

ANNUAL ACCOUNTS

MANAGEMENT REPORT

FISCAL YEAR 2018

MAPFRE S.A.



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 2018, 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 2018, 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 9,536,749 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.</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 estimates in the calculation of the value in use, with the business plans approved by the Directors of the Group’s companies. Likewise, we have compared the companies forecasted cash flows estimated in previous exercises with the real actual experienced.</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 2018 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 is defined in the legislation regulating the audit of accounts, which establishes two different levels for this information:

- a) A specific level applicable to non-financial information included in the Annual Report on the Corporate Governance, as defined in article 35.2. b) of the Audit Law 22/2015, which consists of merely verifying that this information has been provided in the directors' report and, if not, report on this matter.
- b) A general level applicable to the rest of the information included in the directors' report, which consists of assessing and reporting on the consistency of this information with the annual accounts, based on knowledge of the Company obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. Also, assessing and reporting on whether the content and presentation of this part of the directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described in the preceding paragraphs, we have verified that the specific information mentioned in a) above has been provided in the directors' report and that the rest of the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2018 and the content and presentation of the report are in accordance with applicable legislation.

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 prevailing 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

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 7 February 2019.

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. (S0702)

(Signed on original in Spanish)

Jorge Segovia

R.O.A.C: 21903

7 February 2019

ANNUAL ACCOUNTS

FISCAL YEAR 2018

Balance sheet

Income statement

Statement of changes in net equity

Cash flow statement

Annual report

MAPFRE S.A.

BALANCE SHEET AT DECEMBER 31, 2018 AND 2017

ASSETS	Notes from the Annual Report	2018	2017
A) NON-CURRENT ASSETS		9,983,556	9,705,643
I) Intangible fixed assets		1,122	2,595
5. Computer applications	6	1,122	2,595
II. Property, plant and equipment	5	16,226	14,819
1. Land and buildings		12,137	12,319
2. Facilities and other property, plant and equipment		4,089	2,500
IV. Non-current investments in group companies and associates	8	9,914,749	9,643,434
1. Equity instruments		9,536,749	9,464,934
2. Loans to companies	8	378,000	178,500
V. Non-current financial investments	8	24,390	15,147
1. Equity instruments		19,189	9,894
2. Loans to third parties		54	73
6. Other investments		5,147	5,180
VI. Deferred tax assets	12	27,069	29,648
(B) CURRENT ASSETS		282,134	367,046
III. Trade and other receivables		53,209	3,289
1. Trade receivables for sales and services rendered	8	33	9
2. Trade receivables, group companies and associates	8	17	16
3. Sundry receivables	8	265	217
4. Personnel	8	367	368
5. Current tax assets	12	52,527	1,444
6. Other receivables from government agencies	--	--	1,235
IV. Current investments in group companies and associates	8.18	200,055	316,677
2. Loans to companies	--	150,903	218,667
5. Other financial assets	--	49,152	98,010
V. Current financial investments	8	57	333
2. Loans to third parties	8	57	333
VI. Current accruals		4,166	5,091
VII. Cash and other equivalent liquid assets		24,647	41,656
1. Cash	--	24,647	41,656
TOTAL ASSETS (A+B)		10,265,690	10,072,689

Thousands of euros

BALANCE SHEET AT DECEMBER 31, 2018 AND 2017

EQUITY AND LIABILITIES	Notes from the Annual Report	2018	2017
A) EQUITY		7,384,036	7,334,129
A-1) SHAREHOLDERS' EQUITY		7,384,036	7,334,129
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		3,140,511	3,136,783
1. Legal and statutory	9	61,591	61,591
2. Other reserves	--	3,078,920	3,075,192
IV. (Treasury stock)	9	(48,250)	(52,356)
V. Results for previous years		336,479	289,403
1. Retained earnings	--	336,479	289,403
VII. Result for the period	3	493,455	495,530
VIII. (Interim dividend)	3	(184,834)	(184,773)
IX. Other equity instruments	9	--	2,867
(B) NON-CURRENT LIABILITIES		2,590,517	2,367,246
I) Non-current provisions		11,792	15,314
1. Non-current employee benefit obligations	14	11,694	15,069
4. Other provisions	14	98	245
II. Non-current debt		2,578,617	2,191,185
1. Debentures and other negotiable securities (-)	8.10	2,088,252	1,590,820
2. Due to credit institutions	8	490,000	600,000
5. Other financial liabilities	8	365	365
III. Non-current debt with group companies and associates	8.18	--	160,640
IV. Deferred tax liabilities	12	108	107
(C) CURRENT LIABILITIES		291,137	371,314
II. Current provisions	14	--	--
III. Current debt		36,412	29,956
1. Debentures and other negotiable securities (-)	8.10	36,337	29,839
2. Due to credit institutions	8	43	75
5. Other financial liabilities	8	32	42
IV. Current debt with group companies and associates	8.18	216,291	283,206
V. Trade and other payables		38,434	58,152
3. Sundry creditors	8	12,976	19,147
4. Personnel (remuneration pending payment)	8	11,225	12,699
5. Current tax liabilities	12	26	13,999
6. Other debts with government agencies		14,207	12,307
TOTAL EQUITY AND LIABILITIES (A+B+C)		10,265,690	10,072,689

Thousands of euros

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INCOME STATEMENT FOR FISCAL YEARS ENDED DECEMBER 31, 2018 AND 2017

Profit and loss account	Notes from the Annual Report	2018	2017
CONTINUING OPERATIONS			
Revenue		750,118	638,745
Dividends and interest from group companies and associates		750,118	638,745
• Dividends	8.18	741,258	632,193
• Interest	8.18	8,860	6,552
Other operating revenue		86,973	76,030
• Non-core and other operating revenue	18	86,973	76,030
Personnel expenses		(67,928)	(71,320)
• Wages, salaries and similar	--	(50,335)	(48,305)
• Social security contributions	13	(22,553)	(21,530)
• Provisions	14	4,960	(1,485)
Other operating expenses		(90,730)	(76,000)
• External services	--	(90,698)	(75,968)
• Taxes	--	(32)	(32)
Amortization and depreciation of fixed assets	5.6	(2,697)	(3,652)
Excess provisions		--	--
Impairment and gains/losses on fixed asset disposal	--	(44)	--
Impairment of Group and associated companies	8	(151,622)	(27,800)
Other earnings	--	(4)	(6)
EARNINGS FROM OPERATIONS		524,066	535,997
Financial income	8	394	433
Acquisitions in equity instruments	--	--	49
• From third parties	--	--	49
From negotiable securities and other financial instruments	--	394	384
• From third parties	--	394	384
FINANCIAL EXPENSES		(67,007)	(77,883)
• For debt with Group and associated companies	8.18	(11,663)	(16,428)
• For debt with third parties	8	(55,146)	(61,256)
• For update of provisions	8	(198)	(199)
Fair value variation in financial instruments		--	(43)
• Trading portfolio and other	8	--	(43)
Foreign exchange differences	8	(15)	(22)
Impairment and gains/losses on financial instrument disposal	8	--	572
• Impairment and loss		--	333
• Earnings from disposal and other		--	239
FINANCIAL RESULT		(66,628)	(76,943)
EARNINGS BEFORE TAX		457,438	459,054
Tax on profits	12	36,017	36,476
RESULT FOR THE PERIOD FROM ONGOING OPERATIONS		493,455	495,530
DISCONTINUED OPERATIONS			
Result for the period after tax from discontinued operations		--	--
RESULT FOR THE PERIOD		493,455	495,530

Thousands of euros

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STATEMENT OF CHANGES IN NET EQUITY AT DECEMBER 31, 2018 AND 2017

A) STATEMENTS OF RECOGNIZED INCOME AND EXPENSES

Profit and loss account	Notes from the Annual Report	2018	2017
A) Result of the profit and loss account	3	493,455	495,530
Revenue and expenses posted directly to equity			
I. For valuation of financial instruments			
1. Financial assets for sale	--	--	--
2. Other revenues/expenses			
IV. By 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 profit and loss account			
VIII. For valuation of financial instruments			
1. Financial assets for sale	--	--	--
XIII. Tax effect	--	--	--
(C) Total transfers to the profit and loss account (VIII+XIII)		--	--
TOTAL RECOGNIZED REVENUE AND EXPENSES (A+B+C)	--	493,455	495,530

Thousands of euros

STATEMENT OF CHANGES IN NET EQUITY AT DECEMBER 31, 2018 AND 2017**B) FULL STATEMENT OF 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 2017	307,955	--	3,338,720	3,120,074	(60,234)	279,195	--	468,831	(184,773)	2,918	--	--	7,272,686
I. Total recognized revenue and expenses	--	--	--	--	--	--	--	495,530	--	--	--	--	495,530
1. Share capital increases.	--	--	--	--	--	--	--	--	--	--	--	--	--
4. Distribution of dividends	--	--	--	--	--	--	--	(261,762)	(184,772)	--	--	--	(446,534)
4. bis. Distribution of earnings	--	--	--	12,000	--	10,208	--	(206,980)	184,772	--	--	--	--
5. Operations with treasury stock (Note 9)	--	--	--	4,702	7,878	--	--	--	--	--	--	--	12,580
6. Decrease in equity resulting from a business combination	--	--	--	--	--	--	--	--	--	--	--	--	--
III. Other variations in equity	--	--	--	7	--	--	--	(89)	--	(51)	--	--	(133)
CLOSING BALANCE FOR YEAR 2017	307,955	--	3,338,720	3,136,783	(52,356)	289,403	--	495,530	(184,772)	2,867	--	--	7,334,129
II. Adjustments for errors 2017	--	--	--	--	--	--	--	--	--	--	--	--	--
ADJUSTED BALANCE, BEGINNING OF 2018	307,955	--	3,338,720	3,136,783	(52,356)	289,403	--	495,530	(184,772)	2,867	--	--	7,334,129
I. Total recognized revenue and expenses	--	--	--	--	--	--	--	493,455	--	--	--	--	493,455
1. Share capital increases	--	--	--	--	--	--	--	--	--	--	--	--	--
4. Distribution of dividends	--	--	--	--	--	--	--	(261,825)	(184,834)	--	--	--	(446,659)
4. bis. Distribution of earnings	--	--	--	1,857	--	47,076	--	(233,705)	184,772	--	--	--	--
5. Operations with treasury stock or own equity (Note 9)	--	--	--	1,931	4,106	--	--	--	--	--	--	--	6,037
6. Increases in equity resulting from a business combination	--	--	--	--	--	--	--	--	--	--	--	--	--
III. Other variations in equity	--	--	--	(60)	--	--	--	--	--	(2,867)	--	--	(2,927)
CLOSING BALANCE FOR YEAR 2018	307,955	--	3,338,720	3,140,511	(48,250)	336,479	--	493,455	(184,834)	--	--	--	7,384,036

Thousands of euros

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CASH FLOW STATEMENT AT DECEMBER 31, 2018 AND 2017

A) CASH FLOWS FROM OPERATING ACTIVITIES	Notes from the Annual Report	2018	2017
1. Earnings of the year before tax		457,438	459,054
2. Adjustments to results		(487,900)	(525,761)
a) Amortization and depreciation of fixed assets	5.6	2,697	3,652
b) Corrections in value due to impairment (+/-)	8	151,622	27,800
e) Results of fixed asset cancellations and disposals (+/-)	--	44	--
f) Results of financial instruments cancellations and disposals (+/-)	--	--	(572)
g) Financial income (-)	8	(394)	(433)
b) Financial expenses (+)	8	67,007	77,883
i) Exchange rate differences (+/-)	8	15	22
j) Fair value variation in financial instruments (+/-)	8	--	43
k) Other revenues and expenses	--	(708,891)	(634,156)
3. Changes in working capital	--	(52,021)	1,061
b) Debtors and other receivables (+/-)	--	(81,626)	(5,815)
c) Other current assets (+/-)	--	49,323	4,622
d) Creditors and other payables (+/-)	--	(19,718)	2,254
e) Other current liabilities (+/-)	--	--	--
f) Other non-current assets and liabilities (+/-)	--	--	--
4. Other cash flows of operating activities	--	683,115	633,455
a) Interest paid (-)	--	(96,006)	(58,283)
b) Dividend receipts (+)	--	741,258	632,209
c) Interest collected (+)	--	6,157	6,155
d) Payment (receipt) of income tax (+/-)	--	31,706	53,374
e) Other payments (collection) (-/+)	--	--	--
5. Cash flows from operating activities (+/-1+/-2+/-3+/-4)	--	600,632	567,809
B) CASH FLOWS FROM INVESTMENT ACTIVITIES			
6. Payments for investments (-)		(627,225)	(476,318)
a) Group and associated companies	8	(617,846)	(436,977)
g) Other assets	8	(9,379)	(39,341)
7. Collections for divestments (+)		263,504	222,940
a) Group and associated companies	8	263,420	210,908
e) Other financial assets	8	84	12,032
8. Cash flows from investment activities (7+6)		(363,721)	(253,378)
C) CASH FLOW FROM FINANCING ACTIVITIES			
9. Payments and collections for equity instruments		6,039	12,580
c) Acquisition of treasury equity instruments (-)	9	--	--
e) Disposal of treasury equity instruments (+)	9	6,039	12,580
10. Payments and collections for financial liability instruments		186,700	134,450
a) Issuing			
1. Debentures and other negotiable securities (+)	10	500,000	600,000
2. Due to credit institutions (+)	8	480,000	950,000
3. Debts with group and associated companies. (+)	--	--	--
b) Return and redemption of			
1. Debentures and other negotiable securities (-)	10	--	(578,450)
2. Due to credit institutions	8	(590,000)	(830,000)
3. Debts with group and associated companies. (-)	--	(203,300)	(7,100)
11. Payments for dividends and remuneration of other equity instruments	--	(446,659)	(446,535)
A) Dividends (-)	--	(446,659)	(446,535)
12. Cash flows from financing activities (+/-9/10-11)	--	(253,920)	(299,505)
D) EFFECT OF EXCHANGE RATE VARIATIONS			
E) NET INCREASE / DECREASE OF CASH OR EQUIVALENTS (+/-5+/-8+/-12+/-D)	--	(17,009)	14,926
Cash or cash equivalents at the beginning of the year		41,656	26,730
Cash or cash equivalents at the end of the year		24,647	41,656

Thousands of euros

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ANNUAL REPORT

FISCAL YEAR 2018

1. COMPANY ACTIVITY

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

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

The registered offices are situated at Carretera de Pozuelo, 52, Majadahonda (Madrid, Spain). The Company is the parent 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, 2017 will be prepared by its Board of Directors on March 28, 2019 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) FAITHFUL IMAGE

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, as well as of 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 2018, which were prepared on February 6, 2019 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 impairment of the value of assets, deferred tax assets and provisions.

The estimates and assumptions used are reviewed regularly, and are based on historical 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 shall be applied during that period and, as the case may be, in subsequent periods.

d) COMPARING 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. APPROPRIATION OF EARNINGS

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

BASIS OF DISTRIBUTION	Amount:
Gains and losses	493,454,755.39
Retained earnings	336,479,150.07
TOTAL	829,933,905.46
DISTRIBUTION	Amount:
To dividends	446,535,224.59
To retained earnings	383,398,680.87
TOTAL	829,933,905.46

Figures in euros

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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".

In 2018, the Company distributed an interim dividend for a total amount of 184,834,843.67 euros (184,773,196.38 euros in 2017), 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 September 28, 2018
Cash available on date of the resolution	36,959
Increases in cash forecast within one year	770,752
(+) From expected current collection operations	575,752
(+) From expected financial transactions	195,000
Decreases in cash forecast within one year	(431,267)
From expected current payment transactions	(83,447)
From expected financial transactions	(347,820)
Cash available within one year	376,444

Thousands of euros

The distribution of profits for 2017, carried out during 2018, 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 assets

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

Intangible assets are valued at the cost of acquisition or production and are amortized, in general, on a straight-line basis.

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, 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 goods are included as the greatest value of the asset when they entail an increase in capacity, productivity or extension of their useful life.

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.

Corrections in value due to impairment, as well as the reversal of the asset items, are recognized as an expense or revenue, respectively, in the income statement, under the item "Impairment and gain/(loss) from disposal of fixed assets."

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

b) Operational Leasing

The Company classifies the lease contracts it holds as operational given that the lessor does not substantially transfer to the lessee all the risks and benefits of the property. The revenue and expenses arising from operational leasing are recorded in the income statement for the life of the contract, following the principle of accrual.

c) Financial instruments**FINANCIAL ASSETS**

All assets corresponding to 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, as long as 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 replicates the valuation of the instruments quoted. This valuation methodology will be based on the discounting of future asset flows (determined or estimated) using the discount curve free from risk. 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.

Operations in the currency market are recorded on the settlement date, while financial assets traded in secondary markets of the Spanish market 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 receivables for commercial and non-commercial operations.

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

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

Receivables for commercial operations and other line items, such as advances, personnel loans or dividends receivable with maturity of up to one year and without a contractual interest rate are measured at their face value when the effect of not updating cash flows is not significant 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.

Corrections in value due to impairment and its reversal, if applicable, are made at the close of the fiscal year, recognizing an expense or revenue, respectively, in 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.

Financial assets held for trading

Derivative financial instruments that do not entail a financial guarantee contract and were not designated as a hedging instrument are classified in this category.

Initial recognition and subsequent valuation are done at fair value, without subtracting transaction costs. The changes that occur in the fair value are posted in the income statement for the fiscal year.

Investment in Group equity and multi-group and associated companies

Investment in the Group equity, multi-group and associated companies is initially recognized and measured at cost minus the accumulated amount of corrections in value due to 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 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 preemptive subscription rights and similar rights or the separation of 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 corrections in value are made.

The amount of the correction in value corresponds to the difference between the book value of the investment and the recoverable amount. The latter is the greatest difference between

its fair value minus sale costs and the current value of the future cash flows derived from the investment.

Corrections in value due to impairment and its reversal, if applicable, are recorded as an expense or revenue for the fiscal year in 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 impairment is perceived, at which time they are recorded in the income statement.

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

Investment in equity instruments whose fair value may not be reliably calculated are measured at their cost minus the accumulated amount of corrections in value due to value 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 preemptive 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 corrections in value 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 in the income statement. Reversal of corrections in value are credited to the income statement, with the exception of equity instruments, the reversal for which is made directly in equity.

For equity instruments, investments are analyzed individually to determine whether any impairment exists, when the market has declined either over a prolonged period (18 months) or in 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 in the income statement. 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 at the moment of acquisition are recorded independently 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.

Cancellation of financial assets

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

When a financial asset is canceled, the difference between the net received compensation of the attributable transaction costs and the book value of the financial asset, plus any accumulated amount recognized directly as equity, determines the resulting gains or losses and is part of the result for the financial 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 debits for commercial and non-commercial operations.

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

In the case of debits for commercial operations with maturity of up to one year and without a contractual interest rate, as well as third-party called capital for holdings whose amount will be paid in the short term, both the initial valuation and subsequent valuations are performed at the face value when the effect of not updating cash flows is not significant.

Financial liabilities held for trading

Derivative financial instruments that are not a financial guarantee contract and were not allocated as hedging instruments are classified in this category.

Initial recognition and subsequent valuation are performed at fair value, without subtracting transaction costs that could arise from disposal. The changes that occur in the fair value are posted to the income statement of the fiscal year.

The put options on the stake held by a minority shareholder in a controlled company, when the acquirer does not have access to the economic profits associated with the shares subject to the option, are recognized both initially and subsequently at fair value.

Cancellation of financial liabilities

Financial liabilities are canceled when the obligation inherent to them has expired. Additionally, acquired shareholders' financial liabilities are canceled 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 canceled part of the liability and the compensation paid, including attributable transaction costs and the compensation that encompasses any transferred asset other than the cash or liability assumed, is recognized in 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 removed from the balance sheet, and the paid commissions are recorded as an adjustment to the book value.

Shareholders' equity instruments

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

Treasury stock is assessed 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 under 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 the close of the fiscal year, 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 in 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 at the transaction date. When determining the net equity of an investee company, corrected for the tacit capital gains that exist on the date of valuation, the closing exchange rate is applied to the net equity and the tacit capital gains that exist on that date.

Non-monetary items that are measured at fair value are recorded by applying the exchange rate on the date when the fair value was determined, recognizing the 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 cash 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 the variations in exchange rates."

e) Tax on profits

Tax on profits is treated as an expense for the fiscal year and is recorded as such in the income statement, including both the tax burden of the current tax and the effect corresponding to the movement of the deferred tax.

However, tax on profits 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.

The assets or liabilities due to current tax on profits are measured at the amounts that are expected to be recovered or paid, using the tax regulations and rates that are in force or approved and pending publication at the close of the fiscal year.

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 processing 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 necessary to secure the tax credit or deduction.

Temporary differences derived from 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 losses carried forward are recognized as deferred tax assets by the corresponding companies, considering that they will be offset by future profits of the tax group.

The Company, as controlling company of the Group, recognizes the total amount payable for consolidated corporate tax as a payable or a receivable with the different Group and associated companies, as appropriate.

Deferred tax liabilities derived from temporary tax differences are recognized in all cases, except when they arise from the initial recognition of goodwill or from an asset or liability in a transaction that is not a business consolidation, on the date of the transaction, if it does not affect the book earnings or the taxable earnings.

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 in current regulations, if applicable.

Deferred tax is recorded for temporary differences on the date of the balance 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 Company recognizes deferred tax assets for all temporary deductible differences, unused tax receivables and outstanding negative tax bases if it is likely that the Company or tax group may have future tax profits allowing the reversal of these assets.

Unless evidenced otherwise, the Company does not foresee future tax profits if recovery is to take place more than ten years after the date of fiscal year closure.

The Company recognizes deferred tax assets that have not been recognized due to expiry of the ten-year recovery period if the future reversal period does not exceed ten years from the date of fiscal year closure 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 in the balance sheet as non-current assets or liabilities, regardless of the expected date of payment 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 the service performed at the close of the fiscal year.

If the gains or losses on a service provision transaction cannot be estimated reliably, revenue is only recognized to the extent in which the expenses recognized are recoverable.

Given the Company's activity, the accrued dividends and other revenue from the funding granted to investee companies are part of the item "Revenue," and therefore, pursuant to the provisions of the Spanish Accounting and Auditing Institute (ICAC), they are recorded under that heading of 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 a probable disbursement of resources that include future economic profits.

They are measured at the close of the fiscal year 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 updated as a financial expense as it accrues.

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) Staff 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 recorded pursuant 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 age 65 and 77.

Defined contribution plans

These are those in which the company in question 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 by the investments in which the fund was materialized.

Defined benefit plans

These are post-employment benefit plans that differ from the defined contribution plans.

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 the assets set aside for the plan.

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

Actuarial gains and losses are recorded in equity accounts.

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

Termination payments

Termination payments are recognized as a liability and as an expense when there is a demonstrable intention of termination of the labor relationship before the normal retirement date of employees, or when there is an offer to encourage the voluntary termination of labor 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 the cost of past services, which is recognized immediately and recorded as an offsetting liability entry under the heading "Long-term provisions", and actuarial gains and losses, which are recorded in the income statement.

In 2016, a new medium-term incentive plan was approved for certain members of the MAPFRE executive team. The plan is extraordinary, non-cumulative and multi-year, commencing January 1, 2016 and ending March 31, 2019, with payment of the part of the incentives deferred to the period 2020-2022. The payment of incentives is dependent on fulfilling certain corporate and specific objectives, as well as the director remaining in the Group's employ. The incentive will partly be paid in cash (50 percent) and partly by means of MAPFRE S.A. shares (50 percent), and is subject to reduction or recovery clauses.

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

Each year, during the irrevocable period for the concession, the number of equity instruments included in the determination of the transaction amount is adjusted. After the date of Irrevocability of the concession, additional adjustments are not made.

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.

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	
	2018	2017	2018	2017	2018	2017	2018	2017
Land and buildings	13,448	13,448	6	--	--	--	13,454	13,448
Technical installations and other	5,591	4,853	2,532	783	(82)	(45)	8,041	5,591
TOTAL COST	19,039	18,301	2,538	783	(82)	(45)	21,495	19,039
CUMULATIVE DEPRECIATION	(4,220)	(3,462)	(1,066)	(803)	17	45	(5,269)	(4,220)
Net Total	14,819	14,839	1,472	(20)	(65)	--	16,226	14,819

Thousands of euros

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

The depreciation of property, plant and equipment is calculated using the straight-line method and in accordance with the related useful life. The rates of depreciation applied to the different groups of items are indicated below:

GROUPS OF ELEMENTS	% DEPRECIATION
Buildings	2
Vehicles	16
Furniture and fittings	10
Data processing equipment	25

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

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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:

HEADINGS	OPENING BALANCE		INFLOWS		OUTFLOWS		CLOSING BALANCE	
	2018	2017	2018	2017	2018	2017	2018	2017
Computer applications	15,824	14,888	425	1,097	(267)	(161)	15,982	15,824
TOTAL COST	15,824	14,888	425	1,097	(267)	(161)	15,982	15,824
Cumulative depreciation	(13,229)	(10,483)	(1,631)	(2,849)	--	103	(14,860)	(13,229)
NET TOTAL	2,595	4,405	(1,206)	(1,752)	(267)	(58)	1,122	2,595

Thousands of euros

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

The annual amortization ratio 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.

7. LEASING

Operational Leasing

The Company is the lessee under operational leases on a building. The contract is for a one-year term and may be extended by one-year increments if neither party manifests to the other its desire to terminate the contract with two months anticipation. There is no restriction on the lessee whatsoever regarding the prerogative to sign these leases.

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Minimum future payments to be made up to their expiry regarding non-cancelable operating leases are 2,897,000 euros calculated as on December 31, 2019. (2,794,000 euros calculated as on December 31, 2018).

Lease expenses amounted to 2,854,000 euros and 2,753,000 euros in 2018 and 2017, 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	
	2018	2017	2018	2017	2018	2017	2018	2017
Loans, receivables and other assets	19,189	9,894	--	--	383,201	183,753	402,390	193,647
TOTAL A	19,189	9,894	--	--	383,201	183,753	402,390	193,647
B.- Short-term financial instruments								
Class	Equity instruments		Debt securities		Credit derivatives and Other		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017
Loans, receivables and other assets	--	--	--	--	200,794	317,620	200,794	317,620
TOTAL B	--	--	--	--	200,794	317,620	200,794	317,620
TOTAL A + B	19,189	9,894	--	--	583,995	501,373	603,184	511,267

Thousands of 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		Derivatives and Other		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017
Debits and payables	490,000	600,000	2,088,252	1,590,820	365	161,005	2,578,617	2,351,825
Liabilities at fair value with changes in profit and loss account:								
Other	--	--	--	--	--	--	--	--
TOTAL A	490,000	600,000	2,088,252	1,590,820	365	161,005	2,578,617	2,351,825
B.- Short-term financial instruments								
Class	Due to credit institutions		Debentures and other negotiable securities (-)		Derivatives and Other		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017
Debits and payables	--	--	36,337	29,839	240,567	315,169	276,904	345,008
Liabilities at fair value with changes in profit and loss account:								
Other	--	--	--	--	--	--	--	--
TOTAL B	--	--	36,337	29,839	240,567	315,169	276,904	345,008
TOTAL A + B	490,000	600,000	2,124,589	1,620,659	240,932	476,174	2,855,521	2,696,833

Thousands of euros

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The liabilities for changes in profit and loss expired in 2017, having been recognized as a positive result to the amount of 239,000 euros during that same period.

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

Bank	Maturity	Limit		Drawn down	
		2018	2017	2018	2017
Banco Santander	02/26/2023	1,000,000	1,000,000	490,000	600,000
CARTERA MAPFRE S.L.	09/10/2019	400,000	400,000	--	--
TOTAL		1,400,000	1,400,000	490,000	600,000

Thousands of euros

Banco Santander is the agent bank of the aforementioned credit line, and this credit line encompasses syndicated loans with other institutions. This credit line was novated in 2018, and its conditions were modified and extended. Among the modified conditions, worth noting is that it was transformed into a sustainable loan, with its interest rate also linked to Group sustainability parameters. In January 2019, as per the contract stipulations, the maturity date for this loan was extended to February 2023 to February 2024.

Accrued interest payable on the line of credit at the end of the year amounted to 2,273,000 euros (3,103,000 euros in 2017). The loan accrues interest at a rate linked to market variables.

The line of credit granted by CARTERA MAPFRE, S.L. accrues interest at a variable rate referenced to the three-month Euribor plus a differential of 1.5 percent and may be extended for successive annual periods.

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

2018

HEADINGS	Maturity in						Closing
	2019	2020	2021	2022	2023	Subsequent	balance
Financial assets							
- Other investments	200,794	50,500	50,500	50,500	50,500	181,201	583,995
Total financial assets	200,794	50,500	50,500	50,500	50,500	181,201	583,995
Financial liabilities							
- Debentures and other negotiable securities	63,125	63,125	63,125	63,125	63,125	2,320,538	2,636,163
- Due to credit institutions	490,150	--	--	--	--	--	490,150
- Other financial liabilities	217,754	--	--	--	--	365	218,119
Total financial liabilities	771,029	63,125	63,125	63,125	63,125	2,320,903	3,344,432

Thousands of euros

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2017

HEADINGS	Maturity in						Closing
	2018	2019	2020	2021	2022	Subsequent	balance
Financial assets							
- Other investments	317,620	25,500	25,500	25,500	25,500	81,753	501,373
Total financial assets	317,620	25,500	25,500	25,500	25,500	81,753	501,373
Financial liabilities							
- Debentures and other negotiable securities	42,500	42,500	42,500	42,500	42,500	1,766,411	1,978,911
- Due to credit institutions	3,600	3,600	3,600	603,600	--	--	614,400
- Other financial liabilities	270,925	168,526	--	--	--	365	439,816
Total financial liabilities	317,025	214,626	46,100	646,100	42,500	1,766,776	3,033,127

Thousands of 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 income or expense		Impairment			
			Recorded loss		Reversal gains	
	2018	2017	2018	2017	2018	2017
Financial assets						
Equity instruments	741,258	632,193	(151,622)	(27,800)	--	--
Receivables	8,860	6,552	--	--	--	333
Trading portfolio and other	--	(43)	--	--	--	--
Other financial assets	394	433	--	--	--	--
Foreign exchange differences	(15)	(22)	--	--	--	--
Subtotal	750,497	639,113	(151,622)	(27,800)	--	333
Financial liabilities						
Debt with Group companies	(11,663)	(16,428)	--	--	--	--
Debt with third parties	(55,146)	(61,256)	--	--	--	--
For update of provisions	(198)	(199)	--	--	--	--
Subtotal	(67,007)	(77,883)	--	--	--	--
TOTAL	683,490	561,230	(151,622)	(27,800)	--	333

Thousands of euros

The English version is a translation of the original in Spanish for information purposes only. In case of discrepancy, the Spanish version shall prevail.

Fair value gains or losses recorded by equity instruments correspond to movements of corrections in value in Group and associated companies and in the available-for-sale portfolio, as shown below:

Name	(Impairment) Reversal year 2018	(Impairment) Reversal year 2017
MAPFRE INMUEBLES	2,122	(652)
MAPFRE TECH	--	--
MAPFRE ASISTENCIA	(151,429)	(27,111)
DESURCIC	(6)	(37)
PREMINEN PRICE COMPARISON HOLDING	(2,309)	--
TOTAL	(151,622)	(27,800)

Thousands of euross

The accrued dividends and other revenue from the funding granted to investee companies are part of the item "Revenue," as established in note 4.f).

Group and associated companies

Annex 1 of the annual report contains details of the Group and associated companies held directly in the last two fiscal years.

The results of companies included in the aforementioned annex correspond in their totality to continuous operations.

In compliance with Article 155 of the consolidated text of the Corporate Enterprises Act, the corresponding notifications were made, when applicable, to the investee companies.

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

Non-controlling shareholders of the MAPFRE RE subsidiary have a put option on the shares of this company. If exercised, MAPFRE or a MAPFRE Group company would have to acquire the shares from the selling minority shareholder. The purchase price for the shares will be calculated using the previously agreed formulas in each case.

Note 18 "Operations with Related Parties" details the amounts of capital increases of Group companies over the last two financial years.

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In April 2018, MAPFRE approved a new configuration of its reinsurance and large commercial risks business. Under the new arrangement, MAPFRE GLOBAL RISKS will continue developing its management capacity and market knowledge, while the insurance or reinsurance risk will be assigned to those Group companies, which due to their specialization, scale or capacity, are best positioned to manage same with a better level of efficiency and profitability. As such, a restructuring operating is currently underway through which:

- Purely insurance and reinsurance, along with the assets and liabilities to same, are to be transferred to MAPFRE ESPAÑA and MAPFRE RE respectively.
- MAPFRE GLOBAL RISKS' operations regarding the analysis and underwriting of large industrial and commercial risks will continue to be carried out through an entity established in 2018, and it will act on behalf of MAPFRE ESPAÑA and MAPFRE RE.

As at the date of formulating these annual accounts, the above-described company restructuring was still pending approval from the Spanish regulatory body.

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 and 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 following table shows the significant information for the last two years regarding the level of exposure to the interest rate risk of the financial liabilities:

Item	Amount of the liability exposed to risk							
	Interest rate		Fair value		Not exposed to risk		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Issuance of debentures and other negotiable securities	2,124,589	1,620,659	--	--	--	--	2,124,589	1,620,659
Other financial liabilities .	490,043	600,075	365	365	--	--	490,408	600,440
Total	2,614,632	2,220,734	365	365	--	--	2,614,997	2,221,099

Thousands of euros

The English version is a translation of the original in Spanish for information purposes only. In case of discrepancy, the Spanish version shall prevail.

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

9. SHAREHOLDERS' EQUITY

SHARE CAPITAL

The share capital of the Company at December 31, 2018 and 2017 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 identical voting and dividend rights.

All shares representing the share capital of the Company are admitted to 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 extended 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.
authorization.

CARTERA MAPFRE directly held 67.60 percent of the share capital of the Company as at December 31 of the last two fiscal years.

SHARE PREMIUM

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

DATE	ISSUANCE 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

Thousands of 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 this case, it may only be used to offset potential losses.

OTHER RESTRICTIONS ON THE AVAILABILITY OF RESERVES

“Reserves” includes reserve for re-denomination 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

At December 31, 2016, the Company had acquired 30,500,000 treasury shares; these represent 0.99 percent of the capital. The price paid was 60,233,635.85 euros, at an average of 1.97 euros per share.

The Company reduced the number of treasury shares to 2,079,216 in 2018 (3,988,894 in 2017), representing 0.07 percent of the capital (0.13 percent in 2017). The cost of this reduction totaled 4,106,350.17 euros (7,877,560.29 euros in 2017), giving rise to a positive impact totaling 1,930,622.54 euros, which was entered under the “Other Reserves” heading.

At fiscal year-end, the Company holds 24,431,890 treasury shares (26,511,106 in 2017), representing 0.79 percent of the capital (0.86 percent in 2017) at an average of 1.97 euros per share.

The total face value of shares acquired was 2,443,189 euros (2,651,110.60 euros in 2017).

10. NON-CONVERTIBLE DEBENTURES

At December 31, 2018 and 2017, the balance in this account represents the nominal amount of the subordinate obligations issued by the Company and represented by book entries. The most relevant terms and conditions are described below:

Description	Nominal amount:	Book value		Outstanding interest		Issuing date	Expiration date	Coupon	Market	AA.
		12/31/2018	12/31/2017	12/31/2018	12/31/2017					
September 2018 issuance	500,000	496,457	-	6,498		07-09-18	07-09-48	4.13%	AIAF	BBB-
March 2017 issuance	600,000	597,808	597,591	19,777	19,777	31-03-17	31-03-47	4.38%	AIAF	BBB-
May 2016 issuance	1,000,000	993,987	993,229	10,062	10,062	19-05-16	19-05-26	1.63%	AIAF	BBB+
TOTAL	2,100,000	2,088,252	1,590,820	36,337	29,839					

Thousands of euros

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September 2018 issue

This issue included an initial redemption option on September 9, 2028, with the interest payable from this date up to 2048 being the three-month Euribor plus 4.3 percent, payable quarterly.

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 prohibition of making interest payments on the part of the relevant Regulator, or incapacity on the part of the issuer to meet required matured and enforceable liabilities.

March 2017 issue

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

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 prohibition of making interest payments on the part of the relevant Regulator, or incapacity on the part of the issuer to meet required matured and enforceable liabilities.

For both issues, the redemption 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 resources and as a result of the treatment awarded same by the Ratings Agencies.

On June 29, 2017, the Board of Directors approved early redemption, on the first available redemption date, of the totality of the subordinated debt issued in June 2007, with a face value of 575,850,000 euros (609,946,078 with interest included), with an effective redemption date of July 24, 2017.

As on December 31, 2018, the Company's working capital was negative in the amount of 9,003,000 euros (4,268,000 in 2017) even though the financing of its liabilities and liquidity requirements is guaranteed via the financial support it can rely on from the Group, as well as the dividends expected receivable in 2018 and the credit lines available.

11. FOREIGN CURRENCY

At the end of the last two years there were no significant amounts of asset and liability items expressed 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 2018, 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 GLOBAL RISKS S.A.; SERVIFINANZAS 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.; MAQUAVIT INMUEBLES S.L.; BIOINGENIERIA ARAGONESA S.L.; MAPFRE AM INVESTMENT HOLDING S.A.U.; FUNESPAÑA S.A.; SERVICIOS FUNERARIOS FUNESMADRID S.A.; ALL FUNERAL SERVICES S.L.; FUNERARIAS REUNIDAS EL BIERZO S.A.; GAB MANAGEMENT & CONSULTING S.R.L.; POMPES FÚNEBRES DOMINGO S.L.; SALUD DIGITAL MAPFRE S.A.; MAPFRE GLOBAL RISKS AGENCIA DE SUSCRIPCIÓN S.A.

The reconciliation of the book earnings with 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	Profit and loss account		Revenue and expenses posted directly to equity		TOTAL	
	2018	2017	2018	2017	2018	2017
Balance of revenue and expenses of the year	493,455	495,530	--	--	493,455	495,530
Corporation tax	(36,017)	(36,476)	--	--	(36,017)	(36,476)
Permanent differences	(583,535)	(595,948)	--	--	(583,535)	(595,948)
Temporary differences						
- originating in the year	9,526	15,058	--	--	9,526	15,058
- originating in previous years	(17,980)	148	--	--	(17,980)	148
Compensation of negative tax bases of previous years	--	--	--	--	--	--
Individual taxable rate (fiscal result)	(134,551)	(121,688)	--	--	(134,551)	(121,688)
Permanent differences for fiscal consolidation	(2,318)	12	--	--	(2,318)	12
Individual taxable rate after consolidation	(136,869)	(121,676)	--	--	(136,869)	(121,676)

Thousands of euros

Increases and decreases in the past two years:

Increases due to permanent differences 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 corrections in the value of equity instruments (participations in Group and associated companies) duly accounted for.

Decreases due to permanent differences in the income statement relate to tax-exempt dividends.

The increases for temporary differences from the previous year basically correspond to expenses considered non-tax-deductible for commitments related to pensions and other medium-term remuneration of personnel.

Decreases due to temporary differences originating in prior years in the income statement primarily relate to the recovery of adjustments in pension commitments and the application of provisions for other medium-term remuneration of personnel that were not deductible in the fiscal year they were recorded, to the recovery of the tenth portion of amortization of intangible assets that was not tax deductible in 2013 and 2014 and to the accounting recovery of the impairment of the value of equity instruments that was not deductible at the time it was recorded.

The increases due to the incorporation of negative temporary differences from previous years correspond to the recovery of the tax-deductible provision in previous years due to the impairment of the portfolio of investee companies.

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Shown below for the years ending December 31, 2018 and 2017 are the main components of the expense for the tax on profits from ongoing operations and the reconciliation between the expense for the tax on profits and the product of multiplying the book earnings by the applicable tax rate.

Item	Amount	
	2018	2017
Tax expense		
Result before taxes from ongoing operations	457,438	459,054
25 percent of result before taxes from ongoing operations	(114,360)	(114,764)
Tax effect of the permanent differences	145,884	148,987
Permanent differences for fiscal consolidation	--	--
Tax incentives for the year	2,825	2,325
Total (expense)/ revenue from current tax originating in the year	34,349	36,548
Expense from current tax originating in previous years	1,668	(72)
Adjustment to temporary differences Law 27/2014 (General Provisions)	--	--
(Expense)/revenue for tax of ongoing operations	36,017	36,476
Tax on profits to be (paid)/received	36,017	36,476
Withholdings and advance payments	--	6
Temporary differences	2,693	(3,805)
Tax effect of capital increase expenses posted to equity	--	--
Tax credits and incentives recorded in previous years and appropriated in the current year	(1,668)	72
Tax on profits from discontinued operations	--	--
Net tax on profits to be (paid)/ received	37,042	32,750

Thousands of euros

The breakdown of income or expense for income tax on earnings for the periods 2018 and 2017 is as follows:

Item	2,018	2,017
Income /(expense) for current tax	31,656	40,353
Income /(expense) for deferred tax	2,693	(3,805)
Total (expense)/income from current tax originating in the year	34,349	36,548

Thousands of euros

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The table below includes tax-deductible amounts in prior years in connection with corrections in value of holdings in Group, multi-group 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. In reference to the above, Royal Decree Law 3/2016, dated December 2, introduced a new minimum reversion regime for amounts pending inclusion. This provided for a minimum recovery of the fifth part 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 company for that fiscal year and to the amount of dividends received by it. The calculation of the minimum applicable reversion is also found in the following table.

COMPANY	Tax-deductible amount		Reversion due to Own Funds differences		Reversion for dividends		Minimum reversion (fifth part of 2016)		Recovery effected in the period		Amounts pending recovery
	2018	Previous periods	2018	2017	2018	2017	2018	2017	2018	2017	
MAPFRE INMUEBLES	---	11,158	1,389	396	---	---	3,719	3,719	3,719	3,719	7,439
Total	---	11,158	1,389	396	---	---	3,719	3,719	3,719	3,719	7,439

The applicable tax rate for 2018 and 2017 was 25 percent.

The following tables offer a breakdown of the movements for years 2018 and 2017 under the "Deferred tax assets" heading, differentiating the corresponding amounts in terms of items debited or credited directly to equity.

Fiscal year 2018

Item	Opening balance	From		Settled	Closing balance
		Earnings	Equity		
Assets					
Commitments to personnel	10,155	2,797	--	(3,137)	9,815
Equity instruments impairment	13,768	930	--	(1,460)	13,238
Other items	5,725	682	--	(2,391)	4,016
Total	29,648	4,409	--	(6,988)	27,069

Thousands of euros

Fiscal year 2017

Item	Opening balance	From		Settled	Closing balance
		Earnings	Equity		
Assets					
Commitments to personnel	7,837	2,506	--	(188)	10,155
Equity instruments impairment	13,609	1,092	--	(933)	13,768
Other items	5,226	1,416	--	(917)	5,725
Total	26,672	5,014	--	(2,038)	29,648

Thousands of euros

The breakdown of movements for years 2018 and 2017 under the heading "Deferred tax liabilities" is also shown below, differentiating the amounts in terms of items debit or credited directly to equity.

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Fiscal year 2018

Item	Opening balance	Originating from		Settled	Closing balance
		Earnings	Equity		
Liabilities					
Profit from sales of equity instruments	107	1	--	--	108
TOTAL	107	1	--	--	108

Thousands of euros

Fiscal year 2017

Item	Opening balance	Originating from		Settled	Closing balance
		Earnings	Equity		
Liabilities					
Profit from sales of equity instruments	107	--	20	(20)	107
TOTAL	107	--	--	--	107

Thousands of euros

There are no negative tax bases from previous years pending compensation. The tax incentives held by the Company for the last two years are shown below:

Fiscal year 2018

Module	Year to which they correspond	Amount applied in the financial year	Amount pending application	Amount not recorded	Deadline for use
Double taxation deduction	2018	--	--	--	--
Other	2018	2,825	--	--	--
TOTAL		2,825	--	--	--

Thousands of euros

Fiscal year 2017

Module	Year to which they correspond	Amount applied in the financial year	Amount pending application	Amount not recorded	Deadline for use
Double taxation deduction	2017	--	--	--	--
Other	2017	2,325	--	--	--
TOTAL		2,325	--	--	--

Thousands of 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 revised text of the Corporate Income Tax Law approved by Royal Decree-Law 4/2004 of March 5, 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 fiscal 2017, in accordance with article 25 of Corporate Income Tax Law 27/2014 of November 27, the Company availed itself of the tax benefit for reduction of the capitalization reserve, as the controlling company of Tax Group 9/85.

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The following table shows the provisions for capitalization reserves per year and generation:

Year	Amount:
2017	1,857
2016	12,000
2015	35,000
TOTAL	48,857

Thousands of euros

In fiscal year 2017, the consolidated settlement of Tax Group 9/85 entailed payment of 51,091,834 euros, recognized as an asset in the Company (13,394,073 euros payable in 2017), leaving the sum of 1,434,753 euros owed from previous periods pending settlement.

As a result of its distribution between the Group companies, the Company's receivables and payables recorded in the last two years from the controlled companies in Tax Group 9/85 were as shown in the accompanying table.

COMPANY	AMOUNT			
	CREDIT		DEBIT	
	2018	2017	2018	2017
MAPFRE VIDA S A DE SEGUROS Y REASEG SOBRE LA VIDA HUMANA	--	120	7,320	--
MAPFRE RE COMPAÑÍA INTERNACIONAL DE REASEGUROS S A	7,365	25,656	--	--
MAPFRE INMUEBLES S A	4,498	4,758	--	--
MAPFRE INVERSION S V S A	269	5,107	--	--
MAPFRE VIDA PENSIONES S G F P S A	56	200	--	--
MAPFRE ASSET MANAGEMENT S G I I C S A	1,150	1,148	--	--
CONSULTORA ACTUARIAL Y DE PENSIONES MAPFRE VIDA S A	--	9	--	--
GESTION MODA SHOPPING S A	3	--	--	5
MIRACETI S A	46	75	--	--
MAPFRE VIDEO Y COMUNICACIÓN S A (MAVICO)	35	195	--	--
MAPFRE CONSULTORES DE SEGUROS Y REASEGUROS S A	1	7	--	--
MAPFRE ASISTENCIA CIA INTERNACIONAL DE SEGUROS S A	--	--	2,340	3,626
IBEROASISTENCIA S A	--	--	66	70
CENTRO DE EXPERIMENTACIÓN Y SEGURIDAD VIAL MAPFRE S A	--	--	201	57
CLUB MAPFRE S A	--	--	3	21
DESARROLLOS URBANOS CIC S A (DESURCIC)	--	--	1,162	2,483
MAPFRE INTERNACIONAL	--	--	20,359	22,006
MULTISERVICIOS MAPFRE S A (MULTIMAP)	--	128	107	--
SERVICIOS INMOBILIARIOS MAPFRE S A (SERVIMAP)	15	70	--	--
MAPFRE TECH	--	--	1,267	1,583
MAPFRE AUTOMOCIÓN	--	--	288	237
IBEROASIS CONSULTING DE SOLUCIONES Y TECNOLOGIAS S A	--	--	154	224
SERVIFINANZAS S A	--	--	4	5
MAPFRE GLOBAL RISKS S A	--	425	9,255	--
CENTROS MEDICOS MAPFRE SA	--	--	1,601	1,250
VERTI ASEGURADORA CIA DE SEGUROS Y REASEGUROS S A	51	--	--	127
MEDISEMAP AGENCIA DE SEGUROS S L	3	12	--	--
MAPFRE ESPAÑA COMPAÑÍA DE SEGUROS Y REASEGUROS S A	16,859	39,934	--	--
FUNESPAÑA S A	--	--	326	91
SERVICIOS FUNERARIOS FUNEMADRID S A	67	173	--	--
ALL FUNERAL SERVICES S L	47	189	--	--
FUNERARIAS REUNIDAS EL BIERZO S A	29	123	--	--
GAB MANAGEMENT & CONSULTING S R L	--	1	--	--
POMPES FÚNEBRES DOMINGO S L	6	34	--	--
BIOINGENIERIA ARAGONESA	--	--	1	2
MAQUAVIT	19	181	--	--
MAPFRE AM INVESTMENT HOLDING S A U	--	--	96	35
SALUD DIGITAL MAPFRE	--	--	17	--
MAPFRE GLOBAL RISKS AGENCIA DE SUSCRIPCIÓN S.A.	--	--	2	--
TOTAL	30,519	78,545	44,569	31,822

Thousands of euros

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The total amount payable to the tax authorities in 2018, and the net amount of the aforementioned receivables and payables, corresponds to the amount to be collected by the Company, namely 37,042,351.99 euros (32,749,030 euros in 2017).

During the past two 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	

The following table shows the incorporations in the consolidated Tax Group during the past two years.

Temporary differences	COMPANY	Year	
		2018	2017
• Impairment Group companies	MAPFRE INMUEBLES, S.G.A.	3,719	3,719
Total temporary differences		3,719	3,985

Thousands of euros

In accordance with current legislation, the statements filed for the different taxes may not be considered final until they have been inspected by tax authorities or the expiration period of four years has elapsed.

Verification by tax authorities

With respect to tax inspections carried out on income tax filed by the Tax Group from 2007 to 2009, the Company formally contested an additional tax assessment in the amount of 5,497,000 euros in respect of discrepancies in the deduction applied by the Tax Group for Technological Research, Development and Innovation generated by several subsidiaries, which does not affect MAPFRE S.A. The settlement derived was appealed before the TEAC, which partially upheld the allegations, a resolution that is being appealed before the Central Administrative-Financial Court, the claim having been formalized at the date of formulation of these annual accounts.

On December 4 2017, in its condition as controlling company of Tax Group 9/85, MAPFRE S.A. was notified of the commencement of corporate tax inspections for the years 2013 to 2016. In addition, and in its condition as controlling company of VAT Group 87/10, it was notified of the commencement of verification measures for all the periods from January 2014 to December 2016.

Likewise, on the same date MAPFRE S.A. was notified of the commencement of inspections of all payable taxes for years 2014 to 2016, as well as the corporate tax of fiscal year 2013.

Therefore, at December 31, 2018, the Company had open to inspection all taxes to which it is subject for 2015 to 2018, as well as corporate income tax for the periods 2013 and 2014, income tax and VAT for the period 2014. In the opinion of the Company's advisors, there is only a remote possibility of tax liabilities occurring and significantly affecting the financial position of the Company at December 31, 2017.

Business restructuring operations

During 2016, the merger by absorption of 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.

This transaction was covered by the Special Regime foreseen in Chapter VII, Title VII of Corporate Income Tax Law 27/2014 of November 27.

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

This transaction was covered under the Special Regime of Chapter VIII, Title VII of Royal Legislative Decree 4/2004.

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., a transaction covered by the Special Regime of Chapter VIII, Title VII of Royal Legislative Decree 4/2004.

On June 6, 2011 the capital of MAQUAVIT INMUEBLES was increased via the contribution of the holdings of the company MAPFRE QUAVITAE, a transaction covered under the Special Regime of Chapter VIII, Title VII of Royal Legislative Decree 4/2004.

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

Up to 2008, the following merger operations were performed, all of them covered under the Special Tax Regime in Chapter VIII, Title VII of the revised text of the Corporate Income Tax Law:

- Merger by absorption of MAPFRE-CAJAMADRID HOLDING DE ENTIDADES ASEGURADORAS S.A. into MAPFRE S.A. The last balance sheet closed by the absorbed company was included as an annex to the 2008 annual accounts.
- 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.).
- Merger by absorption of MAPFRE AGROPECUARIA, COMPAÑÍA DE SEGUROS Y REASEGUROS S.A. into MAPFRE EMPRESAS, COMPAÑÍA DE SEGUROS Y REASEGUROS S.A.
- Merger by absorption of MAPFRE AMÉRICA VIDA S.A. into MAPFRE AMÉRICA S.A.

In 2008, the capital of MAPFRE INTERNACIONAL was increased via contributions from the company GENERAL SIGORTA, a transaction that was covered under the Special Regime of Chapter VIII, Title VII of Royal Legislative Decree 4/2004.

The 2008 annual report contains mandatory accounting information concerning these operations.

In 2007, the capital of MAPFRE INTERNACIONAL was increased via contributions from the companies MAPFRE SEGUROS GERAIS, CATTOLICA and MAPFRE USA. This transaction was covered under the Special Regime of Chapter VIII, Title VII of Royal Legislative Decree 4/2004.

The 2007 annual report contains mandatory accounting information concerning these operations.

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, a transaction covered by the Special Regime of Chapter VIII Title VII of Royal Decree Law 4/2004.

The 2006 annual report contains mandatory accounting information concerning this operation.

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. Both operations were covered by the Special Regime of Chapter VIII of Title VII of Royal Decree Law 4/2004.

This property had a book value of 11,868,822.10 euros at the time of the contribution and an accumulated depreciation 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.

The 2003 annual report contains mandatory accounting information concerning this operation.

In 2001, the Company performed security exchange operations under the Special Regime of Chapter VIII of Title VII of Royal Legislative Decree 4/2004.

For the purposes of the provisions of Article 93 of Royal Decree Law 4/2004, the following information is provided:

- Book value of 455,054 shares of MAPFRE SEGUROS GENERALES, Compañía de Seguros y Reaseguros S.A., contributed to the capital increase of MAPFRE-CAJA MADRID, Holding de Entidades Aseguradoras S.A.: 4,045,896.15 euros.
- Value recorded by the Company for the 4,946,766 shares received from MAPFRE CAJA MADRID, Holding de Entidades Aseguradoras S.A. in the aforementioned capital increase: 4,045,896.15 euros.

The 2001 annual report contains mandatory accounting information concerning these operations.

In 2000, the Company performed operations covered by the Special Regime of Chapter VIII of Title VII of Royal Legislative Decree 4/2004, for the contribution of shares of 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. for a capital increase of MAPFRE-CAJA MADRID Holding de Entidades Aseguradoras S.A.

Also in the year 2000, the global assignment of assets and liabilities of INCALBARSA S.A. was formalized for the sole shareholder, CORPORACIÓN MAPFRE S.A. This transaction was also covered by the Special Regime of Chapter VIII of Title VII of Royal Decree Law 4/2004.

The 2000 annual report contains mandatory accounting information concerning these operations.

VAT Group companies

Since 2010, and for the purposes of value added tax, the Company forms part of the VAT Group 87/10 formed by the parent MAPFRE S.A. and those of its controlled companies that agreed to join the Group when it was created.

In 2018, 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.; MAPFRE GLOBAL RISKS S.A; 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 SGIIC S.A.

13. REVENUE AND EXPENSES

The following table shows a breakdown of the social security contributions made by the Company in the last two years:

BREAKDOWN OF SOCIAL SECURITY CONTRIBUTIONS	AMOUNT	
	2018	2017
Social security	6,775	6,432
Contributions to pensions	7,507	7,152
Other social security contributions	8,271	7,946
TOTAL	22,553	21,530

Thousands of euros

The English version is a translation of the original in Spanish for information purposes only. In case of discrepancy, the Spanish version shall prevail.

14. PROVISIONS AND CONTINGENCIES

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

HEADING	OPENING BALANCE		INCREASES		DECREASES		CLOSING BALANCE	
	2018	2017	2018	2017	2018	2017	2018	2017
Long-term provisions								
Non-current employee benefit obligations	15,069	14,876	2,052	4,929	(5,427)	(4,736)	11,694	15,069
Other provisions	245	1,069	277	791	(424)	(1,616)	98	245
Short-term provisions								
Current provisions	--	--					--	--
TOTAL	15,314	15,945	2,329	5,720	(5,851)	(6,352)	11,792	15,314

Thousands of euros

At December 31 of the last two fiscal years, "Obligations for long-term benefits to personnel" primarily included:

- Defined benefit plans that are externalized, detailed in note 16 of the annual report, amounting to 4,680,000 euros (4,751,000 euros in 2017).
- Long service bonus detailed in note "Personnel expenses" amounting to 3,513,000 euros (3,397,000 euros in 2017)
- Life insurance covering death between age 65 and 77 years detailed in the note disclosing measurement standards in respect of "Personnel expenses", for 1,437,000 euros (1,354,000 euros in 2017).
- Medium-term remuneration incentives detailed in the note disclosing measurement standards for "Personnel expenses", amounting to 1,416,000 euros (4,886,000 euros in 2017).

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 have any environmental-related item in the last two years that might be 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 amount corresponding to expense by defined-contribution pension plans has increased to 7,507,000 euros in 2018 (7,152,000 euros in 2017).

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

A) Amounts recognized in the Balance Sheet

The reconciliation of the current value of the debenture arising from defined benefit plans in the last two years is shown below:

Item	2018	2017
CURRENT COMMITMENT VALUE AT JANUARY 1	4,751	4,748
• Current year's service costs	--	--
• Interest cost	199	199
• Actuarial gains and losses	60	109
• Benefits paid	(254)	(249)
• Settlements	--	--
• Other items	(76)	(56)
Present value of obligation at December 31	4,680	4,751

Thousands of euros

The English version is a translation of the original in Spanish for information purposes only. In case of discrepancy, the Spanish version shall prevail.

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

Item	2018	2017
Value of reimbursement right at January 1	4,751	4,748
• Expected return from allocated assets	199	199
• Employer contributions	--	--
• Actuarial gains and losses	60	109
• Benefits paid	(254)	(249)
• Settlements	--	--
• Other items	(76)	(56)
Value of reimbursement right at December 31	4,680	4,751

Thousands of euros

B) Hypothesis

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

Other medium-term remuneration and share-based payments

The Board of Directors approved a medium-term incentive Plan in 2016 that was valued and recognized in the income statement in line with indications set down in the measurement standards of 4h) "Personnel expenses".

In fiscal year 2018, the total provision for this concept in the Company was reversed due to the failure to achieve the expected objectives (In 2017, 387,000 euros were allocated.) A total of 3,182,000 euros was reversed, corresponding to the cash compensation and 2,867,000 euros in equity for the part corresponding to the settlement by means of equity instruments.

The number of benchmark shares taken into account for the purposes of calculating the remuneration in 2017 stood at 2,196,474.

17. SUBSEQUENT EVENTS

There have been no significant events subsequent to the close of the year.

18. OPERATIONS WITH RELATED PARTIES

Below are the main operations performed with related parties over the last two fiscal years.

Expenses and revenue	Group companies		Other related parties		TOTAL	
	2018	2017	2018	2017	2018	2017
1) Financial expenses	(11,663)	(16,428)	--	--	(11,663)	(16,428)
4) Leasing	(5,065)	(5,044)	--	--	(5,065)	(5,044)
9) Other expenses	(14,170)	(11,203)	--	--	(14,170)	(11,203)
EXPENSES	(30,898)	(32,675)	--	--	(30,898)	(32,675)
10) Financial income	8,860	6,552	--	--	8,860	6,552
13) Dividends received	741,258	632,193	--	--	741,258	632,193
15) Provision of services	86,973	76,030	--	--	86,973	76,030
REVENUE	837,091	714,775	--	--	837,091	714,775

Thousands of euros

Other transactions	Group companies		Other related parties		TOTAL	
	2018	2017	2018	2017	2018	2017
Acquisition of tangible, intangible or other assets	--	(1,058)	--	--	--	(1,058)
Financing agreements: Credits and capital contributions	617,498	436,977	--	--	617,498	436,977
Amortization or cancellation of credits	(257,784)	(209,850)	--	--	(257,784)	(209,850)
Financing agreements: Loans and capital contributions	--	--	--	--	--	--
Repayment or cancellation of loans	203,300	7,100	--	--	203,300	7,100
Dividends and other profits distributed	--	--	304,949	304,949	304,949	304,949

Thousands of euros

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

Investments	Group companies	
	2018	2017
Capital increases		
MAPFRE INTERNACIONAL	199,999	135,000
MAPFRE ASISTENCIA	30,999	49,998
TOTAL	230,998	184,998

Thousands of euros

There has been a pending disbursement of shares of MAPFRE ASISTENCIA for 19,999,000 euros as at December 31 of the last two fiscal years.

The English version is a translation of the original in Spanish for information purposes only. In case of discrepancy, the Spanish version shall prevail.

On March 6, 2017 a single-member company called MAPFRE AM Investment Holding S.A. was incorporated, with a share capital of 15,000,000 face value shares of 1 euro each, fully subscribed and paid up by MAPFRE S.A.

The following table shows the amount of pending balances with Group companies at the close of the last two fiscal years:

Item	Assets		Liabilities	
	2018	2017	2018	2017
Loans	525,150	396,150	138,400	341,700
Loan interest	3,753	1,017	28,695	65,317
Tax Group	30,519	78,541	44,569	31,818
Other items	18,633	19,469	4,627	5,011
TOTAL	578,055	495,177	216,291	443,846

Thousands of euros

There have been no financial expenses for the settlement of the CARTERA MAPFRE line of credit described in note 8 for the 2018 fiscal year. (23,000 euros in fiscal year 2017).

Transactions with related parties are related to the normal trading activities of the Company and were conducted according to market conditions.

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

Item	Amount:	
	2018	2017
Short-term remunerations		
Salary	2,669	2,997
Short-term variable remuneration	1,805	1,981
Fixed allowance	1,927	1,876
Other items	812	115
Medium-term variable remuneration	1,128	1,128
TOTAL	8,341	8,097
Other remuneration		
Life Insurance	84	100

Thousands of euros

The basic remuneration of external directors consists of an annual fixed amount for their membership of the Board of Directors, which amounted to 110,000 euros in the last two fiscal years. In 2017, a fixed annual allocation of 110,000 euros was established for Vice Chairpersons and Coordinating Directors. Members of the Steering Committee have received 20,000 euros in each of the past two fiscal periods. In addition, the individual serving as Chairperson of the Audit and Compliance Committee receives 65,000 euros, (55,000 in 2017). Remuneration for the members of the Audit and Compliance Committee receive 45,000 euros (35,000 in 2017), with the other members of the delegate committees receiving 37,000 euros (35,000 euros in 2017).

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 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 directors or not. Contributions to defined benefit plans were recorded as expenses and amounted to 4,385,000 euros in 2018 (4,200,000 euros in 2017).

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

The amount provisioned in relation to medium-term incentive plans was reversed, due to the fact that the stated objectives were not achieved (in fiscal year 2017, 1,328,000 euros had been provisioned).

With respect to the short-term variable remuneration already accrued, at the close of the 2018 fiscal year, 2,826,590 euros was outstanding, (2,620,000 euros in 2017).

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 membership of the boards or steering committees is approved by the Board of Directors, subject to a report by the committee.

The amount paid for professional liability insurance premiums due to damage caused reached 367,000 euros (444,000 euros in 2017).

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 outside normal market conditions.

During the last two years, no conflicts of interest, either direct or indirect, had arisen between the directors or persons linked to same and the Company.

The remuneration paid to senior management in the last two years is shown below:

	2018	2017
No. of senior management members	7	5
Fixed remunerations	2,124	1,596
Variable remunerations	1,192	934
Other remuneration	81	40
TOTAL	3,397	2,570
Life Insurance	31	25

Thousands of euros

With regards to the medium-term incentive plan 2016-2019, over the course of the fiscal year in question, the whole provision was reversed, due to the fact that the stated objectives were not met. In 2017, the amount of 97,000 euros had been allocated for this purpose.

In addition, in 2018, contributions to defined benefit plans amounting to 826,000 euros were recognized as expenses for the year (517,000 euros in 2017).

19. OTHER INFORMATION

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

Average number of employees:

ITEM	2018		2017	
	Men	Women	Men	Women
Board of Directors and Senior Management	12	2	9	1
Management	95	53	92	48
Technicians	144	146	132	134
Administrators	16	58	18	64
AVERAGE TOTAL NUMBER OF EMPLOYEES	267	259	251	247

Number of employees at the end of the year:

ITEM	2018		2017	
	Men	Women	Men	Women
Board of Directors and Senior Management	14	2	9	1
Management	95	53	95	51
Technicians	145	153	138	141
Administrators	16	58	17	63
TOTAL NUMBER OF EMPLOYEES	270	266	259	256

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	2018	2017
Management	2	2
Technicians	4	2
Administrators	4	5
TOTAL	10	9

Remuneration accrued by the external auditor (KPMG Auditores, S.L.) is shown below. It is deemed that these fees do not compromise the independence of the auditors.

ITEM	AMOUNTS	
	2018	2017
Audit services	465	456
Other verification services	260	295
Tax services	--	--
Other services	--	--
Total services of main auditor	725	751

Thousands of euros

Other verification services include services rendered by KPMG Auditores S.L. to the Company during fiscal 2018, among which the issuing of comfort letters, other regulatory revisions subject to audit, as well as services related to regulatory compliance.

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

ITEM	2018	2017
	Days	Days
Average supplier payment period	20	20
Ratio of paid operations	20	20
Ratio of operations pending payment	--	--
	Amounts	Amounts
Payments made	100,939	76,174
Payments pending	3,328	6,314
Total payments for the year	104,267	82,488

Thousands of euros

Annex 1

Fiscal year 2018

Name	Legal form	Address	Activity	STAKE				Thousands of euros									
				%		Voting rights		Capital	Reserves	Other items in equity	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.	Carretera Pozuelo, 52 Majadahonda - 28222 Madrid	IT	0.7746	99.1526	0.7746	99.1526	30,990	(10,867)	--	157	570	--	--	240	--	
MAPFRE INTERNACIONAL	S.A.	Carretera Pozuelo, 52 Majadahonda - 28222 Madrid	Holding	100.0000	--	100.0000	--	784,432	5,169,317	(800,784)	190,014	(31,051)	4,141,763	--	--	--	
MAPFRE RE Cia. de Reaseguros	S.A.	Paseo de Recoletos 25 28004 Madrid	Reinsurance	92.2454	0.0003	92.2454	0.0003	223,916	895,828	2,420	149,137	--	383,360	--	--	92,615	
MAPFRE ASISTENCIA, Cia Internacional de Seguros y Reaseguros	S.A.	Sor Ángela de la Cruz, No. 6, 28020 Madrid.	Insurance and reinsurance	99.9970	0.0030	99.9970	0.0030	365,176	(64,159)	(49,102)	(28,258)	18,153	189,634	(151,429)	178,540	--	
MAPFRE INMUEBLES	S.G.A.	Carretera Pozuelo, 52 Majadahonda - 28222 Madrid	Real Estate	9.9977	89.9944	9.9977	89.9944	593,474	(110,932)	--	(4,615)	18,520	54,358	2,122	52,639	--	
Maquavit Inmuebles	S.L.	Carretera Pozuelo, 52 Majadahonda - 28222 Madrid	Real Estate	100.0000	--	100.0000	--	37,436	1,633	--	(527)	1,915	26,662	--	--	--	
MAPFRE VIDA	S.A.	Carretera Pozuelo, 52 Majadahonda - 28222 Madrid	Insurance and reinsurance	99.9121	--	99.9121	--	60,242	1,430,542	165,313	121,326	57,061	1,132,946	--	--	371,972	
Fancy Investment	S.A.	Avda. 18 de Julio, 841 Montevideo (Uruguay)	Finance	100.0000	--	100.0000	--	11,024	4,444	(6,720)	--	483	10,118	--	--	--	
MAPFRE Consultores de Seguros y Reaseguros	S.A.	Paseo de Recoletos 25 28004 Madrid	Advisory and management services	50.0000	49.99965	50.0000	49.9997	120	168	--	(12)	48	61	--	--	--	
MAPFRE Inversión	S.A.	Carretera Pozuelo, 50 Majadahonda - 28222 Madrid	Investment company	0.0009	99.91120079	0.0009	99.91120079	33,055	149,101	4,705	(14,134)	55,663	2	--	--	1	
MAPFRE AM Investment	S.A.	Carretera Pozuelo, 50 Majadahonda - 28222 Madrid	Holding	100.0000	--	100.0000	--	15,000	(243)	--	64	(256)	15,000	--	--	4	
MAPFRE ASSET MANAGEMENT	S.A.	Carretera Pozuelo, 50 Majadahonda - 28222 Madrid	Institution management investment	0.0147	99.89741371	0.0147	99.89741371	2,043	(7,884)	2,155	(10,366)	41,481	2	--	--	1	
MAPFRE ESPAÑA.	S.A.	Carretera Pozuelo, 52 Majadahonda - 28222 Madrid	Insurance and reinsurance	83.5168	16.4825	83.5168	16.4825	564,624	1,098,244	260,206	295,925	6,253	3,050,931	--	--	231,063	
MAPFRE Global Risks	S.A.	Carretera Pozuelo, 52 Majadahonda - 28222 Madrid	INSURANCE	100.0000	--	100.0000	--	20,132	1,052,364	33,489	73,191	382	529,067	--	--	45,602	

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Fiscal year 2018

Name	Legal form	Address	Activity	STAKE				Thousands of euros									
				%		Voting rights		Capital	Reserves	Other items in equity	Earnings for the year		Book value	(Impairment) /Reversal year	Accumulated impairment	Dividends received	
				Direct	Indirect	Direct	Indirect				Earnings from operations	Other earnings					
Clube Mapfre do Brasil	LTDA	Av. dos Autonomistas, 701 Vila- Yara – Osasco SP CEP 06020-000 (Brazil)	Consultancy	0.3314	99.6686	0.3314	99.6686	151,830	23,496	(86,204)	(5,680)	6,395	86	--	--	--	
Desarrollos Urbanos	S.A.	Carretera Pozuelo, 52 Majadahonda - 28222 Madrid	Real Estate	0.0784	99.9137	0.0784	99.9137	383	4,805	--	1,162	(4,647)	3	(6)	43	--	
SERVIFINANZAS	S.A.	Carretera Pozuelo, 52 Majadahonda - 28222 Madrid	Finance	100.0000	--	100.0000	--	216	49	--	--	11	267	--	--	--	
MGR Agencia de Suscripción	S.A.	Carretera Pozuelo, 52 Majadahonda - 28222 Madrid	Insurance and reinsurance	100.0000	--	100.0000	--	60	--	--	2	(7)	60	--	--	--	
Preminen Price Comparison Holding	LTDA	Ty Admital David Street Cardiff CF102EH	Online insurance policy price comparator	50.0000	--	50.0000	--	10,000	10	--	--	(4,627)	2,691	(2,309)	2,309	--	
TOTAL												9,536,741	(151,622)	233,771			
Other investments												8					
Total investments in Group and associated companies												9,536,749					

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Fiscal year 2017

Name	Legal form	Address	Activity	Thousands of euros												
				STAKE				Capital	Reserves	Other items in equity	Earnings for the year		Book value	(Impairment) /Reversal year	Accumulated impairment	Dividends received
				%		Voting rights					Earnings from operations	Other earnings				
				Direct	Indirect	Direct	Indirect									
MAPFRE TECH	S.A.	Carretera Pozuelo, 52 Majadahonda - 28222 Madrid	IT	0.7746	99.1525	0.7746	99.1525	30,990	(9,052)	--	1,252	(3,028)	--	--	240	--
MAPFRE Internacional	S.A.	Carretera Pozuelo, 52 Majadahonda - 28222 Madrid	Holding	100.0000	--	100.0000	--	624,432	5,242,462	(1,567,003)	262,587	21,011	3,941,763	--	--	99,909
MAPFRE Re Cia. de Reaseguros	S.A.	Paseo de Recoletos 25 28004 Madrid	Reinsurance	92.2454	0.0003	92.2454	0.0003	223,916	831,059	83,813	162,655	--	383,360	--	--	95,281
MAPFRE Asistencia, Cia Internacional de Seguros y Reaseguros	S.A.	Sor Angela de la Cruz, No. 6, 28020 Madrid.	Insurance and reinsurance	99.9970	0.0030	99.9970	0.0030	334,176	35,804	(69,023)	(44,053)	(24,373)	309,794	(27,111)	27,111	--
MAPFRE INMUEBLES	S.G.A.	Carretera Pozuelo, 52 Majadahonda - 28222 Madrid	Real Estate	9.9977	89.9943	9.9977	89.9943	593,474	(115,132)	--	(1,095)	5,306	52,236	(652)	54,761	--
Maquavit Inmuebles	S.L.	Carretera Pozuelo, 52 Majadahonda - 28222 Madrid	Real Estate	100.0000	--	100.0000	--	45,436	575	--	(416)	1,475	34,582	--	--	--
MAPFRE VIDA	S.A.	Carretera Pozuelo, 52 Majadahonda - 28222 Madrid	Insurance and reinsurance	99.9114	--	99.9114	--	60,242	1,324,994	210,701	131,396	55,205	1,132,932	--	--	153,682
Fancy Investment	S.A.	Avda. 18 de Julio, 841 Montevideo (Uruguay)	Finance	100.0000	--	100.0000	--	11,024	6,757	(7,387)	--	1,446	10,118	--	--	--
MAPFRE Consultores de Seguros y Reaseguros	S.A.	Paseo de Recoletos 25 28004 Madrid	Advisory and management services	50.0000	49.9997	50.0000	49.9997	120	131	--	(13)	51	61	--	--	--
MAPFRE Inversión	S.A.	Carretera Pozuelo, 50 Majadahonda - 28222 Madrid	Investment company	0.0009	99.9105	0.0009	99.9105	33,055	195,118	14,197	(13,410)	54,128	2	--	--	1
MAPFRE AM Investment	S.A.	Carretera Pozuelo, 50 Majadahonda - 28222 Madrid	Holding	100.0000	--	100.0000	--	15,000	(6)	--	(100)	--	15,000	--	--	--
MAPFRE Asset Management (formerly MAPFRE Inversión DOS)	S.A.	Carretera Pozuelo, 50 Majadahonda - 28222 Madrid	Institution management investment entity groups	0.0147	99.8967	0.0147	99.8967	2,043	11,397	3,747	(2,543)	10,224	2	--	--	1
MAPFRE ESPAÑA	S.A.	Carretera Pozuelo, 52 Majadahonda - 28222 Madrid	Insurance and reinsurance	83.5168	16.4825	83.5168	16.4825	564,624	1,014,675	350,139	323,934	4,399	3,050,931	--	--	243,900
MAPFRE Global Risks	S.A.	Carretera Pozuelo, 52 Majadahonda - 28222 Madrid	INSURANCE	99.9999	--	99.9999	--	20,132	1,110,059	64,396	(12,183)	9	529,060	--	--	39,419

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Fiscal year 2017

Name	Legal form	Address	Activity	STAKE				Thousands of euros										
				%		Voting rights		Capital	Reserves	Other items in equity	Earnings for the year		Book value	(Impairment) /Reversal year	Accumulated impairment	Dividends received		
				Direct	Indirect	Direct	Indirect				Earnings from operations	Other earnings						
Clube Mapfre do Brasil	LTDA	Av. dos Autonomistas, 701 Vila- Yara – Osasco SP CEP 06020-000 (Brazil)	Consultancy	0.3314	99.6686	0.3314	99.6686	151,830	36,461	(74,819)	(6,024)	6,097	86	--	--	--		
Preminen Price Comparison Holding	LTDA	Ty Admital David Street Cardiff CF102EH	Online insurance policy price comparator	50.0000	--	50.0000	--	5,000	--	--	--	(426)	5,000	--	--	--		
Desarrollos Urbanos	S.A.	Carretera Pozuelo, 52 Majadahonda - 28222 Madrid	Real Estate	0.0784	99.9136	0.0784	99.9136	383	76	678	2,483	(9,932)	--	(37)	37	--		
Total												9,464,927	(27,800)	82,149				
Other investments															7			
Total investments in Group and associated companies												9,464,934						

No companies are listed on the stock market.

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

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INDIVIDUAL MANAGEMENT REPORT

2018

MAPFRE S.A.

MAPFRE S.A.

2018 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 tradable financial securities.

A. KEY BASIC FIGURES

Key figures of the profit and loss account are as follows:

- Dividend revenue from Group companies amounted to 741.3 million euros, up 17.26 percent on the prior year.
- Operating expenses amounted to 161.4 million euros, which is a 6.9 percent increase on the figure for 2017.
- Financial income for the last two fiscal periods totaled 0.4m euros.
- Financial expenses stood at 67.0 million of euros, down 14.0 percent on the prior year.
- During 2017, the Company recognized impairment allowances of 151.6 million euros in respect of equity investments in Group and associated companies (27.8 million euros in 2017).
- Pre-tax earnings amount to 457.4 million euros, representing a decrease of a 0.4 percent compared to the previous year.
- Income tax revenue amounted to 36.0 million euros in 2018, compared with 36.5 million euros in 2017.
- Net income amounts to 493.5 million euros, representing a decrease of a 0.4 percent compared to previous year.

Key balance sheet figures are as follows:

MAPFRE S.A.'s shareholders' equity amounted to 7.4 billion euros, which represents an increase of 49.9 million euros against the previous period, (0.7 percent), due to the difference between the profit for the year and the dividends paid during the year, which stood at 261.7 million euros, being the final dividend for the 2017 year distributed in 2018, and 184.8 million euros for the interim dividend charged against the year's profits.

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- Assets totaled 10.27 billion euros, of which 9.91 billion euros relate to long-term investments in Group and associated companies and 200.0 million euros correspond to short-term investments in Group and associated companies.

B. MAIN ACTIVITIES

The main variations in the Company's financing sources during 2018 were as follows:

- Issuance of simple debentures totaling 500 million euros, maturing in May 2048.
- Partial cancellation of loans from Group companies, in the amount of 203.3 million euros.
- Partial cancellation of the syndicated loan, maturing in December 2023, in the amount of 590.0 million euros and new drawdowns of 480.0 million euros.

Investments in Group companies

During 2018, the Company had the following expenditure in respect of investments in Group companies:

- Capital increase in MAPFRE ASISTENCIA, for 31 million euros.
- Capital increase in MAPFRE INTERNACIONAL, in the amount of 200.0 million euros.

In April 2018, MAPFRE approved a new configuration of its reinsurance and large commercial risks business. Under the new arrangement, MAPFRE GLOBAL RISKS will continue developing its management capacity and market knowledge, while the insurance or reinsurance risk will be assigned to those Group companies, which due to their specialization, scale or capacity, are best positioned to manage same with a better level of efficiency and profitability. As such, a restructuring operating is currently underway through which:

- Purely insurance and reinsurance, along with the assets and liabilities to same, are to be transferred to MAPFRE ESPAÑA and MAPFRE RE respectively.
- A new company is to be created that will continue the operations of MAPFRE GLOBAL RISKS in terms of analysis and underwriting of large commercial risks, and will act as an agent for MAPFRE ESPAÑA and MAPFRE RE.

As at the date of formulating these annual accounts, the above-described company restructuring was still pending approval from the Spanish regulatory body.

C. MAPFRE AND ITS SHAREHOLDERS

MAPFRE SHARES

The table below shows the key information relating to MAPFRE shares at the end of Year 2018:

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)
Stock market index membership	<ul style="list-style-type: none"> – IBEX 35 – Stoxx Insurance – MSCI Spain – FTSE All-World Developed Europe – FTSE4Good¹ and FTSE4Good IBEX4¹ – DJSI World4
ISIN code	ES0124244E34

In 2018 MAPFRE S.A. shares traded for 257 days on the continuous market with a frequency index of 100 percent. According to data published by the Spanish Stock Exchanges and Markets (BME), an average of 5,515,638 shares were traded daily compared to 7,267,696 in 2017, a decrease of 24.1 percent. The effective average daily transactions was 14.6 million euros, compared to 21.5 million euros in the prior year, a decrease of 32.1 percent.

At the end of 2018, seven Spanish and international investment banks had "buy" recommendations for the company's shares, compared to three who held "hold" recommendations, while six had the stock on their "sell" lists.

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

Value and return

The share price performance is shown in the following table, compared to two key benchmark indexes (the IBEX 35 and the STOXX Insurance indexes):

	1 YEAR	3 YEARS	5 YEARS*
MAPFRE	-13.4%	0.3%	-25.5%
Stoxx Insurance	-10.1%	-9.2%	13.6%
IBEX 35	-15.0%	-10.5%	-13.9%

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

	2018	2017	2016	2015	2014
EPS (euros)	0.17	0.23	0.25	0.23	0.27
INCREASE	-26.1%	-8.0%	8.7%	-14.8%	3.8%

Shareholder structure and remuneration

At the close of 2018, Fundación MAPFRE, through its direct and indirect holdings, owned 68.2 percent of the company's shares including treasury stock; Spanish shareholders owned 12.0 percent and shareholders of other countries owned the remaining 19.8 percent.

Of the Spanish shareholders, 4.3 percent were institutional investors and 7.7 percent were non-institutional investors (principally individuals). With regard to investors resident in other countries, 19.7 percent were institutional investors, while 0.1 percent were non-institutional investors.

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 2016-2018 is adequate shareholder remuneration.

In fiscal year 2018, the Board of Directors agreed to pay an interim dividend against the year's results of 0.06 euros per share. The total amount paid out in the year was 0.145 euros per share, giving a total remuneration of 446.5 million euros.

The final dividend for fiscal year 2018 to be proposed at the Annual General Meeting is a dividend of 0.085 euros per share (before tax). Consequently, the total dividend against the results for 2018 amounts to 0.145 euros per share before tax, representing a payout ratio of 84.4 percent.

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

	2018	2017	2016	2015	2014
DIVIDEND (euros)	0.145	0.145	0.13	0.14	0.14
DIVIDEND YIELD	5.5%	4.9%	5.8%	4.9%	4.7%

It should also be mentioned that since the economic and financial crisis broke out in 2007, MAPFRE has increased the amount allocated to dividends by 78 percent.

D. ENVIRONMENT

One of the things that MAPFRE does that enables it to generate trust in shareholders is its commitment to sustainability in the environments in which it operates. This commitment involves one of its major short and medium-term challenges, as the long-term resilience of the Group will continue to be contingent on the strategy adopted for dealing with risks related to climate change, among other variables.

During 2018, actions continued to be implemented to satisfy the commitments assumed under the Environmental Policy approved by the Board of Directors of MAPFRE S.A. on December 13, 2018, including additional commitments related to the inclusion of environmental criteria in the business processes of the company.

MAPFRE carries out Environmental Management activities under the guidelines defined by the triple Integrated Environmental, Energy and Carbon Footprint System (hereinafter SIGMAYE), a strategic model defined in accordance with the international standards ISO 14001, ISO 50001 and ISO 14064.

The transversal design and the global nature of SIGMAYE allows for both corporate and specific local objectives to be established, thereby assuring compliance with applicable legislation and providing minimum criteria for compliance in countries in which legislation is less developed.

In the environmental area, certifications have already been issued to 35 headquarters of Group companies in Spain, Brazil, Mexico, Colombia, Puerto Rico, Paraguay, Portugal, Argentina and Chile, to which can be added 17 headquarter buildings located in Spain with energy management certification.

The expansion of the scope of UNE-EN-ISO 14064 continues to move ahead, and the carbon footprint of the Group companies located in Spain, Puerto Rico, Colombia, Peru and Portugal has been verified.

In relation to mitigation and adaptation to Climate Change, the completion of activities defined in the 2020 Energy Efficiency and Climate Change Strategic Plan continues, with more ambitious challenges and deadlines assumed regarding CO2 neutrality. Group actions in this area have made it possible for MAPFRE to be included on the CDP A list (Driving Sustainable Economies).

It should be noted that MAPFRE is part of a pilot project in the insurance industry promoted by UNEP-FI created to incorporate recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The inclusion of these recommendations will provide the leverage to introduce climate parameters in financial analyses, and so facilitate the dialog among companies and banks, insurers and investors.

Furthermore, bearing in mind the conditions that Climate Change provokes in the biological diversity of our planet, development of specific programs will continue for conservation, including those that sponsor the continuation of the project for reforestation of the Doñana National Park through the *100 Empresas por los Bosques* (100 Companies for Forests) initiative of WWF Spain.

In terms of promoting environmental responsibility in society, the organizing of the second corporate volunteering day, “Everyone for the Environment”, should be mentioned, in which more than 1,500 volunteers - comprising employees and their families - in 25 countries undertook reforestation projects in degraded areas, planting 1,720 trees, removing trash from beaches and rivers, collecting 35 tons of trash and improving and maintaining pathways and parks, among other activities, demonstrating once again the commitment and involvement of our employees in this area.

Lastly, the Global Campaign to publicize the Objectives of Sustainable Development among employees of the Group was reinforced by the highlighting of environmental activities performed by the company and best practices for employees found in 13 of the 17 objectives defined in the 2030 Agenda.

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.

MAPFRE Group treasury stock transactions have a legitimate purpose and always comply with the recommendations on treasury stock discretionary transactions issued by the Spanish National Securities and Exchange Commission (the CNMV).

Legitimate purpose refers to:

- Favoring trading liquidity and regularity in the purchase of MAPFRE shares.
- Allowing MAPFRE to access the securities it requires to meet potential obligations to deliver treasury stock, for example as a result of shareholder, executive or employee remuneration or loyalty schemes, or issues of corporate stock or operations.

Treasury stock transactions are always carried out under conditions that ensure neutrality in the price setting of MAPFRE shares in the market and complete transparency in relationships with market supervisors and governing bodies. Furthermore, these transactions are never carried out on the basis of privileged information.

The Treasury Stock Policy includes general rules on aspects such as the transaction volume, maximum and minimum order price, and execution time limits.

At December 31, 2016, the Company had acquired 30,500,000 treasury shares; these represent 0.99 percent of the capital. The price paid was 60,233,635.85 euros, at an average of 1.97 euros per share.

The Company reduced the number of treasury shares to 2,079,216 in 2018 (3,988,894 in 2017), representing 0.07 percent of the capital (0.13 percent in 2017). The cost of this reduction totaled 4,106,350.17 euros (7,877,560.29 euros in 2017), giving rise to a positive impact totaling 1,930,622.54 euros, which was entered under the "Other Reserves" heading.

At fiscal year-end, the Company held 24,431,890 treasury shares (26,511,106 shares in 2017), representing 0.79 percent of the capital (0.86 percent in 2017) at an average of 1.97 euros per share.

The total face value of shares acquired was 2,443,189 euros (2,651,110.60 euros in 2017).

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	2018		2017	
	Men	Women	Men	Women
Board of Directors and Senior Management	12	2	9	1
Management	95	53	92	48
Technicians	144	146	132	134
Administrators	16	58	18	64
AVERAGE TOTAL NUMBER OF EMPLOYEES	267	259	251	247

Number of employees at the end of the year.

ITEM	2018		2017	
	Men	Women	Men	Women
Board of Directors and Senior Management	14	2	9	1
Management	95	53	95	51
Technicians	145	153	138	141
Administrators	16	58	17	63
TOTAL NUMBER OF EMPLOYEES	270	266	259	256

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	2018	2017
Management	2	2
Technicians	4	2
Administrators	4	5
TOTAL	10	9

MAPFRE's goals for its workforce include the professional development of its employees and strengthening their employability and well-being by developing their abilities and skills. All of this is pursued in an environment of commitment and mutual respect, free of insults, intimidation, harassment or discrimination, in a workplace that guarantees security and stability of employment.

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MAPFRE has a Code of Ethics and Conduct in place that is inspired by its Institutional and Business Principles and which is intended to reflect corporate values and the basic principles that should guide the conduct of the company and its staff.

The Respect for People Policy expressly states that respect for others is a basic element of employee conduct. MAPFRE rejects any manifestation of workplace harassment, as well as any other behavior that is violent or offensive to the rights and dignity of people, since these situations contaminate the workplace and have negative effects on the health, well-being, self-esteem, dignity and performance of those who suffer them.

The employment policy encourages permanent over temporary contracts, seeking a stable environment in a continuous working relationship. The percentage of staff on permanent contracts in 2018 was 99.1 percent (96.7 percent in 2017).

During the year, MAPFRE continued to roll out its Global Disability Program, and by year-end the company had 10 people with disabilities on its workforce (9 people with disabilities in 2017).

Through its Promotion, Selection and Mobility Policy, MAPFRE is committed to promoting its employees' opportunities for professional development through development plans and programs, training schedules and mobility among areas and countries, in order to increase their employability, their professional satisfaction and their commitment to the company.

MAPFRE has defined a global selection procedure that guarantees objectivity, maximum rigor and non-discrimination throughout all procedures. Furthermore, the tests used during selection are standardized worldwide to cover each position with a candidate having the most appropriate profile. A total of 48 selection processes were completed in 2018.

In 2018 the Group invested 1,014,000 euros in staff training (as against 820,000 euros in 2017).

The remuneration policy is based on each employee's job position, is competitive in comparison to the market, guarantees internal fairness, is flexible and can be adapted to different market collectives and circumstances, and is aligned with strategy.

The Policy on Health, Well-being and Prevention of Occupational Risks establishes that it is vital to protect workers' health, safety and well-being, for both employees and their families, and also for productivity, competitiveness and sustainability of MAPFRE. Every year, employees receive information and are given training on health and healthy habits.

External Audit

Remuneration accrued by the external auditor (KPMG Auditores, S.L.) is shown below. It is deemed that these fees do not compromise the independence of the auditors.

ITEM	AMOUNTS	
	2018	2017
Audit services	465	456
Other verification services	260	295
Tax services	--	--
Other services	--	--
Total services of main auditor	725	751

Thousand euros

Governing bodies

Antonio Huertas Mejías, Catalina Miñarro Brugarolas and María del Pilar Perales Viscasillas were reappointed directors at the Annual General Meeting held on March 9, 2018.

Antonio Núñez Tovar and Rafael Márquez Osorio tendered their resignations as members of the Board of Directors on July 18 and December 29, 2018 respectively, in compliance with the provisions of the Rules of the Board of Directors.

José Manuel Inchausti Pérez was appointed director by the cooptation process effective July 18, 2018 at the meeting of the Board of Directors held on June 18, 2018, to replace Mr. Núñez Tovar. Also, Antonio Gómez Ciria was appointed director by the cooptation process effective January 1, 2019 at the meeting of the Board of Directors held on November 7, 2018, to replace Mr. Márquez Osorio.

On July 18, 2018, Ignacio Baeza Gómez and José Manuel Inchausti Pérez assumed the positions of First Vice Chairman and Third Vice Chairman of the Board of Directors respectively, as per the resolution adopted by the Board on June 18, 2018.

The terms of Georg Daschner and Antonio Gómez Ciria, who was designated by the cooptation process on the date indicated above, will expire during 2019. The Appointments and Remuneration Committee has proposed that these two directors be reappointed.

The terms of José Manuel Inchausti Pérez, who was designated under the cooptation process indicated above, Luis Hernando de Larramendi Martínez, Antonio Miguel-Romero de Olano and Alfonso Rebuelta Badías, will also expire during fiscal year 2019, and their reappointment is proposed to the Annual General Meeting. These proposals were preceded by favorable reports from the Appointments and Remuneration Committee.

Average provider payment period

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

ITEM	2018	2017
	Days	Days
Average supplier payment period	20	20
Ratio of paid operations	20	20
Ratio of operations pending payment	--	--
	Amounts	Amounts
Payments made	100,939	76,174
Payments pending	3,328	6,314
Total payments for the year	104,267	82,488

Thousands of euros

Research, Development and Innovation

Client orientation is one of the main axes of the MAPFRE Strategic Plan, which identifies innovation and digital transformation as two of the key tools to offering insurance solutions focused on client needs and achieving the short-, medium- and long-term strategic objectives while simultaneously bearing in mind the quality of the service delivered to clients.

Innovation

MAPFRE's priorities in terms of innovation emanate from the company's strategy, placing the client (taking account of the different segments) at the center.

In order to deal with the fundamental change that is taking place in the insurance industry, the organization must be streamlined, making it more agile and efficient. To this end, in 2018 an array of transformation and innovation platforms were implemented, known as MAPFRE Open Innovation (MOi), which involves an allocation of approximately 100 million euros annually.

The functional parts of MOi are summed up below:

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Strategic Innovation aims to propose solutions using a short- and medium-term methodology with reasonable returns and perfectly measurable objectives that will tackle strategic challenges that enable the organization to stand out from the competition.

Strategic innovation activity is focused on four pillars:

- Establishing knowledge centers worldwide on current trends that directly or indirectly affect the business;
- Deploying a Startup and Case Builder Radar to build bridges between the company and the entrepreneurial ecosystem;
- Management of a global innovation portfolio and the introduction of work methodologies to make agility, flexibility and change the common denominator in project development;
- Launch of the intrapreneurship program, MAPFRE innova, an innovative participatory process open to employees of the company.

Disruptive Innovation was born out of the desire to construct a relationship model with agents outside the organization that allows MAPFRE to import innovation and accelerate its transformation capacities.

Disruptive Innovation focuses on:

- insur_space MAPFRE, an accelerator facilitating direct interaction with selected, relevant startups.
- Participation in investment vehicles that facilitate a broader grasp of disruptive innovation in insurtech, as well as positioning the company favorably to capitalize on same.
- Maintaining strong relationships with Universities and Business Schools is a proven way to attract talent to the organization and guarantee success in the future, and cooperation agreements with Universities and/or Business Schools that make it possible to recruit, develop and retain talent.

With the changes set in place in 2018 and the vision of consolidating this open innovation model in the coming years, the company is dealing adequately with the fundamental changes in the industry and the new realities in society in order to remain a leader in the markets in which it operates.

Digital Transformation

Under the Group's Strategic Plan (2015-2018), digital transformation was an initiative to be used to respond flexibly to the new needs of clients.

MAPFRE made significant advances in its digital transformation over the course of 2018, launching more than 170 related projects. This effort has enabled significant achievements to be attained with respect to the digitalization of client relationships, (considering a client to be a consumer, distributor and internal client), as well as operations:

- Attracting and converting consumer clients has been improved with the introduction of new intelligent pricing engines in Brazil and Turkey, as well as through the ROPO (Research Online Purchase Offline) model. This was completed in 2018, with digital business having increased by more than 50 percent since 2015.

Self-direction has also been promoted for important products and manageable services via mobile platforms such as the Health app for MAPFRE ESPAÑA. And most important of all, client satisfaction has increased, as indicated by the improved NPS scores in the major markets.

- With distributor clients, we have continued to concentrate on providing them with mobility tools and making the 360° vision available to their clients. Corporate CRM has been recently implemented in Chile, El Salvador and Honduras.
- As far as service providers attending to clients after an incident go, more than 8 million such services were automatically assigned in 2018, a figure that can indeed be considered a success.
- Regarding internal clients and employees, the Digital Challenge was created, which is a corporate strategic initiative that fosters knowledge management, collaborative, flexible and agile work, promotes the use of agile methodologies, in that the transformation involves assimilating new technologies, but above all understanding that the key to success is people and their own transformation.
- Finally, strong progress was made with respect to digitalizing operations, with more than 10 million automated transactions carried out in 2018. Also, Big Data Analytics and Artificial Intelligence use cases were developed, such as improving predictive valuations for vehicle damages, thereby advancing operational improvements.

The Group's commitment for 2015 was to achieve an increase in digital transactions of 30 percent in Spain, Brazil, USA and Mexico in 2015-2018. In fact, real growth over the last three years was 56.8 percent, easily surpassing the commitment undertaken.

MAPFRE has adapted its strategies to new realities so it can continue to be one of the leading global insurers in the 21st century.

Quality

To evaluate the quality perceived by clients, the MAPFRE Quality Observatory applies a global client experience measurement model, and is responsible for carrying out all perceived and delivered quality measurements through client surveys in all countries where the company operates, covering lines of insurance and assistance services on a twice-yearly basis. This is done through the analysis of the Net Promoter Score (NPS) to evaluate client satisfaction and critical client contact points, and recommendations are drawn up regarding the main areas that could be improved.

The reports drawn up by the Quality Observatory provide data on the client experience, assisting with the decision-making process in the different business areas.

In 2018, the VI and VII waves of NPS relational measuring were performed on a representative sample of MAPFRE portfolios covering 81.7 percent of the total private Non-Life premium volume of the Group.

The Observatory also measures the client experience level of MAPFRE's chief competitors in each line/country once a year.

The objective set for the 2016-2018 three year period to exceed the measured premium volume in which the NPS of our clients is greater than the average NPS of our analyzed competitors by 70 percent was reached. Specifically, the NPS reached was greater than 70.4 percent of the average personal Non-Life premiums.

MAPFRE dedicates 196 people, a considerable number of employees, to quality control and monitoring throughout the world, and several companies hold quality certifications. In order to renew these certifications, these companies must maintain the highest customer service standards.

Significant events for the Company that occurred after the year-end close

There were no significant events subsequent to the close of the year, apart from those detailed in the annual report (Note on Shareholders' Equity).

Economic Outlook

The global economy has exhausted its cycle, slowing down to reach a growth rate of about 3.6 percent, in line with its trend. The leading role of the United States should be noted in this regard. Deceleration of activity will be marked by tariff tensions between the USA and China, the expiry of tax rebates initiated by the US administration and monetary easing by the Federal Reserve (FED). Emerging economies are consequently experiencing a capital outflow, with serious repercussions on their financial situations, exchange rates and activity levels.

Hence, 2019 will see a smooth, asynchronous and less intense slowdown in activity, inflation and financial conditions due to the lack of indications of serious imbalances in the balance sheets of agents.

As for levels of activity, global growth of about 3.3 percent is expected, with a product gap in the area of 0.3 percent. Developed countries will grow slightly below 2 percent, with growth being basically sustained by domestic demand, driven by a wealth effect - which will encourage consumption - arising in part from the persistent laxity in financial conditions. As for emerging markets, they will increase about 5 percent due to the predictable improvement in global financial conditions: loosening in depreciation of their currencies, and the end of the upward interest rate cycle in response to normalization by the FED. Despite these global trends, the diverse nature of this point in the cycle found in both developed emerging markets merits special attention.

Global inflation also presents a strongly diverse picture. While the USA has achieved its implicit core inflation objective (2 percent), core inflation in the Economic and Monetary Union (EMU) and Japan remains frozen at 1 percent. Inflation in general is largely determined by price corrections for petroleum, reflected in part by global deceleration.

The current global monetary policy is framed by the neutrality of the FED, laxness in the European Central Bank (ECB) and Japan and the recent hardening of monetary policy in emerging countries, with de facto alignment with the US financial system.

Future (2019) changes will be: given the cyclical moment lack of movement in inflation expectation, the USA expects that interest rates will not exceed a neutral rate of 3 percent. As for the ECB, it will maintain its ongoing lax bias due to decline in activity and core inflation. In fact, the end to purchasing assets was announced in December, and for now only reinvestment of principal will continue, while holding the benchmark rate at 0 percent. These differences in global monetary policy will translate into keeping the US dollar relatively high against the euro and yen.

The current economic situation may provide an opportunity to reverse the procyclicality that has persisted over the last few years. Driven by a reduction in its structural balance sheet in a context of monetary laxity, the US economy has grown, unleashing a series of domestic imbalances that have permeated both the United States and third world countries, especially in emerging markets.

Rather than amounting to a prelude to a new global crisis, the cycle change entails a scenario of ordered adjustment that will correct the imbalances generated by the global pro-cyclical policy of the last five years.

Annual Corporate Governance Report

The annual report on Corporate Governance is included in the consolidated management report, as per Article 49.9 of the Code of Commerce. In addition, said report is available from the time of publication of these accounts on the corporate website (www.mapfre.com) and on the website of the CNMV (www.cnmv.es).