons.







# 20 YEARS IN MARTORELL

IN 2013, THE MARTORELL PRODUCTION FACILITY CELEBRATED ITS 20<sup>TH</sup> YEAR OF EXISTENCE. CREATED BY THE COMPANY'S NEED TO INCREASE PRODUCTION CAPACITY, IT IS A SYMBOL OF THE AUTOMOTIVE INDUSTRY. HERE BEATS THE HEART OF SEAT.

**2006**  
JUNE

Official opening of new Corporate Building in Martorell in event presided over by then President of Catalan government (Generalitat), Pasqual Maragall.

**2008**  
JANUARY

Official opening of new rail link, transporting some 80,000 vehicles per year from Martorell to port of Barcelona.

**2009**  
JUNE

Placing of foundation stone of Bodywork Workshop 6, future production site of Audi Q3.

**2010**  
DECEMBER

Implementation of first phase of SEAT al Sol project at Martorell facilities.



# 8,000,000

## VEHICLES IN MARTORELL

2013 saw another major celebration in the Martorell factory: production of vehicle number 8,000,000. Reaching this figure means growth for the company, which has ended the year with a total accumulated production of 17,650,741 vehicles since its creation in 1953.

This growth is not only reflected in figures, but also in the renovation of processes: the new Leon is built with the most innovative technology available, including the transversal modular platform (MQB).

### MORE MODELS BUILT IN MARTORELL



## 3,680,914

UNITS OF SEAT IBIZA BUILT



## 1,313,058

UNITS OF SEAT LEON BUILT



## 1,027,809

UNITS OF SEAT CORDOBA BUILT

### 2011 JUNE

Start-up of production of Audi Q3, with creation of 700 jobs.

### 2012 OCTOBER


Start of volume production of third-generation SEAT Leon.

### 2013 FEBRUARY

20<sup>th</sup> anniversary of creation of Martorell production facility.



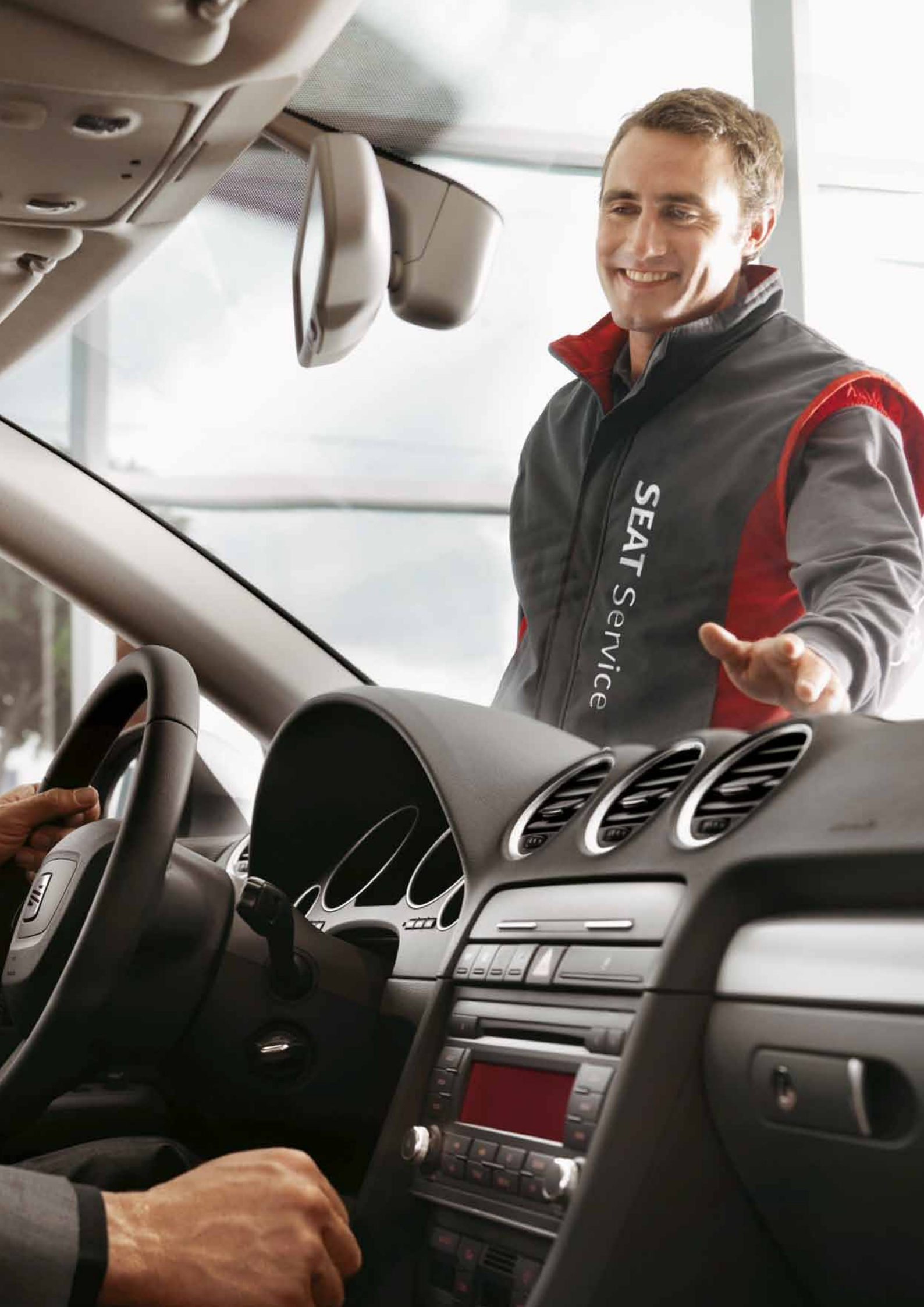




**3.2**

**COMMERCIAL  
ACTIVITY**

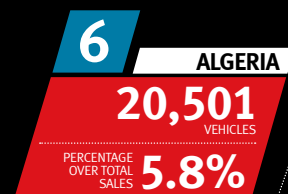
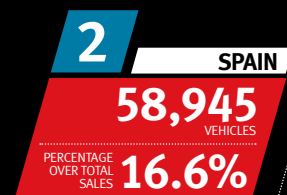
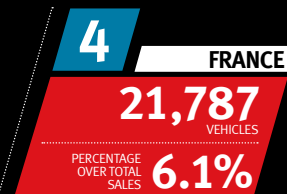
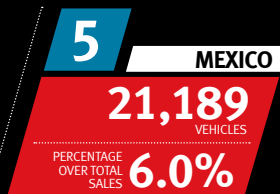
**WE ARE  
DEMANDING**



SEAT Service

# MAIN MARKETS OF SALES DISTRIBUTION 2013

- TOP TEN OF SALES
- SEAT'S WORLDWIDE PRESENCE



● French Polynesia

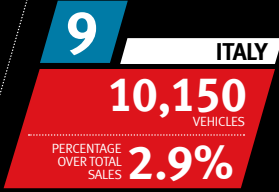
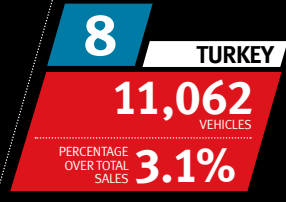
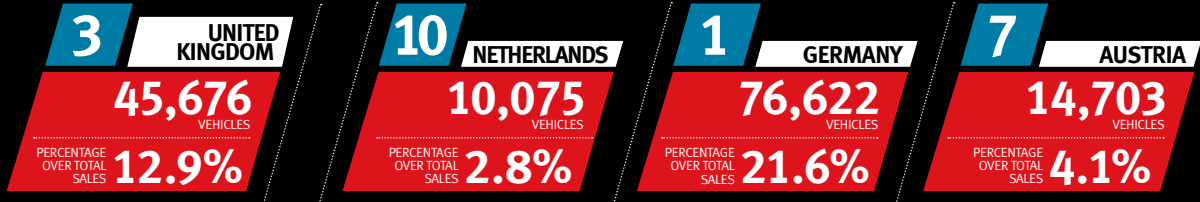


## TOP TEN OF GROWTH

Increase in units over 2012

1	Germany	12,905
2	United Kingdom	6,642
3	Turkey	5,251
4	Algeria	4,352
5	Spain	3,325
6	Denmark	1,727
7	Portugal	1,254
8	Czech Republic	1,017
9	Russia	875
10	Belgium	810





## SALES

Once again, in 2013 Europe experienced an adverse economic situation. Within this general context, the automotive industry of the European Union underwent a 1.7% contraction in comparison with the previous year, as a result of the downturn in registrations in some of its most important markets –Germany (–4.2%), France (–5.7%), and Italy (–7.1%). Nonetheless, within this difficult context, SEAT improved its sales by a significant amount. According to the ranking established by the ACEA (European Automobile Manufacturers' Association), SEAT was one of the brands that most increased its registrations throughout the European Union, both in absolute (28,396 units) and percentage value (11.3%) terms.

In 2013, SEAT delivered a total number of 355,004 units to end customers, a 10.6% improvement on 2012. Brand sales increased substantially in several European markets: 54.6% in Ireland, 48.6% in Portugal, 37.7% in Denmark, 20.3% in Germany, 17% in the UK and

6% in Spain. The brand also enlarged its sales and marketing footprint in emerging economies, achieving substantial growth in Turkey (90.4%), Russia (35%) and Algeria (26.7%).

SEAT maintained its intense product offensive by means of the launch of the new Ibiza Cupra, and, for the first time in its history, a 3-door Leon plus an estate version. Thus, in less than one year the brand both extended and totally renovated its Leon family. Other initiatives that contributed to improvement in commercial results were the addition of special versions of some models (4KIDS or I-TECH) as well as the launch of new low-CO<sub>2</sub>-emission engines (1.4 TSI ACT 140 hp Start/Stop on the Ibiza, or the 1.6 TDI CR 110 hp Start/Stop Ecomotive on the Leon, with emission levels of 109 and 85 gm/km respectively).

## COMMERCIAL NETWORK

The distribution networks also felt the effects of the economic crisis. Those sector brands that marketed their vehicles in southern Europe

**SEAT WAS ONE OF THE BRANDS THAT MOST INCREASED ITS REGISTRATIONS THROUGHOUT THE EUROPEAN UNION, BOTH IN ABSOLUTE (28,396 UNITS) AND PERCENTAGE VALUE (11.3%) TERMS**

(hardest hit by the crisis) continued to apply diverse measures aimed at streamlining and optimizing their organisations.

The brand's commercial network also continued to adapt to the difficult situation in its markets, experiencing a slight shrinkage in size, and ending the financial year with a total number of 1,769 points of sale.

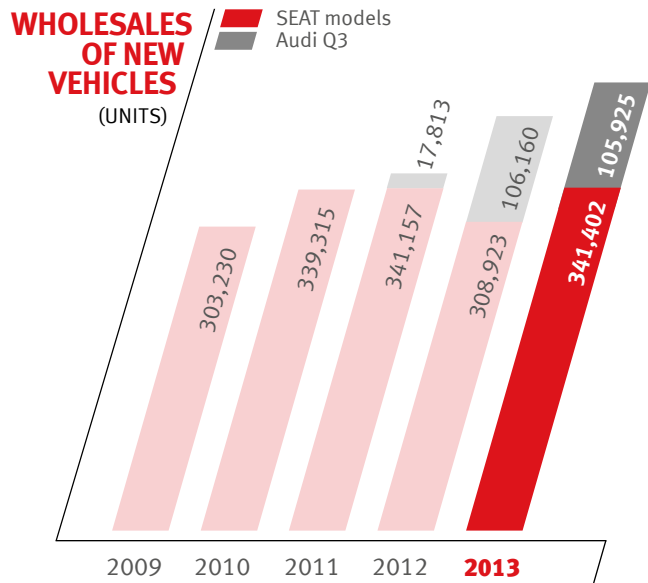


Customer satisfaction is a priority.

SEAT's worldwide presence dropped from 77 to 76 countries, after cancellation of the distribution contract with the importer for Sudan. North Africa, where the brand has grown very significantly over the past few years, has now become a priority strategic area for the company. For this reason, and to strengthen its position in this region and to stimulate the brand's progress even further, the importer for Egypt was replaced.

The continuous improvement and optimization of the sales and marketing network continues to be a priority for the brand. Throughout 2013 diverse programmes aimed at increasing profitability, customer satisfaction and coverage in metropolitan areas were successfully launched. On this point it is worth mentioning the substantial growth SEAT experienced in cities like Berlin, London, Moscow, Paris and Rome.

The development of a new corporate identity has also brought an updating of the brand image as well as boosting the communication of its new values. It is foreseen that this development, which is still being introduced in some countries, will be phased out over the next three years.



The Ibiza ST, the Altea range and the Alhambra have 4KIDS versions.

## WHOLESALES OF NEW VEHICLES (UNITS)

	VARIATION			
	2013	2012	ABSOLUTE	%
<b>SEAT models</b>	<b>341,402</b>	<b>308,923</b>	<b>32,479</b>	<b>10.5</b>
Mii	25,315	25,604	(289)	(1.1)
Ibiza	93,053	95,166	(2,113)	(2.2)
Ibiza SC	31,676	38,644	(6,968)	(18.0)
Ibiza ST	16,831	21,227	(4,396)	(20.7)
Altea	6,155	7,412	(1,257)	(17.0)
Altea XL	13,635	16,218	(2,583)	(15.9)
Altea Freetrack	773	2,096	(1,323)	(63.1)
Leon	92,183	69,755	22,428	32.2
Leon SC	11,330	0	11,330	-
Leon ST	5,082	0	5,082	-
Toledo	20,974	3,550	17,424	-
Exeo	937	3,022	(2,085)	(69.0)
Exeo ST	3,617	7,218	(3,601)	(49.9)
Alhambra	19,841	19,011	830	4.4
<b>Audi models</b>	<b>105,925</b>	<b>106,160</b>	<b>(235)</b>	<b>(0.2)</b>
Q3	105,925	106,160	(235)	(0.2)
<b>Total wholesales (*)</b>	<b>447,327</b>	<b>415,083</b>	<b>32,244</b>	<b>7.8</b>

\* Figures for 2013 and 2012 do not include 12,677 and 10,633 used vehicles, respectively.



SEAT listens to customer suggestions to improve every day.





SEAT SERVICE takes care of all the details.

## AFTER-SALES

After-sales activities continue to be a main pillar to achieve customer satisfaction. For this reason, the launch of the new Leon was accompanied by the introduction of new work tools. Diagnostic tools, equipped with the new ODIS software, guarantee that each vehicle receives the best attention. Likewise, the adaptation of the new technologies and after-sales activity enabled the development of new support systems, which increased the quality of action taken at the official service points (15% of reduction in diagnosis time and a quality rate

improvement of 2.4%). Software such as My Service Quality Portal and ELSA facilitate the availability of all the technical documentation of the vehicles before launch, together with its permanent updating.

One requisite to guarantee quality service to customers is permanent training of personnel in centres that use the latest techniques and equipment, such as SEAT's new training facilities in Madrid. It is also crucial to follow-up real customer satisfaction. The brand has optimized the international on-line platform of Customer Satisfaction Survey (CSS), providing real-time information

concerning satisfaction results allowing for management focused on satisfying customer demands. In 2013 the CSS rate increased from 8.06 in 2012 to 8.30 and the IACS rate (*International After Sales Customer Satisfaction*) from 8.47 to 8.51. Particularly noteworthy are the agreements reached with the Skoda brand for the distribution of spare parts and accessories to importers in northern and eastern Europe, with a 3-day reduction in delivery times of volume orders.



## PRESENTATIONS AND MOTOR SHOWS

The highlights of 2013 were the two new versions of the Leon (3-door sport coupé SC, and ST estate version). The motor shows at Geneva and Frankfurt provided the platform for the international presentations of both models, which together complete the family line-up of the Spanish compact car for the first time ever. The Leon SC could also be seen in China at the Shanghai Motor Show, and at the Barcelona Motor Show.

For the first time, SEAT presented two models powered by engines running on natural gas – in Geneva the Mii Ecofuel, and the Leon TGI in Frankfurt. SEAT's commitment to sustainable motoring was reinforced with the première of the Ecomotive version of the Leon in Frankfurt.

Throughout the year journalists from hundreds of diverse media forms and dozens of countries attended the dynamic presentations held in Barcelona. In January they got to know and drive the new Ibiza Cupra; in April it was the turn of

the new Leon SC; and in November came the year's latest model, the Leon ST.

SEAT also participated in the EVS27 (Electric Vehicle Symposium), the world's most important congress on electromobility, with two prototypes – the eMii and Leon VERDE.



James Muir presents the Leon SC at the Geneva Motor Show.



SEAT Chairman Jürgen Stackmann presents the Leon ST at the Frankfurt Motor Show.



SEAT stand at the Barcelona Motor Show.





SEAT official sponsor of the Copa del Rey (football King's Cup) 2013.



SEAT played a leading role in two of the most important vintage car meetings: the *Espíritu de Montjuïc* (Barcelona) and the *Techno Classica* (Essen).







20 Goodwood Festival of Speed (United Kingdom).



SEAT made the Rock am Ring festival shiver and shake (Germany).

## SPONSORSHIPS AND OTHER EVENTS

Enthusiasm for football and sports drove the company's core sponsorship activities in Spain and Germany.

Football, as a universal game, provides a unique opportunity to disseminate the values defining SEAT. The brand made a strong appearance at the final of the Copa del Rey (King's Cup) and the Supercopa de España (Spanish Supercup), two unmissable items on the footballing calendar. Additionally, collaboration agreements with different Spanish football league clubs – such as Athletic Club de Bilbao, Valencia Club de Fútbol, Sevilla Fútbol Club and Real Betis Balompié – were renewed. In Germany, SEAT became sponsor of TSV Eintracht Braunschweig, which returned to the Bundesliga for the 2013-2014 season.

The brand also extended similar agreements to other sports and countries. In Ireland, for example, it sponsors the Shamrock Rovers, the football club holding a record number of titles.

Passion for our cars and love of music is the second pillar of the company's sponsorship strategy. SEAT took an active part in the major meetings of world motoring. The company premiered the new Leon Cup Racer at the traditional GTI Wörthersee (Austria) and also put it on display at other races such as the Goodwood Festival of Speed (United Kingdom). Additionally, SEAT participated in the RallyRACC Catalunya-Costa Daurada as an official race vehicle, the Leon acting as car 0. The brand put on show different models from its historic collection at meets such as the Espíritu de Montjuïc-Catalunya Classic Revival (held at the Barcelona-

Catalunya circuit) and the Jarama Vintage Festival in Madrid. It also took part in the Rally de España Histórico, the Rally Villa de Pravia Histórico, the Rally Costa Brava, the Techno Classica at Essen, the Auto Retro at Barcelona, the Rally Bodensee-Klassik, the Creme21 Youngtimer Rally, and, for the first time, at the Schloss Bensberg Classics.

SEAT's music sponsorship also rang out loud and clear for yet another year at Germany's main music festival the Rock am Ring, held at the country's Nürburgring circuit.



SEAT sponsor of the TSV Eintracht Braunschweig.





# 3.3 BRAND AND PRODUCT





**WE ARE**  
***DYNAMIC***





# SEAT RANGE



## SEAT Mii

My town, my Mii:  
always connected with  
the new SEAT Portable  
System Live.



## SEAT IBIZA

We all search for  
perfection: the ACT  
engines provide more  
performance with less  
consumption through  
their active cylinder  
management.







## SEAT IBIZA SC

Urban dynamics: petrol performance with diesel consumption.



## SEAT IBIZA ST

For young-spirited families: always connected with the new SEAT Portable System Live.







## SEAT ALTEA

Because life is all but predictable: the Altea I-TECH is an unparalleled offer.



## SEAT ALTEA XL

Think big, drive big: the Altea XL 4KIDS is attractive for the whole family.





## SEAT ALTEA FREETRACK

Epic and practical, ready for your next adventure.



## SEAT LEON

The perfect balance: dynamism, quality, design and technology.







**SEAT  
LEON SC**

Dynamic driving for a  
dynamic family.



**SEAT  
LEON ST**

More space,  
more life.





## SEAT TOLEDO

Infinite space: the Toledo Ecomotive offers the best consumption of its class.



## SEAT ALHAMBRA

Versatile, made for real life: the wide range of technologies is adding SEAT CALL assistance.



## AWARDS

The new Leon is living proof of SEAT's competence in and capacity for the design, development and production of cars. The accolades received, as well as the excellent reception by the public and the media, speak for themselves. Additionally, other distinctions received throughout the year demonstrate the enormous transformation the company is undertaking through a range of modern, attractive and competitive products. The awards received in Spain, the United Kingdom, Germany, Russia and the United States deserve special mention.



SEAT Leon, the range's most award-winning model.

### RUSSIA

- / Bronze in the Social Advertising category at the Moscow International Advertising Festival. Awarded by the 'Make it visible' campaign, aiming to raise awareness among drivers and cyclists of the risks involved when travelling through poorly-lit areas.



### UNITED STATES

- / 'Silver and bronze Smarties' in the categories of Mobile Website and Product/services Launch, respectively. Both awards, given as the Smarties Awards 2013 event, which brings together professionals from mobile marketing, are in recognition of the mobile website designed for the launch campaign of the new Leon.



### UNITED KINGDOM

- / 'Car of the Year 2013' and 'Best Family Compact Car' for the Leon. Awarded by the British magazine *Auto Express*, for its style, quality, equipment and low maintenance costs.



- / 'Best MPV 2013' for the Alhambra. Awarded by the British magazine *Auto Express* for the third consecutive year.
- / 'MPV of the Year 2013' for the Alhambra. Awarded by the British magazine *What Car?* for third consecutive year.

## SPAIN

/ 'Illustrious Personage of the Spanish Automotive Sector'. Awarded by the Spanish Association of Automotive Professionals (AEPV); 'Leader of the Year 2013' for Dr. Francisco Javier García Sanz, Chairman of the SEAT Board of Directors. Awarded by *AutoRevista* trade magazine.



/ 'Best Car 2013' for the Leon. Awarded by motoring specialists from the Unidad Editorial communications group, during the T de Telva Motor 2013 gala, for its attractive design, value for money and excellent dynamic qualities.

/ 'Family Car 2014' for the Leon ST. Awarded by readers of *Car and Driver* and *Crece Feliz* (both Hearst Magazines Group publications) for its technology, roominess and boot capacity.

/ 'ABC Best Car of the Year Award 2014' for the Leon, awarded by a jury comprising 34 specialized automotive journalists, judging it on its design, efficiency, technology and optimum value for money.

/ 'Flechazo (Love at First Sight) Award' for the SEAT Leon SC. Awarded by the readers of *Mujer Hoy* women's magazine, belonging to the Vocento group, for its attractive design and ground-breaking technology.

/ 'Best Design in Category' for the Leon SC. Awarded at the 9<sup>th</sup> Barcelona Motor Show's prize-giving event by a general-public jury made up of internet users voting via Facebook.

/ 'Honorary Enterprise of the Automotive Committee of the Spanish Quality Association (AEC)'. Awarded to SEAT for the promotion, support and dissemination of quality in the automotive sector.

/ 'Bronze Laus 2013 in Company category' for SEAT's new corporate identity. Awarded by the FAD Association of Graphic Designers and Art Directors. The jury singled out the design orientation of the new image, perceived both in the new logo and the elements that shape the brand's different channels of communication.

/ 'Best Automotive Website 2013' for SEAT website. Awarded by popular vote of Internet users following the initiative of the market research agency through MetrixLab.

## GERMANY

/ 'Automotive Lean Production' award for the Martorell production facility. Awarded by the magazine *Automobil Produktion*. First-time award of this prestigious European distinction for the implementation of the Lean Manufacturing philosophy to a Spanish production plant for the quality and efficiency of its production processes.



/ 'Auto Trophy' for the new Leon and Ibiza, chosen in respective categories as best imported models in Germany. Awarded by readers of *Auto Zeitung* magazine.

/ 'Best MPV 2013' for the Alhambra. Voted by readers of the specialised German motoring magazine *Auto Motor und Sport* for third consecutive year within the framework of the Best Cars awards.

/ 'Euro NCAP Advanced Awards' for the Leon ST, for two ground-breaking innovations in the field of safety – the multi-collision brake and lane assist. The two awards for new technologies were given by the European New Car Assessment Programme (Euro NCAP) in the framework of the Frankfurt Motor Show.





# 3.4

## RESEARCH AND DEVELOPMENT



# WE ARE *INNOVATORS*





## INNOVATION

Since 1975 the SEAT Technical Centre (CTS) is the only R&D+i facility in Spain with the capacity and expertise in the full-range development of cars. It covers a total surface area of 199,000 m<sup>2</sup> (42,000 m<sup>2</sup> covered area) and a workforce of more than 900 highly-qualified employees.

In 2013 the CTS developed 360 projects; invested 1,800,000 hours of engineering; carried out more than 55,000 simulations with diverse safety systems and state-of-the-art technology (including fluid dynamics, pedestrian protection, reparability and crash tests); 62 prototypes; drove 1,000,000 kilometres in long-distance tests in different countries; and made 105 registration applications covering design models, utility models and patents. Also noteworthy is the

presentation to the media of the Ibiza Cupra, as well as the launch of the Leon SC and Leon ST, models developed at the CTS. Both of them carry the DNA of the 5-door Leon, which garnered so much praise from both customers and the trade press.

Competence and cost-efficiency make the CTS an attractive centre for the development of projects within the Volkswagen Group. Since 2002, projects have been carried out in its facilities for other brands such as VW (new Scirocco) or Audi (Q5, A3 Sportback and new TT), with the centre heading multiple development fields such as bodywork, finishes, passive safety, simulation, lighting, on-board networks, infotainment, cockpit, new generation Otto-engines, chassis and whole-vehicle experiments. In order to carry out successful coordination and implementation of these projects,

## **SINCE 1975 THE SEAT TECHNICAL CENTRE (CTS) IS THE ONLY R&D+i FACILITY IN SPAIN WITH THE CAPACITY AND EXPERTISE IN THE FULL-RANGE DEVELOPMENT OF CARS**

which accounts for around 25% of total annual revenues, the CTS has more than 40 resident engineers in different companies of the Volkswagen Group. The perceived vision of quality and efficiency of the engineers of the CTS enables work to be maintained, to take on new projects in the future.



Interior sketch of SEAT Leon Cup Racer.



Passion for design: sketches of the new Leon.

The excellent work carried out in the field of active and passive safety was duly recognised in the new Leon by being awarded five stars, the highest rating obtainable in the demanding Euro NCAP tests. Additionally, it became the first vehicle in the history of the Latin NCAP – the body that assesses car safety in Latin America – to achieve a five-star rating for adult protection, including driver and front-seat passenger. Likewise, with a 92% rating in Euro NCAP and four stars in the Latin NCAP, the Leon has become one of the safest cars for children, thanks to the ISOFIX anchor-points of the rear seats and the rigidity of the passenger compartment.

In the field of electromobility, SEAT hosted the official closing of the CENIT VERDE project. Over a period of four years of research, more than 800 professionals from 16 companies and

14 public bodies – headed by the CTS – joined forces to develop sustainable alternatives in the matters of electric vehicles, infrastructures and energy. The end-result of this work was the SEAT LEON VERDE. This hybrid plug-in prototype is equipped with the main innovations developed during the project – a 75 kW motor plus a 90 kW internal combustion engine, optimised automatic gear-change for hybrid use, with an electric-mode range of 50 km. CENIT VERDE has broadened the technical expertise and the competitiveness of the participating companies, as well as paving the way

for future agreements to continue doing research in inter-sector programmes with the aim of promoting the technologies necessary for general use of electromobility.

The CTS has one of the most technologically-advanced facilities in the automotive sector, using it to carry out R&D+i projects.



SEAT Technical Centre





Design of navigator screen.

Excellence in its activities is maintained thanks to an active policy of investment in new technologies, which adapt to and comply with the highest standards existing in matters of safety and the environment. In 2013 it acquired Front Assist testing equipment enabling the testing of braking manoeuvres at different speeds. It also invested in renewal of the already-existing infrastructures so as to bring them in line with new standards. Worthy of note in this field is the cooling and air-conditioning project for the engine rooms and climate chambers located in the propulsion area.

## TRAINING

The CTS combines research work with training, collaborating with different universities and business schools. For the fourth consecutive year, SEAT was the main sponsor of the Formula Student Spain, held every year at the Barcelona-Catalunya circuit. For the 2013 edition, 34 universities

from all over Europe took part, bringing together 900 students. This substantial affluence offers an excellent opportunity to attract specialised talent and offer both students and faculty first-hand knowledge of the company. Likewise, the CTS joined the pilot project of industrial PhD programmes promoted by the Catalan government (Generalitat), with five projects already functioning, as well as initiating two more co-financed PhD programmes with

the Polytechnic University of Catalonia (UPC).

The SEAT University Chair, having changed its name, organisation and content, opened up a new space for the development of activities at the Higher Technical School of Industrial Engineering in Barcelona (ETSEIB). The new 'Chair of Automotive Excellence in Innovation and Sustainable Mobility' promotes research linked to end-of-



Sketch of SEAT Leon SC.



Headlamp development for new Leon.

degree projects and PhD work. It also collaborates in other activities such as postgraduate qualifications in ELTICA (car electronics) and CARMAT (bodywork and materials), as well as the Master in Automotive Engineering (awarded by the UPC) and the SEAT Award for the best end-of-degree project in the automotive field. Additionally, it is a dynamic force in establishing contacts with foreign universities and technological centres within the framework of a planned strategy up until 2020.

## COMPETITION

SEAT Sport renewed its strong commitment to customers by means of the presentation, in May, of the new Leon Cup Racer at the GTI meet held at Wörthersee, Austria, one of the largest tuning and competition venues in Europe. The 330 hp Leon Cup Racer provides a foretaste of the brand's competition activity, and is equipped with state-of-the-art technology and design so as to comply with the technical rules of a wide range of different national and international championships.

In 2013 the client support policy translated into technical assistance for 6 privately-owned vehicles in the WTCC, and for the 120 vehicles participating in different competitions including the World Touring Car Championship, the Supercopa SEAT Leon Mexico, the ETCC, the Spanish Endurance Cup, the Ibiza Cupra Cup, the Italian Touring Car Endurance Championship, the Belgian Racing Car Championship, the Supercar Challenge and endurance races such as the Barcelona and Dubai 24 hours.



SEAT Leon Cup Racer.





# 3.5 HUMAN RESOURCES







**WE ARE**  
***ACCESSIBLE***



In the midst of a turbulent economic environment, the strategy undertaken by Human Resources focused on the training of apprentices as one of the company's commitments to the future; within this context, the dual training system gradually moved towards consolidation. Negotiations between SEAT and the majority-member trade unions – aimed at minimising the impact of personnel-cost reduction measures – also played a major role.

Likewise, the company continued to persevere in its work looking after the health and motivation of its employees. SEAT had no hesitation in investing in prevention measures as well as health promotion campaigns, together with the now-traditional event of its tribute to seniority, which attracted the largest participation to date.

## BASIC WORKFORCE BY FUNCTIONS AND CENTRES

AT DECEMBER 31

	2013	2012	VARIATION	
			ABSOLUTE	%
<b>Direct</b>	<b>7,146</b>	<b>7,201</b>	<b>(55)</b>	<b>(0.8)</b>
Martorell	6,525	6,594	(69)	(1.0)
Zona Franca	621	607	14	2.3
<b>Indirect</b>	<b>4,312</b>	<b>4,264</b>	<b>48</b>	<b>1.1</b>
Martorell	3,708	3,663	45	1.2
Zona Franca	559	557	2	0.4
Other centres	45	44	1	2.3
<b>Total workforce (*)</b>	<b>11,458</b>	<b>11,465</b>	<b>(7)</b>	<b>(0.1)</b>

\* Figures for 2013 and 2012 do not include 133 and 134 employees in partial retirement, respectively. Likewise, figures for 2013 and 2012 do not include 166 and 111 apprentices with labour contract, respectively.

## CONSOLIDATION OF DUAL VOCATIONAL TRAINING

The system of dual vocational training, based on the German model

and implemented in 2012, began moving closer to consolidation. A major contribution to this state of affairs was no doubt the agreement signed between SEAT and the Catalan government's Department of Education



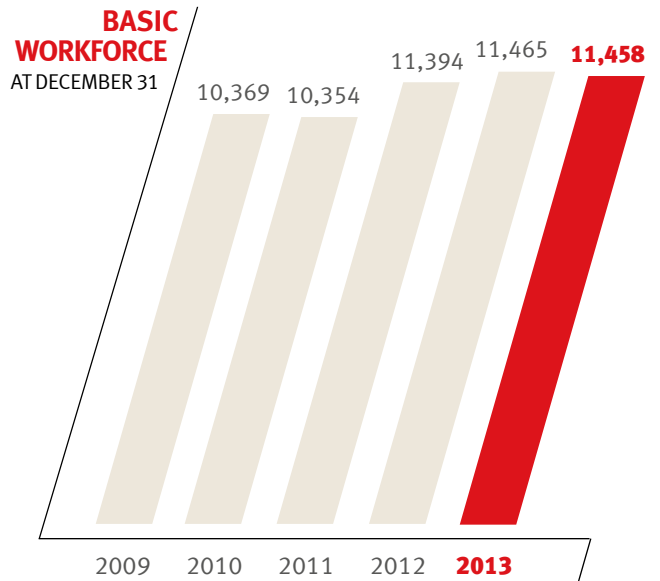
SEAT Apprentices School.

– thereby granting official recognition to this training model, as well as to the labour experience and non-regulated training of company employees.

The agreement laid the foundations for joint development of the training syllabuses of automotive sector trades. Additionally, the company made a commitment to collaborating in the training of the Catalan government’s teaching staff, as well as providing the Department of Education with vehicles for educational purposes in publicly-owned vocational training centres.

In 2013 at its Apprentices School SEAT began the second year of this new course of studies, which combines theory and practice at the training centre with practical work at company plants. The course of studies totals 4,625 hours distributed over three academic years, during which students sign a labour and apprenticeship contract enabling them to make social security contributions as well as receive a monthly remuneration based on the practical work done in the company. Those students who successfully complete the three academic years of this educational model have the possibility to join the workforce with an open-ended contract, something that provides proof positive of SEAT’s commitment to the future of the younger generations.

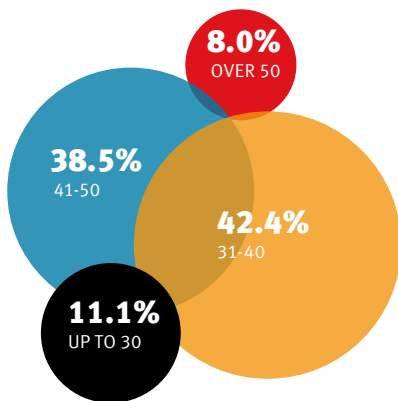
The application process at the Apprentices School reached record heights with a total number of 1,200 applications being received – 180% more than the previous year– for the 75 places on offer. This figure highlights the interest in the new apprenticeship course and confirms the attractiveness among young students of the dual vocational training scheme format.



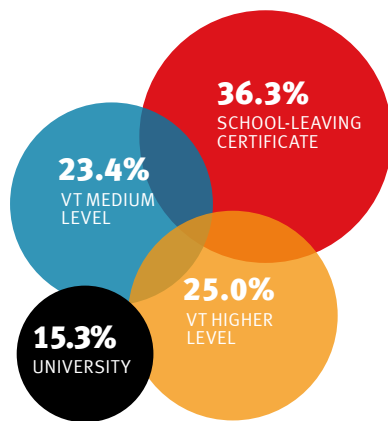
Catalan government (Generalitat) officially recognises SEAT’s dual vocational training system.



## BASIC WORKFORCE STRUCTURE BY AGE



## BASIC WORKFORCE STRUCTURE BY EDUCATIONAL QUALIFICATIONS



## SOCIAL STRUCTURE OF BASIC WORKFORCE

AT DECEMBER 31

		2013	2012
Average age	Years	39.9	39.0
Average seniority in company	Years	13.4	12.8
Proportion of women	Percentage	21.4	21.4
Proportion of university-educated employees	Percentage	15.3	14.0
Proportion of employees from outside Spain	Percentage	2.7	2.9
Proportion of employees with disabilities	Percentage	2.2	1.9
Proportion of employees with long-term contracts	Percentage	99.0	98.8
Proportion of employees on training programmes	Percentage	81.3	85.4

## COST CONTAINMENT

In January, because of the effect of market weakness on the company's financial situation, company management and all trade unions (UGT, CCOO and CGT) agreed to implement internal flexibility measures so as to reduce the excess costs of indirect personnel. Thus, in addition to suspending hiring of indirect personnel, an agreement was reached on a 60% volume reduction of the hours pool and the full application of compensatory rest per industrial day throughout the year.

In July, so as to tailor the production lines to the situation in the markets, SEAT and most trade unions (UGT and CCOO) signed an agreement concerning the temporary suspension

of employment. The agreement, reached after exhausting all internal flexibility measures provided for in the Collective Agreement, in fact affected fewer workers than had been initially foreseen, and included a social plan so as to minimize the effects of the temporary suspension of employment.

The year ended with a new agreement between the company and the majority trade unions (UGT and CCOO) to reduce the workforce by 201 employees, most of whom occupied management positions and posts of responsibility. The accord reduced by half the number of employees initially affected by the termination plan presented in November for economic reasons with the aim of reducing indirect personnel costs. The agreement, which includes a relocation scheme, minimizes the effects of the adjustment plan, and



Risk-prevention campaign.

includes social measures offering a substantial improvement on current legal requirements. The accord also provides for other voluntary measures, such as unpaid leave and voluntary redundancy for indirect personnel – i.e. those employees not directly involved in the production process.

## PREVENTION, AN INVESTMENT PRIORITY

As in previous years, employees' health and welfare was one of the company's major priorities. In this sphere, great emphasis was placed on health awareness-raising and promotion campaigns. The company provided employees with services such as ergonomics tests, allergy-detection tests, vaccinations and sleep studies. So too with risk- and accident-prevention campaigns in the sphere of production, concerning the handling of chemicals or dangerous machinery, coupled with specific training for supervisors.

Action on another issue which came to prominence in 2013 was the awareness-raising campaign on health-related problems such as smoking; here SEAT provided employees with medical advice and help on how to give up the habit. Coupled with this was the World Day for Safety and Health at Work, as well as the usual medical check-ups and permanent health services coverage.

## RECOGNITION OF SENIORITY

The commitment of employees to the company and its future, in addition to their loyalty to SEAT, were once again rewarded at the events organised to recognize seniority in the company. Barcelona's Auditorio concert hall provided the backdrop for the tributes paid by SEAT to the devotion of those workers who had spent 25, 30 and 40 years with the company.

The events drew the largest number of attendees ever, attracting 3,000

people including those paid tribute to and those accompanying them. One of the most noteworthy aspects was the excellent organization of the events, since dozens of people – all company employees – offered their services disinterestedly on a voluntary basis.

## THE COMMITMENT OF EMPLOYEES TO THE COMPANY AND ITS FUTURE, IN ADDITION TO THEIR LOYALTY TO SEAT, WERE ONCE AGAIN REWARDED AT THE EVENTS ORGANISED TO RECOGNIZE SENIORITY IN THE COMPANY



Tribute to workers of 25, 30 and 40 years seniority.





**3.6**

**CORPORATE  
SOCIAL  
RESPONSIBILITY**

# **WE ARE** ***SUSTAINABLE***







Young Spanish engineers form part of the StartUp Europe programme.

Sustainability and Corporate Social Responsibility (CSR) together make up an integral part of SEAT's vision of the future, and embrace multiple goals in the three key areas of the social, the environmental and economic spheres. These goals are cross-cutting and interconnected, in such a way as to make the internal and external aspects sustainable over time. After the creation of a Sustainability Committee, as in the case of the other Volkswagen Group brands, SEAT is working actively on its CSR strategy to contribute to the goals as defined by the Group.

In the social sphere, the company carries out different activities aimed at encouraging employment, continuous training and professional development of recently-graduated

university-level talent, the active participation of its employees, equality amongst its workforce, and social responsibility via donations and sponsorship.

The environment is another priority to which SEAT has shown its commitment, by means of increasing efficient management to minimize the environmental impact of its processes and products throughout the entire value chain.

Finally, in the economic sphere the company carries out intense work enabling it to maintain an efficient system of good governance, as well as assuring customer satisfaction and supplier sustainability.

## **SOCIAL ACTIVITIES**

### **STARTUP EUROPE**

In the midst of a difficult economic situation, SEAT reaffirmed its commitment to offering young people professional opportunities. In this sphere, the company has gradually welcomed new groups of engineers via the StartUp Europe programme, which guarantees training and employment for two years, and makes a commitment to harnessing the talent of young Spanish engineers.

In order to take part in this programme, prospective candidates need to have qualifications in a specialist field of Higher Engineering (achieved within the past two years), have a very good command of German, and readiness to



Programmes developed to motivate employees increase SEAT's attractiveness as employer.

move to Germany. After a three-month period of training and work at the Martorell facilities, the young Spanish engineers finish their two-year contract at one of the major Volkswagen Group centres in Germany.

### LABOUR SATISFACTION IMPROVEMENT

Creating a positive working atmosphere, sustainable over time, that contributes to greater worker satisfaction is an overarching priority for the company. For this reason, SEAT started up the fifth edition of the Labour Satisfaction Improvement survey, an already-consolidated process within the company and common to all Volkswagen Group brands, in which employees can manifest their opinion through an anonymous and voluntary survey. The answers enable

the company to gather information concerning those aspects that can be improved in order to create a better working environment, through the implementation of proposals for improvement on which mutual agreement is reached.

### IDEAS FOR IMPROVEMENT PROGRAMME

SEAT's commitment to the creativity and imagination of its workers is channeled through the Ideas for Improvement programme. All told, throughout 2013, 21,989 ideas were received, resulting in savings amounting to 5.7 million euros. Additionally, to encourage participation among the workforce, a competition was organized in which employees had to present ideas that could be implemented and generate savings;

by way of recognition, they could live a SEAT experience by participating in the presentation of the new Leon SC.

### CHILDREN'S CHRISTMAS DRAWING COMPETITION

To encourage staff involvement in SEAT, the now-traditional children's Christmas drawing competition was once again held. Designed to encourage the creative skills of the younger generation, it was aimed at staff members' children and grandchildren. The only required conditions for participation in this event were creativity and ingenuity.

### SEAT CUP

Sport also had its place in the shape of the SEAT Cup, a competition that attracted the attention of some 1,300





SEAT defends and implements the principle of equality between men and women.

employees. The company made a substantial effort to organize this football tournament, which was given a great reception, promotes teamwork, as well as healthy competition and motivation.

### EQUALITY PLAN

On the occasion of International Women’s Day, SEAT’s Committee for Equality Plan organized a gender equality competition among the entire workforce entitled ‘Gender equality at SEAT is...’. The event aimed to raise awareness amongst SEAT employees of the company’s Equality Plan, designed with the purpose of promoting the defence and effective implementation of the principle of equality between men and women, as well as guaranteeing

equal opportunities and development at all levels in the world of work.

The Plan comprises a total number of 40 measures grouped together in different thematic areas: Access to Employment, Training, and

Development or Promotion. Amongst other features, it highlights preference in hiring and promotion of the least represented gender in each area, other merits and experience being equal; the conciliation measures already provided for in the 18<sup>th</sup> Collective



Members of the SEAT Equality Committee.



Christmas collection campaign of food and toys.



Donation of vehicles to publicly-owned vocational training centres.

Agreement, as well as those referring to gender violence, an area where legal assistance mechanisms are described in particular detail.

**SOCIAL RESPONSIBILITY**

The Christmas campaign to gather non-perishable food and toys for the Spanish Red Cross was the most outstanding example of solidarity of all the initiatives aimed at facilitating employee participation. This initiative – entitled ‘We are SEAT, we show

Solidarity’, workers showed for the second year their most charitable side, with donations of food, cleaning and hygiene products, and toys. The company added its own financial contribution to this initiative, urging all its suppliers to join the campaign.

Employees participating in the SEAT Cup 2013 also offered a gesture of solidarity towards the Catalan Sports Federation for the Blind (FCECS) by donating 150 sets of sports equipment used throughout the competition.

In its commitment to dual vocational training, pioneered by SEAT in Spain, the company donated 28 vehicles, either new or in perfect working order, to publicly-owned training centres. The cars, exhibited in different motor shows or else produced for the needs of specific markets, are used by students as working and apprenticeship tools.



Donation of sports equipment to non-sighted members of the FCECS.



# ENVIRONMENTAL ACTIVITIES

## PROCESSES

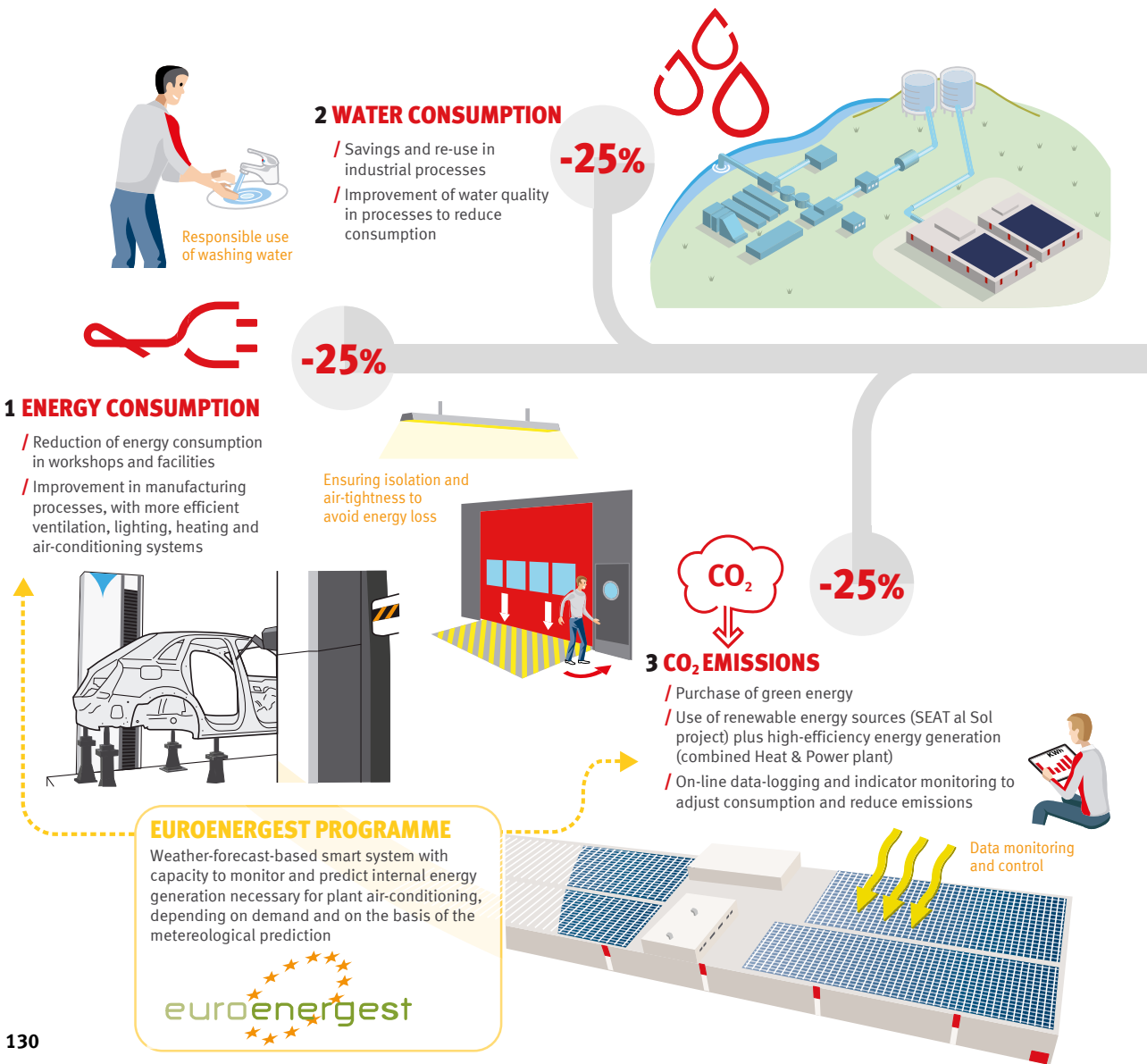
In 2013 the company implemented the ECOMOTIVE FACTORY project, which groups together all environmental activities related to production processes. The project's goal is to make our car manufacturing a benchmark for environmental protection by 2018. To achieve this, various industrial initiatives have been implemented enabling a 25% reduction in energy and water consumption, CO<sub>2</sub> emissions and volatile compounds, as well as waste generation. Additionally

a communication and awareness-raising plan has been designed for all employees so as to promote the rational use of resources as well as good environmental practices.

The ECOMOTIVE FACTORY initiative embraces noteworthy actions including improvements in energy efficiency and consumption control, a reduction in the content of volatile organic compounds in paint, and their elimination from the waxes of vehicle moving parts. Measures have also been introduced for waste reduction at source (for example in paint slurry), for the re-use of production waste, as well as diverse initiatives to reduce water consumption in production processes.

Aware of its responsibility towards society at large, the company uses the best techniques and most groundbreaking technologies in its production process. Some of the most significant activities throughout the year have been the installation of maglev compressors on the water coolers providing air-conditioning for the workshops, as well as the incorporation of a heat-recovery unit in the chimney of the heat-and-power generation facility to increase its efficiency. SEAT also participated in the R&D+i EuroEnergest project, included in the European Union's 7<sup>th</sup> Framework Programme. Its aim is to develop software capable of optimizing generation of and demand

# ECOMOTIVE FACTORY



for energy for air-conditioning, aiming to reduce consumption by 10%.

The company has also created 'SEAT al Sol' – the largest photovoltaic facility in the automotive world. This facility comprises 52,827 solar panels, with a total nominal power output of 10.6 MW, covering an area of 276,000 m<sup>2</sup> on the rooftops of six workshops and four holding areas for vehicles awaiting shipment. During its first year

of full production it generated a total amount of 17,629,086 kWh, 18% more than was initially envisaged, and the equivalent of eliminating more than 8,000 tonnes of CO<sub>2</sub> emissions per year. Additionally, SEAT has a green energy supply contract guaranteeing that this kind of energy comes from sources certified as 100% renewable or high-efficiency heat-and-power generation, thus eliminating emissions of CO<sub>2</sub> and other polluting gases.

All the company's centres hold environmental and energy management certifications, in compliance with standards ISO 14.001 and ISO 50.001, proof of measures taken and commitment to environmental protection and energy efficiency. During 2013 the ISO 14.001 environmental certification for the Zona Franca plant was renewed for the third consecutive time.



#### 4 WASTE TREATMENT

- / Use of easily-recyclable packaging and increase in waste separation bays for re-use
- / Waste reduction in production, e.g. paint slurry

**-25%**



Waste reduction and re-use

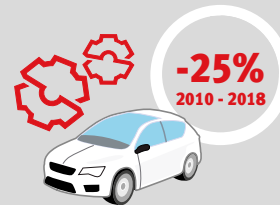
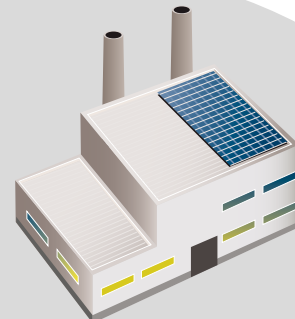
#### EMPLOYEES TRAINING AND COMMUNICATION PLAN

- / Dissemination of ECOMOTIVE FACTORY project
- / Environmental protection awareness-raising and training
- / Encouragement of ideas for improvement

#### GOAL 2018

Achieve environmentally-sustainable and reduced-impact production

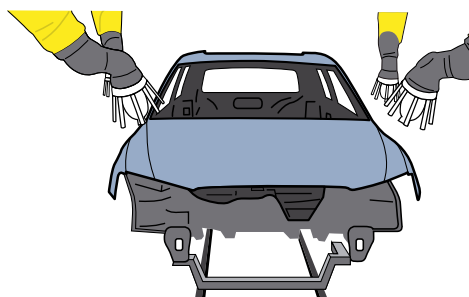
Reduction of energy, water, emissions of CO<sub>2</sub> and VOCs, plus generation of waste per car manufactured



**-25%**

#### 5 SOLVENT EMISSIONS

- / Use of new more eco-friendly components in painting processes
- / Reduction of VOCs\* by change in spray application technology



\* Volatile Organic Compounds



**PRODUCT**

In 2013 SEAT published the environmental folder (*Umweltmappe*) of the new Leon, based on the common environmental goals – ‘Climate protection, Resource conservation and Health protection’ – of the brand and the Volkswagen Group. This folder is an instrument for monitoring and following up the most relevant environmental information of the new model in comparison with its predecessors. Additionally, an analysis of the

life-cycle of the new Leon was carried out for the first time. This tool studies and assesses the environmental impacts of the vehicle during all stages of its life (the so-called ‘cradle-to-grave’ process), embracing extraction of raw material, transport, production, distribution, use and end-of-life processing (recycling, recovery and landfill disposal). One of the more remarkable results is an 11% reduction in greenhouse gas emissions, one of the major culprits of climate change, whose value is expressed in units of



CO<sub>2</sub> equivalent – 23.5 tonnes for the new Leon in comparison with 26.5 tonnes for the previous version.

SEAT concentrates its efforts on reducing the CO<sub>2</sub> emissions of its entire range of vehicles. The Mii 1.0 MPI Ecofuel Ecomotive, launched in 2012, continues to be a benchmark vehicle for the market, and boasts the lowest emissions (79 g/km) in the range. The launch of the new Leon 1.6 TDI CR 110 hp Ecomotive at the end of 2013 established a landmark due to its low





**GREENER SEAT LEON FOR**

-  CLIMATE PROTECTION
-  RESOURCE CONSERVATION
-  HEALTH PROTECTION


**AERODYNAMICS**

-  Aerodynamic drag reduced by **10%**
-  Improved engine cooling flow


**ENGINES**


-  CO<sub>2</sub> emissions reduced by **15%** on average
-  New families of TSI and TDI engines reduce fuel consumption
-  Weight reduced by up to **30%**
-  Acoustic improvements in all engines





-  **START&STOP**  
Technology with energy recovery is incorporated into most engines







-  **PROMOTING ECO-DRIVING**  
**BCmE (Body Computer mit Effizienzanzeige)**  
Electronic assistance system to promote more efficient driving. A series of tips (Eco-Tips) provide details of consumption at all times

-  **SEAT Drive Profile**  
The various drive configurations alter the vehicle's behaviour. The ECO profile promotes a driving style that respects the environment



-  **TRANSMISSION**  
Incorporates a new function in the recovery system, encoded in the ECO profile
-  The transmission is **1.7 kg** lighter

-  **INTEGRAL LED HEADLIGHTS**  
New LED daytime driving lights increase the service life of the dipped beam headlights
-  Elimination of mercury

-  **TYRES**  
Low rolling resistance
-  Natural rubber

CO<sub>2</sub> emissions (just 85 g/km), making it the lowest-emission vehicle in its segment. The remainder of the brand's models also have Ecomotive

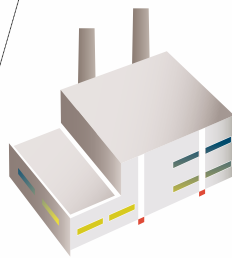
low-emission versions – the Ibiza and Ibiza ST (88), Toledo (99), Altea and Altea XL (111) and Alhambra (143). Thus, the efficiency of models

marketed meant that 60% of those produced in 2013 for the EU28 market had CO<sub>2</sub> emissions below 120 g/km.



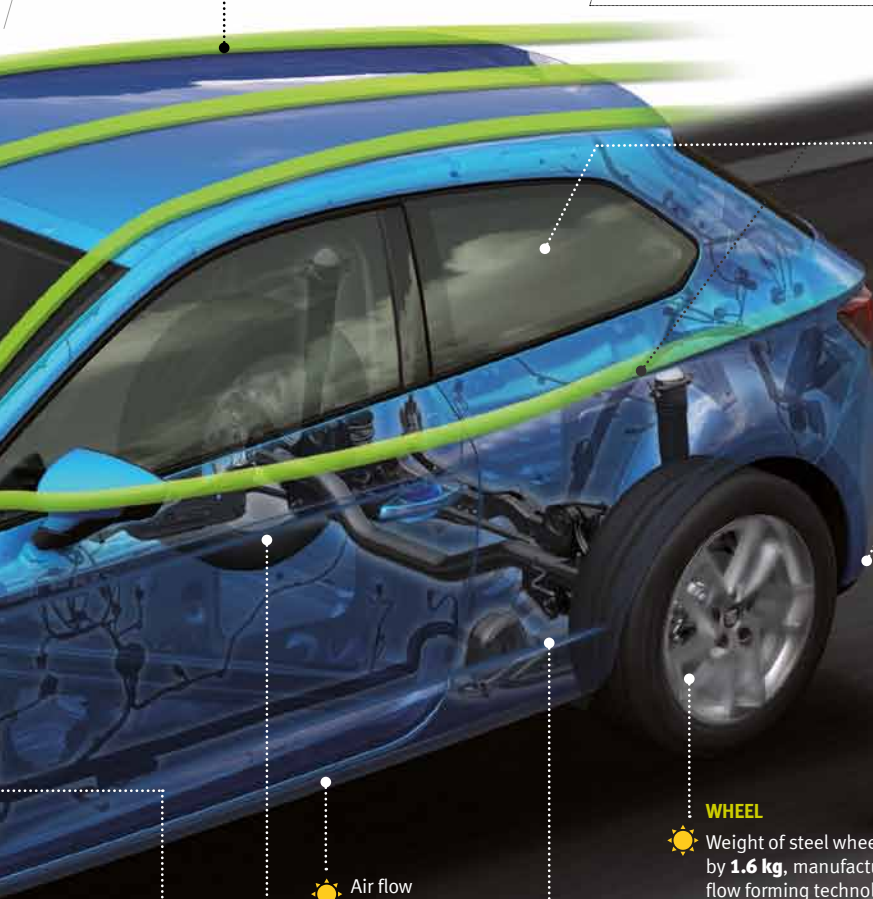
**INTERIOR AIR QUALITY**

- Interior and materials designed to generate low emissions
- In heavily polluted environments, a sensor temporarily closes the air vents in the passenger compartment



**THE PRODUCTION PROCESS, ALSO GREENER**

- Power consumption reduced to **4.3 kWh/vehicle** by modifying the welding process
- Pneumatic clamps used in the previous Leon replaced with electric clamps. Consumption reduced in almost **100%**
- Usage of PVC reduced by up to **92%** and, hence, use of solvents cut by up to **91%**



**AIR CONDITIONING**

- A new humidity sensor reduces consumption by disconnecting the compressor when it is not required, thus reducing fuel consumption by **0.05 l/100 km** with this feature



**ACOUSTICS**

- Reduction in the levels of interior and exterior noise
- Soundproofing with up to **20%** recycled cotton

**EXHAUST**

- Built-in silencers
- Volume and weight optimised to reduce fuel consumption

**REDUCTION IN TOTAL WEIGHT**

- The new Leon SC is lighter than the previous model by up to **110 kg**. This has been possible essentially thanks to the hot-stamping technology, optimisation of steel thicknesses, the use of tailored blanks and the use of alternative materials

**WHEEL**

- Weight of steel wheels reduced by **1.6 kg**, manufactured using flow forming technology

**BODY**

- Weight reduction **12%**
- Increased strength **9%**

**DOORS**

- Weight cut by reducing thickness **11.6 kg**

- Air flow optimised in the underfloor

**FRONT WHEEL WELLS**

- Front wheel wells and underfloor covering made of **100%** recycled PP (Polypropylene)
- Soundproofing made of PET (Polyethylene terephthalate) felt



**MATERIALS**

- The weight of materials from renewable sources can reach **12 kg**

**Less lead**

- Despite the increase in electronic circuits, the quantity of lead has been reduced by **18%**
- Elimination of **100%** of lead in component solder connections PCB, radios and Climatronic





SEAT promotes sustainability throughout its entire supply chain.



## **ECONOMIC ENVIRONMENT**

SEAT meets its Corporate Social Responsibility from an economic point of view via three basic pillars – a system of Good Governance based on Risk Management and efficient Compliance, customer satisfaction and sustainability in relations with suppliers.

### **GOOD GOVERNANCE, RISK MANAGEMENT AND COMPLIANCE**

From an economic view in today's market, business sustainability cannot be properly understood without good

corporate governance. To achieve success, it is necessary to consolidate a culture of management of strategic, operational and compliance-related business risks, based on systematic prevention and control at the core of the entire company and its workforce.

The Governance, Risk Management & Compliance (GRC) team encourages knowledge and awareness of acting in line with this culture so as to contribute to transparency in business dealings and greater operational efficacy.

Risk management forms part of the company's day-to-day operations. Because of this, all business areas

identify their own risks, assess their scope, provide detailed measures to mitigate them and carry out controls to ensure their effectiveness. On this issue, the GRC team both designs and offers to the different areas methods and systems for the appropriate management of their risks and controls, accompanied by the necessary advice in these matters.

With the aim of reinforcing the operational model of risk management, a set of guidelines based on the risk management and internal controls international framework (COSO II) has been published in 2013; they establish a common language and help the different areas to manage risks both systematically and in a standardized fashion.

SEAT's Board of Directors and Executive Committee receive information concerning risk management within the company thanks to the GRC process, coordinated by the Risk Management

team. Via this process, information is provided of the main risks in the business areas, the measures taken to prevent and mitigate them, and the degree of effectiveness of internal controls.

The company attaches particular importance to risks related to compliance with legal requirements risks, and the Compliance department has the specific mission to consolidate a culture of compliance among all employees. This culture bases its efficacy on the participation of all

company areas in those training and information schemes organized in relation to legal compliance risks, on the carrying out of their activities based on the principles and duties contained in the Code of Conduct of the SEAT Group, and on independent risk management.

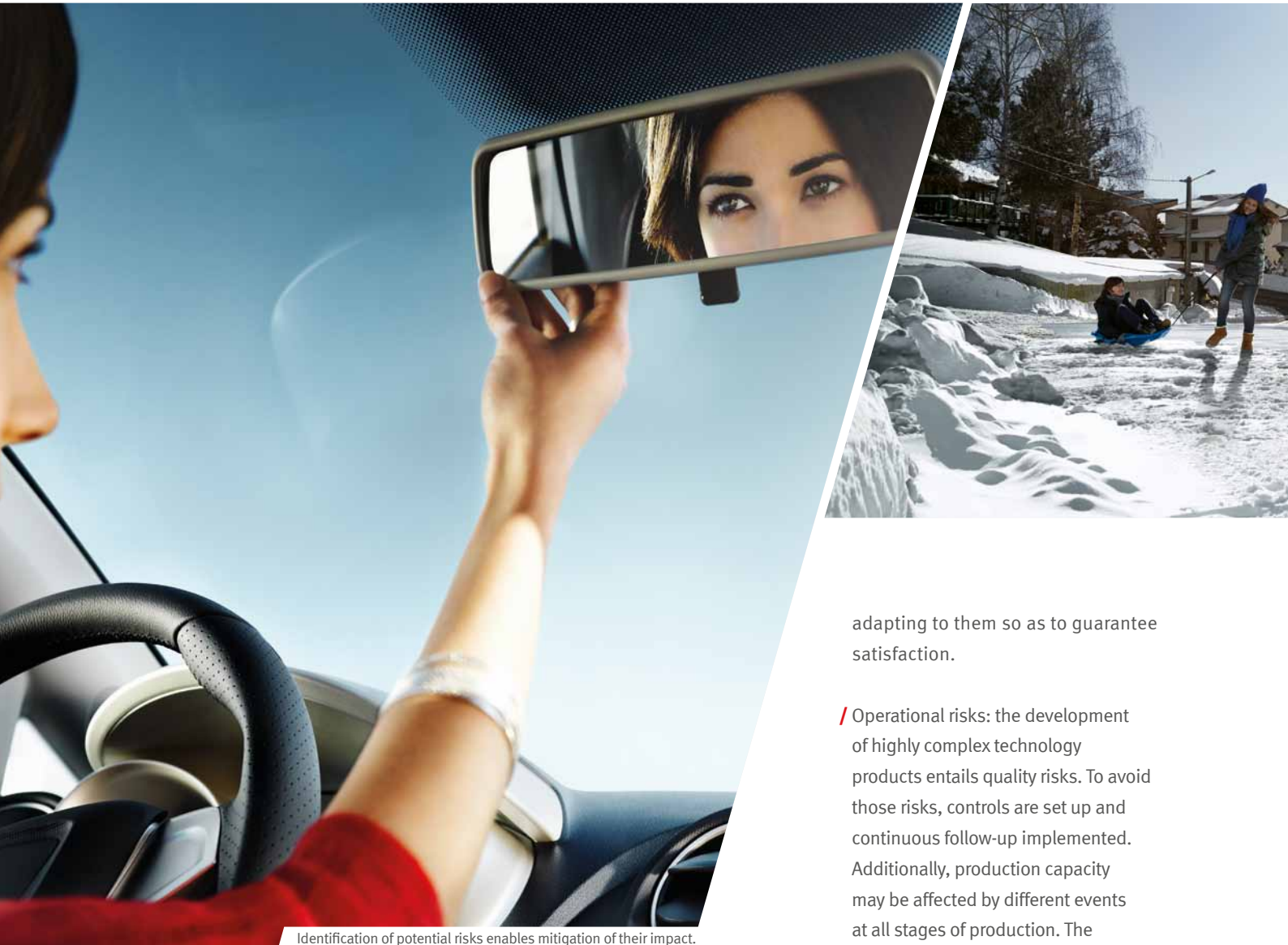
Over the course of 2013 greater awareness was generated amongst employees concerning the significance of Compliance, thanks to meetings held with the different areas to discuss their legal compliance risks. Systematic

## **SEAT MEETS ITS CORPORATE SOCIAL RESPONSIBILITY FROM AN ECONOMIC POINT OF VIEW VIA THREE BASIC PILLARS – A SYSTEM OF GOOD GOVERNANCE BASED ON RISK MANAGEMENT, CUSTOMER SATISFACTION AND SUSTAINABILITY IN RELATIONS WITH SUPPLIERS**



Customer satisfaction surveys help to improve quality in service.





Identification of potential risks enables mitigation of their impact.

participation of the Compliance team in the day-to-day operations of the company so as to cooperate in the management of specific legal compliance risks linked to the activities of each department also made a positive contribution to this awareness.

This management process has enabled the identification of the following risks inherent in SEAT's own activities, *inter alia*:

/ Economic and sector-specific risks: the automotive industry is going through manifold difficulties deriving from the world economic situation.

SEAT is cushioning the effects of the crisis by means of extending and updating its product range, coupled with internationalization through the opening up and development of new markets.

/ Demand-related risks: due to increasing – and increasingly aggressive – competition in the sector, and in order to deal with issues of changes in customer preferences, the company carries out continuous analysis of its competitors and implements customer-targeted campaigns, studying their requirements and

adapting to them so as to guarantee satisfaction.

/ Operational risks: the development of highly complex technology products entails quality risks. To avoid those risks, controls are set up and continuous follow-up implemented. Additionally, production capacity may be affected by different events at all stages of production. The company closely monitors all phases of manufacture and has put in place contingency plans to deal with diverse events such as fires or energy outages.

/ Human resources risks: to successfully meet the eventual challenges and achieve demanding levels of technical innovation, SEAT has a workforce of multi-skilled professionals. Aware that this is one of the most important activities for it to reach its objectives, the company pays special attention to the continuous training of its employees in the shape of specific plans.

/ Financial risks: these are meticulously monitored both in the short and long term, and are dealt with by means



Brand models comply with the most stringent quality standards.

of continuous analysis and financial instruments helping to mitigate the adverse effects on the financial profitability of the company. A more detailed account is provided in section 8b of the Annual Accounts Report.

**/** Legal compliance risks: the risks of non-compliance with applicable legal requirements in day-to-day work are numerous. With the intention of managing these risks, the Compliance department designs prevention programmes for company areas on training, information, consultation, and advice concerning legislation affecting the company and its employees; in 2013 the emphasis was placed on competition law. Thus the company is in line with the growing importance given to the development of this kind of compliance programmes in the international business world.

## CUSTOMERS

Ensuring customer satisfaction is crucial to achieving recommendation of and loyalty to the brand and the

dealer representing it. The definition of the commercial processes, selection and training of dealer staff are all key elements to ensure that the entire experience of the customer is highly satisfactory.

Constant measuring of the degree of satisfaction of our customers through different types of studies enables us to identify areas for improvement. Although the level of satisfaction is already high, we work continuously in close collaboration with the dealer network for further improvement.

One of the most important measures we take regularly, in addition to carrying out satisfaction surveys throughout the year, is Mystery Shopping. This type of programme is useful for assessment of the sales process at dealers and evaluation of customer services in a discrete and professional manner.

## SUPPLIERS

Activities developed with suppliers in the sphere of sustainability are focused on informing them of the obligation to comply with Group requirements in social, legal, health, work safety and environmental matters, with the aim of achieving balanced and sustainable development of companies working with the Volkswagen Group.

The annual Sustainability in Supplier Relations Meeting was held in November. The meeting venue was at SEAT for the first time, and all Volkswagen Group brands participated. The holding of these annual meetings enables the sharing of experiences so as to improve implementation of the process of sustainability and adapt it to the real needs of the sector and its suppliers.





# 3.7

## GOVERNMENTAL AND INSTITUTIONAL RELATIONS



**WE ARE**  
***RESPONSIBLE***





SEAT Offices at Madrid's Torre de Cristal.



SEAT officially opens the automotive industry's largest solar panel plant.



Visit by engineering students of the ETSEIB.

## INSTITUTIONAL ACTIVITY

Greater empowerment accorded to the area of Governmental and Institutional Relations (GIR) within the company enabled SEAT to raise its profile vis-à-vis public and private institutions both nationally and internationally. Likewise, the area is also responsible for institutional representation of the Volkswagen Group in Spain.

Throughout the year frequent contacts and meetings were held with representatives of the European Union, the Spanish central government as well as the main institutions of the automotive industry, to discuss strategic issues, especially matters concerning legislative processes affecting the

interests of the SEAT brand and the Volkswagen Group, as well as the automotive sector, in Spain.

In the international sphere, SEAT continued to reinforce its institutional presence. Thus, in March Miguel Ángel de Frutos, Spanish ambassador to Switzerland, was guest of honour at the Geneva International Motor Show, where the brand presented its new Leon SC. Later in September Pablo García-Berdoy, Spanish ambassador to Germany, was the brand's guest of honour at the Frankfurt Motor Show, venue for the international presentation of the new Leon ST.

At home, SEAT encouraged visits to its production centres and motor shows, so as to bring society closer to the automotive industry. Noteworthy in this respect, due to its importance, was the visit by Mariano Rajoy, President of the Spanish government, together with Artur Mas, head of the Catalan government (Generalitat) to the brand's stand at the Barcelona Motor Show.

Spain's Interior Minister, Jorge Fernández Díaz, visited the Martorell production facility and, together with Jürgen Stackmann, Chairman of SEAT's Executive Committee, presided over the official opening ceremony of the SEAT al Sol project, the largest solar panel facility in the automotive industry. Irene Rigau, the Catalan government's





President of the Spanish government Mariano Rajoy, and Catalan government head Artur Mas visit the SEAT stand at the Barcelona Motor Show.



Left to right (foreground): Dr. Francisco Javier García Sanz, Chairman of SEAT Board of Directors; Mariano Rajoy, President of the Spanish government; Artur Mas, head of Catalan government (Generalitat).





SEAT hands over 17 vehicles to Spanish Red Cross.



SEAT hands over 39 units of the Exeo model to the Spanish GDT.



The Community of Madrid puts the Altea XL Electric Ecomotive to the test.



The Port of Barcelona and SEAT collaborate in matters of electromobility.

Minister for Education, also visited SEAT's facilities on the occasion of the donation of vehicles to publicly-owned vocational training centres, further proof of the company's commitment to this training model and its close links with the Catalan government (Generalitat). Another noteworthy visit to the Martorell facilities was that of the Board of Directors and Patrons' Committee of the French Chamber of Commerce in Barcelona. The company also maintained close links with academic institutions, presenting its projects in the training sphere, exemplified by the visit of the Association of Alumni of the Barcelona Business School Iese and also industrial engineering students from the Polytechnic University of Barcelona.

SEAT also maintains a clear commitment to increasing its presence at Spanish public and private institutions by means of reinforcing its policy concerning vehicle fleets and hand-overs. Noteworthy here are the efforts and contacts made in collaboration with the Commercial area, which have enabled the progressive incorporation of different SEAT models to institutional fleets.

The brand continued to increase its presence in the Outreach Services, an example being the hand-over of an Alhambra to Ambassador Juan Manuel Barandica, Spain's Permanent Representative to UNESCO.

As regards business fleets, noteworthy purchases were the Exeo model by the Spanish General Directorate of Traffic, as well as the Ibiza and Altea Freetrack models by the Spanish Red Cross, in addition to the Barcelona Port Authority.

The project of hand-overs of plug-in hybrid and electric vehicles to company and institutional fleets continued throughout 2013. New agreements were reached with the Community of Madrid, the city council of Madrid, the Spanish utility company Iberdrola and the Port of Barcelona, amongst others. Likewise, a strategic agreement was signed with Gas Natural Fenosa to develop and boost the use of compressed natural gas (CNG) in the automotive sector in Spain; a unit of the Mii Ecofuel, the brand's first vehicle running on this fuel, was also handed over to the Port of Barcelona.



SEAT and Iberdrola work together on electromobility.

SEAT and Gas Natural Fenosa boost the use of natural gas in the automotive sector.



Event for constitution of new Catalan Automotive Industry Cluster.

## BUSINESS ACTIVITY

In close collaboration with the SEAT Technical Centre, the GIR area analyzed the new regulations published in 2013 and their impact on the company's activity, enabling the company to defend its business position in relation to diverse associations, institutions and ministries.

SEAT participated actively in the definition of the new organisational model for ANFAC (Spanish National Association of Car and Truck Manufacturers), providing the necessary momentum to enable other Volkswagen Group brands in Spain to participate in the Association. Additionally, via the different ANFAC committees, the company contributed towards the definition of a common approach to the various salient issues within the sector.

With the goal of contributing to and improving the competitiveness of the local automotive industry, SEAT is a founding member and active promoter of the Automotive Industry Cluster of Catalonia. Likewise, the company plays

a major role in the Club of Excellence in Sustainability, so as to boost sustainable development by means of the implementation of best business practices in the social, economic and environmental spheres.

**WITH THE GOAL OF CONTRIBUTING TO AND IMPROVING THE COMPETITIVENESS OF THE LOCAL AUTOMOTIVE INDUSTRY, SEAT IS A FOUNDING MEMBER AND ACTIVE PROMOTER OF THE AUTOMOTIVE INDUSTRY CLUSTER OF CATALONIA**





# 3.8

## FINANCIAL ACTIVITY





**WE ARE**  
*PRECISE*





## **ECONOMIC ENVIRONMENT**

2013 was a year of highs and lows, in which economic recovery was sluggish and unevenly distributed throughout the different regions and countries of the world. Japanese and American economies grew thanks to the strong financial support provided by their governments, while emerging countries (BRICs) reached lower indices than initially foreseen. The most hoped-for and wished-for news was consolidation of the Chinese market avoiding a drastic fall-off in its activity.

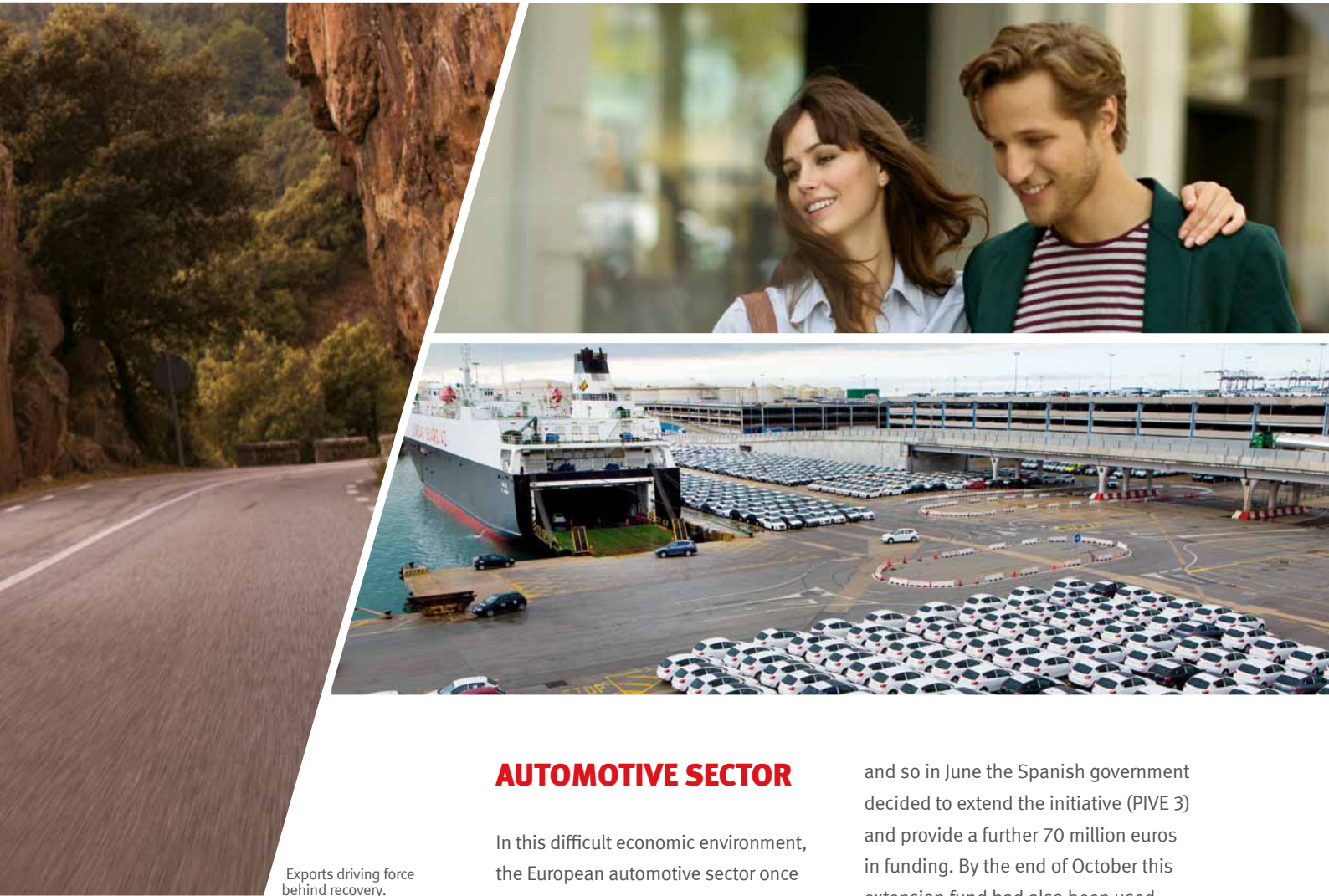
Political instability hampered the economic activity in the Middle East and North Africa (MENA) entailing a

significant reduction in their excellent growth prospects. Continuous investment in infrastructures, increasing production capacity as well as major energy reserves coupled with high consumption potential due to demographic structure have turned this area into a new zone of emerging countries with high development potential.

The defining feature in Europe, and especially in the Eurozone, was economic stagnation, as a result of weak internal demand and the loss of share in world exports. Southern European countries continued to show weakness because of lack of growth while being subjected to the pressure of the necessary fiscal

austerity measures to contain growing public debt and thus achieve the aim of deficit reduction. Nonetheless, the measures implemented helped to strengthen and consolidate the common project of the Eurozone, as well as increase international confidence in those economies hardest hit by the crisis.

In Spain, the government's reforming agenda centred on the labour market – via adaptation of agreements and compensation rules – and the financial system via capitalisation of banks. The measures adopted enabled a reduction in labour costs and stabilisation of inflation, which in turn led to increased competitiveness via the internal devaluation of salaries and prices. The



Exports driving force behind recovery.

strength of the foreign sector, thanks to a continuous increase in exports and tourism, acted as a driving force for recovery.

The first signs of this improvement were seen in the year's third quarter, with the achievement of a marginal inter-quarter growth of GDP. After 27 months of uninterrupted downturn, the end of the technical recession coincided with an appreciable increase in international confidence and a strong drop in the risk premium for Spanish borrowing. In spite of all this the Spanish economy ended the year with negative growth numbers.

## AUTOMOTIVE SECTOR

In this difficult economic environment, the European automotive sector once more showed its weakness by reducing production and registration levels, while other zones such as NAFTA, Central/South America, and Asia/Oceania improved their results against last year.

Volume fall in Europe, especially in the three big markets (Germany, France and Italy) was only partially offset by an increase in the United Kingdom and Spain's change of trend in the second half of the year.

So as to cushion the effect of the strong downturn in car sales in Spain, on the back of the economic crisis, in January 2013 the Spanish government launched PIVE 2, the second Programme of Incentives for Vehicle Efficiency, with resources of 150 million euros. Because of unexpectedly strong demand from private owners, these resources were used up before the expected date,

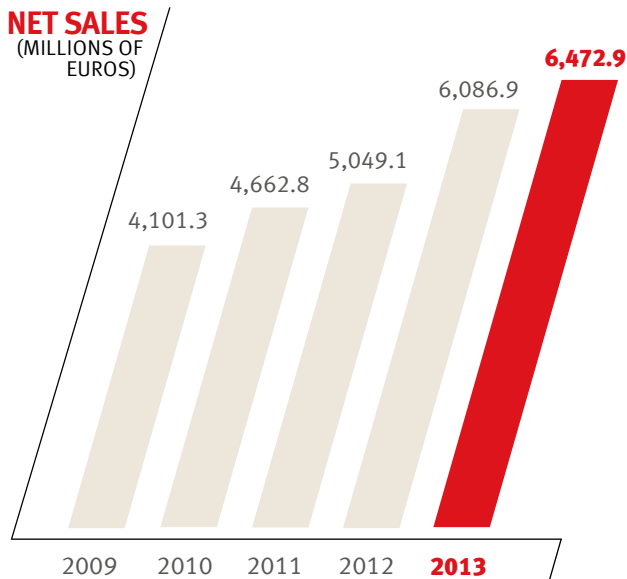
and so in June the Spanish government decided to extend the initiative (PIVE 3) and provide a further 70 million euros in funding. By the end of October this extension fund had also been used up, and the government agreed on a further extension (PIVE 4) with resources amounting to another 70 million euros.

Thanks to these stimuli and to the increase of exports, the automotive sector produced near 2,200,000 vehicles and registered more than 722,000 passenger cars in 2013, an increase of 9.3% and 3.3% respectively over last year. In addition to the boost in sales, the unequivocal government support helped to slow down the continuous drop in volumes that had become a permanent feature of the sector since the beginning of the crisis.

## RESULTS

SEAT increased its net sales for the fourth time in a row, thanks to the commercial





## **GROWTH IN THE DOMESTIC MARKET (7.4%), AND IN EXPORT MARKETS (6.1%), TOOK TOTAL INVOICING TO 6,472.9 MILLION EUROS, 6.3% MORE THAN IN 2012**

launch of the new Leon family, coupled with good brand performance in European markets and emerging countries in North Africa and the Middle East. Growth in the domestic market (7.4%), and in export markets (6.1%), took total invoicing to 6,472.9 million euros, 6.3% more than in 2012.

This major increase in sales did not translate into a proportional improvement in margins due to strong competition in the main European markets. Demand shifted to lower cost vehicles, and discount policies applied by brands to maintain sales levels had a penalising effect on efforts to optimize income.

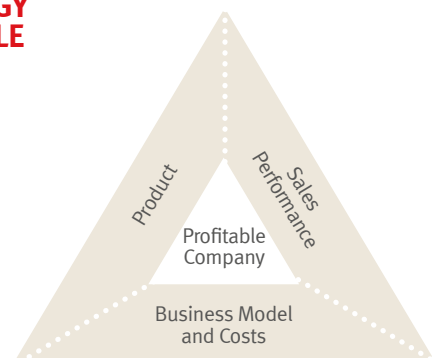
SEAT was affected by this strong commercial competition, as well as high costs deriving from its major product offensive in the last two years. The launch of new models gave rise to an increase in commercial expenses, R&D+i resources, and depreciations which, coupled with the increase in personnel and energy costs, had a negative impact on the profit and loss statement. The sum total of all these effects meant that by the end of the financial year the company posted losses of 148.7 million euros.

SEAT continues to devote substantial resources to its investment programme, focused mainly on launching new models and maintaining the competitiveness of the Martorell plant through improvements in processes, quality and productivity. In 2013, 337.1 million euros were activated for these items in its balance sheet, taking the total amount to more than 2,000 million euros over the past five years. For this reason, the generating of sufficient internal resources so as to maintain further development of products and facilities, to raise brand profile and develop the sales and marketing network makes it necessary to consolidate a sound and sustainable economic and financial structure.

With the aim of creating a more streamlined organization as well as guaranteeing its future profitability, SEAT has implemented an action plan based on three pillars – product, sales performance and business model. Its goal is to prioritize the production and sales of those models with a greater contribution margin, harnessing to the maximum degree synergies with the Volkswagen Group; to concentrate sales on those markets with greater contribution margins; and optimise both investments and costs. On these issues, and to balance expenses in relation to net sales, the aim is to reduce fixed costs (personnel and structure) and those deriving from external services. These actions will be complemented by cost-consciousness measures involving the entire workforce.



### **STRATEGY TRIANGLE**





Lobby of Corporate Building in Martorell.

## PROCESSES

The company actively encourages the efficient management of processes in all its spheres of activity. The continuous improvement of financial systems and procedures optimizes the day-to-day management of the company, while facilitating relations between the company's main stakeholders – employees, suppliers, customers and governments.

In 2013 SEAT implemented the flexible remuneration *Activa tu Nómina* (Activate your Payslip) scheme, with great success. This new tool, agreed on within the 18<sup>th</sup> Collective Agreement, means that kindergarten and health services can be purchased via a company web platform at special prices. Additionally, since fees are deducted directly from the monthly payslip – meaning that part of the salary is received in kind – employees can benefit from tax breaks when filling out annual tax returns.

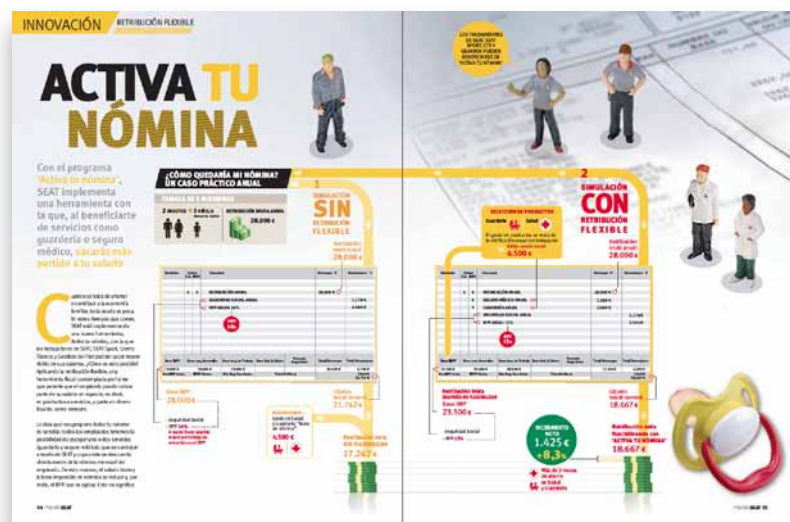
Another important milestone in the area of Finances was the 10<sup>th</sup> anniversary of the Administration's

Shared Service Center, which centralises the management of the departments of payrolls, accounting closures, current accounts and invoicing of the different companies in the SEAT Group. The fact of grouping together the tasks and specialisations of more than the 80 people involved means that synergies can be achieved in processes, systems and resources, thanks to economies of scale.

## OTHER ISSUES

The company does not have on-going, and has not carried out, operations with own shares or with derivatives during the financial year.

No events have happened after the closure of the financial year that may have an effect on the annual accounts, except for what is mentioned in Note 23 of the annual accounts.



Communication to the workforce of the flexible remuneration *Activa tu Nómina* programme.





# 04

## SEAT, S.A. ANNUAL ACCOUNTS

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# THE PLEASURE OF DRIVING

Accessible. High-quality interior  
comfort and design. Flexibility inside  
providing maximum safety while you  
enjoy the road.

We call it:  
**SEAT DNA**



SEAT Alhambra





## 4.1 AUDITORS' 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*

### AUDIT REPORT ON THE ANNUAL ACCOUNTS

To the Sole Shareholder of SEAT, S.A. (sole-shareholder company):

We have audited the annual accounts of SEAT, S.A., consisting of the balance sheet at 31 December 2013, the income statement, the statement of changes in equity, the cash flow statement and related notes for the year then ended, which includes Appendices 1 and 2. The company's directors are responsible for the preparation of these annual accounts in accordance with the financial reporting framework applicable to the entity (as identified in note 3 to the accompanying annual accounts), and in particular, with the accounting principles and criteria included therein. Our responsibility is to express an opinion on the annual accounts taken as a whole, based on the work performed in accordance with legislation governing the audit practice in Spain, which requires the examination, on a test basis, of evidence supporting the annual accounts and an evaluation of whether their overall presentation, the accounting principles and criteria applied and the estimates made are in accordance with the applicable financial reporting framework.

As indicated in note 21 to the annual accounts, the disclosure of the remuneration of the directors and senior management is presented in aggregate, with no separation of the two groups, as required under article 260.9 of the Spanish Capital Companies Act. The annual accounts as at 31 December 2012 and for the year then ended did not include this information either, and our audit report of the annual accounts for that year included a qualification in respect of this item.

In our opinion, except for the effects of the matter described in the preceding paragraph, the accompanying annual accounts for 2013 present fairly, in all material respects, the financial position of SEAT, S.A. at 31 December 2013 and the results of its operations and cash flows for the year then ended in accordance with the applicable financial reporting framework, and in particular, with the accounting principles and criteria included therein.

The accompanying directors' Report for 2013 contains the explanations which the directors consider appropriate regarding the SEAT, S.A.'s situation, the development of its business and other matters and does not form an integral part of the annual accounts. We have verified that the accounting information contained in the directors' Report is in agreement with that of the annual accounts for 2013. Our work as auditors is limited to checking the directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from the company's accounting records.

PricewaterhouseCoopers Auditores, S.L.

José M Solé Farré  
Partner

14 February 2014

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Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290



## 4.2 BALANCE SHEET

At December 31 (millions of euros)

ASSETS	NOTE	2013	2012
<b>Non-current assets</b>		<b>3,251.7</b>	<b>3,390.0</b>
Intangible assets	6b	639.0	739.5
Tangible assets	6c	1,128.1	1,118.2
Long-term Group companies investments	6d	1,121.6	1,114.4
Long-term financial investments		1.5	1.6
Deferred tax assets	18	361.5	416.3
<b>Current assets</b>		<b>807.4</b>	<b>952.1</b>
Inventories	9	279.9	331.5
Trade receivables and others	10	491.8	545.4
Short-term Group companies investments	11	34.1	74.8
Short-term financial investments	11	0.0	0.0
Short-term prepaid expenses		1.6	0.3
Cash and cash equivalents		0.0	0.1
<b>Total</b>		<b>4,059.1</b>	<b>4,342.1</b>

EQUITY AND LIABILITIES	NOTE	2013	2012
<b>Equity</b>		<b>491.5</b>	<b>642.5</b>
Shareholders' equity	12	478.0	626.7
Subventions	13	13.5	15.8
<b>Non-current liabilities</b>		<b>295.0</b>	<b>297.0</b>
Long-term provisions	14	188.8	180.1
Long-term liabilities	15	84.4	88.5
Long-term Group companies liabilities	15	1.3	1.9
Deferred tax liabilities	18	12.4	24.0
Long-term prepaid income		8.1	2.5
<b>Current liabilities</b>		<b>3,272.6</b>	<b>3,402.6</b>
Short-term provisions	14	652.5	588.3
Short-term liabilities	15	67.1	44.8
Short-term Group companies liabilities	15	1,310.9	1,349.9
Trade payables and others	16	1,209.6	1,384.6
Short-term prepaid income		32.5	35.0
<b>Total</b>		<b>4,059.1</b>	<b>4,342.1</b>

## 4.3 PROFIT AND LOSS STATEMENT

January 1 to December 31 (millions of euros)

CONTINUING OPERATIONS	NOTE	2013	2012
Net sales	19a	6,472.9	6,086.9
Change in inventories of finished goods and work in progress	19b	(37.5)	(38.9)
Material, wages and overheads capitalized as assets		120.5	195.7
Supplies	19c	(5,058.3)	(4,728.1)
Other operating income	19d	454.4	412.9
Personnel costs	19e	(587.0)	(566.2)
Other operating expenses	19f	(1,228.9)	(1,312.4)
Depreciation of fixed assets	6a	(336.5)	(268.9)
Change of subventions from non-financial fixed assets and others	13	4.8	4.9
Excess of provisions		69.2	90.7
Impairment and result on disposal of fixed assets	6a	(90.3)	(10.9)
<b>Operating result</b>		<b>(216.7)</b>	<b>(134.3)</b>
Financial income	19g	85.5	96.7
Financial expenses	19h	(18.7)	(21.0)
Exchange rate differences	17	(1.8)	(29.1)
Impairment and result on disposal of financial instruments	19i	7.3	8.3
<b>Financial result</b>		<b>72.3</b>	<b>54.9</b>
<b>Result before tax</b>		<b>(144.4)</b>	<b>(79.4)</b>
Corporation tax	18	(4.3)	49.8
<b>Result for year</b>		<b>(148.7)</b>	<b>(29.6)</b>



## 4.4 STATEMENT OF CHANGES IN EQUITY

At December 31 (millions of euros)

STATEMENT OF RECOGNISED INCOME AND EXPENSES	NOTE	2013	2012
<b>A) Result of profit and loss statement</b>		<b>(148.7)</b>	<b>(29.6)</b>
For valuation of financial instruments		0.0	0.0
<i>Financial assets available for sale</i>		0.0	0.0
<i>Other income/expenses</i>		0.0	0.0
For coverage of cash flow		0.0	0.0
Subventions	13	1.4	5.3
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		(0.4)	(1.6)
<b>B) Total income and expenses entered directly to equity</b>		<b>1.0</b>	<b>3.7</b>
For valuation of financial instruments		0.0	0.0
<i>Financial assets available for sale</i>		0.0	0.0
<i>Other income/expenses</i>		0.0	0.0
For coverage of cash flow		0.0	0.0
Subventions	13	(4.8)	(4.9)
For non-current assets and linked liabilities, maintained for sale		0.0	0.0
Conversion differences		0.0	0.0
Taxation effect		1.5	1.5
<b>C) Total transfers to profit and loss statement</b>		<b>(3.3)</b>	<b>(3.4)</b>
<b>D) Total recognised income and expenses (A+B+C)</b>		<b>(151.0)</b>	<b>(29.3)</b>

STATEMENT OF TOTAL CHANGES IN EQUITY	SUBSCRIBED CAPITAL	SHARE PREMIUM	RESERVE	PROFIT/LOSS FROM PREV. YEARS	PROFIT/ LOSS FOR YEAR	SUBVENTIONS	TOTAL
<b>Final balance 2011</b>	<b>0.1</b>	<b>1,008.1</b>	<b>0.0</b>	<b>(290.4)</b>	<b>(61.5)</b>	<b>15.5</b>	<b>671.8</b>
Adjustments for changes of criterion	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjustments for errors	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Adjusted balance beginning 2012</b>	<b>0.1</b>	<b>1,008.1</b>	<b>0.0</b>	<b>(290.4)</b>	<b>(61.5)</b>	<b>15.5</b>	<b>671.8</b>
Total recognised income and expenses	0.0	0.0	0.0	0.0	(29.6)	0.3	(29.3)
Operations with partners or owners	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Capital increase</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Capital reduction</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Conversion of financial liabilities into equity</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Distribution of dividends</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Operations with own shares or participations (net)</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Variation in equity due to business combinations</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Other operations with partners or owners</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other variations in equity	0.0	0.0	0.0	(61.5)	61.5	0.0	0.0
<b>Final balance 2012</b>	<b>0.1</b>	<b>1,008.1</b>	<b>0.0</b>	<b>(351.9)</b>	<b>(29.6)</b>	<b>15.8</b>	<b>642.5</b>
Adjustments for changes of criterion	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjustments for errors	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Adjusted balance beginning 2013</b>	<b>0.1</b>	<b>1,008.1</b>	<b>0.0</b>	<b>(351.9)</b>	<b>(29.6)</b>	<b>15.8</b>	<b>642.5</b>
Total recognised income and expenses	0.0	0.0	0.0	0.0	(148.7)	(2.3)	(151.0)
Operations with partners or owners	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Capital increase</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Capital reduction</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Conversion of financial liabilities into equity</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Distribution of dividends</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Operations with own shares or participations (net)</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Variation in equity due to business combinations</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Other operations with partners or owners</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other variations in equity	0.0	0.0	0.0	(29.6)	29.6	0.0	0.0
<b>Final balance 2013</b>	<b>0.1</b>	<b>1,008.1</b>	<b>0.0</b>	<b>(381.5)</b>	<b>(148.7)</b>	<b>13.5</b>	<b>491.5</b>



## 4.5 CASH FLOW STATEMENT

January 1 to December 31 (millions of euros)

	2013	2012
<b>A) Cash flow from operating activities</b>	<b>358.2</b>	<b>210.5</b>
Result before tax	(144.4)	(79.4)
Adjustment of result	400.8	189.9
<i>Depreciation of fixed assets</i>	336.5	268.9
<i>Valuation corrections due to impairment</i>	95.4	11.5
<i>Variation of provisions</i>	49.0	(26.0)
<i>Accounting entry of subventions</i>	(5.7)	(7.2)
<i>Results of disposal of fixed assets</i>	(0.2)	(0.3)
<i>Results of disposal of financial instruments</i>	0.0	0.0
<i>Financial income</i>	(85.5)	(96.7)
<i>Financial expenses</i>	11.5	15.4
<i>Exchange rate differences</i>	1.8	29.1
<i>Valuation at reasonable value in financial instruments</i>	0.0	0.0
<i>Other income and expenses</i>	(2.0)	(4.8)
Changes in current capital	(61.1)	(59.4)
<i>Inventories</i>	38.9	22.4
<i>Receivables and others</i>	50.3	8.2
<i>Other current assets</i>	(1.4)	(0.1)
<i>Payables and others</i>	(152.0)	(107.1)
<i>Other current liabilities</i>	3.1	17.2
<i>Other non-current assets and liabilities</i>	0.0	0.0
Other cash flow in operating activities	162.9	159.4
<i>Payment of interests</i>	(8.5)	(12.5)
<i>Collection of dividends</i>	114.3	130.2
<i>Collection of interests</i>	1.2	1.5
<i>Collection (payment) for corporation tax</i>	55.9	40.2
<i>Other payments (collections)</i>	0.0	0.0
<b>B) Cash flow from investment activities</b>	<b>(307.8)</b>	<b>(546.8)</b>
Payments for investment	(315.1)	(554.6)
<i>Group and associated companies</i>	0.0	(0.5)
<i>Intangible assets</i>	(121.0)	(250.4)
<i>Tangible assets</i>	(193.6)	(303.2)
<i>Other financial assets</i>	(0.5)	(0.5)

	2013	2012
Collection for disinvestments	7.3	7.8
<i>Group and associated companies</i>	6.6	4.1
<i>Intangible assets</i>	0.0	0.9
<i>Tangible assets</i>	0.1	0.9
<i>Other financial assets</i>	0.6	0.5
<i>Non-current assets available for sale</i>	0.0	1.4
<b>C) Cash flow from financing activities</b>	<b>(48.7)</b>	<b>365.5</b>
Collection and payments for equity instruments	3.0	2.1
<i>Acquisition of own equity instruments</i>	0.0	0.0
<i>Disposal of own equity instruments</i>	0.0	0.0
<i>Subventions</i>	3.0	2.1
Collection and payments for financial liability instruments	(51.7)	363.4
<i>Issue</i>	0.2	370.3
<i>Borrowing from credit institutions</i>	0.0	0.0
<i>Borrowing from Group and associated companies</i>	0.0	370.3
<i>Other liabilities</i>	0.2	0.0
<i>Repayment and depreciation of</i>	(51.9)	(6.9)
<i>Borrowing from credit institutions</i>	0.0	0.0
<i>Borrowing from Group and associated companies</i>	(47.1)	0.0
<i>Other liabilities</i>	(4.8)	(6.9)
Payments for dividends and remuneration of other equity instruments	0.0	0.0
<i>Dividends</i>	0.0	0.0
<i>Remuneration of other equity instruments</i>	0.0	0.0
<b>D) Effect of exchange rate variations</b>	<b>(1.8)</b>	<b>(29.1)</b>
<b>E) Net increase/decrease in cash or equivalents (A+B+C+D)</b>	<b>(0.1)</b>	<b>0.1</b>
Cash or equivalents at beginning of year	0.1	0.0
Cash or equivalents at end of year	0.0	0.1



## 4.6 NOTES

Notes to Annual Accounts (Financial year ending December 31, 2013)

### 1. COMPANY ACTIVITY

#### A) REGISTERED OFFICES AND LEGAL FORM

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

#### B) BUSINESS AIM AND ACTIVITIES

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

### 2. EXEMPTION FROM PRESENTING CONSOLIDATED ANNUAL ACCOUNTS

The General Shareholders' Meeting, held on June 20, 1991, voted 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. (Unipersonal 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 International Finance N.V. (its sole shareholder, with registered offices in Amsterdam, Holland), 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 FAITHFUL ACCOUNT

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

The Annual Accounts provide a true and faithful account of the company's equity, its financial situation and results of business, cash flow and changes in equity.

#### B) COMPARABILITY OF INFORMATION

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

### C) GROUPING OF HEADINGS

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

### D) ITEMS APPEARING UNDER SEVERAL HEADINGS

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

### E) MEASUREMENT AND ESTIMATION OF UNCERTAINTY

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

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

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

/ Useful life of elements of fixed assets (see Notes 5a, 5b and 6).

/ The calculation of taxes on profits requires interpretations of tax legislation applicable to the company. The company assesses the recoverability of assets via deferred taxes on the basis of the existence of future tax bases against which it is possible to realize said assets (see Notes 5i and 18).

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

## 4. APPLICATION OF RESULTS

At its meeting on February 14, 2014, the Board of Directors formulated a proposal to the General Shareholders' Meeting whereby losses incurred in 2013 (148.7 million euros) are administered to losses from previous years.

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



## 5. STANDARDS FOR RECORDING AND VALUATION

### A) INTANGIBLE ASSETS

Those specifically individualized development projects which present sound motives for technical success and economic-commercial profitability are activated as intangible assets. Those projects in force until December 31, 2007 are depreciated lineally over a maximum period of five years. New projects as from January 1, 2008, by applying a criterion of homogenization with the policies of the Volkswagen Group, will be amortized according to their useful life (see Appendix 1).

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

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

The costs related to SEAT's participation in the manufacturing of tooling needed for the production of shared parts for the platforms of the Volkswagen Group, which incorporate the new models of the Group's different brands, are shown under this heading and will have a linear depreciation for a five-year maximum period from the date of the model's launching. Financial costs (estimated at 2.3%) assigned to long-term projects involving R&D developments by Group companies are also shown under this heading.

Greenhouse gas emission rights, obtained for consideration are valued at acquisition price. Rights received via the National Attribution 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 'Short-term provisions' item. The rights have been received gratis by the company, so that the amount of the subsidy posted should be applied in a general nature, as emissions associated with rights received gratis are booked against costs.

### 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 Law 76/1961, Decree 12/1973, Law 1/1979, Law 74/1980 and Law 9/1983.

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

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

## C) LEASES

### *I. WHEN COMPANY IS LESSEE*

Leases of tangible assets in which the company substantially has all the risks and rewards deriving from ownership are classified as financial 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. The 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 financial leases are depreciated during their useful life.

Those leases in which the lessor maintains a substantial part of the risks and rewards deriving from ownership are classified as operative leasings. Payments for operative 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 operative leases, the asset is entered on the Balance Sheet in accordance with its nature. Income deriving from leases is recognised on a straight-line basis for the duration of the lease operation.

## D) FINANCIAL INSTRUMENTS

### *I. LONG-TERM INVESTMENTS*

Financial investments are shown on the Balance Sheet at acquisition cost or put-in value. Where applicable, provisions are recorded for recognizing value depreciations deriving from negative development of subsidiary company's equity. Capital increases with non-cash contributions in Group companies are valued at the amount resulting from the book value of the goods contributed.

### *II. RECEIVABLES*

Receivables are recorded at their nominal value, less provision for insolvency and, for balances payable after more than 1 year, the necessary provision to show the current value of the debt. Receivables are classified as short- or long-term depending on the maturity date on the Balance Sheet date. Those whose maturity dates fall within a twelve-month period after the end of the financial year are regarded as current; those beyond said period being regarded as non-current.



### *III. SHORT-TERM INVESTMENTS*

Short-term investments are entered at nominal value.

### *IV. LIABILITIES*

These are posted at their current value. Liabilities are classified as short- or long-term depending on maturity dates at Balance Sheet date. Debts which fall due in the 12 months following the year-end are regarded as current, and those in excess of this period as non-current.

### **E) INVENTORIES**

Inventories are valued at cost or net realizable value, whichever is less, 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 and spare parts produced by the company: At raw material cost, according to the method described previously, adding labour 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 moment 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 results linearly in the period ranging between the initial delivery and the repurchase date.

### **F) SUBVENTIONS**

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

### **G) PROVISIONS AND RISKS**

The provisions include known risks at year-end, for the estimated value of such. Long-term provisions are shown at their present value.

### **H) FOREIGN CURRENCY TRANSACTIONS**

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

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

#### **I) CORPORATION TAX**

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

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.

Both the expense (income) for current and deferred taxes are recorded on the Profit and Loss Statement. This notwithstanding, the tax effect related to items directly entered to equity is recognised on equity.

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

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

Assets due to deferred taxes are recognised insofar as it is probable that there will be future tax gains which can be used to offset time differences.

#### **J) INCOME AND EXPENSES**

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

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

#### **K) COMPENSATION FOR TERMINATION OF CONTRACT**

Compensation for termination of contract is paid by the company to employees as a result of the decision to terminate their labour contract. The company recognises this compensation when it has committed itself demonstrably to terminating the contracts of employees in accordance with a formal detailed plan.

#### **L) ENVIRONMENTAL EXPENSES**

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



#### **M) TRANSACTIONS WITH GROUP COMPANIES**

As a general rule, operations between Group companies are accounted for at the initial moment for 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. Later valuation is carried out in accordance with provisions in the applicable standards.

#### **N) NON-CURRENT ASSETS AVAILABLE FOR SALE**

Non-current assets available for sale are valued at the moment of classification at either book or reasonable value, whichever is the lower, after deduction of estimated sales costs.

## **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 90 million euros (1.5 in 2012). Said corrections are linked to the estimate of future sales volumes of the vehicles comprising the model range. The current value of the margin of contribution to sales during the life cycle of the models has been calculated on the basis of an annual discount rate of 6.6% in 2012 and 2013. A variation of  $\pm 10$  percentage points in the hypotheses used would not have a significant effect on the present annual accounts. The sum total of investments activated under R&D is acquired from Group companies.

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<sub>2</sub> for the above mentioned period.

The saleable value of this fixed asset amounts to 0.5 million euros (0.3 in 2012). The counterpart for assignment of these rights has been entered to equity under the section 'Official capital subventions'. During the financial year acquisitions of 40,000 emission rights (EUAs), to the value of 0.2 million euros, have been made.

During the year, 5.7 million euros (11.7 in 2012) corresponding to the use of tooling and technology of the Group, were capitalized under sub-section 'Payments on account and intangible assets in progress'.

The value of totally depreciated and in-use assets amounts to 959 million euros (709.8 in 2012).

At the end of the financial year, the company has firm commitments for the purchase of goods to the amount of 0.4 million euros (0.2 in 2012).

In 2013 no subventions for R&D projects were received (5.1 million euros in 2012, which have been set aside for the acquisition of R&D assets).

#### **C) TANGIBLE ASSETS**

The estimated useful lives 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 4 to 35 years.

Correction due to impairment amounts to 0.5 million euros (9.6 in 2012). Said corrections are linked to the estimate of future sales volumes of vehicles in the model range. The current value of the margin of contribution to sales during the life cycle of the models has been calculated on the basis of an annual discount rate of 6.6% in 2012 and 2013. A variation of  $\pm 10$  percentage points in the hypotheses used would not have a significant effect on the present annual accounts.

The section on land and buildings embraces the gross value of both in a single section. Of the total amount, 6% corresponds to land, and the remaining 94% to buildings, both in 2012 and in 2013.

At year's end, goods outside the operation are totally depreciated, the value of goods totally depreciated and still in use amounting to 3,102.3 million euros (2,906.5 in 2012). Of them 95.5 million euros come to buildings (92.8 in 2012).

Likewise, investment acquired from VW Group companies amounted to 29.7 million euros (74.3 in 2012).

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

MILLIONS OF EUROS	2013		2012	
	GROSS VALUE	DEPRECIATION	GROSS VALUE	DEPRECIATION
Tangible assets acquired from VW Group companies	451.4	246.7	427.4	210.6
Tangible assets used by VW Group companies	48.7	30.6	48.9	29.8
Tangible assets used by non-Group suppliers	1,333.4	1,211.2	1,262.3	1,171.0
Tangible assets placed abroad	134.7	112.2	117.9	103.7

The financial year results deriving from disposal of tangible assets totalled 0.2 million euros (0.6 in 2012).

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

At year's end the company assumed firm commitments to purchase capital goods to the value of 49.9 million euros (155.6 in 2012).

#### D) LONG-TERM GROUP COMPANIES 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 is quoted on the Stock Exchange.

## 7. LEASES AND OTHER SIMILAR OPERATIONS

### A) FINANCIAL LEASES

Details of rights over goods under the system of financial leases included in the section 'Land and Buildings' of tangible assets is as follows:

MILLIONS OF EUROS		LENGTH OF CONTRACT (YEARS)	COST	PURCHASE OPTION VALUE	QUOTAS PENDING PAYMENT 2013	QUOTAS PENDING PAYMENT 2012
Corporative building	(02.02.05)	10	21.1	0.0	6.0	8.6
Dining building	(20.09.06)	10	2.0	0.0	0.7	1.0
T-Systems building	(20.09.06)	10	3.4	0.0	1.3	1.7
SAT building	(20.09.06)	10	5.2	0.0	2.0	2.7
Peguform building	(08.03.07)	7	3.7	0.0	0.7	1.3

The current values of quotas pending payment are distributed by maturity date in the following way: 4.5 million euros in 2014 and 6.2 million euros between 2015-2018. The impact of updating said quotas amounts to 0.6 million euros.

### B) OPERATIVE LEASES

The company also has operative 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 11.4 million euros (12.4 in 2012). Rents received, mainly for buildings, fields and warehouses, amounted to 4.4 million euros (4.2 in 2012). Future amounts to be paid and received, in the event of early cancellation of contracts, are calculated not to be substantially different from those in the present 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	
	2013	2012	2013	2012	2013	2012
<b>Long-term financial assets</b>						
Loans and receivables	1,121.6	1,114.3	0.0	0.0	1.5	1.7
<i>Group companies investments (Note 6a)</i>	1,121.6	1,114.3	0.0	0.0	0.0	0.1
<i>Financial investments (Note 6a)</i>	0.0	0.0	0.0	0.0	1.5	1.6
<b>Short-term financial assets</b>						
Loans and receivables	0.0	0.0	0.0	0.0	411.5	458.3
<i>Trade receivables and others (Note 10)</i>	0.0	0.0	0.0	0.0	377.4	383.5
<i>Group companies investments (Note 11)</i>	0.0	0.0	0.0	0.0	34.1	74.8
<i>Financial investments (Note 11)</i>	0.0	0.0	0.0	0.0	0.0	0.0

MILLIONS OF EUROS	BORROWING FROM CREDIT INSTITUTIONS		BONDS AND OTHER NEGOTIABLE SECURITIES		DERIVATIVES AND OTHERS	
	2013	2012	2013	2012	2013	2012
<b>Long-term financial liabilities</b>						
Debts and other payables	0.0	0.0	0.0	0.0	85.7	90.4
<i>Group companies liabilities (Note 15)</i>	0.0	0.0	0.0	0.0	1.3	1.9
<i>Third-party liabilities (Note 15)</i>	0.0	0.0	0.0	0.0	84.4	88.5
<b>Short-term financial liabilities</b>						
Debts and other payables	0.0	0.1	0.0	0.0	2,562.2	2,755.8
<i>Group companies liabilities (Note 15)</i>	0.0	0.0	0.0	0.0	1,310.9	1,349.9
<i>Third-party liabilities (Note 15)</i>	0.0	0.1	0.0	0.0	67.1	44.7
<i>Trade payables and others (Note 16)</i>	0.0	0.0	0.0	0.0	1,184.2	1,361.2

During the financial year, SEAT did not hold any own shares, and therefore carried out no related operations; neither was this the case in 2012.

## II. PROFIT AND LOSS STATEMENT AND EQUITY

The net amount of valuation corrections due to impairment for financial interests in Group companies at the end of the financial year totalled 7.3 million euros (8.3 in 2012).

## III. OTHER INFORMATION

SEAT has formalized various commercial surety contracts jointly with the Centro Técnico de SEAT, S.A. (CTS) and SEAT Sport, S.A. to a maximum total amount of 178.6 million euros (114 in 2012), for the issue of guarantees covering the refundable advances made by the Spanish Ministry of Science and Technology to the CTS. Likewise, the company is

maintaining a line for the formalization of guarantee provision, jointly with other companies within the Group, covering the Spanish Ministry of Science and Technology for an amount of 92.4 million euros (59 in 2012), and covering third parties to an amount of 44.3 million euros (30.1 in 2012).

## **B) NATURE AND LEVEL OF RISK**

The company's activities are exposed to diverse financial risks: market risks (including exchange rates, interest rates and prices), as well as credit and liquidity risks. The company's global risk management programme centres 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*

#### Exchange rates

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

#### 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 covering operations applied at a Volkswagen Group level so as to ensure the price of certain metals such as aluminium, copper and lead.

#### Interest rates

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

### *II. CREDIT RISK*

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

### III. LIQUIDITY RISK

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

## 9. INVENTORIES

MILLIONS OF EUROS	31.12.13	31.12.12
Acquired products	68.7	82.3
Raw materials and other supplies	60.7	61.2
Work in progress and partly-finished goods	31.7	32.3
Finished goods	118.8	155.7
	<b>279.9</b>	<b>331.5</b>

At year's end the impairment of inventory amounted to 115.5 million euros (102.9 in 2012), with provision for the financial year totalling 12.6 million euros (10.8 in 2012).

The company maintains a commitment to purchase cars invoiced to rental car companies (see Note 5e) to the value of 40.1 million euros (36.3 in 2012).

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 RECEIVABLES AND OTHERS

MILLIONS OF EUROS	31.12.13	31.12.12
Trade receivables	85.8	93.7
Group companies receivables	280.8	285.7
Other receivables	9.8	3.5
Personnel	1.0	0.6
Current tax assets	17.6	21.6
Government bodies	96.8	140.3
	<b>491.8</b>	<b>545.4</b>

Impairment of the value of credits due to commercial operations totalled 2 million euros (2.4 million in 2012).



## 11. SHORT-TERM INVESTMENTS

MILLIONS OF EUROS	31.12.13	31.12.12
Group companies	34.1	74.8
<i>Loans</i>	0.6	7.0
<i>Other financial assets</i>	33.5	67.8
Third-party	0.0	0.0
<i>Loans</i>	0.0	0.0
<i>Other financial assets</i>	0.0	0.0
	<b>34.1</b>	<b>74.8</b>

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

During the fiscal year the company has maintained loans and deposits with Group companies and credit institutions at a weighted average interest rate of 0.2% (0.5% in 2012).

## 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 participation (100%) in SEAT’s share capital to the Dutch company Volkswagen International Finance N.V.

The share capital amounts to 120,200 euros which represents 20,000 shares at 6.01 euros per share, entirely subscribed and disbursed by the sole shareholder Volkswagen International Finance N.V. Legal reserves totalling 24,040 euros are totally provided for in compliance with current legislation.

## 13. SUBVENTIONS

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

MILLIONS OF EUROS	2013	2012
Initial balance	15.8	15.5
<i>Addition</i>	1.0	3.7
<i>Transferred to results</i>	(3.3)	(3.4)
End balance	<b>13.5</b>	<b>15.8</b>

The company has also received operating subventions, 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 amount of operating subventions amounts to 0.9 million euros (2.3 in 2012).

## 14. PROVISIONS AND RISKS

MILLIONS OF EUROS	BALANCE 01.01.13	ADDITION 2013	DISPOSAL 2013	BALANCE 31.12.13
Trade operations	257.1	161.5	(114.8)	303.8
Personnel benefits	35.5	58.6	(35.2)	58.9
Environmental activities	20.2	2.6	(18.6)	4.2
Other provisions	455.6	143.8	(125.0)	474.4
	<b>768.4</b>	<b>366.5</b>	<b>(293.6)</b>	<b>841.3</b>

At year's end, the provisions amounted to 841.3 million euros, of which 188.8 million euros were long-term (updated to current market rate) and 652.5 million euros were short-term.

The section 'Trade operations' 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 'Personnel costs' section covers mainly those provisions made to implement the workforce reduction plan mutually agreed on for 2014 by the company and trade unions.

The section 'Environmental activities' 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 assigned emission rights for 2013-2020 (see Note 6b). 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 section 'Other provisions' covers basically provisions for production, legal and trading risks, as well as for legal proceedings still on-going with members of the sales and marketing network. The estimated cost of these provisions has been based on the probable settlement of claims received.

Calculations of provisions have been updated to a discount rate of 3.8% in 2013 (5% in 2012).

During 2013 the Spanish National Markets and Competition Regulator (CNMC) opened investigation proceedings concerning possible anti-competition practices between companies of the sector, which are currently on-going. At the date of presentation of these annual accounts, no information that might enable an assessment of the possible outcome of these proceedings is available.

## 15. LIABILITIES

MILLIONS OF EUROS	31.12.13	31.12.12
<b>Group companies</b>	<b>1,312.2</b>	<b>1,351.8</b>
<b>Third-party</b>	<b>151.5</b>	<b>133.3</b>
Financial institutions	0.0	0.1
Financial leasing	10.1	14.2
Other financial liabilities	141.4	119.0
<i>Official loans with subventioned interest</i>	81.6	82.6
<i>Bonds and deposits received</i>	0.6	0.4
<i>Suppliers of fixed assets</i>	59.2	36.0
	<b>1,463.7</b>	<b>1,485.1</b>

At year's end liabilities amounted to 1,463.7 million euros, 1,312.2 million euros with Group companies (1.3 long-term and 1,310.9 short-term), and 151.5 million euros with third parties (84.4 long-term and 67.1 short-term).

Liabilities (mainly with Group companies and with official organizations at zero interest rate) are distributed according to maturity date as follows: 1,378 million euros in 2014, 42.9 million euros for 2015-2018 and 42.8 million euros in later financial years (1,394.7, 40.6 and 49.8 respectively in 2012).

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

Credit lines granted to the company by Group companies totalled 1,700 million euros on December 31, 2013 of which 1,022 million euros were used (1,400 and 1,069 respectively in 2012).

## 16. TRADE PAYABLES AND OTHERS

MILLIONS OF EUROS	31.12.13	31.12.12
For third-party suppliers	566.2	560.5
<i>Purchases/services rendered with confirming</i>	48.4	0.0
<i>Purchases/services rendered without confirming</i>	517.8	560.5
<b>For Group companies suppliers</b>	<b>496.3</b>	<b>536.5</b>
Other payables	79.1	218.5
Personnel (remunerations pending)	42.6	45.7
Government bodies	25.4	23.4
	<b>1,209.6</b>	<b>1,384.6</b>



The section 'Purchases/services rendered with confirming' includes the part not advanced.

Payment periods to suppliers comply with limits established by Law 15/2010 of July 5, modifying Law 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 year's end, payments made within the legally established time-frame totaled 7,156 million euros (6,839 in 2012) and the average weighted payment period to company suppliers was 37 days (43 days in 2012). There is currently no outstanding payment of major importance exceeding the legal limit.

## 17. FOREIGN CURRENCY

The net value of balances in foreign currency totalled a debit balance of 31.2 million euros on December 31, 2013 (credit balance of 12.7 million euros in 2012), held mainly in US dollar, pound sterling, Swiss franc, Japanese yen, Polish zloty, Russian rouble, Chinese yuan, as well as Czech, Danish and Swedish crowns. Of this total, 26.7 million euros correspond to favourable balances with Group companies and other suppliers, and 57.9 million euros to negative balances with Group companies and other customers (59.1 and 46.4 respectively in 2012). The amounts attributed to income and expenses during the year amount to 18.4 and 20.2 million euros, respectively (14.2 and 43.3 in 2012).

Amounts (in millions of euros) of the main transactions carried out in foreign currency are as follows:

MILLIONS OF EUROS	2013	2012
Purchases	79.0	92.1
Sales	1,347.0	1,278.9
Services received	61.5	70.4
Services rendered	3.5	3.5

## 18. TAX SITUATION

As of November 5, 2010, SEAT S.A.'s Board of Directors agreed on adhesion to the Code of Best Tax Practices.

The Code contains a raft of recommendations and commitments designed to improve application of the taxation system, increase legal certainty and reciprocal cooperation relations – on the basis of transparency and good faith – between the Spanish Taxation Authority and companies, the latter pledging themselves to apply fiscal policies which are responsible and known to the Board of Directors.

By agreeing to adhere to the Code, SEAT S.A. makes a formal public commitment to implementing a fiscal policy the principles of which form an integral part of its business culture, namely:

/ The design and implementation of operations within the legal framework of each country it operates in, with total fiscal transparency in all such operations.

/ A cautious approach in its fiscal policy, visible via its consultations with the relevant Tax Authority when in doubt as to interpretation, proceeding in compliance with prevailing administrative practice and legal requirements.

/ Constant oversight of operations and criteria applied to the same so as to avoid significant taxation risks.

Throughout fiscal year 2013, SEAT S.A. maintained a fiscal policy which followed the above-mentioned principles, as a result of which the company was fully compliant with the commitments set out in the Code of Best Tax Practices, and was not aware of any operation with fiscally relevant repercussions.

SEAT, S.A., as the parent company, has been integrated in the SEAT Group since 1988, under the consolidated tax system of corporation tax, with No. 2/88 (see Appendix 2).

In 2013, the positive tax result of the SEAT Group deriving from its consolidated corporation tax totalled 5.7 million euros, after offsetting negative tax assessment bases for previous years amounting to 13.1 million euros, and applying fiscal deductions amounting to 6 million euros.

The conciliation 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
<b>Result for year</b>	<b>0.0</b>	<b>(148.7)</b>	<b>(148.7)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Corporation tax</b>	<b>4.3</b>	<b>0.0</b>	<b>4.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Permanent differences</b>	<b>0.0</b>	<b>(84.3)</b>	<b>(84.3)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Specific to the company	0.0	0.0	0.0	0.0	0.0	0.0
From consolidation adjustment	0.0	(84.3)	(84.3)	0.0	0.0	0.0
<b>Timing differences</b>	<b>304.3</b>	<b>(172.9)</b>	<b>131.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Specific to the company	302.0	(170.1)	131.9	0.0	0.0	0.0
<i>Originating in the year</i>	266.3	(0.4)	265.9	0.0	0.0	0.0
<i>Originating in previous years</i>	35.7	(169.7)	(134.0)	0.0	0.0	0.0
From consolidation adjustment	2.3	(2.8)	(0.5)	0.0	0.0	0.0
<i>Originating in the year</i>	1.9	(2.2)	(0.3)	0.0	0.0	0.0
<i>Originating in previous years</i>	0.4	(0.6)	(0.2)	0.0	0.0	0.0
<b>Tax assessment base</b>	<b>308.6</b>	<b>(405.9)</b>	<b>(97.3)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Corporation tax comprises income of 29 million euros of current tax and 39 million euros of deferred tax.

13.1 million euros in SEAT, S.A. negative tax assessment base corresponding to previous years has been applied to the consolidated corporation tax settlement, as well as 5.8 million euros in fiscal deductions.

Additionally, adjustments from the previous year have been included, and the tax credits posted (74.2 million euros) have been retired, in line with the estimation of utilization of the same over the next few years, for which reason an expense has been accrued and posted on the profit and loss account for current corporation tax for a total of 4.3 million euros.

As a consequence of consolidated taxation, the total reciprocal debts and loans between the Group companies amount to 56.9 million euros.

At December 31, 2013, the accumulated deferred asset taxes amounted to 361.5 million euros, of which 225.1 million euros arise from timing differences; 136.4 million euros come from fiscal loans deriving from deductions and negative tax assessment bases pending application regarded as assured.

For their part, deferred taxes on liabilities amount to 12.4 million euros, of which 6.7 million euros arise from timing differences, basically due to the free tax depreciation of R&D costs activated as intangible assets, and 5.7 million euros are related to headings of equity.

Variation during the fiscal year on assets and liabilities due to deferred taxes total -54.8 and -11.6 million euros respectively. The detailed breakdown of net movement of the same is as follows:

MILLIONS OF EUROS	2013	2012
Initial Balance	392.3	370.4
<i>Deferred taxes entered directly to profit and loss statement</i>	(44.3)	22.0
<i>Deferred taxes entered directly to equity</i>	(0.4)	(1.6)
<i>Deferred taxes transferred to profit and loss statement</i>	1.5	1.5
End Balance	349.1	392.3

The capital gains generated in 2013, totalling 0.1 million euros, which might benefit from the tax deduction incentive for reinvestment of extraordinary profits, thanks to reinvestment in new assets. Tax credits were applied in previous fiscal years where reinvestment was made in the same year, namely: 11.9 million euros in 2007, 2.6 million in 2008, 1.5 million in 2011 and 0.1 million in 2012.

At December 31, 2013, 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	BALANCE 31.12.13	MATURITY DATE				
		2014	2015	2016	2017	LATER
R&D	306.3	0.0	0.0	0.0	0.0	306.3
Export companies	15.6	0.0	0.0	0.0	0.0	15.6
Environmental investment	7.3	0.0	0.0	0.0	0.0	7.3
Vocational training	1.2	0.0	0.0	0.0	0.0	1.2
Pension plans contributions	0.3	0.0	0.0	0.0	0.0	0.3

These tax credits and incentives will be applied in accordance with consolidated settlements of the Group, within the legal period established for each one. Likewise, at year's end the negative tax bases generated in the Group total 267.6 million euros (179.2 in 2009, 14.2 in 2010 and 74.2 in 2012), the cut-off period being 18 years.



The company is open to an administrative audit for non-prescribed taxes for the period 2009-2013, with the exception of corporation tax which extends to the period 2009-2012. On September 2 2013, the company received notification of the initiation of a tax inspection process related to taxes and levies of the period 2009-2011. At the date of preparation of the present annual accounts, inquiries related to the inspection process are at the information-gathering stage. Likewise, no risks having a significant impact on the present annual accounts have been identified.

## 19. INCOME AND EXPENSES

### A) DISTRIBUTION OF NET SALES

The distribution of items is as follows:

MILLIONS OF EUROS	2013	2012
Vehicles	5,815.1	5,448.1
Spare parts	477.8	474.7
Other sales	180.0	164.1
<i>Materials</i>	146.4	128.1
<i>By-products and reusable waste</i>	29.8	32.5
<i>Services</i>	3.8	3.5
	<b>6,472.9</b>	<b>6,086.9</b>

The geographical distribution of markets is as follows:

MILLIONS OF EUROS	2013	2012
Spain	1,080.8	1,006.4
Rest of European Union	4,620.2	4,287.9
Rest of world	771.9	792.6
	<b>6,472.9</b>	<b>6,086.9</b>

### B) CHANGE IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS

MILLIONS OF EUROS	2013	2012
Decrease/increase of inventory	(25.3)	(29.8)
<i>Work in progress</i>	5.2	(25.5)
<i>Partly-finished goods</i>	0.3	(4.7)
<i>Finished goods</i>	(30.8)	0.4
Impairment of inventory	(12.2)	(9.1)
	<b>(37.5)</b>	<b>(38.9)</b>

**C) SUPPLIES**

MILLIONS OF EUROS	2013	2012
Acquired products	1,040.8	845.2
<i>Purchases</i>	1,027.9	859.9
<i>Decrease/increase of inventory</i>	12.9	(14.7)
Raw materials and other supplies	4,009.0	3,867.4
<i>Purchases</i>	4,008.3	3,860.2
<i>Decrease/increase of inventory</i>	0.7	7.2
Other external expenses	8.0	13.7
Impairment of acquired products, raw materials and others	0.5	1.8
	<b>5,058.3</b>	<b>4,728.1</b>

**D) OTHER OPERATING INCOME**

MILLIONS OF EUROS	2013	2012
Sundry income	446.6	409.2
Operating subventions (see Note 13)	0.9	2.3
Discounted provisions	6.8	1.4
Other income	0.1	0.0
	<b>454.4</b>	<b>412.9</b>

The 'Sundry income' section includes income from the rendering of services to Group companies and personnel, and other income.

**E) PERSONNEL COSTS**

MILLIONS OF EUROS	2013	2012
Wages, salaries and similar concepts	453.7	443.0
Social costs	133.6	128.2
<i>Social security</i>	125.9	118.8
<i>Others</i>	7.7	9.4
Provisions	(0.3)	(5.0)
	<b>587.0</b>	<b>566.2</b>

## F) OTHER OPERATING EXPENSES

MILLIONS OF EUROS	2013	2012
External services	1,124.8	1,193.8
Taxes	9.1	7.4
Losses, impairment and variation in provisions due to trade operations	64.8	111.0
Greenhouse gas emission rights	0.0	0.2
Other expenses	30.2	0.0
	<b>1,228.9</b>	<b>1,312.4</b>

## G) FINANCIAL INCOME

MILLIONS OF EUROS	2013	2012
For participations	84.3	95.2
<i>Group companies</i>	84.3	95.2
<i>Third-party</i>	0.0	0.0
For other investments and financial instruments	1.2	1.5
<i>Group companies</i>	0.0	0.8
<i>Third-party</i>	1.2	0.7
	<b>85.5</b>	<b>96.7</b>

## H) FINANCIAL EXPENSES

MILLIONS OF EUROS	2013	2012
For Group companies debts	7.5	12.2
For third-party debts	4.0	3.2
Discounted provisions and debts	7.2	5.6
	<b>18.7</b>	<b>21.0</b>

## I) IMPAIRMENT AND RESULT ON DISPOSAL OF FINANCIAL INSTRUMENTS

This heading contains principally those impairments and reversions of participations in Group companies.

## 20. ENVIRONMENT

### A) ENVIRONMENT-RELATED ASSETS

Under the section 'Tangible assets', 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 124.2 million euros, and accumulated depreciation stands at 99.2 million euros (119.7 and 95.6 respectively in 2012).

In the wide-ranging investment programme implemented in 2013, a capitalised amount of 4.9 million euros, plus another totalling 0.8 million euros (6.1 and 0.9 respectively in 2012) 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.

In 2013, as a result of the increase in the price of steel and other raw materials, there has been an increase in the benefit of scrapping cars, for which reason both SEAT and the rest of the Volkswagen Group have significantly reduced the provision maintained for this item.

### 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	2013	2012
Control and monitoring of air pollution	0.4	0.3
Waste water treatment and management	2.3	2.5
Industrial waste treatment and management	5.6	6.6
Energy savings	0.3	0.2
Visual impact improvement	0.2	0.1
Communication management	0.1	0.0
Environmental process management	0.2	0.3
End-of-life vehicles management	0.2	0.2
Miscellaneous	0.0	0.1
	<b>9.3</b>	<b>10.3</b>

Expenses accounted for the financial year, regarding amortization of environment-related assets amount to 4 million euros (5.1 in 2012).

The overall estimated staff costs of SEAT employees devoted to total or partial implementation of environmental protection-related activities amount to 1.3 million euros (1.4 in 2012).

### D) ENVIRONMENT-RELATED INCOME

Income deriving from the sale of by-products and reusable waste totalled 29.8 million euros (32.5 in 2012).

## 21. WITHIN-GROUP OPERATIONS

### A) GROUP COMPANIES

The following transactions were carried out with Volkswagen Group companies. In addition to the companies included in the 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 Finance Belgium 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	2013	2012
Purchases	1,993.6	1,746.8
<i>Materials</i>	1,072.0	1,007.3
<i>Spare parts</i>	171.9	189.4
<i>Vehicles</i>	749.7	550.1
Net sales	4,567.9	4,251.7
Services received	474.7	525.6
Services rendered	340.0	296.0
Accrued financial income	0.0	0.8
Dividends received	84.3	95.2
Accrued financial expenses	7.5	12.2

The breakdown of the total amount of the main transactions carried out in foreign currencies is as follows:

MILLIONS OF EUROS	2013	2012
Purchases	37.0	57.0
Net sales	888.6	825.5
Services received	43.8	63.2
Services rendered	2.7	2.8

Purchases refer mainly to the acquisition of vehicles, parts, accessories and machinery. Sales corresponded mainly to vehicles produced in Spain for export markets. Services received comprise R&D, transport of sales, maintenance of equipment, logistics, marketing, consulting services and training. Services rendered refer mainly to transport, warranties, advertising, technical assistance, training, vehicle rental and leasing of buildings. Financial income and expenses stem from loans and current account operations between Group companies.

The margin generated by sales operations with Group companies is broken down by business lines as follows: 27.5% in materials, 27.4% in spare parts, and 9.8% in vehicles (27.7%; 24.5%; and 10.1%, respectively in 2012). 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.

On December 31, 2013 SEAT, S.A. (Unipersonal Company) and Volkswagen International Finance N.V., sole shareholder of the company (see Note 12), have no agreements in force.

## B) BOARD OF DIRECTORS

The total amount of remuneration received under all headings by members of the Board of Directors and by Senior Directors in the exercise of their functions during 2013 stood at 10.3 million euros (8.4 in 2012).

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 2013 and 2012 financial years.

Members of the Board of Directors make no declaration of interest concerning Article 229 of the new Capital Company Law, 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.

Members of SEAT, S.A.'s Board of Directors also holding posts or responsibilities such as members of Boards of Directors or Management in other Volkswagen Group companies, concerning activities similar, analogous or complementary to the stated business aims of SEAT are listed hereafter:

POST	
<b>Dr. Francisco Javier García Sanz</b>	
Volkswagen AG	Member of the Board of Management
AUDI AG	Member of the Supervisory Board
FAW-Volkswagen Automotive Company, Ltd.	Member of the Board of Directors
Scania AB, Södertälje	Member of the Board of Directors
Scania CV AB, Stockholm	Member of the Board of Directors
Shanghai-Volkswagen Automotive Company, Ltd.	Member of the Board of Directors
Volkswagen (China) Investment Company, Ltd.	Member of the Board of Directors
Volkswagen Group of America, Inc.	Member of the Board of Directors
Porsche AG	Member of the Supervisory Board
Porsche Holding Stuttgart GmbH	Member of the Supervisory Board
<b>Martin Mahlke</b>	
Groupe Volkswagen France GmbH	Member of the Board of Management
<b>James Muir</b>	
Volkswagen Group Italia, s.p.a.	Member of the Board of Directors
<b>Matthias Müller</b>	
Porsche AG	Chairman of the Board of Management
Porsche Automobil Holding SE	Member of the Board of Management
<b>Jürgen Stackmann</b>	
SEAT Deutschland GmbH	Chairman of the Board of Directors



## 22. OTHER INFORMATION

### A) WORKFORCE

The breakdown of the total average basic workforce by functions of SEAT, S.A. is as follows:

	2013	2012
Productive wage earners	7,176	7,220
Time-rate wage earners	959	998
Managers, technicians, administrative and support staff	3,348	3,214
Members of the Executive Committee	8	8
	<b>11,491</b>	<b>11,440</b>

The breakdown of SEAT, S.A.'s basic workforce at December 31 is as follows:

	2013			2012		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Productive wage earners	5,582	1,564	7,146	5,623	1,578	7,201
Time-rate wage earners	912	30	942	937	34	971
Managers, technicians, administrative and support staff	2,508	854	3,362	2,442	843	3,285
Members of the Executive Committee	8	0	8	8	0	8
	<b>9,010</b>	<b>2,448</b>	<b>11,458</b>	<b>9,010</b>	<b>2,455</b>	<b>11,465</b>

SEAT, S.A.'s Board of Directors comprises 5 members (male).

### B) AUDITORS

The fees accrued by PricewaterhouseCoopers Auditores, S.L. for audit services were 0.4 million euros (0.4 in 2012). Likewise, the fees received for other services provided by the auditor and other companies which use the PricewaterhouseCoopers brand totalled 0 and 0.3 million euros, respectively (0.1 and 0.6 in 2012).

## 23. EVENTS AFTER CLOSURE OF FINANCIAL YEAR

On February 14 2014, the respective Boards of Directors of SEAT, S.A. and Gearbox del Prat, S.A. have approved the merger-by-absorption project of Gearbox del Prat, S.A. as absorbed company and SEAT, S.A. as absorbing company. At a later date, the Shareholders' Meeting will approve the merger-by-absorption, to be implemented on April 1 2014, with retroactive effect to January 1.



## 4.7 APPENDIX 1. EVOLUTION OF NON-CURRENT ASSETS

2012 MILLIONS OF EUROS	COST OF ACQUISITION OR MANUFACTURE					END BALANCE 31.12.12
	INITIAL BALANCE 01.01.12	ADDITIONS	DISPOSALS	TRANSFERS	IMPAIRMENT	
<b>Intangible assets</b>	<b>1,530.9</b>	<b>257.5</b>	<b>(104.6)</b>	<b>0.0</b>	<b>0.0</b>	<b>1,683.8</b>
Research and Development	994.5	103.3	(103.7)	193.4	0.0	1,187.5
Software	48.4	1.1	(0.7)	0.0	0.0	48.8
Greenhouse gas emission rights	0.2	0.3	(0.2)	0.0	0.0	0.3
Other intangible assets	168.4	47.3	0.0	30.6	0.0	246.3
Payments on account and intangible assets in progress	319.4	105.5	0.0	(224.0)	0.0	200.9
<b>Tangible assets</b>	<b>4,408.9</b>	<b>296.2</b>	<b>(12.5)</b>	<b>0.0</b>	<b>0.0</b>	<b>4,692.6</b>
Land and buildings	697.0	4.1	(0.5)	0.0	0.0	700.6
Technical equipment and machinery	1,633.4	91.2	(6.7)	72.2	0.0	1,790.1
Other facilities, tools and office equipment	1,940.1	135.7	(5.0)	23.9	0.0	2,094.7
Other tangible assets	24.6	0.5	(0.3)	0.0	0.0	24.8
Payments on account and tangible assets in progress	113.8	64.7	0.0	(96.1)	0.0	82.4
<b>Long-term Group companies investments</b>	<b>1,123.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1,123.0</b>
Participations in Group companies	1,122.9	0.0	0.0	0.0	0.0	1,122.9
Loans to Group companies	0.1	0.0	0.0	0.0	0.0	0.1
Other financial assets	0.0	0.0	0.0	0.0	0.0	0.0
<b>Long-term financial investments</b>	<b>1.8</b>	<b>0.3</b>	<b>(0.2)</b>	<b>(0.3)</b>	<b>0.0</b>	<b>1.6</b>
Other participations	0.1	0.0	(0.1)	0.0	0.0	0.0
Other loans	1.2	0.3	(0.1)	(0.3)	0.0	1.1
Other financial assets	0.5	0.0	0.0	0.0	0.0	0.5
<b>Deferred tax assets</b>	<b>400.6</b>	<b>15.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>416.3</b>
<b>Total</b>	<b>7,465.2</b>	<b>569.7</b>	<b>(117.3)</b>	<b>(0.3)</b>	<b>0.0</b>	<b>7,917.3</b>



DEPRECIATION / IMPAIRMENT						NET BOOK VALUE	
INITIAL BALANCE 01.01.12	ADDITIONS	DISPOSALS	TRANSFERS	IMPAIRMENT	END BALANCE 31.12.12	INITIAL BALANCE 01.01.12	END BALANCE 31.12.12
<b>954.6</b>	<b>91.5</b>	<b>(103.3)</b>	<b>0.0</b>	<b>1.5</b>	<b>944.3</b>	<b>576.3</b>	<b>739.5</b>
770.4	74.5	(102.8)	0.0	1.5	743.6	224.1	443.9
44.8	2.0	(0.5)	0.0	0.0	46.3	3.6	2.5
0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.3
139.4	15.0	0.0	0.0	0.0	154.4	29.0	91.9
0.0	0.0	0.0	0.0	0.0	0.0	319.4	200.9
<b>3,399.4</b>	<b>177.4</b>	<b>(12.0)</b>	<b>0.0</b>	<b>9.6</b>	<b>3,574.4</b>	<b>1,009.5</b>	<b>1,118.2</b>
286.3	15.6	(0.6)	0.0	0.2	301.5	410.7	399.1
1,300.8	81.3	(6.7)	0.0	5.6	1,381.0	332.6	409.1
1,790.9	79.6	(4.4)	0.0	3.8	1,869.9	149.2	224.8
21.4	0.9	(0.3)	0.0	0.0	22.0	3.2	2.8
0.0	0.0	0.0	0.0	0.0	0.0	113.8	82.4
<b>16.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(8.3)</b>	<b>8.6</b>	<b>1,106.1</b>	<b>1,114.4</b>
16.9	0.0	0.0	0.0	(8.3)	8.6	1,106.0	1,114.3
0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>0.1</b>	<b>0.0</b>	<b>(0.1)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1.7</b>	<b>1.6</b>
0.1	0.0	(0.1)	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	1.2	1.1
0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5
<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>400.6</b>	<b>416.3</b>
<b>4,371.0</b>	<b>268.9</b>	<b>(115.4)</b>	<b>0.0</b>	<b>2.8</b>	<b>4,527.3</b>	<b>3,094.2</b>	<b>3,390.0</b>

**COST OF ACQUISITION OR MANUFACTURE**
**2013**

MILLIONS OF EUROS

	INITIAL BALANCE 01.01.13	ADDITIONS	DISPOSALS	TRANSFERS	IMPAIRMENT	END BALANCE 31.12.13
<b>Intangible assets</b>	<b>1,683.8</b>	<b>123.8</b>	<b>(0.2)</b>	<b>0.0</b>	<b>0.0</b>	<b>1,807.4</b>
Research and Development	1,187.5	63.9	0.0	167.7	0.0	1,419.1
Software	48.8	1.0	(0.1)	0.0	0.0	49.7
Greenhouse gas emission rights	0.3	0.2	0.0	0.0	0.0	0.5
Other intangible assets	246.3	(4.2)	(0.1)	25.3	0.0	267.3
Payments on account and intangible assets in progress	200.9	62.9	0.0	(193.0)	0.0	70.8
<b>Tangible assets</b>	<b>4,692.6</b>	<b>213.0</b>	<b>(26.3)</b>	<b>0.0</b>	<b>0.0</b>	<b>4,879.3</b>
Land and buildings	700.6	5.2	0.0	0.1	0.0	705.9
Technical equipment and machinery	1,790.1	72.9	(14.2)	47.2	0.0	1,896.0
Other facilities, tools and office equipment	2,094.7	124.6	(11.5)	33.7	0.0	2,241.5
Other tangible assets	24.8	0.3	(0.6)	0.0	0.0	24.5
Payments on account and tangible assets in progress	82.4	10.0	0.0	(81.0)	0.0	11.4
<b>Long-term Group companies investments</b>	<b>1,123.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.1)</b>	<b>0.0</b>	<b>1,122.9</b>
Participations in Group companies	1,122.9	0.0	0.0	0.0	0.0	1,122.9
Loans to Group companies	0.1	0.0	0.0	(0.1)	0.0	0.0
Other financial assets	0.0	0.0	0.0	0.0	0.0	0.0
<b>Long-term financial investments</b>	<b>1.6</b>	<b>0.3</b>	<b>(0.1)</b>	<b>(0.3)</b>	<b>0.0</b>	<b>1.5</b>
Other participations	0.0	0.0	0.0	0.0	0.0	0.0
Other loans	1.1	0.3	(0.1)	(0.3)	0.0	1.0
Other financial assets	0.5	0.0	0.0	0.0	0.0	0.5
<b>Deferred tax assets</b>	<b>416.3</b>	<b>0.0</b>	<b>(54.8)</b>	<b>0.0</b>	<b>0.0</b>	<b>361.5</b>
<b>Total</b>	<b>7,917.3</b>	<b>337.1</b>	<b>(81.4)</b>	<b>(0.4)</b>	<b>0.0</b>	<b>8,172.6</b>

DEPRECIATION / IMPAIRMENT						NET BOOK VALUE	
INITIAL BALANCE 01.01.13	ADDITIONS	DISPOSALS	TRANSFERS	IMPAIRMENT	END BALANCE 31.12.13	INITIAL BALANCE 01.01.13	END BALANCE 31.12.13
<b>944.3</b>	<b>134.2</b>	<b>(0.1)</b>	<b>0.0</b>	<b>90.0</b>	<b>1,168.4</b>	<b>739.5</b>	<b>639.0</b>
743.6	115.9	0.0	0.0	64.9	924.4	443.9	494.7
46.3	2.0	(0.1)	0.0	0.0	48.2	2.5	1.5
0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.5
154.4	16.3	0.0	0.0	25.1	195.8	91.9	71.5
0.0	0.0	0.0	0.0	0.0	0.0	200.9	70.8
<b>3,574.4</b>	<b>202.3</b>	<b>(26.0)</b>	<b>0.0</b>	<b>0.5</b>	<b>3,751.2</b>	<b>1,118.2</b>	<b>1,128.1</b>
301.5	15.5	0.0	0.0	0.0	317.0	399.1	388.9
1,381.0	94.3	(14.2)	0.0	0.2	1,461.3	409.1	434.7
1,869.9	91.7	(11.2)	0.0	0.3	1,950.7	224.8	290.8
22.0	0.8	(0.6)	0.0	0.0	22.2	2.8	2.3
0.0	0.0	0.0	0.0	0.0	0.0	82.4	11.4
<b>8.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(7.3)</b>	<b>1.3</b>	<b>1,114.4</b>	<b>1,121.6</b>
8.6	0.0	0.0	0.0	(7.3)	1.3	1,114.3	1,121.6
0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1.6</b>	<b>1.5</b>
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	1.0
0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5
<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>416.3</b>	<b>361.5</b>
<b>4,527.3</b>	<b>336.5</b>	<b>(26.1)</b>	<b>0.0</b>	<b>83.2</b>	<b>4,920.9</b>	<b>3,390.0</b>	<b>3,251.7</b>



## 4.8 APPENDIX 2. SUBSIDIARY COMPANIES

2012 MILLIONS OF EUROS	LOCATION	HOLDING	
		DIR.	IND.
<b>Production</b>			
Gearbox del Prat, S.A. (*)	Prat de Ll. (Barcelona)	100	
SEAT Sport, S.A. (*)	Martorell (Barcelona)	100	
Volkswagen Navarra, S.A. (*)	Arazuri (Navarre)	100	
Volkswagen Argentina, S.A. (**)	Buenos Aires (Argentina)	100	
<b>Distribution and Marketing SEAT</b>			
SEAT Center Arrábida Automovéis, LDA	Setúbal (Portugal)	2	98
SEAT Deutschland GmbH	Mörfelden-Walldorf (Germany)	100	
SEAT Deutschland Niederlassung GmbH	Frankfurt (Germany)		100
SEAT Motor España, S.A. (*) (***)	Barcelona		100
SEAT Saint-Martin SAS	Paris (France)	100	
<b>Distribution and Marketing VW/ Audi/Skoda</b>			
Volkswagen-Audi España, S.A. (*)	Prat de Ll. (Barcelona)	100	
Volkswagen Group Retail Spain, S.L. (*) (****)	Prat de Ll. (Barcelona)		100
Astur Wagen, S.A. (*)	Gijón (Asturias)		100
Audi Retail Barcelona, S.A. (*) (****)	Barcelona		100
Volkswagen Madrid, S.A. (*) (****)	Madrid		100
Volkswagen Barcelona, S.A. (*) (****)	Barcelona		100
Leioa Wagen, S.A.	Leioa (Vizcaya)		100
Levante Wagen, S.A. (*)	Valencia		100
Málaga Wagen, S.A. (*)	Málaga		100
Sevilla Wagen, S.A. (*)	Sevilla		100
Valladolid Wagen, S.A. (*)	Valladolid		100
Audi Retail Madrid, S.A. (*) (****)	Madrid		100
<b>Services</b>			
Centro Técnico de SEAT, S.A. (*)	Martorell (Barcelona)	96	
Volkswagen Finance, S.A. (*)	Alcobendas (Madrid)	100	
Volkswagen Renting, S.A. (*) (****)	Alcobendas (Madrid)		100
Volkswagen Insurance Services Correduría de Seguros, S.L. (****)	Prat de Ll. (Barcelona)		100
SEAT Portugal, Unipessoal, LDA	Lisbon (Portugal)	100	
Volkswagen Compañía Financiera, S.A.	Buenos Aires (Argentina)		100
Volkswagen S.A. De Ahorro Para Fines Determinados	Buenos Aires (Argentina)		100

(\*) Companies subject to corporation tax under the consolidated tax regime.

(\*\*) For valuation purposes, the figures are considered according to Group rules.

(\*\*\*) See Note 5n.

(\*\*\*\*) In 2012 the companies changed their business name.

(\*\*\*\*\*) In 2012 the company was acquired by Volkswagen Finance, S.A. from Volkswagen Vericherungsvermittlung GmbH.

GROSS VALUE 31.12.12	DEPRECIATION 31.12.12	BOOK VALUE 31.12.12	EQUITY 31.12.12	PROFIT/LOSS FOR YEAR 2012	DIVIDEND RECEIVED 2012
58.9	0.0	58.9	151.4	15.3	
0.1	0.0	0.1	0.5	(1.2)	
654.4	0.0	654.4	655.3	44.2	52.2
104.6	0.0	104.6	175.9	38.5	
0.0	0.0	0.0	0.6	(1.2)	
51.1	(7.3)	43.8	43.8	8.7	
			0.2	0.0	
			0.4	(3.7)	
1.0	(1.0)	0.0	0.1	(0.1)	
16.0	0.0	16.0	144.5	13.1	43.0
			30.2	1.5	
			2.0	(0.9)	
			1.2	(0.7)	
			2.5	(0.8)	
			1.3	(0.5)	
			3.5	0.2	
			4.5	0.8	
			1.2	(0.1)	
			5.8	(0.1)	
			1.7	0.5	
			1.1	(1.1)	
99.6	0.0	99.6	131.4	0.3	
136.6	0.0	136.6	360.8	15.4	
			5.2	(3.2)	
			3.2	2.8	
0.6	(0.3)	0.3	0.3	(1.1)	
			9.2	2.1	
			6.5	3.7	

**2013**  
MILLIONS OF EUROS

**HOLDING**

	LOCATION	HOLDING	
		DIR.	IND.
<b>Production</b>			
Gearbox del Prat, S.A. (*)	Prat de Ll. (Barcelona)	100	
SEAT Sport, S.A. (*)	Martorell (Barcelona)	100	
Volkswagen Navarra, S.A. (*)	Arazuri (Navarre)	100	
Volkswagen Argentina, S.A. (**)	Buenos Aires (Argentina)	100	
<b>Distribution and Marketing SEAT</b>			
SEAT Center Arrábida Automovéis, LDA	Setúbal (Portugal)	2	98
SEAT Deutschland GmbH	Mörfelden-Walldorf (Germany)	100	
SEAT Deutschland Niederlassung GmbH	Frankfurt (Germany)		100
SEAT Motor España, S.A. (*) (***) (****)	Barcelona		100
SEAT Saint-Martin SAS	Paris (France)	100	
<b>Distribution and Marketing VW/Audi/Skoda</b>			
Volkswagen-Audi España, S.A. (*)	Prat de Ll. (Barcelona)	100	
Volkswagen Group Retail Spain, S.L. (*)	Prat de Ll. (Barcelona)		100
Astur Wagen, S.A. (*)	Gijón (Asturias)		100
Audi Retail Barcelona, S.A. (*)	Barcelona		100
Volkswagen Madrid, S.A. (*)	Madrid		100
Volkswagen Barcelona, S.A. (*)	Barcelona		100
Leioa Wagen, S.A.	Leioa (Vizcaya)		100
Levante Wagen, S.A. (*)	Valencia		100
Málaga Wagen, S.A. (*)	Málaga		100
Sevilla Wagen, S.A. (*)	Sevilla		100
Valladolid Wagen, S.A. (*)	Valladolid		100
Audi Retail Madrid, S.A. (*)	Madrid		100
<b>Services</b>			
Centro Técnico de SEAT, S.A. (*)	Martorell (Barcelona)	96	
Volkswagen Finance, S.A. (*)	Alcobendas (Madrid)	100	
Volkswagen Renting, S.A. (*)	Alcobendas (Madrid)		100
Volkswagen Insurance Services Correduría de Seguros, S.L. (*)	Prat de Ll. (Barcelona)		100
SEAT Portugal, Unipessoal, LDA	Lisbon (Portugal)	100	
Volkswagen Compañía Financiera, S.A.	Buenos Aires (Argentina)		100
Volkswagen S.A. De Ahorro Para Fines Determinados	Buenos Aires (Argentina)		100

(\*) Companies subject to corporation tax under the consolidated tax regime.

(\*\*) For valuation purposes, the figures are considered according to Group rules.

(\*\*\*) See Note 5n.

(\*\*\*\*) SEAT Motor España, S.A. has available an equity loan amounting to 2.6 million euros.



	GROSS VALUE 31.12.13	DEPRECIATION 31.12.13	BOOK VALUE 31.12.13	EQUITY 31.12.13	PROFIT/LOSS FOR YEAR 2013	DIVIDEND RECEIVED 2013
	58.9	0.0	58.9	168.2	17.7	
	0.1	0.0	0.1	0.6	0.0	
	654.4	0.0	654.4	662.4	50.2	39.8
	104.6	0.0	104.6	193.5	25.2	
	0.0	0.0	0.0	0.4	(0.2)	
	51.1	0.0	51.1	52.3	8.5	
				0.2	0.0	
				(2.5)	(3.9)	
	1.0	(1.0)	0.0	0.3	0.3	
	16.0	0.0	16.0	115.6	15.5	44.5
				27.5	(1.3)	
				2.1	0.1	
				0.7	(0.5)	
				2.4	(0.1)	
				0.6	(0.6)	
				2.8	(0.5)	
				4.5	0.7	
				0.9	(0.3)	
				5.2	(0.6)	
				1.4	0.3	
				1.4	0.2	
	99.6	0.0	99.6	131.1	(0.3)	
	136.6	0.0	136.6	394.2	33.4	
				14.8	4.7	
				2.4	2.0	
	0.6	(0.3)	0.3	0.2	0.0	
				6.9	1.3	
				29.3	24.3	

## SEAT, S.A. KEY FIGURES (2009/2013)

	2009	2010	2011	2012	2013
<b>Retail sales (units)</b>	336,683	339,501	350,009	321,002	355,004
<b>Wholesales of new vehicles (units)</b>	303,230	339,315	358,970	415,083	447,327
<b>Wholesales of used vehicles (units)</b>	8,356	6,838	8,062	10,633	12,677
<b>Production in Martorell plant (units)</b>	301,287	335,057	353,420	377,343	390,048
<b>Production of SEAT brand in Group plants (units)</b>	6,215	10,050	19,129	50,802	67,250
<b>Basic workforce at 31.12</b>	10,369	10,354	11,394	11,465	11,458
Martorell (includes Spare Parts Centre)	9,126	9,101	10,129	10,257	10,233
Zona Franca	1,222	1,220	1,223	1,164	1,180
Other centres	21	33	42	44	45
<b>Partial retirement workforce at 31.12</b>	1,097	372	5	134	133
<b>Apprentices with labour contract at 31.12</b>	0	0	0	111	166
<b>Net sales (millions of euros)</b>	4,101.3	4,662.8	5,049.1	6,086.9	6,472.9
Spain	1,393.0	1,595.1	1,261.4	1,006.4	1,080.8
<i>Vehicles</i>	911.5	1,114.7	787.3	578.4	646.5
<i>Spare parts</i>	344.3	338.4	319.2	292.2	281.8
<i>Other sales</i>	137.2	142.0	154.9	135.8	152.5
Export	2,708.3	3,067.7	3,787.7	5,080.5	5,392.1
<i>Vehicles</i>	2,491.3	2,851.4	3,575.2	4,869.7	5,168.6
<i>Spare parts</i>	179.2	188.4	184.1	182.5	196.0
<i>Other sales</i>	37.8	27.9	28.4	28.3	27.5
<b>Shareholders' equity (millions of euros)</b>	821.7	717.8	656.3	626.7	478.0
<b>Result before tax (millions of euros)</b>	(299.5)	(269.7)	(154.2)	(79.4)	(144.4)
<b>After-tax result (millions of euros)</b>	(186.5)	(103.9)	(61.5)	(29.6)	(148.7)
<b>Depreciation (millions of euros)</b>	339.2	307.7	301.2	268.9	336.5
<b>Investments (millions of euros)</b>	397.4	383.7	417.1	554.0	337.1

# CONSUMPTION AND EMISSION FIGURES

Consumption (mveg) l/100 km - CO<sub>2</sub> (g/km) emissions

Model (*) (**)	Power		Gearbox		Consumption (mveg) l/100 km			CO <sub>2</sub> emissions Average (g/km)
	KW	HP	Man.	Aut.	Town	Out of Town	Average	
<b>Mii</b>								
1.0 MPI 12V	44	60	x		5.6	3.9	4.5	105
1.0 MPI 12V	55	75	x		5.9	4.0	4.7	108
1.0 MPI 12V Automatic	44	60		x	5.3	3.9	4.4	103
1.0 MPI 12V Automatic	55	75		x	5.5	4.0	4.5	105
1.0 MPI 12V Start/Stop Ecomotive	44	60	x		5.0	3.6	4.1	95
1.0 MPI 12V Start/Stop Ecomotive	55	75	x		5.1	3.7	4.2	98
1.0 MPI 12V Ecofuel Ecomotive (***)	50	68	x		5.5 / 3.6	3.8 / 2.5	4.4 / 2.9	79
<b>Ibiza/SC/ST</b>								
1.2 MPI 12V	44	60	x		7.1 / 7.3	4.4 / 4.5	5.4 / 5.5	125 / 128
1.2 MPI 12V	51	70	x		7.1 / 7.4	4.4 / 4.5	5.4 / 5.6	125 / 133
1.4 MPI 16V	63	85	x		8.0	4.7	5.9	139
1.6 MPI BiFuel (****)	60	81	x		8.0 / 10.2	4.7 / 5.8	5.9 / 7.4	137 / 120
1.6 MPI	77	105	x		8.4	5.0	6.3	149
1.6 MPI Automatic	77	105		x	7.7	4.8	5.8	139
1.2 TSI	63	85	x		6.5	4.4	5.1	119
1.2 TSI	77	105	x		6.5	4.4	5.1	119
1.2 TSI DSG	77	105		x	7.0	4.4	5.3	124
1.2 TSI Start/Stop	77	105	x		5.9	4.3	4.9	113
1.4 TSI Start/Stop FR	77	105	x		6.0	4.4	5.0	115
1.4 TSI ACT Start/Stop FR	103	140	x		5.9	4.0	4.7	109
1.4 TSI DSG FR	110	150		x	7.5	5.1	5.9	139
1.4 TSI DSG Cupra	132	180		x	7.5	5.1	5.9	139
1.2 TDI CR	55	75	x		4.6 / 4.8	3.3 / 3.4	3.8 / 3.9	99 / 102
1.2 TDI CR Start/Stop Ecomotive	55	75	x		4.1 / 4.2	3.0 / 3.1	3.4 / 3.5	88 / 92
1.6 TDI CR	66	90	x		5.1	3.6	4.2	109
1.6 TDI CR DSG	66	90		x	5.2	3.7	4.3	112
1.6 TDI CR	77	105	x		5.1 / 6.0	3.6 / 3.9	4.2 / 4.7	109 / 124
2.0 TDI CR	105	143	x		5.9 / 6.0	3.9 / 4.0	4.6 / 4.7	119 / 123
<b>Toledo</b>								
1.2 MPI	55	75	x		8.1	4.6	5.9	137
1.6 MPI	77	105	x		8.9	4.9	6.4	152
1.6 MPI Automatic	77	105		x	10.2	6.0	7.5	180
1.2 TSI	63	85	x		6.5	4.4	5.1	119
1.2 TSI Start/Stop Ecomotive	63	85	x		5.9	4.3	4.9	114
1.2 TSI	77	105	x		6.9	4.6	5.4	125
1.2 TSI Start/Stop	77	105	x		6.3 / 6.4	4.2 / 4.3	5.0 / 5.1	116 / 118
1.4 TSI DSG	90	122		x	7.4	4.8	5.8	134
1.6 TDI CR	66	90	x		5.6	3.7	4.4	114
1.6 TDI CR DSG	66	90		x	5.6	3.9	4.5	118
1.6 TDI CR	77	105	x		5.6 / 6.0	3.7	4.4 / 4.6	114 / 120
1.6 TDI CR Start/Stop Ecomotive	77	105	x		4.8 / 4.9	3.4 / 3.5	3.9 / 4.0	104 / 106
1.6 TDI CR Ecomotive	77	105	x		4.5	3.4	3.8	99



Model (*) (**)	Power		Gearbox		Consumption (mveg) l/100 km			CO <sub>2</sub> emissions Average (g/km)
	KW	HP	Man.	Aut.	Town	Out of Town	Average	
<b>Altea/XL/Freetrack</b>								
1.2 TSI Ecomotive	77	105	x		6.9	5.1	5.7	132
1.4 TSI	92	125	x		8.2 / 8.4	5.5 / 5.7	6.5 / 6.7	152 / 155
1.6 BiFuel (****)	75 / 72	102/98	x		10.0 / 13.1	6.1 / 7.8	7.5 / 9.8	174 / 159
2.0 TSI DSG	155	210		x	10.4 / 11.0	6.6 / 7.0	8.0 / 8.4	186 / 197
1.6 TDI CR DSG	77	105		x	5.8	4.4	4.9	129
1.6 TDI CR Start/Stop	77	105	x		5.2	4.1	4.5	119
1.6 TDI CR Start/Stop Ecomotive	77	105	x		5.1	3.7	4.2	111
2.0 TDI CR 16V	103	140	x		6.2 / 7.4	4.2 / 5.1	4.9 / 5.9	129 / 155
<b>Leon</b>								
1.2 TSI	63	86	x		6.5	4.4	5.2	119
1.2 TSI	77	105	x		6.5	4.4	5.2	119
1.2 TSI Start/Stop	77	105	x		5.9	4.3	4.9	114
1.2 TSI DSG Start/Stop	77	105		x	5.6 / 5.8	4.4 / 4.5	4.8 / 5.0	112 / 115
1.4 TSI Start/Stop	90	122	x		6.5 / 6.6	4.4 / 4.6	5.2 / 5.3	120 / 123
1.4 TSI Start/Stop	103	140	x		6.4 / 6.6	4.5	5.2 / 5.3	119 / 121
1.8 TSI Start/Stop	132	180	x		7.5	4.9	5.9	137
1.8 TSI DSG Start/Stop	132	180		x	7.1	4.8	5.7	132
2.0 TSI DSG Start/Stop	206	280		x	8.5	5.7	6.7	155
1.6 TDI CR	66	90	x		5.2	3.5	4.1	108
1.6 TDI CR	77	105	x		5.2	3.5	4.1	108
1.6 TDI CR Start/Stop	77	105	x		4.6	3.3	3.8	99
1.6 TDI CR DSG Start/Stop	77	105		x	4.6	3.5	3.9	102
1.6 TDI CR Start/Stop Ecomotive	81	110	x		3.8 / 3.9	3.0 / 3.1	3.2 / 3.3	85 / 87
2.0 TDI CR	110	150	x		5.4	4.0	4.4	116
2.0 TDI CR Start/Stop	110	150	x		5.0	3.6	4.1	106
2.0 TDI CR DSG Start/Stop	110	150		x	5.2 / 5.4	4.0 / 4.1	4.4 / 4.5	117 / 119
2.0 TDI CR Start/Stop	135	184	x		5.2 / 5.4	3.7 / 3.8	4.2 / 4.3	109 / 112
2.0 TDI CR DSG Start/Stop	135	184		x	5.5 / 5.7	4.0 / 4.1	4.5 / 4.7	119 / 122
<b>Alhambra (*****)</b>								
1.4 TSI Start/Stop	110	150	x		9.2	6.1	7.2	167
1.4 TSI DSG	110	150		x	9.4	6.6	7.6	178
2.0 TSI DSG	147	200		x	11.5	6.6	8.4	196
2.0 TDI CR Start/Stop	85	115	x		6.8	4.8	5.5	143
2.0 TDI CR Start/Stop	100	136	x		6.8	4.8	5.5	143
2.0 TDI CR DSG Start/Stop	100	136		x	6.9	5.0	5.7	149
2.0 TDI CR Start/Stop Ecomotive	103	140	x		6.8	4.8	5.5	143
2.0 TDI CR 4WD Start/Stop	103	140	x		7.4	5.2	6.0	158
2.0 TDI CR DSG Start/Stop	103	140		x	6.9	5.0	5.7	149
2.0 TDI CR Start/Stop	130	177	x		7.3	5.0	5.8	152
2.0 TDI CR DSG Start/Stop	130	177		x	6.7	5.4	5.9	154

(\*) Engines sold in European Union in 2013. Discontinued models not included.

(\*\*) Where different models provide different results, data shown refer to minimum and maximum values.

(\*\*\*) Consumption (m<sup>3</sup>/100km - kg/100km).

(\*\*\*\*) Power, consumption and CO<sub>2</sub> emissions: 95 octane petrol / LPG.

(\*\*\*\*\*) CO<sub>2</sub> value for 5-seat model



## SEAT CREDITS

This version sets forth the Management Report, the Auditors' Report and the Annual Accounts of SEAT, S.A. (Balance Sheet, Profit and Loss Statement, Statement of Changes in Equity, Cash Flow Statement, Notes and Appendices 1 and 2) for the year 2013, 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 Commercial Registry in Barcelona together with the Auditors' Report. These reports are authoritative.

The Consolidated Annual Accounts of VOLKSWAGEN AG, jointly with its Management Report and Auditors' Certificate will be deposited at the same Registry\*\*.

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