



Audit Report on MAPFRE, S.A.

(Together with the annual accounts and directors' report of MAPFRE, S.A. for the year ended 31 December 2020)

(Translation from the originals in Spanish. In the event of discrepancy, the Spanish-language versions prevail)



KPMG Auditores, S.L.
Paseo de la Castellana, 259 C
28046 Madrid

Independent Auditor's Report on the Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of MAPFRE, S.A.

Report on the Annual Accounts

Opinion

We have audited the annual accounts of MAPFRE, S.A. (the "Company"), which comprise the balance sheet at 31 December 2020, and the income statement, statement of changes in net equity, cash flow statement and notes for the year then ended.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework, (specified in note 2 to the accompanying annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Accounts section of our report.

We are independent of the Company in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the annual accounts in Spain pursuant to the legislation regulating the audit of accounts. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

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



Key Audit Matters

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

Valuation of non-current investments in group companies and associates (Euros 9,507,328 thousand)

See notes 4.c) and 8 of the notes to the annual accounts

| <i>Key audit matter</i> | <i>How the issue was addressed in our audit</i> |
|---|---|
| <p>The Entity, holding company of Mapfre Group, has recognised non-current investments in group companies and associates.</p> <p>Recoverable value of these non-current investments in group companies and associates is determined by the use of valuation technics that require of management judgement and estimations and assumptions that consider macroeconomics factors, internal circumstances of the Group companies and their competitors, discount rates, growth rates or estimations of the future evolution of their businesses, being this year specially important the potential impact of COVID-19 in these matters.</p> <p>Due to the level of uncertainty and judgement associated to the mentioned estimations, as well as the significance of the carried amount of the investments, we consider this to be a key audit matter.</p> | <p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> - Evaluation of the criteria used by the Company in the identification of impairment indicators of the investments in group companies and associates. - Understanding the process of estimation of the recoverable value of the group investments and associates, and evaluation of design and implementation of the relevant controls related to the process that the Company has in place. - Evaluation of the reasonability of the methodology and assumptions used in the estimation of the recoverable value of the investments in group companies and associates, with the collaboration of our corporate finance specialists. <p>We have checked the consistency between the expected cash flow used in the calculation of the value in use with the business plans approved by the Directors of the Group's companies, and their reasonability based in historical experience and market expectations in the markets in which they operate, including an evaluation of the potential impact due to COVID-19 in Group companies and associates.</p> <p>Additionally, we have evaluated the discount and growth rates used in the calculation of the recoverable values, as well as performed sensitivity analysis over the key inputs used in the model, with the goal of assessing their impact in the valuation.</p> <ul style="list-style-type: none"> - Evaluation that the information within the annual accounts is in compliance with the legal financial reporting requirements applicable to the Company. |



Other Information: Directors' Report

Other information solely comprises the 2020 directors' report, the preparation of which is the responsibility of the parent's directors and which does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not encompass the directors' report. Our responsibility regarding the information contained in the directors' report, in conformity with prevailing audit regulations in Spain, entails:

- a) Checking only that the non-financial information statement and certain information included in the Corporate Governance Report, to which the Audit Law refers, was provided as stipulated by prevailing regulations and, if not, disclose this fact.
- b) Assessing and reporting on the consistency of the remaining information included in the directors' report with the financial statements, based on the knowledge of the entity obtained during the audit, in addition to evaluating and reporting on whether the content and presentation of this part of the directors' report are in accordance with applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to disclose this fact.

Based on the work performed, as described in the preceding paragraphs, we have verified that the information referred to in paragraph a) above is provided as stipulated by applicable regulations and that the remaining information contained in the directors' report is consistent with that disclosed in the annual accounts for 2020 and its content and presentation are in accordance with applicable regulations.

Directors' and Audit and Compliance Committee's responsibility for the Annual Accounts

The directors are responsible for the preparation of the accompanying annual accounts in such a way that they give a true and fair view of the equity, financial position and financial performance of the Company, in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

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

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



Auditor's Responsibilities for the Audit of the Annual Accounts

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

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

As part of an audit in accordance with legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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



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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

European single electronic format _____

We have examined the digital file of the European single electronic format (ESEF) of MAPFRE, S.A. for the 2020 financial year, which includes an XHTML file containing the financial statements for the year, which will form part of the annual financial report.

The directors of MAPFRE, S.A. are responsible for submitting the annual financial report for the 2020 financial year, in accordance with the formatting requirements set out in Delegated Regulation EU 2019/815 of 17 December 2018 of the European Commission (hereinafter referred to as the ESEF Regulation). In this regard, they have incorporated the Corporate Governance Report by reference in the directors' report.

Our responsibility consists of examining the digital file prepared by the directors of the Company, in accordance with prevailing audit regulations in Spain. These standards require that we plan and perform our audit procedures to obtain reasonable assurance about whether the contents of the financial statements included in the aforementioned digital file correspond in their entirety to those of the financial statements that we have audited, and whether the financial statements have been formatted, in all material respects, in accordance with the ESEF Regulation.

In our opinion, the digital file examined corresponds in its entirety to the audited financial statements, which are presented, in all material respects, in accordance with the ESEF Regulation.

Additional Report to the Audit and Compliance Committee _____

The opinion expressed in this report is consistent with our additional report to the Company's Audit and Compliance Committee dated 10 February 2021.



Contract Period

We were appointed as auditors by the shareholders of MAPFRE, S.A. at the ordinary general meeting on 9 March 2018 for a period of 3 years, from the year ended 31 December of 2018.

Previously, we had been appointed as auditors by the shareholders for a period of 3 years, and have been auditing uninterrupted the Company's Annual Accounts since the year ended 31 December 2015.

KPMG Auditores, S.L.
On the Spanish Official Register of
Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

Jorge Segovia Delgado

On the Spanish Official Register of Auditors ("ROAC") with No. 21903
10 February 2021

**INDIVIDUAL ANNUAL ACCOUNTS
AND
INDIVIDUAL MANAGEMENT REPORT**

YEAR 2020

MAPFRE S.A.

INDIVIDUAL ANNUAL ACCOUNTS

MAPFRE S.A.

INDIVIDUAL ANNUAL ACCOUNTS 2020

TABLE OF CONTENTS

| | |
|---|----|
| BALANCE SHEET | 4 |
| INCOME STATEMENT | 6 |
| STATEMENT OF TOTAL CHANGES IN EQUITY | 8 |
| CASH FLOW STATEMENT | 9 |
| ANNUAL REPORT | 10 |
| 1. Company activity | 10 |
| 2. Basis of presentation of the annual accounts | 10 |
| 3. Distribution of profits | 10 |
| 4. Recognition and measurement standards | 11 |
| 5. Property, plant and equipment | 17 |
| 6. Intangible fixed assets | 18 |
| 7. Leases | 18 |
| 8. Financial instruments | 19 |
| 9. Shareholders' equity | 23 |
| 10. Non-convertible debentures | 24 |
| 11. Foreign currency | 25 |
| 12. Fiscal situation | 26 |
| 13. Revenue and expenses | 35 |
| 14. Provisions and contingencies | 35 |
| 15. Environmental information | 35 |
| 16. Medium-term and long-term employee remuneration and shared-based payments | 36 |
| 17. Subsequent events | 36 |
| 18. Related-party transactions | 37 |
| 19. Other information | 39 |
| 20. COVID-19 | 40 |
| APPENDIX | 41 |
| Appendix I | 41 |

BALANCE SHEET AS AT DECEMBER 31, 2020 AND 2019

| ASSETS | | Notes from the Annual Report | 2020 | 2019 |
|------------|--|---------------------------------|-------------------|-------------------|
| A) | NON-CURRENT ASSETS | | 9,870,511 | 9,999,853 |
| I. | Intangible fixed assets | 6 | 1,278 | 428 |
| 5 | Computer applications | | 1,278 | 428 |
| II. | Property, plant and equipment | 5 | 14,973 | 15,609 |
| 1 | Land and buildings | | 11,760 | 11,948 |
| 2 | Facilities and other property, plant and equipment | | 2,930 | 3,482 |
| 3 | Fixed assets in progress and advance payments | | 283 | 179 |
| IV. | Non-current investments in Group companies and associates | 8 | 9,794,328 | 9,929,879 |
| 1 | Equity instruments | | 9,507,328 | 9,592,379 |
| 2 | Loans to companies | | 287,000 | 337,500 |
| V. | Non-current financial investments | 8 | 28,645 | 27,028 |
| 1 | Equity instruments | | 23,584 | 21,905 |
| 2 | Loans to third parties | | 80 | 91 |
| 6 | Other investments | | 4,981 | 5,032 |
| VI. | Deferred tax assets | 12 | 31,287 | 26,909 |
| B) | CURRENT ASSETS | | 279,845 | 309,662 |
| I | Non-current assets held for sale | | 7,692 | — |
| III. | Trade and other receivables | | 85,162 | 95,302 |
| 1 | Trade receivables for sales and services rendered | 8 | 3,523 | 5 |
| 2 | Trade receivables, Group companies and associates | 8 | 13 | — |
| 3 | Sundry receivables | 8 | 481 | 240 |
| 4 | Personnel | 8 | 243 | 460 |
| 5 | Current tax assets | 12 | 80,691 | 93,814 |
| 6 | Other receivables from government agencies | | 211 | 783 |
| IV. | Current investments in Group companies and associates | 8.18 | 166,880 | 196,080 |
| 2 | Loans to companies | | 104,920 | 150,123 |
| 5 | Other financial assets | | 61,960 | 45,957 |
| V. | Current financial investments | 8 | 57 | 57 |
| | 2. Loans to third parties | | 57 | 57 |
| VI. | Current accruals | | 1,817 | 3,056 |
| VII. | Cash and other equivalent liquid assets | | 18,237 | 15,167 |
| 1 | Cash | | 18,237 | 15,167 |
| | TOTAL ASSETS (A+B) | | 10,150,356 | 10,309,515 |

Thousand euros

BALANCE SHEET AS AT DECEMBER 31, 2020 AND 2019

| EQUITY AND LIABILITIES | | Notes from the Annual Report | 2020 | 2019 |
|---|---|---|-------------------|-------------------|
| A) | EQUITY | | 7,286,793 | 7,456,537 |
| A-1) | SHAREHOLDERS' EQUITY | | 7,286,793 | 7,456,537 |
| I. | Capital | | 307,955 | 307,955 |
| 1 | Authorized share capital | 9 | 307,955 | 307,955 |
| II. | Share premium | 9 | 3,338,720 | 3,338,720 |
| III. | Reserves | | 3,231,732 | 3,231,920 |
| 1 | Legal and statutory | 9 | 61,591 | 61,591 |
| 2 | Other reserves | — | 3,170,141 | 3,170,329 |
| IV. | (Treasury stock) | 9 | (63,409) | (63,836) |
| V. | Results for previous years | | 380,177 | 383,458 |
| 1 | Retained earnings | — | 380,177 | 383,458 |
| VII. | Result for the period | 3 | 245,606 | 443,093 |
| VIII. | (Interim dividend) | 3 | (153,988) | (184,773) |
| IX. | Other equity instruments | | — | — |
| B) | NON-CURRENT LIABILITIES | | 2,702,226 | 2,711,017 |
| I. | Non-current provisions | | 11,052 | 10,990 |
| 1 | Long-term employee benefit obligations | 14 | 11,052 | 10,990 |
| 4 | Other provisions | 14 | — | — |
| II. | Non-current debt | | 2,691,066 | 2,699,919 |
| 1 | Debentures and other negotiable securities | 8, 10 | 2,090,891 | 2,089,554 |
| 2 | Due to credit institutions | 8 | 600,000 | 610,000 |
| 5 | Other financial liabilities | 8 | 175 | 365 |
| III. | Non-current debt with Group companies and associates | — | — | — |
| IV. | Deferred tax liabilities | | 108 | 108 |
| C) | CURRENT LIABILITIES | | 161,337 | 141,961 |
| II. | Current provisions | 14 | — | — |
| III. | Current debt | | 36,468 | 36,352 |
| 1 | Debentures and other negotiable securities | 8, 10 | 36,337 | 36,337 |
| 2 | Due to credit institutions | 8 | 12 | 5 |
| 5 | Other financial liabilities | 8 | 119 | 10 |
| IV. | Current debt with Group companies and associates | 8, 18 | 81,884 | 64,599 |
| V. | Trade and other payables | | 42,985 | 41,010 |
| 3 | Sundry creditors | 8 | 11,408 | 16,483 |
| 4 | Personnel (remuneration pending payment) | 8 | 14,258 | 11,311 |
| 5 | Current tax liabilities | 12 | — | — |
| 6 | Other debts with government agencies | — | 17,319 | 13,216 |
| TOTAL EQUITY AND LIABILITIES (A+B+C) | | | 10,150,356 | 10,309,515 |

Thousand euros

INCOME STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

| INCOME STATEMENT | Notes from the Annual Report | 2020 | 2019 |
|---|------------------------------|-----------------|-----------------|
| ONGOING OPERATIONS | | | |
| Revenue | | 407,397 | 616,263 |
| Dividends and interest from Group companies and associates | | 407,397 | 616,263 |
| Dividends | 8.18 | 394,486 | 601,546 |
| Interest | 8.18 | 12,911 | 14,717 |
| Other operating revenue | — | 49,112 | 62,752 |
| Non-core and other operating revenue | 18 | 49,112 | 62,752 |
| Personnel expenses | — | (70,516) | (67,506) |
| Wages, salaries and similar | — | (49,765) | (46,066) |
| Social security contributions | 13 | (20,790) | (21,474) |
| Provisions | 14 | 39 | 34 |
| Other operating expenses | | (77,867) | (93,661) |
| External services | — | (77,834) | (92,422) |
| Taxes | — | (33) | (1,239) |
| Amortization and depreciation of fixed assets | 5.6 | (1,508) | (2,055) |
| Excess provisions | — | — | — |
| Impairment and gains/(losses) on fixed asset disposal | — | 7 | (94) |
| Impairment of Group companies and associates | 8 | (52,813) | (45,437) |
| Other earnings | — | (11) | 21 |
| EARNINGS FROM OPERATIONS | | 253,801 | 470,283 |
| Financial income | 8 | 424 | 371 |
| Acquisitions in equity instruments | — | — | — |
| From third parties | — | — | — |
| From negotiable securities and other financial instruments | — | 424 | 371 |
| From third parties | — | 424 | 371 |
| Financial expenses | | (67,959) | (70,083) |
| For debt with Group companies and associates | 8.18 | — | (1,431) |
| For debt with third parties | 8 | (67,769) | (68,457) |
| For update of provisions | 8 | (190) | (195) |
| Fair value variation in financial instruments | | — | — |
| Trading portfolio and other | — | — | — |
| Foreign exchange differences | 8 | (3) | (4) |
| Impairment and gains/losses on financial instrument disposal | 8 | 20,004 | 4,074 |
| Impairment and loss | | (6,648) | (5,600) |
| Earnings from disposal and other | | 26,652 | 9,674 |
| FINANCIAL RESULT | | (47,534) | (65,642) |
| EARNINGS BEFORE TAX | | 206,267 | 404,641 |
| Tax on profits | 12 | 39,339 | 38,452 |
| RESULT FOR THE PERIOD FROM ONGOING OPERATIONS | | 245,606 | 443,093 |
| DISCONTINUED OPERATIONS | | | |
| Result for the period after tax from discontinued operations | | — | — |
| RESULT FOR THE PERIOD | | 245,606 | 443,093 |

Thousand euros

STATEMENT OF CHANGES IN EQUITY AT DECEMBER 31, 2020 AND 2019

A) STATEMENT OF RECOGNIZED INCOME AND EXPENSES

| INCOME STATEMENT | Notes from the Annual Report | 2020 | 2019 |
|---|------------------------------------|----------------|----------------|
| A) Result of the income statement | 3 | 245,606 | 443,093 |
| Revenue and expenses posted directly to equity | | — | — |
| I. For valuation of financial instruments | | — | — |
| 1. Financial assets for sale | — | — | — |
| 2. Other revenues/expenses | — | — | — |
| IV. For actuarial gains and losses and other adjustments | | — | — |
| VII. Tax effect | | — | — |
| B) Total revenue and expenses posted directly in equity (I+IV+VII) | — | — | — |
| Transfers to the income statement | | — | — |
| VIII. For valuation of financial instruments | | — | — |
| 1. Financial assets for sale | — | — | — |
| XIII. Tax effect | | — | — |
| C) Total transfers to the income statement (VIII+XIII) | — | — | — |
| TOTAL RECOGNIZED REVENUE AND EXPENSES (A+B+C) | — | 245,606 | 443,093 |

Thousand euros

B) STATEMENT OF TOTAL CHANGES IN EQUITY

| ITEM | Capital | | Share premium | Reserves | (Treasury stock) | Result from previous years | Other shareholder contributions | Result for the period | (Interim dividend) | Other equity instruments | Valuation change adjustments | Grants, donations and bequests received | TOTAL |
|--|----------------|----------|------------------|------------------|------------------|----------------------------|---------------------------------|-----------------------|--------------------|--------------------------|------------------------------|---|------------------|
| | Authorized | Uncalled | | | | | | | | | | | |
| ADJUSTED BALANCE, BEGINNING OF 2019 | 307,955 | — | 3,338,720 | 3,140,511 | (48,250) | 336,479 | — | 493,455 | (184,834) | — | — | — | 7,384,036 |
| I. Total recognized revenue and expenses | — | — | — | — | — | — | — | 443,093 | — | — | — | — | 443,093 |
| 1. Share capital increases | — | — | — | — | — | — | — | — | — | — | — | — | — |
| 4. (-) Distribution of dividends | — | — | — | — | — | — | — | (261,642) | (184,773) | — | — | — | (446,415) |
| 4. bis. Distribution of earnings | — | — | — | — | — | 46,979 | — | (231,813) | 184,834 | — | — | — | — |
| 5 Operations with treasury stock (Note 9) | — | — | — | 905 | (15,586) | — | — | — | — | — | — | — | (14,681) |
| 6. Increases in equity resulting from a business combination | — | — | — | — | — | — | — | — | — | — | — | — | — |
| III. Other variations in equity | — | — | — | 90,504 | — | — | — | — | — | — | — | — | 90,504 |
| CLOSING BALANCE FOR YEAR 2019 | 307,955 | — | 3,338,720 | 3,231,920 | (63,836) | 383,458 | — | 443,093 | (184,773) | — | — | — | 7,456,537 |
| II. Correction of errors 2019 | — | — | — | — | — | — | — | — | — | — | — | — | — |
| ADJUSTED BALANCE, BEGINNING OF 2020 | 307,955 | — | 3,338,720 | 3,231,920 | (63,836) | 383,458 | — | 443,093 | (184,773) | — | — | — | 7,456,537 |
| I. Total recognized revenue and expenses | — | — | — | — | — | — | — | 245,606 | — | — | — | — | 245,606 |
| 1. Share capital increases | — | — | — | — | — | — | — | — | — | — | — | — | — |
| 4. (-) Distribution of dividends | — | — | — | — | — | — | — | (261,627) | (153,988) | — | — | — | (415,615) |
| 4. bis. Distribution of earnings | — | — | — | — | — | (3,307) | — | (181,466) | 184,773 | — | — | — | — |
| 5 Operations with treasury stock (Note 9) | — | — | — | (141) | 427 | — | — | — | — | — | — | — | 286 |
| 6. Increases in equity resulting from a business combination | — | — | — | — | — | — | — | — | — | — | — | — | — |
| III. Other variations in equity (Note 8) | — | — | — | (47) | — | 26 | — | — | — | — | — | — | (21) |
| CLOSING BALANCE FOR YEAR 2020 | 307,955 | — | 3,338,720 | 3,231,732 | (63,409) | 380,177 | — | 245,606 | (153,988) | — | — | — | 7,286,793 |

Thousand euros

CASH FLOW STATEMENT AT DECEMBER 31, 2020 AND 2019

| A) CASH FLOWS FROM OPERATING ACTIVITIES | Notes from the Annual Report | 2020 | 2019 |
|--|---------------------------------|------------------|------------------|
| 1. Result for the period before tax | | 206,267 | 404,641 |
| 2. Adjustments to results | | (266,691) | (463,368) |
| a) Amortization and depreciation of fixed assets | 5.6 | 1,508 | 2,055 |
| b) Corrections in value due to impairment (+/-) | 8 | 52,813 | 45,437 |
| e) Results of fixed asset cancellations and disposals (+/-) | — | (7) | 94 |
| f) Results of financial instruments cancellations and disposals (+/-) | — | (20,004) | (4,074) |
| g) Financial income (-) | 8 | (424) | (371) |
| b) Financial expenses (+) | 8 | 67,959 | 70,083 |
| i) Exchange rate differences (+/-) | 8 | 3 | 4 |
| j) Fair value variation in financial instruments (+/-) | 8 | — | — |
| k) Other revenues and expenses | — | (368,539) | (576,596) |
| 3. Changes in working capital | | (30,921) | (35,399) |
| b) Debtors and other receivables (+/-) | — | (33,474) | (54,018) |
| c) Other current assets (+/-) | — | (22,407) | 16,043 |
| d) Creditors and other payables (+/-) | — | 1,975 | 2,576 |
| e) Other current liabilities (+/-) | — | 17,401 | — |
| f) Other non-current assets and liabilities (+/-) | — | 5,584 | — |
| 4. Other cash flows from operating activities | — | 383,954 | 535,294 |
| a) Interest paid (-) | | (67,288) | (96,394) |
| b) Dividend receipts (+) | — | 394,484 | 601,543 |
| c) Interest collected (+) | — | 13,144 | 18,220 |
| d) Payment (receipt) of income tax (+/-) | — | 43,614 | 11,925 |
| e) Other payments (collection) (-/+) | — | — | — |
| 5. Cash flows from operating activities (+/-1+/-2+/-3+/-4) | — | 292,609 | 441,168 |
| B) CASH FLOWS FROM INVESTING ACTIVITIES | | — | — |
| 6. Payments for investments (-) | | (77,498) | (218,792) |
| a) Group companies and associates | 8 | (69,164) | (210,459) |
| g) Other assets | 8 | (8,334) | (8,333) |
| 7. Collections for divestments (+) | | 216,026 | 247,682 |
| a) Group companies and associates | 8 | 216,026 | 247,665 |
| e) Other financial assets | 8 | — | 17 |
| 8. Cash flows from investing activities (7+6) | | 138,528 | 28,890 |
| C) CASH FLOW FROM FINANCING ACTIVITIES | | — | — |
| 9. Payments and collections for equity instruments | | — | (14,676) |
| c) Acquisition of treasury equity instruments (-) | 9 | — | (19,302) |
| e) Disposal of treasury equity instruments (+) | 9 | — | 4,626 |
| 10. Payments and collections for financial liability instruments | | (10,000) | (18,400) |
| a) Issuing | | — | — |
| 1. Debentures and other negotiable securities (+) | 10 | — | — |
| 2. Due to credit institutions (+) | 8 | 235,000 | 367,000 |
| 3. Debt with Group companies and associates (+) | — | — | — |
| b) Return and redemption of | | — | — |
| 1. Debentures and other negotiable securities (-) | 10 | — | — |
| 2. Due to credit institutions (-) | 8 | (245,000) | (247,000) |
| 3. Debt with Group companies and associates (-) | — | — | (138,400) |
| 11. Payments for dividends and remuneration of other equity instruments | | (418,067) | (446,462) |
| a) Dividends (-) | — | (418,067) | (446,462) |
| 12. Cash flows from financing activities (+/-9/10-11) | | (428,067) | (479,538) |
| D) EFFECT OF EXCHANGE RATE VARIATIONS | | — | — |
| E) NET INCREASE / DECREASE OF CASH OR EQUIVALENTS (+/-5+/-8+/-12+/-D) | — | 3,070 | (9,480) |
| Cash or cash equivalents at the beginning of the year | | 15,167 | 24,647 |
| Cash or cash equivalents at the end of the year | | 18,237 | 15,167 |

Thousand euros

ANNUAL REPORT

FISCAL YEAR 2020

1. Company activity

MAPFRE S.A. (the "Company") is a corporation whose main activity is the investment of its funds in real-estate assets and tradeable financial securities.

The Company's scope of action includes the entire Spanish territory.

Its registered office is at Crta. de Pozuelo, 52, Majadahonda (Madrid, Spain). The Company is the controlling company of the MAPFRE Group, which comprises MAPFRE S.A. and several companies operating in the insurance, property, financial and services sectors.

The Company is a subsidiary of CARTERA MAPFRE, S.L., a Single-Member Company, with registered address at Carretera de Pozuelo, 52, Majadahonda (Madrid, Spain). The annual accounts of that company for the year ended December 31, 2020 will be prepared by its Board of Directors on March 25, 2021 and will be placed on file at the Madrid Companies' Registry.

The ultimate controlling company is Fundación MAPFRE, a non-profit company whose registered address is Paseo de Recoletos No. 23, Madrid and whose consolidated annual accounts will be filed with the Madrid Companies' Registry and a copy sent to the Foundations Register.

2. Basis of presentation of the annual accounts

a) TRUE AND FAIR VIEW

The application of legal provisions regarding accounting matters have resulted in a true and fair view of the Company's equity, financial position and results for the year, and the accuracy of the cash flows reported on the cash flow statement. The directors consider that it is not necessary to include supplementary information in this regard.

The Board of Directors expects the individual and consolidated annual accounts for 2020 prepared on February 10, 2021 to be approved by the Annual General Meeting with no changes.

b) ACCOUNTING PRINCIPLES

The annual accounts have been prepared in accordance with the Spanish General Chart of Accounts approved under Royal Decree 1514/2007 of November 16 and subsequently amended through Royal Decree 1159/2010 of September 17 and Royal Decree 602/2016 of December 2, as well as with all other applicable mercantile legislation.

c) CRITICAL ASPECTS OF MEASURING AND ESTIMATING UNCERTAINTY

When preparing the annual accounts, judgments and estimates were used that are based on assumptions about the future and uncertainties. These primarily refer to asset impairment, deferred tax assets and provisions.

The estimates and assumptions used are reviewed regularly, and are based on past experience and on other factors that have been deemed most reasonable in each instance. If these reviews lead to changes in estimates in a given period, their effect would apply to that period and, as the case may be, to subsequent periods.

d) COMPARISON OF INFORMATION

There is nothing preventing the annual accounts of the current year from being compared with those of the previous year.

e) CORRECTIONS OF ERRORS

No significant errors were found in the Company's annual accounts from previous years.

3. Distribution of profits

The Company's Board of Directors has proposed the following distribution of profits for approval at the Annual General Meeting:

| BASIS OF DISTRIBUTION | AMOUNT |
|------------------------------|-----------------------|
| Profit for the fiscal period | 245,606,585.20 |
| Retained earnings | 380,177,016.23 |
| TOTAL | 625,783,601.43 |
| DISTRIBUTION | IMPORTE |
| To dividends | 384,954,496.10 |
| To retained earnings | 240,829,105.33 |
| TOTAL | 625,783,601.43 |

Figures in euros

The planned distribution of dividends in the distribution of profits complies with the requirements and limitations established under legal regulations and the corporate bylaws. The requirements and limitations related to restricted reserves are set out in Note 9 "Shareholders' equity".

This dividend distribution is based on an exhaustive and thoughtful analysis of the situation of the MAPFRE Group, not compromising either its future solvency or the protection of the interests of policyholders and insureds, and is made in the context of the recommendations of the supervisors on this matter.

During the fiscal year, the Company distributed an interim dividend for a total amount of 153,988,000.62 euros (184,773,244.10 euros in 2019), which is recorded in equity under the heading "Interim dividend".

The liquidity statement prepared by the Board of Directors for the distribution of the interim dividend is shown below.

| ITEM | DATE OF AGREEMENT October 30, 2020 |
|---|---------------------------------------|
| Cash available on date of agreement | 5,412 |
| Increases in cash forecast within one year | 695,065 |
| (+) From expected current collection operations | 469,565 |
| (+) From expected financial operations | 225,500 |
| Decreases in cash forecast within one year | (384,595) |
| (-) From expected current payment transactions | (110,782) |
| (-) From expected financial transactions | (273,813) |
| Cash available within one year | 315,882 |

Thousand euros

The distribution of profits for fiscal year 2019, carried out during 2020, is presented in the statement of total changes in equity.

4. Recognition and measurement standards

The recognition and measurement standards applied are indicated below:

a) Fixed assets

Intangible fixed assets

Intangible fixed assets recognized comply with the identifiable criterion and are carried at cost less accumulated amortization and any impairment losses.

They are measured at their acquisition price or production cost and usually are systematically amortized according to their useful life.

Property, plant and equipment

The assets included under property, plant and equipment are measured at cost of acquisition or production, including indirect taxes that are not directly recoverable from the Spanish tax authorities, less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis, on the cost of the asset less the residual value and less the value of land, in accordance with the estimated useful life.

The costs of renovating, expanding or improving property, plant and equipment are recognized as an increase in the value of the asset when they entail an increase in capacity, productivity or extension of the useful life of each asset.

Impairment of fixed assets

At least at the fiscal year-end, and wherever there are indications of impairment, the Company considers whether the fixed assets may have suffered a loss in value. If such evidence exists, the recoverable amount of the asset is estimated.

Recoverable amount is the greater of an asset's fair value less costs to sell and its value in use.

If the book value exceeds the recoverable amount, the excess is recognized as a loss, reducing the book value of the asset to its recoverable amount.

Valuation adjustments to assets due to impairment and the reversal thereof are recognized as an expense or revenue, respectively, on the income statement under "Impairment and gains/(losses) from disposal of fixed assets."

If there is an increase in the recoverable amount of an asset other than goodwill, any previously recognized impairment loss is reversed, increasing the book value of the asset to its recoverable amount. This increase never exceeds the book value, net of amortization or depreciation, that would be recorded had an impairment loss not been recognized in previous years. The reversal is recognized on the income statement, unless the asset was previously subject to revaluation against "Valuation change adjustments", in which case the reversal is treated as a revaluation increase. Amortization and depreciation expenses are adjusted in the following periods after the valuation adjustment or its reversal.

b) Operating leases

The Company classifies the lease contracts it holds as operating leases given that the lessor does not substantially transfer to the lessee all the risks and benefits of ownership. The revenue and expenses arising from operating leasing are recorded on the income statement over the life of the contract on an accruals basis.

c) Financial instruments

FINANCIAL ASSETS

All assets comprising cash, equity instruments of other companies, or that entail a contractual right to receive cash or another financial asset, or any exchange of financial instruments under favorable conditions, are classified as financial assets.

The fair value of financial assets is determined through the use of market prices, provided that the available quotations of the instruments can be considered representative. In order for them to be considered as such, they must be published regularly in standard information systems provided by recognized financial brokers.

If market valuation is not possible, a valuation will be performed with internal models using, as far as possible, public market data that satisfactorily replicate the valuation of the instruments quoted. This valuation methodology will be based on the discounting of (determined or estimated) future flows from the assets using the risk-free discount curve. Depending on the characteristics of the issue concerned and the issuer, a specific credit risk will be assigned, which will apply to a different degree to each of the flows to be received.

For mutual funds holdings classified as assets available for sale, the fair value will be the fund liquidation value as on the date of valuation.

Operations in the currency market are recorded on the settlement date, while financial assets traded on Spanish over-the-counter markets are recognized on the trading date, for equity instruments, and on the settlement date, for debt securities.

Financial assets are classified as:

Loans and receivables

This category includes trade and non-trade receivables.

Following initial recognition at their fair value, they are measured at amortized cost. Any interest accrued is posted on the income statement, applying the effective interest method.

Loans and receivables also include deposits in credit institutions, which are measured at amortized cost. Revenue generated on these deposits is recognized at the effective fixed interest rate.

Trade receivables and other items such as advances, loans to personnel or dividends receivable maturing in less than a year and without a contractual interest rate are measured at their face value when the effect of not discounting cash flows is immaterial to the initial recognition or to subsequent valuation, unless there is impairment.

Impairment exists when there is a decrease or delay in future estimated cash flows that could result from debtor insolvency.

Valuation adjustments due to impairment and their reversal, if applicable, are performed at the close of the fiscal year, recognizing an expense or revenue, respectively, on the income statement. Nevertheless, impairment losses may only be reversed up to the limit of the amortized cost that would have been recorded if an impairment loss had not been recognized in previous years.

Investments in the equity of Group companies, jointly controlled companies and associates

Investments in the equity of Group companies, jointly controlled companies and associates are initially recognized and measured at cost minus the accumulated amount of valuation adjustments for impairment, if applicable.

In the case of non-monetary contributions to Group companies, the contributor values the investment at the book value of the assets and liabilities delivered in the Group's most recent consolidated closed annual accounts. Any difference between the book value of the investment contributed and the value assigned to the interest received is posted in a reserve account.

When a value is assigned due to a balance sheet cancellation or for another reason, the weighted average cost method is applied for homogeneous groups.

In the case of the sale of preferential subscription rights and similar rights or the division of these rights to exercise them, the cost of the rights reduces the book value of the respective assets.

At the close of the fiscal year, when there is objective evidence that the book value of the investment is not recoverable, the necessary valuation adjustments are made.

A valuation adjustment equates to the difference between the book value of the investment and the recoverable amount. The latter is the higher of fair value less the costs to sell and the present value of the future cash flows derived from the investment.

Valuation adjustments due to impairment and their reversal, if applicable, are recorded as an expense or revenue for the fiscal year on the income statement.

Financial assets available for sale

This category includes debt securities and equity instruments of other companies that are not classified in any other financial asset category.

Initial recognition and subsequent measurement are at fair value, plus the preferential subscription rights acquired, without subtracting transaction costs that could arise from disposal.

Changes in fair value are recognized directly in equity until the financial asset is written off or becomes impaired, at which time they are recorded on the income statement.

Valuation adjustments due to impairment losses and currency exchange differences in financial assets carried in foreign currencies are registered on the income statement. The amount of interest calculated applying the effective interest rate method and dividends accrued are also recorded on the income statement.

Investments in equity instruments whose fair value may not be reliably determined are measured at their cost minus the accumulated valuation adjustments amount due to impairment.

When a value is assigned to these assets due to a balance sheet cancellation or for another reason, the weighted average cost method is applied for homogeneous groups.

In case of sale of preferential subscription rights and similar rights, the cost of the rights reduces the book value of the respective assets.

At least at the close of the financial year, the pertinent valuation adjustments are made, providing there is objective evidence that the value of an available-for-sale financial asset is impaired, the amount of which is recognized on the income statement. Reversals of valuation adjustments are credited to the income statement, with the exception of those associated with equity instruments, the reversal for which is recognized directly in equity.

For equity instruments, investments are analyzed individually to determine whether any impairment exists, when the market value has fallen either over a prolonged period (18 months) or by a significant amount (40 percent) compared to cost.

Cash and other equivalent liquid assets

Cash includes cash on hand and demand deposits, while cash equivalents correspond to highly liquid short-term investments that can be easily converted to fixed amounts of cash and have an insignificant risk of change in value.

Interest and dividends received from financial assets

The interest and dividends from financial assets accrued after acquisition are recognized as revenue on the income statement. The interest is recognized using the effective interest rate method, and dividends when the right to receive them is declared.

To this end, the amount of accrued and non-accrued explicit interest and the dividends agreed upon acquisition are recorded separately in the initial valuation of financial assets, bearing in mind their maturity.

Additionally, when the distributed dividends come from earnings generated prior to the acquisition date, because amounts were distributed that are greater than the profits generated by the investee since the acquisition, they are not recognized as revenue and they reduce the book value of the investment.

Derecognition of financial assets

Financial assets are derecognized when the contractual rights over the cash flows of the financial asset expire or when they are transferred, whereupon the risks and benefits of ownership are substantially transferred.

When a financial asset is written off, the difference between the consideration received net of the attributable transaction costs and the book value of the financial asset, plus any accumulated amount recognized directly in equity, determines the profit or loss produced and forms part of the result for the fiscal year.

FINANCIAL LIABILITIES

All instruments issued, incurred or assumed that imply a direct or indirect contractual obligation for the Company are recorded as financial liabilities, in accordance with the economic reality of delivering cash or another financial asset or exchanging financial assets and liabilities with third parties in unfavorable conditions.

Financial liabilities are classified as:

Debits and payables

These correspond to trade and non-trade payables.

After initial recognition at their fair value (transaction price), they are measured at their amortized cost, and any interest is recorded on the income statement, applying the effective interest rate method.

In the case of trade payables maturing within a year and without a contractual interest rate, as well as third-party called capital for holdings whose amounts are expected to be paid in the short-term, both the initial valuation and subsequent valuations are performed at the face value when the effect of not discounting cash flows is immaterial.

Derecognition of financial liabilities

Financial liabilities are derecognized when the obligation inherent to them has expired. Additionally, own financial liabilities acquired are derecognized even when there is an intention to reassign them in the future.

If there is an exchange of debt instruments with significantly different conditions, the original liability is canceled and the new liability is recognized.

The difference between the book value of the financial liability or the derecognized part of the liability and the compensation paid, including attributable transaction costs, and including any transferred asset other than cash or the liability assumed, is recognized on the income statement during the fiscal year in which it occurs.

If there is an exchange of debt instruments without significantly different conditions, the original liability is not derecognized from the balance sheet, and any commission paid is recorded as an adjustment to the book value.

Own equity instruments

All items that show a residual investment in Company assets once its liabilities have been deducted are classified in this category.

Treasury stock is measured at its net acquisition cost and recorded in equity. Expenses incurred on acquisition are recognized in equity as a decrease in the value of reserves.

All transactions performed with own equity instruments are recorded in equity as a variation in the value of shareholders' equity.

d) Transactions in foreign currency

Transactions in foreign currencies are converted to euros by applying the exchange rate in force on the transaction date.

At fiscal year-end, the balances that correspond to monetary items expressed in foreign currencies are converted at the exchange rate of the euro on that date, and all exchange differences are allocated on the income statement, except for monetary financial assets that are available for sale and in which exchange rates other than those generated from the amortized cost are recognized directly in equity.

Non-monetary items that are measured at historical cost are generally recorded by applying the exchange rate as on the transaction date. When determining the net equity of an investee, adjusted for any unrealized gains that exist on the valuation date, the closing exchange rate is applied to the net equity and unrealized gains that exist on that date.

Non-monetary items at fair value are recorded by applying the exchange rate on the date when the fair value was determined, recognizing any losses and gains derived from the valuation as net equity or as earnings, depending on the nature of the item.

When presenting the cash flow statement, the flows from transactions in foreign currencies are converted to euros by applying the spot exchange rate on the dates of exchange to the amount in foreign currency.

The effect of the variation in exchange rates on cash and other equivalent liquid assets expressed in foreign currency is presented separately in the cash flow statement as "Effect of exchange rate variations".

e) Corporate tax

Corporate tax is treated as an expense for the fiscal year and is recorded as such on the income statement, including both the tax burden of current tax and the effect of any changes in deferred tax.

However, corporate tax related to items where modifications in their value are directly recognized in equity are not posted to the income statement but to equity, and the changes in value are included in those items net of the tax effect.

Current tax assets or liabilities are measured at the amounts that are expected to be recovered or paid, as per the tax rules and rates that are in force or approved and pending publication at year-end.

The Company files taxes as part of a consolidated tax group. The expense for corporate tax on the companies in the consolidated tax group is determined taking into account the parameters used in calculated individual tax as well as the following items:

- Temporary and permanent differences arising as a result of eliminating gains and losses on intergroup transactions, derived from the process of determining the consolidated tax base.
- Tax credits and deductions corresponding to each Group company in the consolidated tax group. To that end, tax credits and deductions are recorded in the company that carried out the related activity or that obtained the gain resulting in entitlement to the tax credit or deduction.

Temporary differences derived from the elimination of gains and losses between companies in the tax group are recognized in the company that generated the gain or loss, and are measured at the applicable tax rate.

Tax losses incurred in certain Group companies that have been offset by profits of other companies in the Group give rise to a reciprocal credit and debit between the companies, as appropriate. In the event that tax losses cannot be offset by profits of other Group companies, the tax loss carryforwards are recognized as deferred tax assets by the corresponding companies, considering that they will be offset by future profits of the tax group.

As the Group's controlling company, the Company recognizes the total amount payable for consolidated corporate tax as a payable or a receivable with the different Group companies and associates, as appropriate.

Deferred tax is recorded for temporary differences on the reporting date between the tax base of the assets and the liabilities and their book values. The tax base of an equity item is the amount attributed to it for tax purposes.

The tax effect of temporary differences is included for all taxable temporary differences under the corresponding headings of "Deferred tax assets" and "Deferred tax liabilities," excluding the exceptions provided for in current regulations, if applicable.

The Company recognizes deferred tax assets for all deductible temporary differences, unused tax receivables and tax loss carryforwards to the extent that it is likely that the Company or tax group will have the future taxable profits allowing these assets to be used.

Unless evidenced otherwise, it is not considered likely that the Company will avail of future taxable profits if recovery is to take place more than ten years after fiscal year-end.

The Company recognizes deferred tax assets that have not been recognized due to expiration of the ten-year recovery period if the future reversal period does not exceed ten years from the date of fiscal year-end or when there are sufficient liabilities derived from temporary tax differences.

Deferred tax assets and deferred tax liabilities are measured according to anticipated tax rates for the fiscal years in which they will be recovered or liquidated, respectively.

Deferred tax assets and deferred tax liabilities are recognized on the balance sheet as non-current assets or liabilities, regardless of the expected date of realization or settlement.

f) Revenue and expenses

Revenue and expenses are measured in accordance with the General Chart of Accounts.

Revenue from services provided are recognized when the transaction earnings are estimated reliably, taking into account the percentage of completion of the service at the close of the fiscal year.

If the gains or losses from providing a service cannot be estimated reliably, revenue is only recognized to the extent to which recognized expenses are recoverable.

Given the Company's activity, the accrued dividends and other revenue from the funding granted to investees are included under "Revenue," and therefore, pursuant to the provisions of the Spanish Accounting and Auditing Institute (ICAC), they are recorded under that heading on the income statement.

g) Provisions and contingencies

Provisions are recognized when there is a current obligation, whether legal or implicit, as a result of a past event, and it is estimated that there will be a probable outflow of funds that include future economic benefits.

They are measured at the fiscal year-end at the present value of the best possible estimate of the amount needed to cancel or transfer the obligation to a third party. The resulting adjustments are recorded when the provision is discounted as a financial expense on an accruals basis.

The compensation to be received from a third party on settling the obligation, provided that there is no doubt that it will be received, does not entail a decrease in the debt, and the collection right is recognized in the asset whose amount will not exceed the amount of the obligation recorded in the accounts.

h) Personnel expenses

Remuneration for employees may be short-term, post-employment benefits, compensation for termination, other medium and long-term remuneration, and share-based payments.

Short-term remuneration

These are posted according to the services provided by employees on an accrual basis.

Post-employment benefits

These essentially consist of defined contribution plans and defined benefit plans, as well as life insurance covering death between the ages of 65 and 77.

Defined contribution plans

These are those in which the Company makes pre-determined contributions to a separate company (whether linked to the Group or external) and has no legal or implicit obligation to make any additional contributions in the event of an insufficiency of assets to honor the payment of benefits. The obligation is limited to the contribution agreed on to deposit in a fund and the amount of benefits to be received by employees is determined by the contributions made plus the yield obtained on the investments made by the fund.

Defined benefit plans

These are plans that establish the benefit to be received by employees at the time of retirement, normally based on factors such as remuneration.

The liability recognized on the balance sheet for defined benefit pension plans is equal to the present value of the defined benefits obligation on the balance sheet date less, where applicable, the fair value of plan assets.

The defined benefit obligation is determined separately for each plan using the projected credit unit actuarial valuation method.

Actuarial gains and losses are recognized in equity accounts.

All the obligations for defined benefit plans that remain on the balance sheet correspond exclusively to retired personnel.

Compensation for termination

Compensation for termination is recognized as a liability and expense when there is a proven agreement to rescind the work relationship before the normal date of employee retirement or when there is an offer to encourage voluntary rescission of the contracts.

Other medium- and long-term remuneration and share-based payments

Other long-term remuneration besides those described in the preceding paragraphs and referring specifically to the award for years of service or time with the company are recorded in line with the aforementioned principles; the only exceptions are past services costs, which are recognized immediately and recorded as an offsetting liability under the heading "Long-term provisions," and actuarial gains and losses, which are recorded on the income statement.

In fiscal year 2019, a new medium-term incentive plan was approved for certain members of the MAPFRE executive team. The plan is extraordinary, not cumulative and multi-year, commencing January 1, 2019 and ending March 31, 2022, with payment of part of the incentives deferred to the period 2023-2025. The payment of incentives is dependent on meeting certain corporate and specific objectives, as well as the director remaining in the Company's or Group's employ. It will be paid partly in cash (50 percent) and partly in MAPFRE S.A. shares (50 percent), and is subject to reduction or recovery clauses.

At the close of each fiscal year of the plan, objective achievement is evaluated and the amount accrued is recorded on the income statement, with a credit to a provisions account for the part of cash remuneration and a credit to an equity account for the part corresponding to shares. The part of the incentive to be received in MAPFRE S.A. shares is measured taking into account the fair value of the assigned equity instruments.

Each year, until the vesting period date, the number of equity instruments included in the calculation of the transaction amount is adjusted. No additional adjustments are made after the vesting date.

i) Related-party transactions

Transactions with related parties linked to the usual activities of the Company are conducted under market conditions and are recorded according to the aforementioned valuation rules.

j) Non-current assets held for sale

An asset is classified as non-current held for sale when its book value is expected to be recovered through sale rather than through continued use, it is available for immediate sale under its usual conditions and the sale is highly probable.

They are valued at the lower amount between their book value and their fair value less costs to sell.

These assets are not amortized, and losses or reversals due to their impairment are recognized in the profit and loss account.

5. Property, plant and equipment

The accompanying table shows the movements under this heading for the last two fiscal years:

| HEADINGS | OPENING BALANCE | | INFLOWS | | OUTFLOWS | | CLOSING BALANCE | |
|--|-----------------|---------------|--------------|--------------|----------------|--------------|-----------------|---------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Land and buildings | 13,454 | 13,454 | — | — | — | — | 13,454 | 13,454 |
| Facilities and other property, plant and equipment | 8,422 | 8,041 | 505 | 578 | (2,157) | (197) | 6,770 | 8,422 |
| Fixed assets in progress and advance payments | 179 | — | 104 | 179 | — | — | 283 | 179 |
| TOTAL COST | 22,055 | 21,495 | 609 | 757 | (2,157) | (197) | 20,507 | 22,055 |
| Cumulative amortization | (6,446) | (5,269) | (1,239) | (1,259) | 2,151 | 82 | (5,534) | (6,446) |
| NET TOTAL | 15,609 | 16,226 | (630) | (502) | (6) | (115) | 14,973 | 15,609 |

Thousand euros

The main inflows in both fiscal years correspond to disbursements for improvements to property, plant and equipment.

The main outflows in 2020 came from the derecognition of fully amortized items.

The depreciation of items of property, plant and equipment is calculated on a straight-line basis according to useful life. Below are details of the depreciation rates applied by groups of items:

| ITEM GROUPS | % DEPRECIATION |
|---------------------------|----------------|
| Buildings | 2 |
| Vehicles | 16 |
| Furniture and fittings | 10 |
| Data processing equipment | 25 |

| HEADINGS | OPENING BALANCE | | INFLOWS | | OUTFLOWS | | CLOSING BALANCE | |
|-------------------------|-----------------|---------------|--------------|--------------|-----------------|-------------|-----------------|---------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Computer applications | 16,084 | 15,982 | 1,119 | 185 | (15,438) | (83) | 1,765 | 16,084 |
| TOTAL COST | 16,084 | 15,982 | 1,119 | 185 | (15,438) | (83) | 1,765 | 16,084 |
| Cumulative amortization | (15,656) | (14,860) | (269) | (798) | 15,438 | 2 | (487) | (15,656) |
| NET TOTAL | 428 | 1,122 | 850 | (613) | — | (81) | 1,278 | 428 |

Thousand euros

The main inflows in both fiscal years correspond to disbursements for the development of current computer applications and the purchase of new licenses.

The main outflows in 2020 came from the derecognition of fully amortized items.

The annual amortization rate is 33 percent.

There are no intangible fixed assets outside Spanish territory.

At the close of the last two fiscal years, there were no fully depreciated assets in use.

No items of property, plant and equipment were acquired from Group companies or associates in the last two fiscal years.

No items of property, plant or equipment are located outside Spanish territory.

At the close of the last two fiscal years, there were no fully depreciated assets in use.

The Company has insurance policies covering the net book value of property, plant and equipment.

6. Intangible fixed assets

The accompanying table shows the movements under this heading for the last two fiscal years:

7. Leases

Operating leases

The Company is the lessee in operating leases on a building. The contract is for a one-year term and may be extended by one-year increments if neither party informs the other of its desire to terminate the contract giving two months' notice. There is no restriction on the lessee whatsoever regarding the prerogative to sign these leases.

The future minimum payments to be made until the end of the lease term on non-cancellable operating leases amount to 3,188,000 euros, calculated as on December 31, 2020. (3,587,000 euros on December 31, 2019).

Leasing expenses registered in fiscal years 2020 and 2019 amount to 3,141,000 euros and 3,547,000 euros, respectively.

8. Financial instruments

The following table shows the book value of the financial assets recorded in the last two fiscal years.

Financial assets

| A.- Long-term financial instruments | | | | | | | | |
|--------------------------------------|--------------------|---------------|-----------------|----------|------------------------------|----------------|----------------|----------------|
| Class | Equity instruments | | Debt securities | | Credit derivatives and Other | | Total | |
| Category | 2020 | 2019 | 2019 | 2018 | 2020 | 2019 | 2020 | 2019 |
| Loans and receivables | — | — | — | — | 292,061 | 342,623 | 292,061 | 342,623 |
| Assets available for sale | — | — | — | — | — | — | — | — |
| - Valued at fair value | 23,584 | 21,905 | — | — | — | — | 23,584 | 21,905 |
| TOTAL A | 23,584 | 21,905 | — | — | 292,061 | 342,623 | 315,645 | 364,528 |
| B.- Short-term financial instruments | | | | | | | | |
| Class | Equity instruments | | Debt securities | | Credit derivatives and Other | | Total | |
| Category | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Loans, receivables and other assets | — | — | — | — | 170,473 | 196,842 | 170,473 | 196,842 |
| TOTAL B | — | — | — | — | 170,473 | 196,842 | 170,473 | 196,842 |
| TOTAL A + B | 23,584 | 21,905 | — | — | 462,534 | 539,465 | 486,118 | 561,370 |

Thousand euros

Financial liabilities

The book value of the financial liabilities corresponding to the last two fiscal years is shown below.

| A.- Long-term financial instruments | | | | | | | | |
|---|----------------------------|----------------|--|------------------|-----------------|---------------|------------------|------------------|
| Class | Due to credit institutions | | Debentures and other negotiable securities | | Loans and Other | | Total | |
| Category | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Debits and payables | 600,000 | 610,000 | 2,090,891 | 2,089,554 | 175 | 365 | 2,691,066 | 2,699,919 |
| Liabilities designated at fair value through gains or losses: | — | — | — | — | — | — | — | — |
| Other | — | — | — | — | — | — | — | — |
| TOTAL A | 600,000 | 610,000 | 2,090,891 | 2,089,554 | 175 | 365 | 2,691,066 | 2,699,919 |
| B.- Short-term financial instruments | | | | | | | | |
| Class | Due to credit institutions | | Debentures and other negotiable securities | | Loans and Other | | Total | |
| Category | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Debits and payables | — | — | 36,337 | 36,337 | 107,681 | 92,408 | 144,018 | 128,745 |
| Liabilities designated at fair value through gains or losses: | — | — | — | — | — | — | — | — |
| Other | — | — | — | — | — | — | — | — |
| TOTAL B | — | — | 36,337 | 36,337 | 107,681 | 92,408 | 144,018 | 128,745 |
| TOTAL A + B | 600,000 | 610,000 | 2,127,228 | 2,125,891 | 107,856 | 92,773 | 2,835,084 | 2,828,664 |

Thousand euros

Credit line limits at December 31 of the last two fiscal years are indicated below.

| Bank | Maturity | Limit | | Drawn down | |
|-----------------------|-----------|------------------|------------------|----------------|----------------|
| | | 2020 | 2019 | 2020 | 2019 |
| BANCO SANTANDER | 2/26/2025 | 1,000,000 | 1,000,000 | 600,000 | 610,000 |
| CARTERA MAPFRE S.L.U. | 9/10/2021 | 400,000 | 400,000 | — | — |
| Total | | 1,400,000 | 1,400,000 | 600,000 | 610,000 |

Thousand euros

Banco de Santander is the agent bank of the aforementioned line of credit, which is a syndicated loan with other banks and which bears interest at a rate pegged to market variables. In fiscal year 2018, it was renewed, its conditions modified and its maturity extended. Among the modified conditions, it was converted into sustainable financing, linking its interest also to the Group's sustainability parameters.

Accrued interest payable on the line of credit during the period amounted to 1,801,000 euros (2,186,000 euros in 2019).

The line of credit granted by CARTERA MAPFRE, S.L.U. bears interest at a variable rate tied to the three-month Euribor plus a spread of 1.5%, and may be extended for successive one-year periods.

The maturities of financial instruments in the last two fiscal years, without considering the financial discount, are shown in the accompanying table:

Fiscal year 2020

| HEADINGS | Maturity in | | | | | | Closing |
|--|----------------|---------------|---------------|---------------|----------------|------------------|------------------|
| | 2021 | 2022 | 2023 | 2024 | 2025 | Posteriores | final |
| Financial assets | — | — | — | — | — | — | — |
| Other investments | 170,473 | 50,500 | 50,500 | 50,500 | 50,500 | 90,785 | 463,258 |
| Total financial assets | 170,473 | 50,500 | 50,500 | 50,500 | 50,500 | 90,785 | 463,258 |
| Financial liabilities | — | — | — | — | — | — | — |
| Debentures and other negotiable securities | 63,125 | 63,125 | 63,125 | 63,125 | 63,125 | 2,230,625 | 2,546,250 |
| Due to credit institutions | 1,664 | 1,664 | 1,664 | 1,654 | 605,277 | — | 611,923 |
| Other financial liabilities | 82,003 | — | — | — | — | 175 | 82,178 |
| Total financial liabilities | 146,792 | 64,789 | 64,789 | 64,779 | 668,402 | 2,230,800 | 3,240,351 |

Thousand euros

Fiscal year 2019

| HEADINGS | Maturity in | | | | | | Closing |
|--|----------------|---------------|---------------|---------------|----------------|------------------|------------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | Posteriores | final |
| Financial assets | — | — | — | — | — | — | — |
| Other investments | 196,142 | 50,500 | 50,500 | 50,500 | 50,500 | 140,623 | 538,765 |
| Total financial assets | 196,142 | 50,500 | 50,500 | 50,500 | 50,500 | 140,623 | 538,765 |
| Financial liabilities | — | — | — | — | — | — | — |
| Debentures and other negotiable securities | 63,125 | 63,125 | 63,125 | 63,125 | 63,125 | 2,293,750 | 2,609,375 |
| Due to credit institutions | 1,678 | 1,678 | 1,678 | 1,678 | 611,678 | — | 618,390 |
| Other financial liabilities | 64,609 | — | — | — | — | 365 | 64,974 |
| Total financial liabilities | 129,412 | 64,803 | 64,803 | 64,803 | 674,803 | 2,294,115 | 3,292,739 |

Thousand euros

Information regarding the income statement and equity

The following table provides information regarding the income statement and the equity of financial instruments for the last two fiscal years:

| HEADINGS | Financial | | Impairment | | | |
|--|--------------------|-----------------|-------------------|-----------------|----------------|----------|
| | income or expenses | | Registered losses | | Reversal gains | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Financial assets | — | — | — | — | — | — |
| Equity instruments | 394,486 | 601,546 | (59,461) | (51,037) | — | — |
| Receivables | 12,911 | 14,717 | — | — | — | — |
| Trading portfolio and other | — | — | — | — | — | — |
| Other financial assets | 424 | 371 | — | — | — | — |
| Impairment and result of disposal of financial instruments | 20,004 | 4,074 | — | — | — | — |
| Foreign exchange differences | (3) | (4) | — | — | — | — |
| Subtotal | 427,822 | 620,704 | (59,461) | (51,037) | — | — |
| Financial liabilities | — | — | — | — | — | — |
| Debt with Group companies | — | (1,431) | — | — | — | — |
| Debt with third parties | (67,769) | (68,457) | — | — | — | — |
| For update of provisions | (190) | (195) | — | — | — | — |
| Subtotal | (67,959) | (70,083) | — | — | — | — |
| TOTAL | 359,863 | 550,621 | (59,461) | (51,037) | — | — |

Thousand euros

Fair value gains or losses on equity instruments correspond to changes in valuation adjustments in Group companies and associates and in the available-for-sale portfolio, as shown below:

| Name | (Impairment) Reversal year 2019 | (Impairment) Reversal year 2018 |
|--------------------------------|---------------------------------|---------------------------------|
| MAPFRE INMUEBLES | (626) | 1,447 |
| MAPFRE ASISTENCIA | (52,187) | (46,882) |
| DESURCIC | — | (2) |
| PREMINEN PRICE COMPARISON HL | (4,500) | — |
| INSPOP-COMPARE (ADMIRAL GROUP) | (2,148) | (5,600) |
| TOTAL | (59,461) | (51,037) |

Thousand euros

Dividends and other income accrued from financing granted to investee companies are part of the concept "Net business figure amount", as established in Note 4.f.

Group and associate companies

Annex 1 of the annual report contains details of the Group and associate companies in which direct equity investments have been held in the last two fiscal years.

The results of companies included in the aforementioned annex correspond entirely to ongoing operations.

In compliance with Article 155 of the Recast Text of the Spanish Limited Liability Companies Act, the corresponding notifications were made, when applicable, to investee companies.

The main operations undertaken in the last two fiscal years with Group companies and associates are described in Note 18 of this annual report.

The minority shareholders of the affiliate MAPFRE RE have a sales option on the shares of that company. If exercised, MAPFRE or a MAPFRE Group company would have to acquire the shares from the selling non-controlling shareholder. The purchase price for the shares will be calculated using the previously agreed formulas in each case. As on December 31, 2020 and 2019, taking into account the variables included in the aforementioned formula, the commitment assumed by the Group in the event of exercising this option would amount to a total of approximately 110.32 and 108.75 million euros, respectively.

On June 23, 2020, there was a reduction in share capital for the return of contributions through the amortization of shares of the Company MAQUAVIT INMUEBLES, S.L. for an amount of 3,000,000 euros.

In the financial year 2020, the Company sold 100 percent of the shares of MAQUAVIT INMUEBLES, S.L. to a third party, generating a profit of 26,652,000 euros.

In 2019 the Company sold 1,013,484 MAPFRE RE shares, generating a profit of 9,464,000 euros.

As a result of the sale agreement negotiated in December 2020 of the company PREMINEN PRICE COMPARISON HOLDINGS LIMITED, the net amount of the investment in said company has been reclassified to "Non-current assets held for sale".

Note 18 "Related-party transactions" details the amounts of capital increases of Group companies over the last two fiscal years.

In March 2019, administrative authorization was obtained to carry out the business restructuring operation of MAPFRE GLOBAL RISKS, through which:

–The purely insurance or reinsurance activities of MAPFRE GLOBAL RISKS, together with the assets and liabilities linked to them, were transferred to MAPFRE ESPAÑA and MAPFRE RE, respectively.

–A company was constituted to continue the operations of MAPFRE GLOBAL RISKS, involving the analysis and underwriting of large industrial and commercial risks, and acting as an agent of MAPFRE ESPAÑA and MAPFRE RE.

As a result of this corporate restructuring, a positive impact of 90,725,000 euros in equity was recorded, under the "Other reserves" heading.

Financial instruments risk

Credit and market risks are managed centrally through the MAPFRE Group Investment Area, which applies a prudent investment policy to mitigate exposure to these kinds of risks.

Liquidity is managed by the Company, which maintains sufficient balances of current assets and lines of credit to cover any event derived from its obligations. It also has the Group's support for financing operations when additional liquidity is required.

There were no significant amounts in the last two years regarding financial assets exposed to interest rate risk.

The accompanying table shows the significant information for the last two years regarding the level of exposure to the interest rate risk of financial liabilities.

| Item | Amount of the liability exposed to risk | | | | | |
|---|---|------------------|---------------------|----------------|------------------|------------------|
| | Interest rate | | Not exposed to risk | | Total | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Issue of debentures and other negotiable securities | 2,127,228 | 2,125,891 | — | — | 2,127,228 | 2,125,891 |
| Other financial liabilities | — | — | 600,187 | 610,370 | 600,187 | 610,370 |
| Total | 2,127,228 | 2,125,891 | 600,187 | 610,370 | 2,727,415 | 2,736,261 |

Thousand euros

All amounts corresponding to financial assets and liabilities are denominated in euros, with the exception of holdings in entities located overseas.

9. Shareholders' equity

SHARE CAPITAL

The Company's share capital as on December 31, 2020 and 2019 was represented by 3,079,553,273 shares with a face value of 0.10 euros each, fully subscribed and paid-up. All shares carry the same political and economic rights.

All shares representing the Company's share capital are admissible for official trading on the Madrid and Barcelona stock markets.

The Annual General Meeting of March 9, 2018 authorized the directors of the Company to increase capital up to a maximum of 153,977,663.65 euros, equivalent to 50 percent of the share capital at the time. This authorization was granted for a period of five years. Furthermore, the directors were authorized to issue analogous fixed income securities or debentures, convertible or not, for a maximum amount of 2 billion euros.

CARTERA MAPFRE directly held 69.69 percent of the Company's share capital as on December 31, 2020 (67.67 percent in 2019).

SHARE PREMIUM

This reserve is unrestricted and corresponds to the provisions made as a result of the capital increases, as indicated below.

| DATE | ISSUE TYPE | AMOUNT |
|--------------|------------|------------------|
| June 1985 | 200% | 956 |
| October 1985 | 300% | 4,015 |
| January 1986 | 600% | 11,040 |
| June 1986 | 600% | 2,428 |
| January 2007 | 3,192% | 3,320,281 |
| TOTAL | | 3,338,720 |

Thousand euros

LEGAL RESERVE

The legal reserve, which at the end of the last two years amounted to 61,591,065 euros, cannot be distributed to shareholders unless the Company is liquidated. In that case, it may only be used to offset potential losses.

OTHER RESTRICTIONS ON THE AVAILABILITY OF RESERVES

"Reserves" includes reserve for redenomination of the share capital to euros, which in accordance with Article 28 of Law 46/1998 may not be distributed. Additionally, a capitalization reserve totaling 48,857,000 euros is included, which will be available once five years have elapsed since its creation.

TREASURY STOCK

In 2020, 203,905 shares were delivered to directors of subsidiaries, registering a negative impact of 140,638.49 euros (910,979.79 euros positive in 2019) which has been included under the heading "Other Reserves".

During 2019, 7,897,336 treasury shares were purchased in the market and 1,839,387 shares were delivered to directors of subsidiaries as part of their variable remuneration, resulting in a net increase of 6,057,949 treasury shares, representing 0.1967 percent of capital, amounting to 15,585,821.85 euros

At the close of the fiscal year, the Company owned 30,285,934 treasury stocks (30,489,839 in 2019), which represented 0.9835 percent of capital (0.9901 percent in 2019) at an average rate of 2.09 euros per share over the last two fiscal years.

The total face value of the shares acquired was 3,028,593 euros (3,048,984 euros in 2019).

10. Non-convertible debentures

At December 31, 2020 and 2019, the balance of this account included the face value of the debentures issued by the Company and was represented through book entries, the most significant terms and conditions of which are as follows:

| Description | Nominal amount | Book value | | Outstanding interests | | Issue date | Expiration date | Coupon | Market | Rating |
|----------------------|------------------|------------------|------------------|-----------------------|---------------|------------|-----------------|--------|--------|--------|
| | | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 | | | | | |
| September 2018 issue | 500,000 | 497,078 | 496,761 | 6,498 | 6,498 | 9/7/2018 | 9/7/2048 | 4.13% | AIAF | BBB- |
| March 2017 issue | 600,000 | 598,270 | 598,034 | 19,777 | 19,777 | 3/31/2017 | 3/31/2047 | 4.38% | AIAF | BBB |
| May 2016 issue | 1,000,000 | 995,543 | 994,759 | 10,062 | 10,062 | 5/19/2016 | 5/19/2026 | 1.63% | AIAF | A- |
| TOTAL | 2,100,000 | 2,090,891 | 2,089,554 | 36,337 | 36,337 | | | | | |

Thousand euros

The most relevant conditions related to subordinated obligations are detailed below.

September 2018 issue

This issue included an initial call option on September 7, 2028, with the interest payable from this date up to 2048 being the three-month Euribor plus 4.30%, payable quarterly.

March 2017 issue

This issue included an initial call option on March 31, 2027, with the interest payable from this date up to 2047 being the three-month Euribor plus 4.54 percent, payable quarterly.

For both issuances, the issuer is obliged to defer interest payments in the case where there is any non-compliance with the Solvency Capital Requirement or Minimum Capital Requirement, or the pertinent regulatory has prohibited interest payments, or the issuer cannot settle the liabilities that are past due and payable.

Amortization will occur in special cases as a result of reform or modification of tax regulations, due to lack of interchangeability of the issuer's own funds, and as a result of a change in treatment by the credit ratings agencies.

11. Foreign currency

At the end of the last two years there were no significant amounts of asset and liability items denominated in foreign currency.

12. Fiscal situation

Since 1985, the Company has been included for corporate tax purposes in Tax Group 9/85, consisting of the Company and those subsidiaries that meet the requirements to be eligible for this tax regime.

In 2020, the following companies belonged to Tax Group No. 9/85:

The following companies belonged to Tax Group No. 9/85

MAPFRE S.A.
 MAPFRE RE, COMPAÑÍA INTERNACIONAL DE REASEGUROS S.A.
 MAPFRE INMUEBLES S.G.A.
 DESARROLLOS URBANOS CIC S.A.
 SERVICIOS INMOBILIARIOS MAPFRE S.A.
 MAPFRE ASISTENCIA, CIA. INTERNACIONAL DE SEGUROS S.A.
 IBEROASISTENCIA S.A.
 IBEROASISTENCIA CONSULTING DE SOLUCIONES Y TECNOLOGÍAS S.A.
 MAPFRE INTERNACIONAL S.A.
 MAPFRE VIDA S.A. DE SEGUROS Y REASEGUROS SOBRE LA VIDA HUMANA
 MAPFRE INVERSIÓN S.V.S.A.
 MAPFRE ASSET MANAGEMENT S.G.I.I.C.S.A.
 MAPFRE VIDA PENSIONES S.G.F.P. S.A
 CONSULTORA ACTUARIAL Y DE PENSIONES, MAPFRE VIDA S.A.
 GESTIÓN MODA SHOPPING S.A.
 MIRACETI S.A.
 MAPFRE ESPAÑA S.A.
 MULTISERVICIOS MAPFRE S.A.
 MAPFRE TECH S.A.
 GESTIÓN DE CENTROS MEDICOS MAPFRE S.A.U.
 MAPFRE PARTICIPACIONES S.A.
 MAPFRE VIDEO Y COMUNICACIÓN S.A.
 CENTRO DE EXPERIMENTACIÓN Y SEGURIDAD VIAL MAPFRE S.A.
 CLUB MAPFRE S.A.
 MAPFRE CONSULTORES DE SEGUROS Y REASEGUROS S.A.
 MAPFRE AUTOMOCIÓN S.A
 VERTI ASEGURADORA CIA DE SEGUROS Y REASEGUROS S.A.
 MEDISEMAP AGENCIA DE SEGUROS S.L.
 MAPFRE AM INVESTMENT HOLDING S.A.U.
 FUNESPAÑA S.A.
 SERVICIOS FUNERARIOS FUNEMADRID S.A.
 ALL FUNERAL SERVICES S.L.
 FUNERARIAS REUNIDAS EL BIERZO S.A.
 SALUD DIGITAL MAPFRE S.A.
 MAPFRE GLOBAL RISKS AGENCIA DE SUSCRIPCIÓN S.A.
 RISK MED SOLUTIONS S.A.
 GAB MANAGEMENT & CONSULTING S.R.L
 VERTI MEDIACION, SOCIEDAD DE AGENCIA DE SEGUROS VINCULADA S.L.
 FUNERARIA ALIANZA CANARIA S.L.U.
 FUNESPAÑA DOS S.L.U.

The reconciliation of the accounting profit to the corporate tax base for the last two years is shown in the accompanying table.

| RECONCILIATION OF THE BOOK RESULT WITH THE TAXABLE RATE OF THE CORPORATION TAX | | | | | | |
|---|-------------------------|------------------|---|-------------|------------------|------------------|
| Item | Income statement | | Revenue and expenses posted directly to equity | | TOTAL | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Balance of revenue and expenses of the year | 245,606 | 443,093 | — | — | 245,606 | 443,093 |
| Corporation tax | (39,339) | (38,452) | — | — | (39,339) | (38,452) |
| Permanent differences | (362,062) | (559,163) | — | — | (362,062) | (559,163) |
| Temporary differences: | — | — | — | — | — | — |
| - originating in the year | 21,029 | 8,052 | — | — | 21,029 | 8,052 |
| - originating in previous years | 2,280 | (50) | — | — | 2,280 | (50) |
| Compensation of negative tax bases of previous years | — | — | — | — | — | — |
| Individual taxable rate (fiscal result) | (132,486) | (146,520) | — | — | (132,486) | (146,520) |
| Permanent differences for fiscal consolidation | (896) | (3,325) | — | — | (896) | (3,325) |
| Individual taxable rate after consolidation | (133,382) | (149,845) | — | — | (133,382) | (149,845) |

Thousand euros

Increases and decreases corresponding to the last two fiscal years:

Increases due to permanent differences originating in the income statement relate to expenses that are not tax deductible, including contributions made to support programs for exceptional public-interest events pursuant to Law 49/2002, and valuation adjustments to equity instruments (equity investments in Group companies and associates) duly accounted for.

The amount of the decreases due to permanent differences arising from the income statement corresponds to the tax-exempt dividends, as well as the income obtained in the transfer of shares in investee companies that meet the requirements for applying the exemption.

The increases due to temporary differences originating in the year in the profit and loss account basically correspond to commitments and other obligations acquired with personnel and other provisions for expenses that are not considered deductible for tax purposes in the fiscal year 2020.

Decreases due to temporary differences originating in prior years on the income statement primarily relate to: the recovery of adjustments for pension commitments and to the application of provisions for other obligations undertaken with personnel that were not deductible in the fiscal year they were recorded; the recovery of a tenth of the amortization and depreciation of intangible fixed assets and plant, property and equipment that was not deducted in 2013 and 2014.

Increases due to the inclusion of negative temporary differences from previous years correspond to the recovery of the provision that was deducted for tax purposes in previous years due to impairment of the investee company portfolio, which is subsequently eliminated in the calculation of the consolidated tax base of fiscal group 9/85.

Shown below for the fiscal years ending on December 31, 2020 and 2019 are the main elements of the tax on profit expenses from ongoing operations, and the reconciliation between the tax on profits expenses and the product of multiplying the book results by the applicable tax rate.

| Item | Amount | |
|--|---------------|---------------|
| | 2020 | 2019 |
| Tax expense | | |
| Result before taxes from ongoing operations | 206,267 | 404,641 |
| 25% of the result before taxes from ongoing operations | (51,567) | (101,160) |
| Tax effect of the permanent differences | 90,516 | 139,791 |
| Permanent differences for fiscal consolidation | — | — |
| Tax incentives for the year | 489 | 311 |
| Total (expense)/revenue from current tax originating in the year | 39,438 | 38,942 |
| Expense from current tax originating in previous fiscal years | (99) | (490) |
| Adjustment to temporary differences Law 27/2014 (General Provisions) | — | — |
| (Expense)/revenue for tax of ongoing operations | 39,339 | 38,452 |
| Tax on profits to be (paid)/received | 39,339 | 38,452 |
| Taxes withheld and payments on account | — | — |
| Temporary differences | (5,603) | (1,169) |
| Tax effect of capital increase expenses posted to equity | — | — |
| Tax credits and incentives applied, registered in previous years and applied in the current year | 1,019 | 490 |
| Tax on profits from discontinued operations | — | — |
| Net tax on profits to be (paid)/received | 34,755 | 37,773 |

Thousand euros

The following table includes tax-deductible amounts in previous fiscal years in connection with corrections in value of holdings in Group, jointly-controlled and associated companies and the difference in the year in the shareholders' equity of the same, as well as the amounts included in the tax base as a result of tax reversion and the amounts pending inclusion.

Inn this context, Royal Decree-Law 3/2016, dated December 2, introduced a new minimum reversal

regime for amounts pending inclusion. This provided for a minimum recovery of a fifth of the pending amount from fiscal year 2016 onward, always provided that this amount was higher than the increase in shareholders' equity of the investee for that fiscal year and to the amount of dividends received by it.

The calculation of the minimum applicable reversal is also found in the following table.

| COMPANY | Deductible tax revenue | | Reversal for difference in shareholders' equity | | Reversal for dividends | | Minimum reversal (fifth part of 2016) | | Recovery made during the fiscal year | | Amounts pending recovery |
|------------------|------------------------|----------------|---|------------|------------------------|----------|---------------------------------------|--------------|--------------------------------------|--------------|--------------------------|
| | 2020 | Previous years | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | |
| MAPFRE INMUEBLES | — | 3,719 | — | 544 | — | — | 3,719 | 3,719 | 3,719 | 3,719 | — |
| Total | — | 3,719 | — | 544 | — | — | 3,719 | 3,719 | 3,719 | 3,719 | — |

Thousand euros

The applicable tax rate for fiscal years 2020 and 2019 was 25 percent.

The following tables offer a breakdown of the movements for years 2020 and 2019 under the "Deferred tax assets" heading, differentiating the corresponding amounts in terms of items debited or credited directly to equity.

Fiscal year 2020

| Item | Opening balance | Originating from Results | Equity | Cancellations | Closing balance |
|-------------------------------|-----------------|--------------------------|----------|----------------|-----------------|
| Assets | | | | | |
| Commitments to personnel | 10,804 | 4,935 | — | (279) | 15,460 |
| Equity instruments impairment | 13,238 | 1,087 | — | (1,352) | 12,973 |
| Other items | 2,867 | 181 | — | (194) | 2,854 |
| Total | 26,909 | 6,203 | — | (1,825) | 31,287 |

Thousand euros

Fiscal year 2019

| Item | Opening balance | Originating from Results | Equity | Cancellations | Closing balance |
|-------------------------------|-----------------|--------------------------|----------|----------------|-----------------|
| Assets | | | | | |
| Commitments to personnel | 9,815 | 1,739 | — | (750) | 10,804 |
| Equity instruments impairment | 13,238 | — | — | — | 13,238 |
| Other items | 4,016 | 375 | — | (1,524) | 2,867 |
| Total | 27,069 | 2,114 | — | (2,274) | 26,909 |

Thousand euros

The breakdown of movements for years 2020 and 2019 under the heading "Deferred tax liabilities" is also shown below, differentiating the amounts in terms of items debit or credited directly against equity for the period.

Fiscal year 2020

| Item | Opening balance | Originating from Results | Equity | Cancellations | Closing balance |
|---|-----------------|--------------------------|----------|---------------|-----------------|
| Liabilities | | | | | |
| Profit from sales of equity instruments | 108 | — | — | — | 108 |
| TOTAL | 108 | — | — | — | 108 |

Thousand euros

Fiscal year 2019

| Item | Opening balance | Originating from Results | Equity | Cancellations | Closing balance |
|---|-----------------|--------------------------|----------|---------------|-----------------|
| Liabilities | | | | | |
| Profit from sales of equity instruments | 108 | — | — | — | 108 |
| TOTAL | 108 | — | — | — | 108 |

Thousand euros

There are no tax loss carryforwards pending offset. The tax credits held by the Company for the last two years are shown below:

Fiscal year 2020

| Modality | Year to which they correspond | Amount applied in the fiscal year | Amount pending application | Amount not registered | Deadline for use |
|---------------------------|-------------------------------|-----------------------------------|----------------------------|-----------------------|------------------|
| Double taxation deduction | 2020 | 920 | — | — | — |
| Other | 2020 | 489 | — | — | — |
| TOTAL | — | 1,409 | — | — | — |

Thousand euros

Fiscal year 2019

| Modality | Year to which they correspond | Amount applied in the fiscal year | Amount pending application | Amount not registered | Deadline for use |
|---------------------------|-------------------------------|-----------------------------------|----------------------------|-----------------------|------------------|
| Double taxation deduction | 2019 | — | — | — | — |
| Other | 2019 | 311 | — | — | — |
| TOTAL | — | 311 | — | — | — |

Thousand euros

In 2011, the Company applied a deduction of 2,175,741 euros for reinvestment of extraordinary profits, as referred to in Art. 42 of the Recast Text of the Corporate Tax Law approved by Royal Decree-Law 4/2004 of March 5, 2004, against a tax base of 18,131,178 euros. The commitment to reinvestment was completely covered during the year by investments made by Tax Group 9/85.

In the fiscal years 2015, 2016 and 2017, in accordance with Article 25 of Corporate Tax Law 27/2014 of November 27, 2014, the Company availed of the tax benefit for reduction of the capitalization reserve, as the controlling company of Tax Group 9/85.

The following table shows the appropriations to capitalization reserves per year of allocation:

| Fiscal year | Amount |
|--------------|---------------|
| 2017 | 1,857 |
| 2016 | 12,000 |
| 2015 | 35,000 |
| TOTAL | 48,857 |

Thousand euros

The consolidated tax return of Tax Group 9/85 for fiscal year 2020 shows a corporate tax rebate of 37,615,074 euros, recognized in the assets of the Company (44,027,130 euros in 2019), and is still awaiting a repayment from previous years of 43,076,442 euros, having received, prior to the formulation of these accounts, the amount of 43,068,881.

As a result of their distribution among the Group companies, the Company has registered in the last two years the receivables and payables shown in the accompanying table, generated in the period, in relation to the companies subject to Tax Group 9/85.

| COMPANY | AMOUNT | | | |
|--|---------------|---------------|---------------|---------------|
| | CREDIT | | DEBIT | |
| | 2020 | 2019 | 2020 | 2019 |
| MAPFRE VIDA S A DE SEGUROS Y REASEG SOBRE LA VIDA HUMANA | — | — | 10,375 | 2,124 |
| MAPFRE RE COMPAÑÍA INTERNACIONAL DE REASEGUROS S A | 5,680 | — | — | 7,883 |
| MAPFRE INMUEBLES S A | — | 980 | 795 | — |
| MAPFRE INVERSION S V S A | 446 | 547 | — | — |
| MAPFRE VIDA PENSIONES S G F P S A | 61 | 211 | — | — |
| MAPFRE ASSET MANAGEMENT S G I I C S A | 1,975 | 3,752 | — | — |
| CONSULTORA ACTUARIAL Y DE PENSIONES MAPFRE VIDA S A | 6 | — | — | 3 |
| GESTION MODA SHOPPING S A | — | 4 | 13 | — |
| MIRACETI S A | 50 | 108 | — | — |
| MAPFRE VIDEO Y COMUNICACIÓN S A (MAVICO) | 128 | 147 | — | — |
| MAPFRE CONSULTORES DE SEGUROS Y REASEGUROS S A | — | 2 | — | — |
| MAPFRE ASISTENCIA CIA INTERNACIONAL DE SEGUROS S A | — | — | 5,743 | 1,955 |
| IBEROASISTENCIA S A | — | — | 9 | 14 |
| CENTRO DE EXPERIMENTACIÓN Y SEGURIDAD VIAL MAPFRE S A | 25 | 15 | — | — |
| CLUB MAPFRE S A | — | 2 | 7 | — |
| DESARROLLOS URBANOS CIC S A (DESURCIC) | — | — | 3,078 | 362 |
| MAPFRE INTERNACIONAL | — | — | 16,055 | 18,431 |
| MULTISERVICIOS MAPFRE S A (MULTIMAP) | 23 | 133 | — | — |
| SERVICIOS INMOBILIARIOS MAPFRE S A (SERVIMAP) | 35 | 50 | — | — |
| MAPFRE TECH | — | — | 1,940 | 1,752 |
| MAPFRE AUTOMOCIÓN | — | — | 215 | 293 |
| IBEROASIS CONSULTING DE SOLUCIONES Y TECNOLOGIAS S A | — | — | 540 | 31 |
| M PARTICIPACIONES (formerly SERVIFINANZAS) | — | — | 257 | 299 |
| MAPFRE GLOBAL RISKS S A | — | — | — | — |
| CENTROS MEDICOS MAPFRE SA | — | — | 2,139 | 1,227 |
| VERTI ASEGURADORA CIA DE SEGUROS Y REASEGUROS S A | 1,266 | — | — | 910 |
| MEDISEMAP AGENCIA DE SEGUROS S L | — | — | 1 | 18 |
| MAPFRE ESPAÑA COMPAÑÍA DE SEGUROS Y REASEGUROS S A | 31,343 | 25,786 | — | — |
| FUNESPAÑA S A | — | — | 65 | 90 |
| SERVICIOS FUNERARIOS FUNEMADRID S A | 131 | 190 | — | — |
| ALL FUNERAL SERVICES S L | 31 | 67 | — | — |
| FUNERARIAS REUNIDAS EL BIERZO S A | 93 | 104 | — | — |
| GAB MANAGEMENT & CONSULTING S R L | — | 1 | — | — |
| POMPES FÚNEBRES DOMINGO S L | — | — | — | — |
| BIOINGENIERIA ARAGONESA | — | 1 | — | — |
| MAQUAVIT | — | — | — | 61 |
| MAPFRE AM INVESTMENT HOLDING S A U | — | — | 1 | 87 |
| SALUD DIGITAL MAPFRE | — | — | 2,439 | 2,791 |
| MAPFRE GLOBAL RISKS AGENCIA DE SUSCRIPCIÓN SA | 1 | 15 | — | — |
| RISK MED SOLUTIONS | — | — | 256 | 39 |
| FUNERARIA ALIANZA CANARIA S.L.U | — | — | 23 | — |
| FUNESPAÑA DOS S.L.U. | — | — | 203 | — |
| TOTAL | 41,294 | 32,115 | 44,154 | 38,370 |

Thousand euros

The total amount payable to the Spanish tax authorities in 2020, and the net amount of the aforementioned receivables and payables, gives rise to the amount to be collected by the Company, namely 34,755,249.93 euros (37,772,571.75 euros in 2019).

During the last two fiscal years, no significant eliminations were made in the consolidated Tax Group due to temporary differences.

The following table breaks down the amounts pending reversal as a result of the eliminations for temporary differences of the Company in the Tax Group.

| Item | Purchasing company | Amount | Year eliminated |
|---------------------------------|--|--------------|-----------------|
| Shares sale | | | |
| - MAPFRE SOFT | MAPFRE INTERNACIONAL S.A. | (2) | 2003 |
| - MUSINI | MAPFRE GLOBAL RISKS S.A. | (92) | 2004 |
| - MAPFRE CAUCIÓN Y CRÉDITO | MAPFRE GLOBAL RISKS S.A. | 10,251 | 2005 |
| - MAPFRE SERVICIOS DE INFORMAT. | MAPFRE INTERNET S.A. | 1,262 | 2010 |
| - MAPFRE INMUEBLES S.G.A. | MAPFRE CAUCIÓN Y CRÉDITO | (16) | 2010 |
| - MAPFRE INMUEBLES S.G.A. | MAPFRE ESPAÑA S.A. | (1,764) | 2010 |
| - MAPFRE INMUEBLES S.G.A. | MAPFRE GLOBAL RISKS S.A. | (184) | 2010 |
| - MAPFRE INMUEBLES S.G.A. | MAPFRE ESPAÑA S.A. | (956) | 2010 |
| - MAPFRE INMUEBLES S.G.A. | MAPFRE VIDA, S.A. DE SEGUROS Y REASEGUROS SOBRE LA VIDA HUMANA | (251) | 2010 |
| - MAPFRE INMUEBLES S.G.A. | MAPFRE ESPAÑA S.A. | (697) | 2011 |
| - MAPFRE INMUEBLES S.G.A. | MAPFRE VIDA, S.A. DE SEGUROS Y REASEGUROS SOBRE LA VIDA HUMANA | (98) | 2011 |
| - MAPFRE INMUEBLES S.G.A. | MAPFRE ESPAÑA S.A. | (371) | 2011 |
| - MAPFRE ESPAÑA | MAPFRE AUTOMOCIÓN | (15) | 2015 |
| - MAPFRE SA | MAPFRE INTERNACIONAL S.A. | (13) | 2016 |
| - MAPFRE ESPAÑA | MAPFRE INTERNACIONAL S.A. | 207 | 2016 |
| - MAPFRE VIDA | MAPFRE INTERNACIONAL S.A. | 23 | 2016 |
| - MAPFRE GLOBAL RISKS | MAPFRE INTERNACIONAL S.A. | (7) | 2016 |
| - MAPFRE GLOBAL RISKS | MAPFRE ESPAÑA S.A. | (43) | 2016 |
| Total | | 7,234 | |

Thousand euros

The following table shows the incorporations in the consolidated Tax Group during the last two fiscal years:

| Temporary differences | Company | Fiscal year | |
|------------------------------------|---------------------------|--------------|--------------|
| | | 2020 | 2019 |
| Impairment Group companies | - MAPFRE INMUEBLES S.G.A. | 3,719 | 3,719 |
| Total temporary differences | | 3,719 | 3,719 |

Thousand euros

The adjustment for the integration of the provisions of pension commitments, subject to the limit of 25 percent of the previous tax base regulated in article 11.12 of Law 27/2014, to be practiced in the consolidated tax base in the 2020 financial year was 269,014.77 euros (against 2,851,530.56 euros in 2019).

Verification by tax authorities

In accordance with current legislation, the declarations made in respect of the different taxes may not be considered final until they have been inspected by the tax authorities or the four-year limitation period has elapsed.

During the 2020 and 2019 fiscal years, the verification proceedings were conducted, initiated on December 4, 2017 in relation to the Corporate Tax for fiscal years 2013 to 2016, referring to Tax Consolidation Group no. 9/85, of which MAPFRE S.A. is the controlling company. Likewise, and as regards the Value Added Tax (hereinafter VAT), the Company was informed, as representative of VAT Group no. 87/10, of the initiation of the verification activity for the years 2014 to 2016. Insofar as MAPFRE S.A. is concerned, the proceedings extend to all taxes to which they are subject individually for the years 2014 to 2016 and to Corporation Tax for the year 2013.

As a result of the inspection actions, in relation to MAPFRE S.A., minutes relating to the years 2014 to 2016 on withholding of personal work have been formalized. The settlements deriving from the agreed-on minutes are paid up to the date of formulation of the accounts. In relation to the part that has not been agreed on, for irrelevant amounts, the settlements are on appeal before the Central Economic-Administrative Court.

Minutes of disagreement were also signed in relation to the Income Tax for the years 2013 to 2016, which affect MAPFRE S.A. as an individual company, the settlement of which is on appeal before the Central Economic-Administrative Court.

MAPFRE SA, considers that, in line with the criteria expressed by the internal tax advisers, the regularizations carried out do not have a significant impact on the individual annual accounts, and there are solid defense arguments in the pending appeals, which is why no specific provision for these items has been recorded.

As of December 31, 2020, and after the aforementioned inspection actions, the taxes owing on the part of the company for the years 2017 to 2020 inclusive are under inspection.

Business restructuring operations

In March 2019, administrative authorization was obtained to carry out the total spin-off operation of the entity MAPFRE GLOBAL RISKS COMPAÑÍA DE SEGUROS Y REASEGUROS S.A., which had been agreed in 2018, in favor of the entities MAPFRE RE COMPAÑÍA DE REASEGUROS S.A., MAPFRE ESPAÑA COMPAÑÍA DE SEGUROS Y REASEGUROS S.A., MAPFRE PARTICIPACIONES S.A. and MAPFRE GLOBAL RISKS AGENCIA DE SUSCRIPCIÓN S.A.U.

For the purposes of the provisions of Article 86 of Law 27/2014 of November 27, 2014, the Corporate Tax Law, MAPFRE S.A., as a partner of the spin-off entity, provides the following information:

- The accounting and tax value of the securities delivered was 529,066,886 euros.
- The amount accounted for in relation to the securities received was 619,792,379 euros.

During 2016, the merger by absorption of the companies MAPFRE AMÉRICA S.A. (absorbing company) and MAPFRE INTERNACIONAL S.A. (absorbed company) into MAPFRE INTERNACIONAL S.A., took place, with the absorbed company changing its name to MAPFRE INTERNACIONAL S.A.

Both operations were covered by the Special Regime foreseen in Chapter VII, Part VII of Corporate Tax Law 27/2014 of November 27, 2014.

On September 6, 2013, 100 percent of the shares of SEGUROS GERAIS held by MAPFRE INTERNACIONAL were spun off to MAPFRE FAMILIAR. MAPFRE S.A. is the sole partner of the companies involved in the operation.

On February 22, 2011, the capital of MAPFRE VIDA was increased via non-monetary contributions from the companies CAJA CASTILLA LA MANCHA VIDA Y PENSIONES DE SEGUROS Y REASEGUROS and UNIÓN DUERO COMPAÑÍA DE SEGUROS VIDA S.A.

On June 6, 2011 the capital of MAQUAVIT INMUEBLES was increased via the contribution of the holding of the company MAPFRE QUAVITAE.

The 2011 annual report contains mandatory accounting information concerning these operations.

All the aforementioned operations were subject to the Special Regime of Chapter VIII, Part VII of Royal Legislative Decree 4/2004.

Up to 2008, the following merger operations were carried out, under the tax deferral regime established in the Corporate Tax regulations:

- Merger by absorption of MAPFRE-CAJAMADRID HOLDING DE ENTIDADES ASEGURADORAS S.A. by MAPFRE S.A.

- Merger by absorption of MAPFRE AUTOMOBILES, COMPAÑÍA DE SEGUROS Y REASEGUROS S.A., MAPFRE CAJA SALUD, COMPAÑÍA DE SEGUROS, S.A. and MAPFRE GUANARTEME, COMPAÑÍA DE SEGUROS DE CANARIAS S.A. into MAPFRE SEGUROS GENERALES, COMPAÑÍA DE SEGUROS Y REASEGUROS S.A. (which changed its company name to MAPFRE FAMILIAR, COMPAÑÍA DE SEGUROS Y REASEGUROS S.A.).
- The book value of the 455,054 shares of MAPFRE SEGUROS GENERALES contributed to the aforementioned capital increase was 4,045,896.15 euros.
- The Company recorded the 4,946,766 shares received from MAPFRE-CAJA MADRID, Holding de Entidades Aseguradoras S.A. in the aforementioned capital increase at 4,045,896.15 euros.

Merger by absorption of MAPFRE AGROPECUARIA, COMPAÑÍA DE SEGUROS Y REASEGUROS S.A. by MAPFRE EMPRESAS, COMPAÑÍA DE SEGUROS Y REASEGUROS S.A.

- Merger by absorption of MAPFRE AMÉRICA VIDA S.A. by MAPFRE AMÉRICA S.A.

In 2008, the capital of MAPFRE INTERNACIONAL was increased via share contributions from the Turkish company GENEL SIGORTA.

In 2007, the capital of MAPFRE INTERNACIONAL was increased via contributions from the companies MAPFRE SEGUROS GERAIS, CATTOLICA and MAPFRE USA.

In 2006, a capital increase took place in MAPFRE INTERNACIONAL through the contribution of the Company's stake in MIDDLE SEA and MAPFRE ASIAN INSURANCE CORPORATION.

On January 31, 2003 there was a capital increase of MAPFRE RE in which the Company contributed the property on Paseo de Recoletos No. 25, Madrid, which it had received in the global assignment of assets and liabilities of INCALBARSA, formalized on December 27, 2000.

This property had a book value of 11,868,822.10 euros at the time of the contribution and cumulative amortization of 1,567,104.37 euros.

As a result of the non-monetary contribution in the aforementioned capital increase, the Company received MAPFRE RE shares amounting to 30,000,000 euros.

In 2001, the Company carried out a securities redemption operation through which shares in MAPFRE SEGUROS GENERALES, Compañía de Seguros y Reaseguros S.A. were contributed to a capital increase of MAPFRE-CAJA MADRID, Holding de Entidades Aseguradoras S.A.

In 2000, the Company carried out business restructuring operations consisting of the contribution of shares in MAPFRE VIDA, Sociedad Anónima de Seguros y Reaseguros sobre la Vida Humana S.A., MAPFRE CAUCIÓN Y CRÉDITO, Compañía de Seguros de Reaseguros S.A., and MAPFRE SEGUROS GENERALES, Compañía de Seguros y Reaseguros S.A. to a capital increase of MAPFRE-CAJA MADRID Holding de Entidades Aseguradoras S.A.

In that same year, the global assignment of assets and liabilities of INCALBARSA S.A. was formalized in favor of the sole shareholder, CORPORACIÓN MAPFRE S.A.

Mandatory accounting information relating to the operations described above is contained in the report of the annual accounts for the years in which they were formalized.

All restructuring operations previously described were subject to the Special Deferral Regime provided for in Chapter VIII of Part VII of Royal Legislative Decree 4/2004, which approved the Recast Text of the Corporate Tax Law.

VAT Group

Since 2010, and for the purposes of value added tax, the Company forms part of the VAT Group no. 87/10 formed by the controlling company, MAPFRE S.A., and those of its controlled companies that agreed to join the VAT Group when it was created.

In 2020, the following companies comprised VAT Tax Group No. 87/10.

MAPFRE S.A.
 MAPFRE INTERNACIONAL S.A.
 MAPFRE RE COMPAÑÍA DE REASEGUROS S.A.
 MAPFRE ESPAÑA, COMPAÑÍA DE SEGUROS Y REASEGUROS S.A.
 MAPFRE VIDA S.A. DE SEGUROS Y REASEGUROS SOBRE LA VIDA
 MAPFRE ASISTENCIA CIA INTERNACIONAL DE SEGUROS Y REASEGUROS S.A.
 BANKIA MAPFRE VIDA S.A. DE SEGUROS Y REASEGUROS
 CCM VIDA Y PENSIONES DE SEGUROS Y REASEGUROS S.A.
 BANKINTER VIDA SOCIEDAD DE SEGUROS Y REASEGUROS S.A.
 VERTI ASEGURADORA COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A
 MAPFRE TECH S.A
 BANKINTER SEGUROS GENERALES, S.A. DE SEGUROS Y REASEGUROS.
 MAPFRE INVERSIÓN SOCIEDAD DE VALORES S.A.
 MAPFRE ASSET MANAGEMENT SGIC S.A.
 CENTRO DE EXPERIMENTACIÓN Y SEGURIDAD VIAL MAPFRE S.A.
 MAPFRE GLOBAL RISKS AGENCIA DE SUSCRIPCIÓN S.A.
 CAJA GRANADA VIDA, COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A.
 CAJA MURCIA VIDA Y PENSIONES DE SEGUROS Y REASEGUROS,S.A.
 SANTANDER MAPFRE SEGUROS Y REASEGUROS, S.A.

13. Revenues and expenses

The following table shows the employee benefits paid by the Company in the last two years:

| BREAKDOWN OF SOCIAL SECURITY CONTRIBUTIONS | AMOUNT | |
|--|---------------|---------------|
| | 2020 | 2019 |
| Social security | 7,359 | 7,668 |
| Contributions to pensions | 7,376 | 7,140 |
| Other employee benefits | 6,055 | 6,666 |
| TOTAL | 20,790 | 21,474 |

Thousand euros

14. Provisions and contingencies

The following table shows the movement in the provisions recognized on the balance sheet for the last two fiscal years.

| HEADING | OPENING BALANCE | | INCREASES | | DECREASES | | CLOSING BALANCE | |
|--|-----------------|---------------|--------------|--------------|--------------|----------------|-----------------|---------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Long-term provisions | | | | | | | | |
| Long-term employee benefit obligations | 10,990 | 11,694 | 1,012 | 1,504 | (950) | (2,208) | 11,052 | 10,990 |
| Other provisions | — | 98 | — | — | — | (98) | — | — |
| Short-term provisions | | | | | | | | |
| Current provisions | — | — | — | — | — | — | — | — |
| TOTAL | 10,990 | 11,792 | 1,012 | 1,504 | (950) | (2,306) | 11,052 | 10,990 |

Thousand euros

At December 31 of the last two fiscal years, "Long-term defined benefit obligations" primarily included:

- Defined benefit plans that are externalized, detailed in Note 16 of the Annual Report, amounting to 4,533,000 euros (4,599,000 euros in 2019).
- Long service bonuses, detailed under "Personnel expenses", amounting to 3,947,000 euros (3,883,000 euros in 2019).
- Life insurance covering death between the ages of 65 and 77 years detailed in the note on measurement bases for "Personnel expenses", for 1,705,000 euros (1,706,000 euros in 2019).

At the close of the last two fiscal years, and up to the date these annual accounts were prepared, there was no evidence of the existence of contingent assets and contingent liabilities for significant amounts.

15. Environmental information

The Company did not incur any environmental-related item in the last two fiscal years that may be considered significant or specifically included in these annual accounts.

16. Medium-term and long-term employee remuneration and share-based payments

Long-term remuneration

The current defined benefit and defined contribution plans are measured as described in the recognition and measurement standards.

The expense for defined-contribution pension plans amounted to 7,376,000 euros in 2020 (7,140,000 euros in 2019).

Existing defined benefit plans, all of them instruments taking the form of insurance policies underwritten by MAPFRE VIDA, are those in which the benefit is established based on final salaries, and entitling the beneficiary to a life annuity, tied to the annual consumer price index (CPI). They apply entirely to retired personnel.

A. Amounts recognized on the balance sheet.

The reconciliation of the present value of the obligation arising from defined benefit plans in the last two fiscal years is shown below:

| Item | 2020 | 2019 |
|--|--------------|--------------|
| Present value of obligation as on January 1 | 4,599 | 4,680 |
| Current year's service costs | — | — |
| Interest cost | 191 | 195 |
| Actuarial gains and losses | 93 | 49 |
| Benefits paid | (263) | (258) |
| Settlements | — | — |
| Other items | (87) | (67) |
| Present value of obligation as on December 31 | 4,533 | 4,599 |

Thousand euros

The following table shows the reconciliation of the opening and closing balances of plan assets and the redemption rights for the last two fiscal years, the value of which corresponds to the mathematical provision for the policies externalizing commitments.

| Item | 2020 | 2019 |
|--|--------------|--------------|
| Value of reimbursement right at January 1 | 4,599 | 4,680 |
| Expected return from allocated assets | 191 | 195 |
| Employer contributions | — | — |
| Actuarial gains and losses | 93 | 49 |
| Benefits paid. | (263) | (258) |
| Settlements | — | — |
| Other items | (87) | (67) |
| Value of reimbursement right at December 31 | 4,533 | 4,599 |

Thousand euros

B. Assumptions

The main actuarial assumptions used at the close of the last two years were the mortality tables PERM/F-2000 and an annual CPI increase of three percent in both years, using an identical discount rate and expected return on assets as the products include cash flow matching.

Other medium-term remuneration and share-based payments

The Board of Directors approved a medium-term incentive plan in 2019 that was measured and recognized on the income statement in line with indications set down in the measurement bases described in note 4 h) "Personnel expenses". No provision was made for this concept because the objectives established in the Plan were not met.

17. Subsequent events

There have been no significant events subsequent to the fiscal year-end.

18. Related-party transactions

The main transactions performed with related parties over the last two fiscal years are detailed in the accompanying table.

| Expenses and revenue | Group companies | | Other related parties | | TOTAL | |
|---------------------------|-----------------|-----------------|-----------------------|----------|-----------------|-----------------|
| | 2020 | 2019 | 2020 | 2018 | 2020 | 2019 |
| 1) Financial expenses | — | (1,431) | — | — | — | (1,431) |
| 4) Leasing | (3,141) | (3,547) | — | — | (3,141) | (3,547) |
| 9) Other expenses | (22,363) | (17,455) | — | — | (22,363) | (17,455) |
| EXPENSES | (25,504) | (22,433) | — | — | (25,504) | (22,433) |
| 10) Financial income | 12,911 | 14,717 | — | — | 12,911 | 14,717 |
| 13) Dividends received | 394,486 | 601,546 | — | — | 394,486 | 601,546 |
| 15) Provision of services | 49,112 | 62,752 | — | — | 49,112 | 62,752 |
| REVENUE | 456,509 | 679,015 | — | — | 456,509 | 679,015 |

Thousand euros

| Other transactions | Group companies | | Other related parties | | TOTAL | |
|--|-----------------|-----------|-----------------------|---------|-----------|-----------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Financing agreements: credits and capital contributions delivered. | 66,587 | 194,675 | — | — | 66,587 | 194,675 |
| Amortization or cancellation of credits. | (162,241) | (227,500) | — | — | (162,241) | (227,500) |
| Repayment or cancellation of loans. | — | 138,400 | — | — | — | 138,400 |
| Dividends and other profits distributed. | — | — | 285,353 | 304,568 | 285,353 | 304,568 |

Thousand euros

The following table shows the capital contributions in Group and associate companies in the last two fiscal years.

| Investments | Group companies | |
|------------------------------------|-----------------|--------------|
| | 2020 | 2019 |
| Capital increases | | |
| MAPFRE AM INVESTMENT HOLDING S A U | — | 5,000 |
| TOTAL | — | 5,000 |

Thousand euros

As on December 31 of the last two years, there has been an outstanding disbursement on MAPFRE ASISTENCIA shares amounting to 19,999,000 euros.

The following table shows the amount of balances receivable from and payable to Group companies at the close of the last two fiscal years:

| Item | Assets | | Pasivos | |
|-----------------------|----------------|----------------|---------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| Loans and receivables | 391,621 | 487,275 | — | — |
| Loan interest | 299 | 348 | — | — |
| Tax group | 41,294 | 32,115 | 66,522 | 63,009 |
| Other items | 20,666 | 13,842 | 15,362 | 1,590 |
| TOTAL | 453,880 | 533,580 | 81,884 | 64,599 |

Thousand euros

There are no financial expenses associated with the drawdown on the CARTERA MAPFRE line of credit described in Note 8 in the last two years.

Transactions with related parties coincide with the normal trading activities of the Company and were conducted at arm's length.

Board of Directors and other Delegate Committees

The following table shows the remuneration paid out over the last two years to members of the Company's Board of Directors:

| Item | Amount: | |
|--|--------------|--------------|
| | 2020 | 2019 |
| Short-term remunerations | | |
| Salary | 2,214 | 2,192 |
| Short-term variable remuneration | 1,832 | 1,643 |
| Fixed allowance | 1,851 | 1,805 |
| Travel, subsistence and accommodation allowances | 24 | 60 |
| Other items | 79 | 15 |
| Medium-term variable remuneration | — | 792 |
| TOTAL | 6,000 | 6,507 |
| Other remuneration | | |
| Life Insurance | 85 | 76 |

Thousand euros

The basic remuneration of external directors comprises an annual fixed amount for their membership of the Board of Directors, which totaled 110,000 euros in the last two fiscal years. In the last two years, the Vice-Presidency-Coordinating Director received a fixed annual allocation of 220,000 euros. The members of the Steering Committee receive 10,000 euros, and they also receive an attendance allowance of 3,000 euros in the last two years. Said amount totals, in the case of the chairmanship of the Audit and Compliance Committee to 68,000 euros in the last two years. In addition, in the last two years, the person holding the position of chairperson of a Steering Committee received 60,000 euros. The remuneration of the members of the Audit or Compliance Committee amounts to 48,000 euros and the remaining members of the Steering Committees received 39,000 euros in the last two years.

In addition, the members benefit from Life insurance in the event of death with an insured capital of 150,253 euros, and they also enjoy some of the benefits offered to personnel, such as health insurance.

Executive directors receive the remuneration established in their contracts, including a fixed salary, incentives of varying amounts linked to results, life and disability insurance, and other general benefits established for Company personnel. They also receive certain retirement-related pension complements embodied in defined contribution plans in the event of retirement, externalized through a life insurance policy. All of these payments are pursuant to the remuneration policy established by the Group for its senior executives, whether they are board directors or not. In 2020, contributions to defined benefit plans were 3,834,000 euros, recognized as expenses for the fiscal year (3,809,000 euros in 2019), with the amount for accumulated rights reaching 24,087,000 (19,791,000 euros in 2019).

Executive directors do not receive the fixed amount established for external directors.

With respect to short-term variable remuneration already accrued, at the close of fiscal year 2020, 2,787,000 euros was pending payment (2,573,510 euros in 2019).

The Board of Directors of MAPFRE S.A., following a proposal made by the company's Appointments and Remuneration Committee, approved on February 11, 2020, an additional short-term component for fiscal year 2020 for a certain key group of the company, which was linked jointly to the Return on Equity (ROE) and the Global Non-Life Combined Ratio for the fiscal year amounting to 510,000 euros.

The basic remuneration for external directors is approved at the Annual General Meeting at the proposal of the Board of Directors and pursuant to the report issued by the Appointments and Remuneration Committee. The amount of the contractual remuneration for executive directors and the fixed payment for serving on the boards or on the steering committees is approved by the Board of Directors, subject to a report by the aforementioned committee.

The amount paid for third-party liability insurance premiums for directors due to damage caused by acts or omissions during the performance of their duties reached 435,000 euros (429,000 euros in 2019).

During the last two years, the Company's directors did not undertake any operations with the Company itself or with any other Group company, either outside the scope of the companies' ordinary trading activities or not at arm's length.

During the last two years, no conflicts of interest, either direct or indirect, arose between the directors or their related parties and the Company.

Senior management

The remuneration paid to C-Suite management in the last two fiscal years is shown in the accompanying table.

| | 2020 | 2019 |
|----------------------------------|--------------|--------------|
| No. of senior management members | 9 | 8 |
| Fixed remunerations | 2,596 | 2,209 |
| Variable remunerations | 1,518 | 1,258 |
| Other remuneration | 336 | 186 |
| TOTAL | 4,450 | 3,653 |
| Life Insurance | 37 | 27 |

Thousand euros

In addition, contributions to defined contribution plans were recognized as expenses of 1,341,000 euros in fiscal year 2020 (1,046,000 euros in 2019).

Regarding the short-term variable remuneration accrued in the current year and in previous years, at the close of the 2020 financial year, 2,315,000 euros were pending payment (1,802,000 euros in 2019).

The Board of Directors of MAPFRE S.A., following a proposal made by the company's Appointments and Remuneration Committee, approved on February 11, 2020, an additional short-term component for fiscal year 2020 for a certain key group of the company, which was linked jointly to the Return on Equity (ROE) and the Global Non-Life Combined Ratio for the fiscal year amounting to 610,000 euros.

19. Other information

The following tables show the average and year-end headcount during the last two fiscal years, by category and gender.

Average number of employees

| ITEM | 2020 | | 2019 | |
|--|------------|------------|------------|------------|
| | Men | Women | Men | Women |
| Board Directors and C-Suite | 13 | 4 | 13 | 4 |
| Senior Management | 98 | 54 | 94 | 52 |
| Technicians | 141 | 146 | 145 | 142 |
| Associates | 12 | 45 | 16 | 52 |
| TOTAL AVERAGE NUMBER OF EMPLOYEES | 264 | 249 | 268 | 250 |

Number of employees at year-end

| ITEM | 2020 | | 2019 | |
|----------------------------------|------------|------------|------------|------------|
| | Men | Women | Men | Women |
| Board Directors and C-Suite | 13 | 4 | 13 | 4 |
| Senior Management | 98 | 54 | 97 | 53 |
| Technicians | 144 | 146 | 143 | 147 |
| Associates | 9 | 45 | 16 | 48 |
| TOTAL NUMBER OF EMPLOYEES | 264 | 249 | 269 | 252 |

The table below shows the average number of employees with a disability of 33 percent or more employed in Spain, along with the category they belong to.

| ITEM | 2020 | 2019 |
|-------------------|-----------|----------|
| Senior Management | 3 | 2 |
| Advisors | 3 | 3 |
| Associates | 4 | 4 |
| TOTAL | 10 | 9 |

Fees charged by the external auditor are shown below. It is deemed that these fees do not compromise the independence of the auditors.

| ITEM | AMOUNTS | |
|---------------------------------------|------------|------------|
| | 2020 | 2019 |
| Audit services | 512 | 493 |
| Other verification services | 111 | 173 |
| Tax services | — | — |
| Other services | 64 | — |
| Total services of main auditor | 687 | 666 |

Thousand euros

Other verification services include services provided by KPMG Auditores, S.L. to the Company during fiscal year 2020, among which are the six-monthly review, the solvency review and the report of agreed procedures on the description of SCIIF.

In addition, other entities affiliated with KPMG International have billed the Company 64,000 euros for the independent review of the information contained in the Statement of Non-Financial Information (EINF).

Information regarding the services provided by KPMG Auditores, S.L. to the companies linked by a control relationship to MAPFRE S.A. during the fiscal year ending December 31, 2020, can be found in the Annual Accounts of MAPFRE S.A. and its subsidiary companies as on December 31, 2020.

Details of payments made to providers in the last two years are shown below.

| ITEM | 2020 | 2019 |
|-------------------------------------|---------------|---------------|
| | Days | Days |
| Average provider payment period | 17 | 20 |
| Ratio of paid operations | 17 | 20 |
| Ratio of operations pending payment | — | — |
| | Amounts | Amounts |
| Payments made | 72,697 | 92,892 |
| Payments pending | 3,471 | 5,933 |
| Total payments for the year | 76,168 | 98,825 |

Thousand euros

20. COVID-19

The year 2020 was marked by the outbreak of the coronavirus (COVID-19) and its spread, together with the measures aimed at containing and mitigating its effects, has caused a slowdown in economic activity, the final impact of which is difficult to quantify. Under these circumstances, a set of actions framed against two main priorities have been developed: ensuring the health and safety of the entire human capital team and ensuring the continuity of operations in such a way as to allow client service levels to be maintained.

The most relevant actions carried out were:

- Activation of the business continuity plan, adapting it to the uniqueness of the COVID-19 crisis, through teleworking, insofar as it was operational, and the maintenance of essential services.

- Evaluation of the risks deriving from the crisis and adoption of a strategy aimed at protecting the balance sheet, especially investments, and preserving capital, ensuring availability of the necessary liquidity and financing to neutralize any monetary stress.
- Mobilization of resources and transfer of funds to the economy, by granting financial aid and additional financing to agents, direct providers and clients alike.

From the first moment, the safety and health of employees and collaborators was the fundamental priority, in such a way that, from the first weeks of feeling the impact of the pandemic, a teleworking model was deployed. Subsequently, there was a partial, gradual, orderly and prudent return to the facilities, following a model based on incremental waves and always in accordance with the instructions of the health authorities.

From the point of view of managing the crisis caused by the pandemic, despite its impact and restrictions on mobility, continuity of operations was maintained and services were rendered to clients, always complying with the established protocols in the regulations.

It was possible to recover practically all commercial activity, although maintaining strict prevention and control measures in view of the concern associated with outbreaks and eventual changes in trend.

In order to protect the balance sheet and solvency level, the MAPFRE Group has made available the necessary liquidity and adequate financing to neutralize any monetary stress. Consequently, the Group has maintained high levels of liquidity in all its companies, having met the payment obligations in a timely manner, and there is no evidence of significant delays in collections.

The year 2020 reflects very significant falls in world GDP, with the prospect of partial recovery in 2021, but the landscape is still marked by great uncertainty in terms of how benchmark indicators evolve, due to the health crisis and containment measures.

Future prospects are quite uncertain and it is not possible to make an accurate estimate of the future effects of the crisis on business volume, financial position and solvency. However, the strength of the balance sheet, high levels of capital and solvency, liquidity position and availability of financing of the Group permit us to conclude that the the impacts will be limited.

Appendix 1

Fiscal year 2020

| Name | Legal form | Address | Activity | PARTICIPATION | | | | | | | Thousands of euros | | | | | |
|--|------------|---|-----------------------------------|---------------|----------|---------------|----------|---------|-----------|--------------------|--------------------------|----------------|--------------|----------------|------------------------|--------------------|
| | | | | % | | Voting rights | | Capital | Reserves | Other equity items | Earnings for the year | | (Impairment) | | Accumulated impairment | Dividends received |
| | | | | Direct | Indirect | Direct | Indirect | | | | Earnings from operations | Other earnings | Book value | /Reversal year | | |
| MAPFRE TECH | S.A. | Crta.Pozuelo, 52 Majadahonda - 28222 Madrid | IT | 0.77 | 99.17 | 0.77 | 99.17 | 30,990 | (12,924) | — | 1,572 | (793) | — | — | 240 | — |
| MAPFRE Internacional | S.A. | Crta.Pozuelo, 52 Majadahonda - 28222 Madrid | Holding | 100.00 | — | 100.00 | — | 824,432 | 4,906,263 | (1,597,950) | 214,648 | (39,530) | 4,141,763 | — | — | 50,153 |
| MAPFRE Re Cia. de Reaseguros | S.A. | Paseo de Recoletos, 25 28004 Madrid | Reinsurance | 93.77 | — | 93.77 | — | 293,284 | 1,369,877 | 90,880 | 16,851 | — | 776,969 | — | — | — |
| MAPFRE Asistencia, Cia Internacional de Seguros y Reaseguros | S.A. | Sor Angela de la Cruz, 6 28020 Madrid | Insurance and reinsurance | 100.00 | — | 100.00 | — | 170,670 | 61,445 | (90,673) | 10,696 | (31,298) | 103,503 | (52,187) | 277,609 | — |
| MAPFRE Inmuebles | S.G.A. | Crta.Pozuelo, 52 Majadahonda - 28222 Madrid | Real estate | 10.00 | 90.00 | 10.00 | 90.00 | 593,474 | (91,597) | — | 7,551 | (30,715) | 53,813 | (626) | 51,818 | 1 |
| Maquavit Inmuebles | S.L. | Crta.Pozuelo, 52 Majadahonda - 28222 Madrid | Real estate | — | — | — | — | — | — | — | — | — | — | — | — | 1,332 |
| Mapfre Vida | S.A. | Crta.Pozuelo, 52 Majadahonda - 28222 Madrid | Insurance and reinsurance | 99.92 | — | 99.92 | — | 60,242 | 1,235,754 | 289,157 | 143,290 | 49,972 | 1,133,085 | — | — | 121,154 |
| Mapfre Investment | S.A. | Avda.18 de Julio , 841 Montevideo ((Uruguay) | Financial | 100.00 | — | 100.00 | — | 9,039 | 5,736 | (9,057) | — | 836 | 8,127 | — | — | — |
| MAPFRE Consultores de Seguros y Reaseguros | S.A. | Paseo de Recoletos, 25 28004 Madrid | Advisory and management services | 50.00 | 50.00 | 50.00 | 50.00 | 120 | 218 | — | (5) | 19 | 61 | — | — | — |
| MAPFRE Inversión | S.A. | Crta.Pozuelo, 50 Majadahonda - 28222 Madrid | Societies company | — | 99.92 | — | 99.92 | 33,055 | 132,339 | 10,348 | (12,388) | 48,824 | 2 | — | — | — |
| MAPFRE AM Investment | S.A. | Crta.Pozuelo, 50 Majadahonda - 28222 Madrid | Holding | 100.00 | — | 100.00 | — | 20,000 | (298) | — | (32) | 127 | 20,000 | — | — | 1 |
| MAPFRE Asset Management | S.A. | Crta.Pozuelo, 50 Majadahonda - 28222 Madrid | Real estate investment management | 0.01 | 99.91 | 0.01 | 99.91 | 2,043 | (1,338) | 2,213 | (9,825) | 39,248 | 2 | — | — | 3 |
| MAPFRE España | S.A. | Crta.Pozuelo, 52 Majadahonda - 28222 Madrid | Insurance and reinsurance | 83.52 | 16.48 | 83.52 | 16.48 | 564,624 | 1,077,101 | 688,916 | 264,680 | (4,594) | 3,054,021 | — | — | 221,842 |
| MAPFRE Participaciones | S.A. | Crta.Pozuelo, 52 Majadahonda - 28222 Madrid | Financial | 100.00 | — | 100.00 | — | 216 | 338,718 | 106,072 | 101 | 45,224 | 225,855 | — | — | — |

The amounts for Equity Accounts and results of the companies correspond to consolidated data.

Fiscal year 2020

| Name | Legal form | Address | Activity | PARTICIPATION | | | | Capital | Reserves | Other equity items | Earnings for the year | | (Impairment) | | Accumulated impairment | Dividends received |
|---|------------|---|--|---------------|----------|---------------|----------|---------|----------|--------------------|--------------------------|----------------|------------------|-----------------|------------------------|--------------------|
| | | | | % | | Voting rights | | | | | Earnings from operations | Other earnings | Book value | /Reversal year | | |
| | | | | Direct | Indirect | Direct | Indirect | | | | | | | | | |
| Desarrollos Urbanos | S.A. | Crta.Pozuelo, 52 Majadahonda - 28222 Madrid | Real estate | 0.08 | 99.91 | 0.08 | 99.91 | 383 | 9,981 | — | 2,962 | (11,846) | 9 | — | 45 | — |
| MGR Agencia de Suscripción | S.A. | Crta.Pozuelo, 52 Majadahonda - 28222 Madrid | Insurance and reinsurance | 100.00 | — | 100.00 | — | 60 | 2,171 | — | (212) | 692 | 1,952 | — | — | — |
| Premien Price Comparison Holding | LTDA | Ty Admital David street Cardiff CF102EH | Online insurance policy price comparison company | 50.00 | — | 50.00 | — | — | — | — | — | — | — | — | — | — |
| Total | | | | | | | | | | | | | 9,519,162 | (52,813) | 329,712 | 394,486 |
| Other investments | | | | | | | | | | | | | 6 | | | |
| Total investments in Group companies and associates | | | | | | | | | | | | | 9,519,168 | | | |

The amounts for Equity Accounts and results of the companies correspond to consolidated data.

Fiscal year 2019

| Name | Legal form | Address | Activity | PARTICIPATION | | | | | | | Thousands of euros | | | | | |
|--|------------|---|-----------------------------------|---------------|----------|---------------|----------|---------|-----------|--------------------|--------------------------|----------------|------------|-----------------------------|------------------------|--------------------|
| | | | | % | | Voting rights | | Capital | Reserves | Other equity items | Earnings for the year | | Book value | (Impairment) /Reversal year | Accumulated impairment | Dividends received |
| | | | | Direct | Indirect | Direct | Indirect | | | | Earnings from operations | Other earnings | | | | |
| MAPFRE TECH | S.A. | Crta.Pozuelo, 52 Majadahonda - 28222 Madrid | IT | 0.77 | 99.17 | 0.77 | 99.17 | 30,990 | (10,356) | — | 1,283 | (3,835) | — | — | 240 | — |
| MAPFRE Internacional | S.A. | Crta.Pozuelo, 52 Majadahonda - 28222 Madrid | Holding | 100.00 | — | 100.00 | — | 824,432 | 4,941,325 | (584,513) | 316,942 | (56,223) | 4,141,763 | — | — | 100,306 |
| MAPFRE Re Cia. de Reaseguros | S.A. | Paseo de Recoletos, 25 28004 Madrid | Reinsurance | 93.77 | — | 93.77 | — | 293,284 | 1,312,922 | 82,465 | 57,502 | — | 776,969 | — | — | 67,928 |
| MAPFRE Asistencia, Cia Internacional de Seguros y Reaseguros | S.A. | Sor Angela de la Cruz, 6 28020 Madrid | Insurance and reinsurance | 100.00 | — | 100.00 | — | 365,176 | (75,259) | (38,962) | (13,353) | (74,638) | 142,482 | (46,882) | 225,422 | — |
| MAPFRE Inmuebles | S.G.A. | Crta.Pozuelo, 52 Majadahonda - 28222 Madrid | Real estate | 10.00 | 89.99 | 10.00 | 89.99 | 593,474 | (97,057) | — | (1,846) | 7,313 | 55,805 | 1,447 | 51,192 | — |
| Maquavit Inmuebles | S.L. | Crta.Pozuelo, 52 Majadahonda - 28222 Madrid | Real estate | 100.00 | — | 100.00 | — | 37,436 | (132) | — | (94) | 2,557 | 26,662 | — | — | 3,152 |
| Mapfre Vida | S.A. | Crta.Pozuelo, 52 Majadahonda - 28222 Madrid | Insurance and reinsurance | 99.92 | — | 99.92 | — | 60,242 | 1,499,157 | 271,759 | 178,746 | 57,275 | 1,133,045 | — | — | 190,491 |
| Fancy Investment | S.A. | Avda.18 de Julio , 841 Montevideo ((Uruguay) | Financial | 100.00 | — | 100.00 | — | 9,476 | 3,670 | (5,684) | — | 997 | 8,560 | — | — | — |
| MAPFRE Consultores de Seguros y Reaseguros | S.A. | Paseo de Recoletos, 25 28004 Madrid | Advisory and management services | 50.00 | 50.00 | 50.00 | 50.00 | 120 | 202 | — | (5) | 22 | 61 | — | — | — |
| MAPFRE Inversión | S.A. | Crta.Pozuelo, 50 Majadahonda - 28222 Madrid | Societies company | — | 99.92 | — | 99.92 | 33,055 | 153,725 | 8,898 | (14,061) | 55,986 | 2 | — | — | — |
| MAPFRE AM Investment | S.A. | Crta.Pozuelo, 50 Majadahonda - 28222 Madrid | Holding | 100.00 | — | 100.00 | — | 20,000 | (289) | — | 10 | (19) | 20,000 | — | — | 4 |
| MAPFRE Asset Management | S.A. | Crta.Pozuelo, 50 Majadahonda - 28222 Madrid | Real estate investment management | 0.01 | 99.91 | 0.01 | 99.91 | 2,043 | (6,030) | 2,237 | (10,861) | 43,408 | 2 | — | — | — |
| MAPFRE España | S.A. | Crta.Pozuelo, 52 Majadahonda - 28222 Madrid | Insurance and reinsurance | 83.52 | 16.48 | 83.52 | 16.48 | 564,624 | 1,125,569 | 590,345 | 280,661 | (7,614) | 3,054,021 | — | — | 239,665 |
| MAPFRE Participaciones | S.A. | Crta.Pozuelo, 52 Majadahonda - 28222 Madrid | Financial | 100.00 | — | 100.00 | — | 216 | 295,337 | 91,255 | 235 | 48,097 | 225,855 | — | — | — |

The amounts for Equity Accounts and results of the companies correspond to consolidated data.

Fiscal year 2019

| Name | Legal form | Address | Activity | PARTICIPATION | | | | Capital | Reserves | Other equity items | Earnings for the year | | (Impairment) | | Accumulated impairment | Dividends received |
|---|------------|---|--|---------------|----------|---------------|----------|---------|----------|--------------------|--------------------------|----------------|--------------|----------------|------------------------|--------------------|
| | | | | % | | Voting rights | | | | | Earnings from operations | Other earnings | Book value | /Reversal year | | |
| | | | | Direct | Indirect | Direct | Indirect | | | | | | | | | |
| Desarrollos Urbanos | S.A. | Crta.Pozuelo, 52 Majadahonda - 28222 Madrid | Real estate | 0.08 | 99.91 | 0.08 | 99.91 | 383 | 1,318 | — | 279 | (1,117) | 1 | (2) | 45 | — |
| MGR Agencia de Suscripción | S.A. | Crta.Pozuelo, 52 Majadahonda - 28222 Madrid | Insurance and reinsurance | 100.00 | — | 100.00 | — | 60 | 2,045 | — | (241) | 923 | 1,952 | — | — | — |
| Preminen Price Comparison Holding | LTDA | Ty Admital David street Cardiff CF102EH | Online insurance policy price comparison company | 50.00 | — | 50.00 | — | — | — | — | — | — | 5,191 | 0 | 2,309 | 0 |
| Total | | | | | | | | | | | | 9,592,371 | -45,437 | 279,208 | 601,546 | |
| Other investments | | | | | | | | | | | | 8 | | | | |
| Total investments in Group companies and associates | | | | | | | | | | | | 9,592,379 | | | | |

The amounts for Equity Accounts and results of the companies correspond to consolidated data.

No companies are listed on the stock market.

(*) Recoverable amount determined based on the fair value of the company's assets and liabilities.

INDIVIDUAL MANAGEMENT REPORT

YEAR 2020

MAPFRE S.A.

INDIVIDUAL MANAGEMENT REPORT 2020

TABLE OF CONTENTS

| | |
|--|----|
| A. Key individual figures | 47 |
| B. Main activities | 47 |
| C. Mapfre and its shareholders | 48 |
| D. Environment | 49 |
| E. Acquisition and disposal of treasury stock | 49 |
| F. Human resources | 50 |
| G. External audit | 51 |
| H. Governing bodies | 52 |
| I. Average provider payment period | 52 |
| J. Research, development and innovation | 52 |
| K. Environmental, social and governance factors and risks | 53 |
| L. Other risks and uncertainties | 53 |
| M. Non-financial information | 53 |
| N. Significant events for the company after the year-end close | 53 |
| O. Outlook | 54 |
| P. Annual corporate governance report | 55 |
| Q. COVID-19 | 55 |

2020 INDIVIDUAL MANAGEMENT REPORT

MAPFRE S.A. (the "Company") is a corporation whose main activity is the investment of its funds in real-estate assets and tradeable financial securities.

A. Key individual figures

Key income statement figures are as follows:

- Dividend revenue from Group companies amounted to 394.5 million euros, compared to 601.5 million euros in 2019.
- Operating expenses amounted to 150 million euros, a 8.1 percent decrease from 2019.
- Financial income amounted to 0.4 million euros for the last two years.
- Financial expenses stood at 68 million euros, 2.9 percent down from the prior year.
- During the fiscal year, the Company recognized impairment allowances of 52.8 million euros in respect of equity investments in Group and associate companies (45.4 million euros in 2019).
- As a result of the foregoing, earnings before tax stood at 206.3 million euros, compared to 404.6 million euros in the prior year.
- A corporate tax rebate of 39.3 million euros was posted in 2020, compared with 38.5 million euros in 2019.
- Post-tax profit was 245.6 million euros, down 44.6 percent on the previous year..

Key balance sheet figures are as follows:

MAPFRE S.A.'s shareholders' equity amounted to 7.3 billion euros, a year-on-year decrease of 169.7 million euros (2.28 percent). This fall was due to the difference between the profit for the year and the dividends paid during the year, which stood at 261.6 million euros, the final dividend for the 2019 year distributed in 2020 and 154 million euros for the interim dividend charged against the year's profits.

- Assets totaled 10.15 billion euros, of which 9.8 billion euros and 166.9 million euros correspond respectively to long-term and short-term investments in Group and associate companies.

B. Main activities

The main variations in the Company's financing sources during the 2020 were as follows:

- Partial cancellations of loans with Group companies amounting to 152.1 million euros, and granting of new loans amounting to 56.5 million euros.
- Partial cancellation of the syndicated loan, maturing in December 2023, in the amount of 245 million euros and new drawdowns of 235 million euros.

Investments in Group companies

During the fiscal year, the Company had the following expenditure in respect of investments in Group companies.

- Reduction of share capital for the return of contributions through the amortization of shares in MAQUAVIT INMUEBLES S.L. for an amount of 3 million euros.
- Sale to a third party of 100 percent of the shares of MAQUAVIT INMUEBLES, S.L., for an amount of 53.3 million euros.

C. MAPFRE and its shareholders

The MAPFRE share

The table below shows the key information relating to MAPFRE shares at the end of 2020:

| | |
|-------------------------------|---|
| Number of shares outstanding | 3,079,553,273 fully underwritten and paid up |
| Face value of each share | 0.1 euros |
| Share class | Common, represented by book entries. All outstanding shares carry identical voting and dividend rights |
| Stock exchange listings | Madrid and Barcelona Stock Exchanges (continuous market) IBEX 35; IBEX Top Dividend |
| Stock market index membership | MSCI World SMID Cap Index FTSE All-World; FTSE Developed Europe; FTSE4Good(1) y FTSE4Good IBEX(1) DJSI World(1) Ethibel Sustainability Index - Excellence Europe(1) - Ethibel Sustainability Index - Excellence Europe(1) |
| ISIN code | ES0124244E34 |

(1) Indices that measure the outcome of a company's actions to uphold and support sustainable development and human rights.

In 2020, MAPFRE S.A. shares traded for 257 days on the continuous market. According to data published by the Spanish stock market operator (BME), an average of 7,395,047 shares were traded daily on this platform, compared to 5,128,636 in 2019, representing an increase of 44.19 percent. The effective average daily transaction value was 12.3 million euros, compared to 12.9 million euros in the prior year, some 4.65 percent lower.

At the end of 2020, a total of 16 analysis firms were monitoring the share, of which: 56 percent had "buy" recommendations for the Company's shares, compared to 25 percent having "hold" recommendations and 19 percent with "sell" recommendations.

VALUE AND RETURN

The share price performance is shown in the following table, compared two key benchmark indices (the IBEX 35 and the STOXX Europe 600 Insurance and IBEX 35 Bancos):

| | 1 YEAR | 3 YEARS | 5 YEARS |
|----------------------------|--------|---------|---------|
| MAPFRE | -32.5% | -40.5% | -31.1% |
| STOXX Europe 600 Insurance | -13.5% | -3.2% | -2.2% |
| IBEX 35 | -15.5% | -19.6% | -15.4% |
| IBEX 35 Bancos | -27.3% | -49.9% | -46.7% |

MAPFRE's earnings per share (EPS) during the same period are shown below:

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|-------------|--------|-------|--------|-------|------|
| EPS (euros) | 0.17 | 0.20 | 0.17 | 0.23 | 0.25 |
| Var. % | -13.6% | 15.2% | -24.5% | -9.7% | 9.4% |

SHAREHOLDER STRUCTURE AND REMUNERATION

At the end of fiscal year 2020, CARTERA MAPFRE held 69.7 percent of the Company's shares, excluding treasury stock, which represented 0.98 percent of the shareholder structure. Spanish institutional shareholders accounted for 3.9 percent and institutional shareholders in other countries accounted for 15 percent. The remaining 10.42 percent is held by non-institutional shareholders.

The dividend policy establishes that shareholder remuneration must be linked to the Company's earnings, solvency, liquidity and investment plans, and also aligned with the interests of all its shareholders. Among the objectives set for the three-year period 2019–2021 is to create sustainable value and to adequately remunerate shareholders.

On December 22, 2020, the interim dividend charged against 2020 profits was paid at 0.0505 euros per share (gross), after the amount corresponding to treasury stock had been applied to the remaining shares on a proportional basis. The total dividend paid out in the fiscal year was 0.135 euros per share, giving a total remuneration of 415.6 million euros.

The final dividend for the fiscal year 2020 to be proposed at the Annual General Meeting is 0.075 euros per share (gross). Consequently, the total dividend against 2020 earnings amounts to 0.125 euros per share (gross), representing a payout ratio of 73.1 percent.

Dividend payments and the dividend yield, calculated on an average share price basis, are indicated below:

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|-----------------------------------|-------|-------|-------|-------|------|
| DIVIDEND PER SHARE (euros) | 0.135 | 0.145 | 0.145 | 0.145 | 0.13 |
| DIVIDEND YIELD | 8.1% | 5.7% | 5.5% | 4.9% | 5.8% |

D. Environment

MAPFRE as a Group is wholly committed to environmentally sustainable development, and more specifically, the fight against climate change. The desire to play a relevant role in these issues requires a short-, medium- and long-term strategy, for which an analysis of the climate scenario and the global context is carried out on a continuous basis.

The Group has an Environmental Policy in place, approved by the Board of Directors of MAPFRE S.A. and which is implemented in all Group companies.

In a context of designing ambitious green reconstruction plans, in 2020, and after the successful completion of the Corporate Plan for Energy Efficiency and Climate Change 2014-2020, work has been done on the definition of the new Corporate Plan for Environmental Footprint 2020-2030, which will reflect our commitment to making our activities more sustainable and resilient and will act as the MAPFRE Group's adaptation mechanism to a low-carbon economy.

In addition to issues associated with carbon footprint and climate change, the Corporate Environmental Footprint Plan includes water management, the circular economy and green procurement, as well as other emerging risks such as natural capital and biodiversity preservation. It also includes transversal and facilitating aspects such as construction and sustainable mobility.

Regarding the Carbon Footprint, the expansion of the scope of the UNE-EN-ISO 14064 continues to make progress, having verified the inventories of several countries.

In relation to mitigation and adaptation to climate change, the implementation of the actions defined in the Sustainability Plan 2019-2021 has continued, which defines the short-term action strategy and which is associated with the emission-neutral objective of Greenhouse Gases (GHG) generated by MAPFRE in Spain and Portugal by 2021. The actions carried out will also enable the Group to prepare for the objective of total carbon neutrality by 2030.

To determine the financial impact of climate change, both from a risk and opportunity perspective, the adoption of the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) belonging to the Financial Stability Board (FSB) has continued to be analyzed. To this end, MAPFRE, together with other global insurers and reinsurers, is part of the working group coordinated by UNEP-FI of the United Nations, whose main objective is to analyze scenarios that allow for the development of financial metrics and models to adequately estimate the possible implications of the change climate in business.

Throughout 2020, this working group focused on understanding the potential change of the climate threat under different scenarios and time horizons.

Additionally, and in line with the current context, the circular economy is emerging as a required solution to the economic and climate crisis, making companies more competitive and resilient. In this area, MAPFRE became the first insurer to sign the Pact for a Circular Economy and as such is committed to complying with the commitments set forth in this initiative that seek to promote, favor, encourage and drive the transition toward a circular economy.

In addition, MAPFRE participates in a Natural Capital Working Group, as part of the Grupo Español de Crecimiento Verde (Spanish Green Growth Group) and the Fundación Biodiversidad (Biodiversity Foundation), an initiative through which companies from different sectors share experiences and difficulties encountered in seeking solutions to the integration of Natural Capital in their businesses and projects, using the Natural Capital Protocol as a guide.

E. Acquisition and disposal of treasury stock

MAPFRE S.A. shares are bought and sold in accordance with the regulations in force, the relevant agreements adopted at the Annual General Meeting, and the MAPFRE Group Treasury Stock Policy on how to handle transactions which involve the Company's own shares.

In 2020, 203,905 shares were delivered to directors of subsidiaries, registering a negative impact of 140,638.49 euros (910,979.79 euros positive in 2019) which has been included under the heading "Other Reserves".

During 2019, 7,897,336 treasury shares were purchased on the market and 1,839,387 shares were delivered to directors of subsidiaries as part of their variable remuneration, resulting in a net increase of 6,057,949 treasury shares, representing 0.1967 percent of the capital, amounting to 15,585,821.85 euros.

At the close of the fiscal year, the Company owned 30,285,934 treasury stocks (30,489,839 in 2019), which represented 0.9835 percent of capital, (0.9901 percent in 2019), at an average of 2.09 euros per share over the last two fiscal years.

The total face value of the shares acquired was 3,028,593 euros (3,048,984 euros in 2019).

F. Human resources

The following tables show the average and year-end headcount during the last two years, by category and gender.

Average number of employees.

| ITEM | 2020 | | 2019 | |
|--|------------|------------|------------|------------|
| | Men | Women | Men | Women |
| Board Directors and C-Suite | 13 | 4 | 13 | 4 |
| Senior Management | 98 | 54 | 94 | 52 |
| Technicians | 141 | 146 | 145 | 142 |
| Associates | 12 | 45 | 16 | 52 |
| TOTAL AVERAGE NUMBER OF EMPLOYEES | 264 | 249 | 268 | 250 |

Number of employees at year-end.

| ITEM | 2020 | | 2019 | |
|----------------------------------|------------|------------|------------|------------|
| | Men | Women | Men | Women |
| Board Directors and C-Suite | 13 | 4 | 13 | 4 |
| Senior Management | 98 | 54 | 97 | 53 |
| Technicians | 144 | 146 | 143 | 147 |
| Associates | 9 | 45 | 16 | 48 |
| TOTAL NUMBER OF EMPLOYEES | 264 | 249 | 269 | 252 |

The following table shows the average number of employees in the Group with a degree of disability equal to or higher than 33 percent, indicating the categories to which they belong.

| ITEM | 2020 | 2019 |
|-------------------|-----------|----------|
| Senior Management | 3 | 2 |
| Advisors | 3 | 3 |
| Associates | 4 | 4 |
| TOTAL | 10 | 9 |

The Corporate People and Organization Area accompanies the business in its transformation and is in charge of adapting the organization to new social requirements, relying on new technologies and digital solutions. In addition, it is responsible for identifying and retaining the talent required by the company and for the development of employees, and this needs to happen within a flexible, inclusive and diverse work environment that promotes collaboration and innovation.

There is a Code of Ethics and Conduct in place, inspired by the Institutional and Business Principles, which aims to reflect the corporate values and the basic principles that should guide the actions of the organization and its people.

The Respect for People Policy guarantees a work environment in which any manifestation of harassment and violent or offensive behavior toward the rights and dignity of people is rejected. This policy expressly opposes and prohibits any situation of harassment at work, regardless of who the victim or the harasser is. This commitment must be fulfilled both in relations among employees and in their relations with provider companies, clients, collaborators and other stakeholders. It also extends to all the organizations with which MAPFRE maintains relationships.

The Diversity and Equal Opportunities Policy is based on respect for people's individuality, on the recognition of their heterogeneity, and on the elimination of any discriminatory exclusionary behavior.

On gender diversity, MAPFRE undertakes that by 2021, 45 percent of vacancies for job positions of responsibility arising in the company will be filled by women.

Including people with disabilities on the workforce is promoted in order to enhance functional diversity, and MAPFRE has committed to having 3 percent of its workforce comprised of people with disabilities by the end of 2021.

During the 2020 fiscal year, the Corporate Disability Program continued, with 10 people with disabilities on the workforce at year-end, (compared to 9 in 2019).

The Promotion, Selection and Mobility Policy encourages professional development opportunities among employees with the aim of increasing their employability, their professional satisfaction and their commitment to the company.

For the selection of people, there is a procedure that guarantees objectivity, maximum rigor and non-discrimination in all processes. The selection tests used are homogeneous throughout the world, in order to incorporate the candidate with the most appropriate profile for each position. The number of selection processes carried out during the fiscal year 2020 was 19, (against 41 processes in 2019).

Over the course of 2020, 35 employees took advantage of internal mobility (58 employees in 2019), and 37 percent of the selection processes were covered through internal mobility, (compared to 42 percent in 2019).

Permanent contracts are favored over temporary, thereby building stable environments and a continuous employment relationship. The percentage of the Company's staff who were on permanent contracts in the last two fiscal years was 99 percent.

The Digital Challenge strategic initiative continued to develop through the adoption of new capabilities and collaborative tools, the development of more dynamic and flexible structures and the personalization of the employee experience to continue supporting their professional growth and talent development. adapting the processes to the needs of the employees.

The COVID-19 pandemic caused the transformation of all training plans, replacing face-to-face programs with digital ones.

In 2020, 377,000 euros were invested in staff training, (against 872,000 euros in 2019).

The Remuneration Policy seeks to establish adequate remuneration according to the function and job position and the performance of the Company's professionals, as well as to act as a motivating and satisfying element that facilitates the achievement of the defined objectives and compliance with MAPFRE's strategy. The policy guarantees equality, and external competitiveness in each of the markets, and is part of the internal development of the employee.

The Health and Welfare and Occupational Risk Prevention Policy aims to promote a safe and healthy work environment and improve the health of the employee and his family, both inside and outside the workplace.

In order to facilitate the well-being and the balancing of the working and personal lives of the employees, a wide series of social benefits are offered, with 4.326.909 euros having been allocated in 2020 for this purpose, (4.086.388 euros 2019).

From the first moment that MAPFRE was aware of the impact that COVID-19 could generate, and under the governance of the Corporate Crisis Committee, contingency plans were quickly deployed with the priority objective of taking care of the health of employees. Teleworking and reducing the occupation density of the installations were among the first measures to be swiftly introduced.

G. External audit

Fees charged by the external auditor are shown below. It is deemed that these fees do not compromise the independence of the auditors.

| ITEM | AMOUNTS | |
|---------------------------------------|------------|------------|
| | 2020 | 2019 |
| Audit services | 512 | 493 |
| Other verification services | 111 | 173 |
| Tax services | — | — |
| Other services | 64 | — |
| Total services of main auditor | 687 | 666 |

Thousand euros

Other verification services include services provided by KPMG Auditores, S.L. to the Company during fiscal year 2020, among which are the six-monthly review, the solvency review and the report of agreed procedures on the description of SCIIF.

In addition, other entities affiliated with KPMG International have billed the Company 64,000 euros for the independent review of the information contained in the Statement of Non-Financial Information (EINF).

Information regarding the services provided by KPMG Auditores, S.L. to the companies linked by a control relationship to MAPFRE S.A. during the fiscal year ending December 31, 2020, can be found in the Annual Accounts of MAPFRE S.A. and its subsidiary companies as on December 31, 2020.

H. Governing bodies

At the Annual General Meeting held on March 13, 2020, Mr. Ignacio Baeza Gómez, Mr. José Antonio Colomer Guiu, Ms. María Leticia de Freitas Costa and Ms. Rosa María García García were re-elected as Directors.

At the meeting of the Board of Directors on February 11, 2020, Ms. Rosa María García was appointed as a member of the Appointments and Remuneration Committee.

During the 2021 fiscal year, the mandate of Ms. Ana Isabel Fernández Álvarez will expire. The Appointments and Remuneration Committee has proposed her re-election as a director.

Likewise, during the year 2021, the terms of Mr. Francisco José Marco Orenes and Mr. Fernando Mata Verdejo, whose re-election is proposed to the General Meeting, will expire. These proposals have the backing of the Appointments and Remuneration Committee.

I. Average provider payment period

Details of payments made to providers in the last two fiscal years are shown below.

| ITEM | 2020 | 2019 |
|-------------------------------------|---------------|---------------|
| | Days | Days |
| Average provider payment period | 17 | 20 |
| Ratio of paid operations | 17 | 20 |
| Ratio of operations pending payment | — | — |
| | Amounts | Amounts |
| Payments made | 72,697 | 92,892 |
| Payments pending | 3,471 | 5,933 |
| Total payments for the year | 76,168 | 98,825 |

Thousand euros

J. Research, development and innovation

Within the Group, innovation is one of the main levers for generating differentiated value propositions for clients. The lines of action are present at both strategic and disruptive level, covering the entire cycle from the ideation and interaction with insurtech to the practical implementation, always keeping the client at the center of the process.

In 2020, multiple initiatives were undertaken along different lines of action, of which the launch of the third call for acceleration and adoption in *insur_space* is noteworthy, with more than 400 startups applying for places. The first collaboration in the field of innovation and entrepreneurship with universities was organized, in partnership with IE Tech Lab, and 12 new venture capital investments were made in startups, in addition to the eight made in 2019.

In this way, the Group is bringing solutions and proposals to clients that take advantage of the latest technologies, such as the Internet of Things, artificial intelligence applied to images, text and voice (for image-based damage assessment, verbatim analysis, claims automation) and blockchain (digital identity, B3i consortium for reinsurance), and new generation products and services (on-demand insurance, on/off policies).

Additionally, through the Digital Challenge initiative, the management of the change required by the organization to adapt to new digital requirements continues to advance, providing the work environment with the required flexibility and agility and tools that facilitate collaborative work and knowledge sharing.

MAPFRE's Quality Observatory is in charge of carrying out all the measurements of perceived and delivered quality, through customer surveys, in all the countries where the Group operates. The Net Promoter Score (NPS[®]) indicator is used to do this, and the analysis of same reveals satisfaction levels and critical customer touchpoints are evaluated, revealing recommendations on the main areas for improvement.

The Quality Observatory reports provide data on the level of customer experience, which helps the different business areas make relevant decisions.

In 2020, the XI wave of measurement of the relational NPS[®] was carried out on a representative sample of MAPFRE's portfolios.

As part of this study, every year the Observatory measures the level of customer experience of MAPFRE's main competitors in each country and branch. Specifically, approximately 80 companies from around the world were analyzed. In 2020, the NPS[®] of MAPFRE's clients was higher than the average of the NPS[®] of the competitors analyzed.

To complement these relational NPS[®] measurements, the Quality Observatory defined a Global Transactional NPS[®] Model that delivers, in real time, the perception of customers who have just engaged with MAPFRE. Currently, this model is already operational in Brazil and Spain and throughout 2020 it was launched in the USA, Puerto Rico, Mexico, Peru and Chile.

K. Environmental, social and governance factors and risks

The Group has an Underwriting Policy in place, approved by the MAPFRE S.A Board of Directors, which is applicable to all insurance and reinsurance companies. It also has a Global Business Committee and an Underwriting Policy Committee that, among other functions, is in charge of the correct application of said Policy, and analyzes and proposes operating exclusion rules on environmental, social and governance (ESG) matters. In addition, for the underwriting of global risks, there is an internal ESG evaluation model that considers the ESG risk exposure of a given company compared to the ESG risk exposure of the countries and sectors in which said company operates in decision-making, as well as a reputational risk analysis.

In relation to investment processes, in 2017 MAPFRE signed up to the UN's Principles for Responsible Investment (PRI) and established the Group's framework of action in terms of Socially Responsible Investment (SRI), which focuses on those key aspects that must accompany the organization in the scope, implementation and integration process of ESG aspects, and which are complemented by those determined in each case.

The United Nations SRI principles coexist with the obligation assumed as the custodian of savings and investments of clients and the soundness of the balance sheet. Therefore, criteria of prudence are applied in investment, the creation of long-term value is sought, and ESG factors are incorporated in a complementary way to traditional information.

The Investment Risk Committee periodically analyzes the composition of the portfolios, their ESG evaluation, the controversies that may arise and the application of the approved exclusion causes.

The Corporate Investment Area is responsible for ensuring that the established responsible investment principles are complied with across the organization and reports annually on same to the Sustainability Committee.

L. Other risks and uncertainties

The emergence of the COVID-19 pandemic, and its worldwide spread throughout 2020, has affected practically all sectors of the world economy.

The Group faces the risks and uncertainties deriving from the pandemic with high levels of solvency and with a wide margin compared to regulatory requirements, which will allow it to withstand the most adverse effects that lie ahead and allow it to adopt the necessary measures to comply with its function of offering coverage and protection to clients.

Furthermore, the pandemic has added a special dimension to cyber risks. The accelerated and massive adoption of online processes, ensuring continuity of service, the greater vulnerability, in general, of domestic equipment and the significant increase in the use of technology by all actors has accelerated the occurrence of cyber risks and the digital transformation of companies.

During the month of August 2020, MAPFRE detected a malfunction in its computer systems due to a cyber attack. Following the established procedures, the technology and security teams began an investigation detecting that malware, particularly ransomware, had managed to infiltrate the computer systems, affecting part of the servers and equipment in Spain.

The protocols provided for in the business continuity plan were immediately activated, the priority being to protect the information and block any possible attempt to access the systems by third parties, as well as guaranteeing the provision of service to clients and providers, which was successfully maintained, thanks to the alternative procedures provided.

The MAPFRE Group has an insurance policy in place that covers damages and loss of profits due to this type of event, and as such, the damages are limited by the conditions of the policy.

M. Non-financial information

The information regarding the non-financial information status of the Company is included in the Integrated Report, which is part of the Consolidated Management Report of the MAPFRE Group, the lead entity of which is MAPFRE S.A., and which will be deposited, together with the Consolidated Annual Accounts, in the Mercantile Registry of Madrid.

N. Significant events for the company after the year-end close

There were no significant events subsequent to the year-end close.

0. Outlook

Nine months after the COVID-19 pandemic was announced, it has proven to be exactly the disruptive long-trailing event that we feared it would become. The appearance of this "black swan" has generated an unprecedented shock across the global economy that has resulted in a sharp decline in levels of business. It has been characterized as totally unique due to its exogenous, global and unpredictable nature. It is a self-inflicted external shock resulting from preeminently health-based decisions and measures (i.e., lockdown and social distancing), which have led to disrupted activity through restrictions on social interactions within both developed and emerging economies.

The shock will have all sorts of effects on the performance of the global economy. Firstly, we have seen direct effects on supply and demand, which have led to a slump in business and expectations as to how things will pan out (due to high levels of uncertainty). Secondly, and depending on the extent to which social lockdown measures are enforced, we will see a deterioration in the income of market agents and growing pessimism within the industry and among consumers, with both groups having to cope with growing liquidity problems.

And, finally, the third effect is a long-term phenomenon known as the "new normal" resulting from the incomplete and asymmetrical recovery that lies ahead, which may spark sovereign and financial solvency problems, distortions in the price of assets, reduced long-term growth potential (lower physical capital, human capital and productivity) and high levels of public debt, among other aspects.

It is a truly global shock as at the height of this crisis more than 90 percent of the world's economies simultaneously reported a decline in GDP. The effects and speed of the recovery, however, will be asymmetric, and will hinge on the productive structure of each country and the specific economic and health vulnerabilities of each system.

In terms of GDP, the shock will trigger a major correction in the baseline scenario (around -4.4 percent in 2020), with significant differences between regions. It will also raise levels of unemployment globally (the International Monetary Fund estimates that 400 million jobs will be lost) while widening the poverty gap. In terms of disposable income, the expectation is for a widespread reduction of the increased levels of prosperity amassed by the middle classes since the start of the millennium, especially in Latin America.

In terms of financial effects, the shock may involve current-account financing problems across many emerging markets by exerting pressure on their exchange rates and depleting their reserves. It may also distort the price of many safe-haven assets (gold, sovereign bonds, etc.) and may alter international investment preferences by virtue of a growing crowding out effect. Further, the shock will be conducive to an environment of financial volatility and fragility, distorting the proper functioning of the markets due to the effects of the crisis itself and also because of the measures undertaken by governments and central banks to keep it under control.

Lastly, the very nature of this economic crisis means that uncertainty is high (as can be seen in the confidence level of producers and consumers) and the situation has also affected the perception of global risk and regional derivatives (VIX equity index and EMBI emerging market bonds market). This phenomenon is noticeable in the management of global portfolios and in the mass migration of flows we have witnessed since the onset of the pandemic, in line with the rise in the emerging risk premium, which has altered net portfolio inflows in key countries for financing the current account.

Risk aversion currently remains high, although it has eased, and financing flows stand at the level reported in April, with further impairment having now largely been halted thanks to the actions undertaken by central banks in developed countries. Furthermore, in addition to this uncertainty, it is also possible that new risks will appear that we are currently unaware of, but which may be caused by the interaction of pre-existing risks and the crisis triggered by the COVID-19 pandemic.

Given this sequence of events, we can split the chronology of the pandemic into two phases.

The first phase was one of containment (during the second and third quarters of 2020), which was initially characterized by social distancing and lockdown measures. During this phase, shocks affected global value chains, there was limited demand—especially for services—and high uncertainty, leading to increases in the savings rate and a fall in consumption.

However, as restrictions eased and monetary and fiscal economic policy began to show the effects, the situation improved to the point where, in general, the initial forecasts for economic growth in 2020 were upgraded and some level of optimism returned.

The second phase is about transition (extending from the last quarter of 2020 and lasting throughout 2021), during which the world will have to contend with a second wave of infections, prompting an increase in the number of coronavirus cases and a consequent return of restrictions. This will have a mixed bag of effects on global activity, depending on the sector or industry concerned, and renewed levels of pessimism among consumers and producers alike. During this phase, there will be less monetary and fiscal leeway for applying public policies, making positive surprises a less likely prospect as we move forward.

Thus, the long-term horizon will be dominated by three elements that will characterize the "new normal" of the global economy: (i) substantially higher levels of debt; (ii) lower long-term economic growth; and (iii) less input by the market and more input by governments and central banks.

By 2021, however, a rebound in global economic growth is expected to prompt a business improvement of around 5.2 percent, albeit with substantial differences across countries and regions. Growth within emerging markets is expected to be around 6.0 percent, while growth in developed countries should be closer to 3.8 percent.

This is the baseline scenario, although uncertainty arising from the management of the pandemic, and existing and emerging risks, could lead to a more adverse scenario.

P. Annual corporate governance report

The Consolidated Management Report includes the Company's Annual Corporate Governance Report, issued pursuant to the provisions of Article 49.4 of the Spanish Code of Commerce. The report will also be available from the date of publication of these accounts on the corporate website (www.mapfre.com) and on the CNMV website (www.cnmv.es).

Q. COVID-19

The year 2020 was marked by the outbreak of the coronavirus (COVID-19) and its spread, together with the measures aimed at containing and mitigating its effects, has caused a slowdown in economic activity, the final impact of which is difficult to quantify. Under these circumstances, a set of actions framed against two main priorities have been developed: ensuring the health and safety of the entire human capital team and ensuring the continuity of operations in such a way as to allow client service levels to be maintained.

The most relevant actions carried out were:

- Activation of the business continuity plan, adapting it to the uniqueness of the COVID-19 crisis, through teleworking, insofar as it was operational, and the maintenance of essential services.
- Evaluation of the risks deriving from the crisis and adoption of a strategy aimed at protecting the balance sheet, especially investments, and preserving capital, ensuring availability of the necessary liquidity and financing to neutralize any monetary stress.
- Mobilization of resources and transfer of funds to the economy, by granting financial aid and additional financing to agents, direct providers and clients alike.

From the first moment, the safety and health of employees and collaborators was the fundamental priority, in such a way that, from the first weeks of feeling the impact of the pandemic, a teleworking model was deployed. Subsequently, there was a partial, gradual, orderly and prudent return to the facilities, following a model based on incremental waves and always in accordance with the instructions of the health authorities.

From the point of view of managing the crisis caused by the pandemic, despite its impact and restrictions on mobility, continuity of operations was maintained and services were rendered to clients, always complying with the established protocols in the regulations.

It was possible to recover practically all commercial activity, although maintaining strict prevention and control measures in view of the concern associated with outbreaks and eventual changes in trend.

In order to protect the balance sheet and solvency level, the MAPFRE Group has made available the necessary liquidity and adequate financing to neutralize any monetary stress. Consequently, the Group has maintained high levels of liquidity in all its companies, having met the payment obligations in a timely manner, and there is no evidence of significant delays in collections.

The year 2020 reflects very significant falls in world GDP, with the prospect of partial recovery in 2021, but the landscape is still marked by great uncertainty in terms of how benchmark indicators evolve, due to the health crisis and containment measures.

Future prospects are quite uncertain and it is not possible to make an accurate estimate of the future effects of the crisis on business volume, financial position and solvency. However, the strength of the balance sheet, high levels of capital and solvency, liquidity position and availability of financing of the Group permit us to conclude that the the impacts will be limited.

The Individual Annual Accounts for MAPFRE S.A., on the preceding pages xx to xx herein, and the Individual Management Report on the preceding pages xx to xx herein, corresponding to financial year 2020, were ratified by the Board of Directors at its meeting held on February 10, 2021. The Board Members declare that, as far as they are aware, the aforementioned accounts have been prepared in accordance with the applicable accounting principles and offer a true and fair view of the equity, financial situation, and results of the Company. Likewise, the Management Report includes a true and fair analysis of the development of the results and of the position of the Company, and broadly informs, along with the Individual Annual Report, of the risks and uncertainties it faces.

Mr. Antonio Huertas Mejías
Chairman

Mr. Antonio Gómez Ciria
Member

Mr. Ignacio Baeza Gómez
1st Vice Chairman

Mr. Luis Hernando de Larramendi Martínez
Member

Ms. Catalina Miñarro Brugarolas
2nd Vice Chairman

Mr. Francisco J. Marco Orenes
Member

Mr. José Manuel Inchausti Pérez
3rd Vice Chairman

Mr. Fernando Mata Verdejo
Member

Mr. José Antonio Colomer Guiu
Member

Mr. Antonio Miguel-Romero de Olano
Member

Ms. María Leticia de Freitas Costa
Member

Ms. Pilar Perales Viscasillas
Member

Ms. Ana Isabel Fernández Álvarez
Member

D. Alfonso Rebuelta Badías
Member

Ms. Rosa M.ª García García
Member

D. Ángel Luis Dávila Bermejo
Secretary and Non-Member

DILIGENCE to establish, in line with articles 253.2 of the Companies Act and 366.1.2 of the Mercantile Registry Regulations, that the Company's Individual Annual Accounts corresponding to 2020 have been endorsed by all members of the Board of Directors but have not been signed by any of them, neither in writing nor electronically, in all cases, due to material impossibility, given that the Board meeting at which the Individual Annual Accounts and Management Report were presented was held via videoconference, as a result of the restrictions deriving from the declaration of the state of alarm in the entire country of Spain in Royal Decree 956/2020, of November 3, and subsequent regulations.

In Madrid, on February 10, 2021.

Ángel Luis Dávila Bermejo – Secretary of the Board of Directors