

ANNUAL ACCOUNTS

MANAGEMENT REPORT

2017

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. commissioned by its Board of Directors

Report on the Annual Accounts

Opinión

We have audited the annual accounts of MAPFRE, S.A. (the "Company"), which comprise the balance sheet at 31 December 2017, and the income statement, statement of changes in equity, statement of cash flows 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 2017, 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 9,464,934 thousand)**

See note 8 of the notes to the annual accounts.

<i>Key audit matters</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 investments in group companies and associates is determined by the use of valuation technics that require of management judgement and estimations 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 business.</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 hypothesis 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 reviewed the level of fulfilment of the past years business plans, and we have evaluated the information within the valuation models against the company’s business plans and estimations of industry development obtained from external sources.</p> <p>Additionally, we have evaluated the discount and growth rates used in the valuation model, 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> <p>We have also evaluated if the information within the annual accounts is in compliance with the applicable legal financial reporting requirements.</p>



Other Information: Directors' Report

Other information solely comprises the 2017 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 Corporate Governance Report, 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 2017 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the annual accounts. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.



We communicate with the Audit and Compliance Committee of the Company 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 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 February 8, 2018.

Contract Period

We were appointed as auditor by the shareholders at the ordinary general meeting on 13 March 2015 for a period of 3 years, from the year ended 1 January 2015.

KPMG Auditores, S.L. (S0702)

(Signed on original in Spanish)

Hilario Albarracín Santa Cruz

R.O.A.C: 09144

8 February 2018

ANNUAL ACCOUNTS

2017

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MAPFRE S.A.

BALANCE SHEET AS AT DECEMBER 31, 2017 AND 2016

ASSETS	Notes in Annual report	2017	2016
A) NON-CURRENT ASSETS		9,705,643	9,517,006
I. Intangible fixed assets		2,595	4,405
5. Computer applications	6	2,595	4,405
II. Property, plant and equipment	5	14,819	14,839
1. Land and buildings		12,319	12,508
2. Facilities and other property, plant and equipment		2,500	2,331
IV. Non-current investments in group companies and associates	8	9,643,434	9,465,300
1. Equity instruments		9,464,934	9,261,300
2. Loans to companies	18	178,500	204,000
V. Non-current financial investments	8	15,147	5,790
1. Equity instruments		9,894	565
2. Loans to third parties		73	71
6. Other investments		5,180	5,154
VI. Deferred tax assets	12	29,648	26,672
B) CURRENT ASSETS		367,046	357,343
III. Trade and other receivables		3,289	50,852
1. Trade receivables for sales and services rendered	8	9	2
2. Trade receivables, group companies and associates	8	16	16
3. Sundry receivables	8	217	132
4. Personnel	8	368	317
5. Current tax assets	12	1,444	47,888
6. Other receivables from government agencies	--	1,235	2,497
IV. Current investments in group companies and associates	8,18	316,677	273,574
2. Loans to companies	--	218,667	180,399
5. Other financial assets	--	98,010	93,175
V. Current financial investments	8	333	--
2. Loans to third parties	8	333	--
VI. Current accruals		5,091	6,187
VII. Cash and other equivalent liquid assets		41,656	26,730
1. Cash	--	41,656	26,730
TOTAL ASSETS (A+B)		10,072,689	9,874,349

Thousand euro

BALANCE SHEET AS AT DECEMBER 31, 2017 AND 2016

EQUITY AND LIABILITIES	Notes in Annual report	2017	2016
A) EQUITY		7,334,129	7,272,687
A-1) SHAREHOLDERS' EQUITY		7,334,129	7,272,687
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		3,136,783	3,120,074
1. Legal and statutory	9	61,591	61,591
2. Other reserves	--	3,075,192	3,058,483
IV. (Treasury stock)	9	(52,356)	(60,234)
V. Results for previous years		289,403	279,195
1. Retained earnings	--	289,403	279,195
VII. Result for the year	3	495,530	468,831
VIII. (Interim dividend)	3	(184,773)	(184,772)
IX. Other equity instruments	9	2,867	2,918
B) NON-CURRENT LIABILITIES		2,367,246	1,890,536
I. Non-current provisions		15,314	15,945
1. Non-current employee benefit obligations	14	15,069	14,876
4. Other provisions	14	245	1,069
II. Non-current debt		2,191,185	1,475,936
1. Debentures and other negotiable securities	8,10	1,590,820	992,484
2. Due to credit institutions	8	600,000	480,000
5. Other financial liabilities	8	365	3,452
III. Non-current debt with group companies and associates	8	160,640	398,548
IV. Deferred tax liabilities	12	107	107
C) CURRENT LIABILITIES		371,314	711,126
II. Current provisions	14	--	--
III. Current debt		29,956	604,757
1. Debentures and other negotiable securities	8,10	29,839	604,020
2. Due to credit institutions	8	75	85
5. Other financial liabilities	8	42	652
IV. Current debt with group companies and associates	8,18	283,206	61,630
V. Trade and other payables		58,152	44,739
3. Sundry creditors	8	19,147	12,361
4. Personnel (remuneration pending payment)	8	12,699	9,135
5. Current tax liabilities	12	13,999	12,420
6. Other debts with government agencies		12,307	10,823
TOTAL EQUITY AND LIABILITIES (A+B+C)		10,072,689	9,874,349

Thousand euro

PROFIT AND LOSS ACCOUNT FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

PROFIT AND LOSS ACCOUNT	Notes in Annual Report	2017	2016
CONTINUING OPERATIONS			
Revenue		638,745	578,425
Dividends and interest from group companies and associates		638,745	578,425
• Dividends	8,18	632,193	572,271
• Interest	8,18	6,552	6,154
Other operating revenue		76,030	80,790
• Non-core and other operating revenue	18	76,030	80,790
Personnel expenses		(71,320)	(72,397)
• Wages, salaries and similar	--	(48,305)	(43,533)
• Social security contributions	13	(21,530)	(21,172)
• Provisions	14	(1,485)	(7,692)
Other operating expenses		(76,000)	(73,622)
• External services	--	(75,968)	(73,594)
• Taxes	--	(32)	(28)
Amortization and depreciation of fixed assets	5,6	(3,652)	(3,462)
Excess provisions		--	--
Impairment and gains/losses on fixed asset disposal	--	--	17
Impairment of Group and affiliated companies	8	(27,800)	(996)
Other earnings	--	(6)	(6)
EARNINGS FROM OPERATIONS		535,997	508,749
Financial income	8	433	1,583
Acquisitions in equity instruments	--	49	--
• From third parties	--	49	--
From negotiable securities and other financial instruments	--	384	1,583
• From third parties	--	384	1,583
Financial expenses		(77,883)	(76,878)
• For debt with Group and affiliated companies	8,18	(16,428)	(23,913)
• For debt with third parties	8	(61,256)	(52,765)
• For update of provisions	8	(199)	(200)
Fair value variation in financial instruments		(43)	5,207
• Trading portfolio and other	8	(43)	5,207
Foreign exchange differences	8	(22)	(14)
Impairment and gains/losses on financial instrument disposal	8	572	5
• Impairment and loss		333	--
• Earnings from disposal and other		239	5
FINANCIAL RESULT		(76,943)	(70,097)
EARNINGS BEFORE TAX		459,054	438,652
Tax on profit	12	36,476	30,179
RESULT FOR THE PERIOD FROM ONGOING OPERATIONS		495,530	468,831
DISCONTINUED OPERATIONS			
Result for the period after tax from discontinued operations		--	--
RESULT FOR THE FINANCIAL YEAR		495,530	468,831

Thousand euro

STATEMENT OF CHANGES IN EQUITY AT DECEMBER 31, 2017 AND 2016

A) STATEMENTS OF RECOGNIZED INCOME AND EXPENSE

PROFIT AND LOSS ACCOUNT	Notes from the Annual Report	2017	2016
A) Result of the profit and loss account	3	495,530	468,831
Revenue and expenses posted directly to equity			
I. For valuation of financial instruments			
1. Financial assets available 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 available for sale	--	--	--
XIII. Tax effect	--	--	--
C) Total transfers to the profit and loss account (VIII+XIII)		--	--
TOTAL RECOGNIZED REVENUE AND EXPENSES (A+B+C)	--	495,530	468,831

Thousand euro

STATEMENT OF CHANGES IN EQUITY AT DECEMBER 31, 2017 AND 2016**B) FULL STATEMENT OF CHANGES IN EQUITY**

ITEM	Capital		Share premium	Reserves	(Treasury stock)	Result from previous years	Other shareholder contributions	Result for the year	(Interim dividend)	Other equity instruments	Revaluation adjustments	Grants, donations and bequests received	TOTAL
	Authorized	Uncalled											
ADJUSTED BALANCE, BEGINNING OF 2016	307,955	--	3,338,720	2,823,152	(2,392)	263,044	--	450,126	(184,773)	--	--	--	6,995,832
I. Total recognized revenue and expenses	--	--	--	--	--	--	--	468,831	--	--	--	--	468,831
1. Share capital increases	--	--	--	--	--	--	--	--	--	--	--	--	--
4. (-) Distribution of dividends	--	--	--	--	--	--	--	(215,570)	(184,772)	--	--	--	(400,342)
4. bis. Distribution of earnings	--	--	--	35,000	--	14,783	--	(234,556)	184,773	--	--	--	--
5. Operations with treasury stock (Note 9)	--	--	--	(33)	(57,842)	--	--	--	--	--	--	--	(57,875)
6. Decrease in equity resulting from a business combination	--	--	--	262,146	--	--	--	--	--	--	--	--	262,146
III. Other variations in equity	--	--	--	(191)	--	1,368	--	--	--	2,918	--	--	4,095
CLOSING BALANCE FOR YEAR 2016	307,955	--	3,338,720	3,120,074	(60,234)	279,195	--	468,831	(184,772)	2,918	--	--	7,272,687
II. Adjustments for errors 2016	--	--	--	--	--	--	--	--	--	--	--	--	--
ADJUSTED BALANCE, BEGINNING OF 2017	307,955	--	3,338,720	3,120,074	(60,234)	279,195	--	468,831	(184,772)	2,918	--	--	7,272,687
I. Total recognized revenue and expenses	--	--	--	--	--	--	--	495,530	--	--	--	--	495,530
1. Share capital increases	--	--	--	--	--	--	--	--	--	--	--	--	--
4. (-) Distribution of dividends	--	--	--	--	--	--	--	(261,762)	(184,773)	--	--	--	(446,535)
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. Increases 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	(184,773)	2,867	--	--	7,334,129

Thousand euro

CASH FLOW STATEMENT AT DECEMBER 31, 2017 AND 2016

A) CASH FLOWS FROM OPERATING ACTIVITIES	Notes in Annual report	2017	2016
1. Earnings of the year before tax		459,054	438,652
2. Adjustments to results		(525,761)	(501,537)
a) Amortization and depreciation of fixed assets	5,6	3,652	3,462
b) Corrections in value due to impairment (+/-)	8	27,800	996
e) Results of fixed asset cancellations and disposals (+/-)	--	--	(17)
f) Results of financial instruments cancellations and disposals (+/-)	--	(572)	(5)
g) Financial income (-)	8	(433)	(1,583)
b) Financial expenses (+)	8	77,883	76,878
i) Exchange rate differences (+/-)	8	22	14
j) Fair value variation in financial instruments (+/-)	8	43	(5,207)
k) Other revenues and expenses	--	(634,156)	(576,075)
3. Changes in working capital	--	1,061	(9,604)
b) Debtors and other receivables (+/-)	--	(5,815)	24,824
c) Other current assets (+/-)	--	4,622	(47,013)
d) Creditors and other payables (+/-)	--	2,254	12,585
e) Other current liabilities (+/-)	--	23,776	--
f) Other non-current assets and liabilities (+/-)	--	(62,373)	--
4. Other cash flows of operating activities	--	633,455	532,976
a) Interest paid (-)	--	(58,283)	(92,512)
b) Dividend receipts (+)	--	632,209	572,271
c) Interest collected (+)	--	6,155	6,204
d) Payment (receipt) of income tax (+/-)	--	53,374	47,013
e) Other payments (collection) (-/+)	--	--	--
5. Cash flows from operating activities (+/-1+/-2+/-3+/-4)	--	567,809	460,487
B) CASH FLOWS FROM INVESTING ACTIVITIES			
6. Payments for investments (-)		(476,318)	(194,753)
a) Group and affiliated companies	8	(436,977)	(194,753)
g) Other assets	8	(39,341)	--
7. Collections for divestments (+)		222,940	110,041
a) Group and affiliated companies	8	210,908	110,041
e) Other financial assets	8	12,032	--
8. Cash flows from investing activities (7+6)		(253,378)	(84,712)
C) CASH FLOW FROM FINANCING ACTIVITIES			
9. Payments and collections for equity instruments		12,580	(57,842)
c) Acquisition of treasury equity instruments (-)	9	--	(57,842)
e) Disposal of treasury equity instruments (+)	9	12,580	--
10. Payments and collections for financial liability instruments		134,450	93,191
a) Issue			
1. Debentures and other negotiable securities (+)	10	600,000	993,090
2. Due to credit institutions (+)	8	950,000	--
3. Debt with Group and affiliated companies (+)	--	--	60,000
b) Return and redemption of			
1. Debentures and other negotiable securities (-)	10	(578,450)	--
2. Due to credit institutions (-)	8	(830,000)	(520,000)
3. Debt with Group and affiliated companies (-)	--	(7,100)	(439,899)
11. Payments for dividends and remuneration of other equity instruments	--	(446,535)	(400,907)
a) Dividends (-)	--	(446,535)	(400,907)
12. Cash flows from financing activities (+/-9/10-11)	--	(299,505)	(365,558)
D) EFFECT OF EXCHANGE RATE VARIATIONS			
E) NET INCREASE / DECREASE OF CASH OR EQUIVALENTS (+/-5+/-8+/-12+/-D)	--	14,926	10,217
Cash or cash equivalents at the beginning of the year		26,730	16,513
Cash or cash equivalents at the end of the year		41,656	26,730

Thousand euro

ANNUAL REPORT

2017

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 tradeable financial securities.

The Company's scope of action includes all Spanish territory.

The registered offices are at Crta. 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. (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 22, 2018 and will be placed on file at the Madrid Companies' Registry.

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

2. BASIS OF PRESENTATION OF THE ANNUAL ACCOUNTS

a) TRUE AND FAIR VIEW

The application of legal provisions regarding accounting matters have resulted in a true and fair view of the Company's equity, financial position and results for the year, 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 2017, which were prepared on February 7, 2018 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 would apply to that period and, as the case may be, to subsequent periods.

d) COMPARISON OF INFORMATION

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

e) CORRECTIONS OF ERRORS

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

3. DISTRIBUTION OF PROFITS

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

BASIS OF DISTRIBUTION	AMOUNT
Profit and loss account	495,530,493.41
Retained earnings	289,402,576.02
TOTAL	784,933,069.43
DISTRIBUTION	AMOUNT
To dividends	446,535,224.59
To capitalization reserve	1,856,820.46
To retained earnings	336,541,024.38
TOTAL	784,933,069.43

Figures in euros

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

In 2017, the Company distributed an interim dividend for a total amount of 184,773,196.38 euros (184,772,628.34 euros in 2016), 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 November 20, 2017.
Cash available on date of agreement	14,864
Increases in cash forecast within one year	731,452
(+) From expected current collection operations	731,452
(+) From expected financial transactions	--
Decreases in cash forecast within one year	(511,606)
(-) From expected current payment transactions	(70,000)
(-) From expected financial transactions	(441,606)
Cash available in one year	234,710

Thousand euro

The distribution of profits for 2016, carried out during 2017, 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 measured at the cost of acquisition or production. Amortization is calculated 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 the useful life of each asset.

Impairment of fixed assets

At least at the close of the fiscal year and provided evidence of impairment is detected, the Company evaluates whether there are any signs that the asset items 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 profit and loss account, under the item "Impairment and gains/(losses) 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 book value, net of amortization or depreciation, that would be recorded had an impairment loss not been recognized in previous years. The reversal is recognized in the profit and loss account, unless the asset was previously subject to revaluation against "Valuation adjustments", in which case the reversal is treated as a revaluation increase. After this reversal, the depreciation cost is adjusted for subsequent periods.

b) Operational leases

The Company classifies the lease contracts it holds as operational leases 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 profit and loss account 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, provided that the available quotations of the instruments can be considered representative. In order for them to be considered as such, they must be published regularly in standard information systems provided by recognized financial brokers.

If market valuation is not possible, a valuation will be performed with internal models using, as far as possible, public market data that satisfactorily 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 at amortized cost. The interest accrued is posted in the profit and loss account, 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 is 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 profit and loss account. 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 profit and loss account for the fiscal year.

Investment in the equity of Group, multi-group and associated companies

Investment in Group, multi-group and associated company equity 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 homogenous groups.

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

At the close of the fiscal year, when there is objective evidence that the book value of the investment is not recoverable, the necessary 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 present 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 profit and loss account.

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 profit and loss account.

Corrections in value due to impairment and gains or losses arising from foreign exchange differences in monetary financial assets in foreign currencies are recorded in the profit and loss account. The amount of interest calculated applying the effective interest rate method and dividends accrued are also recorded in the profit and loss account.

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 derecognition or for another reason, the weighted average cost method is applied for homogenous 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 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 profit and loss account. Reversals of corrections in value are credited to the profit and loss account, 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 profit and loss account. The interest is recognized using the effective interest rate method, and dividends when the right to receive them is declared.

To this end, the amount of accrued and non-accrued explicit interest and the dividends agreed upon 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 profit and loss account, 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 profit and loss account 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 profit and loss account 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.

Own 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 profit and loss account, 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 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 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 in equity or in profit or loss, 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 profit and loss account, 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 profit and loss account 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 the elimination of gains and losses between entities of the tax Group are recognized in the company that generated the gain or loss, and are measured at the applicable tax rate.

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

The Company, as parent entity 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.

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 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.

The Company recognizes deferred tax assets for all deductible temporary differences, unused tax receivables and negative tax bases, to the extent that it is likely that the Company or the tax group has future tax profits that make it possible to apply these assets. The Company also recognizes a deferred tax liability for all taxable temporary differences.

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 profit and loss account.

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) Personnel expenses

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

Short-term remuneration

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

Post-employment benefits

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

Compensation for termination

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

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

Other long-term remuneration besides those described in the preceding paragraphs and referring specifically to the award for years of service or time with the company are recorded in line with the aforementioned principles; the only exceptions are 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 profit and loss account.

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 be paid partly in cash (50 percent) and partly by means of MAPFRE S.A. shares (50 percent), and is subject to clauses of reduction or recovery.

At the close of each year of the plan, fulfillment of the objectives is evaluated and the amount accrued is recorded in the profit and loss account, 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 part of the incentive paid in MAPFRE S.A. shares takes into account the fair value of the equity instruments assigned at the transfer date, based on the terms and conditions of the plan.

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

An extraordinary, medium-term, non-cumulative and multi-year incentive plan for certain members of the Group's executive team was in place previously, from January 1, 2013 to March 31, 2016.

Moreover, in fiscal year 2007, the Group approved an incentive plan referenced to the value of MAPFRE S.A. shares that was settled in cash and revocable in the sense that it was subject to the management remaining in the employment of the Company or Group. This was measured at the initial moment of implementation using an options valuation method.

At the close of 2016, the share price was below the benchmark price for this plan, and accordingly no rights were exercised and the plan was canceled.

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	BALANCE INITIAL		ENTRIES		DISPOSALS		BALANCE FINAL	
	2017	2016	2017	2016	2017	2016	2017	2016
Land and buildings	13,448	13,448	--	--	--	--	13,448	13,448
Technical installations and other	4,853	4,521	783	383	(45)	(51)	5,591	4,853
TOTAL COST	18,301	17,969	783	383	(45)	(51)	19,039	18,301
Accumulated depreciation	(3,462)	(2,737)	(803)	(774)	45	49	(4,220)	(3,462)
TOTAL NET	14,839	15,232	(20)	(391)	--	(2)	14,819	14,839

Thousand euro

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.

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	BALANCE INITIAL		ENTRIES		DISPOSALS		BALANCE FINAL	
	2017	2016	2017	2016	2017	2016	2017	2016
Computer applications	14,888	14,271	1,097	758	(161)	(141)	15,824	14,888
TOTAL COST	14,888	14,271	1,097	758	(161)	(141)	15,824	14,888
Accumulated depreciation	(10,483)	(7,795)	(2,849)	(2,688)	103	--	(13,229)	(10,483)
TOTAL NET	4,405	6,476	(1,752)	(1,930)	(58)	(141)	2,595	4,405

Thousand euro

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. LEASES

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.

The future minimum payments to be paid until the end of the lease term on non-cancellable operational leases amount to 2,287,859 euros, calculated at December 31, 2017 (2,486,169 euros calculated at December 31, 2016).

Lease costs amounted to 2,242,999 euros and 2,449,428 euros in 2017 and 2016, 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	
	2017	2016	2017	2016	2017	2016	2017	2016
Loans, receivables and other assets	9,894	565	--	--	183,753	209,225	193,647	209,790
TOTAL A	9,894	565	--	--	183,753	209,225	193,647	209,790
B.- Short-term financial instruments								
Class	Equity instruments		Debt securities		Credit derivatives and Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Loans, receivables and other assets	--	--	--	--	317,620	274,041	317,620	274,041
TOTAL B	--	--	--	--	317,620	274,041	317,620	274,041
TOTAL A + B	9,894	565	--	--	501,373	483,266	511,267	483,831

Thousand euro

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 Category	Due to credit institutions		Debentures and other negotiable securities		Derivatives and Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Debits and payables	600,000	480,000	1,590,820	992,484	161,005	399,078	2,351,825	1,871,562
Liabilities at fair value with changes in profit and loss account:								
Other	--	--	--	--	--	2,922	--	2,922
TOTAL A	600,000	480,000	1,590,820	992,484	161,005	402,000	2,351,825	1,874,484
B.- Short-term financial instruments								
Class Category	Due to credit institutions		Debentures and other negotiable securities		Derivatives and Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Debits and payables	--	--	29,839	604,020	315,169	83,863	345,008	687,883
Liabilities at fair value with changes in profit and loss account:								
Other	--	--	--	--	--	--	--	--
TOTAL B	--	--	29,839	604,020	315,169	83,863	345,008	687,883
TOTAL A + B	600,000	480,000	1,620,659	1,596,504	476,174	485,863	2,696,833	2,562,367

Thousand euro

The change in fair value of liabilities with changes through profit and loss totaled 5,207,000 euros in 2016. The accumulated amount of the fair value variation in that fiscal year was 2,922,000 euros.

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.

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

Bank	Maturity	Limit		Drawn down	
		2017	2016	2017	2016
BANCO SANTANDER	11.12.2021	1,000,000	1,000,000	600,000	480,000
CARTERA MAPFRE S.L.	10.09.2018	400,000	200,000	--	--
Total		1,400,000	1,200,000	600,000	480,000

Thousand euro

Banco Santander is the agent bank of the aforementioned credit line, and this credit line encompasses syndicated loans with other institutions.

At December 31, 2017, accrued interest payable on the line of credit amounted to 3,103,000 euros (4,591,000 euros at December 31, 2016). 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 and may be extended for successive periods.

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

2017

HEADINGS	Maturity in						Balance
	2018	2019	2020	2021	2022	Subsequent	final
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

Thousand euro

2016

HEADINGS	Maturity in						Balance
	2017	2018	2019	2020	2021	Subsequent	final
Financial assets							
- Other investments	273,724	25,500	25,500	25,500	25,500	107,791	483,515
Total financial assets	273,724	25,500	25,500	25,500	25,500	107,791	483,515
Financial liabilities							
- Debentures and other negotiable securities	628,950	16,250	16,250	16,250	16,250	1,016,250	1,710,200
- Due to credit institutions	2,880	2,880	2,880	2,880	482,880	--	494,400
- Other financial liabilities	13,013	255,770	173,239	--	--	3,452	445,474
Total financial liabilities	644,843	274,900	192,369	19,130	499,130	1,019,702	2,650,074

Thousand euro

Information regarding the profit and loss account and equity

The following table provides information regarding the profit and loss account and the equity of financial instruments for the last two fiscal years:

HEADINGS	Revenue or expenses financial		Impairment			
			Loss recorded		Reversal gains	
	2017	2016	2017	2016	2017	2016
<u>Financial assets</u>						
Equity instruments	632,193	572,271	(27,800)	(978)	--	--
Receivables	6,552	6,154	--	--	333	--
Trading portfolio and other	(43)	5,207	--	--	--	--
Other financial assets	433	1,583	--	--	--	--
Foreign exchange differences	(22)	(14)	--	--	--	--
Subtotal	639,113	585,201	(27,800)	(978)	333	--
<u>Financial liabilities</u>						
Debt with Group companies	(16,428)	(23,913)	--	--	--	--
Debt with third parties	(61,256)	(52,765)	--	--	--	--
For update of provisions	(199)	(200)	--	--	--	--
Subtotal	(77,883)	(76,878)	--	--	--	--
TOTAL	561,230	508,323	(27,800)	(978)	333	--

Thousand euro

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 2017	(Impairment) Reversal year 2016
MAPFRE INMUEBLES	(652)	(830)
MAPFRE TECH	--	(148)
DESURCIC	(37)	--
MAPFRE ASISTENCIA	(27,111)	--
TOTAL	(27,800)	(978)

Thousand euro

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 affiliated 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.

The non-controlling shareholders of the MAPFRE RE affiliate have a put option on the shares of the 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.

Minority shareholders of the MAPFRE AMÉRICA subsidiary had a put option for the sale of their shares in the company that was exercised in 2016, which saw MAPFRE S.A. acquire 788,134 shares, bringing its total shareholding from 99.22 percent to 100 percent. The purchase price totaled 19,973,000 euros.

On December 5, 2016 and in order to restructure the Group's operating areas, MAPFRE AMÉRICA (absorbing company) absorbed MAPFRE INTERNACIONAL (absorbed company), with the merger being effective as from January 1, 2016.

The effect of this transaction, which was carried out between Group companies, was an increase in reserves of 262,146,000 euros.

In addition, it was agreed to change the name of MAPFRE AMERICA S.A. to MAPFRE INTERNACIONAL S.A.

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

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	
	2017	2016	2017	2016	2017	2016	2017	2016
Issue of debentures and other negotiable securities	1,620,659	1,596,504	--	--	--	--	1,620,659	1,596,504
Other financial liabilities	600,075	483,007	365	530	--	--	600,440	483,537
Total	2,220,734	2,079,511	365	530	--	--	2,221,099	2,080,041

Thousand euro

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

9. SHAREHOLDERS' EQUITY

CAPITAL

The share capital of the Company at December 31, 2017 and 2016 was represented by 3,079,553,273 shares with a face value of 0.10 euros each, fully subscribed and paid-up. All shares carry the same political and economic rights.

All shares representing the share capital of the Company are admitted to official trading on the Madrid and Barcelona stock markets.

The Annual General Meeting of March 9, 2013 authorized the directors of the Company to increase capital up to a maximum of 153,977,663.65 euros, equivalent to 50 percent of the share capital at the time. This authorization was granted for a period of five years. Furthermore, the directors were authorized to issue analogous fixed-income securities or debentures, convertible or not, for a maximum amount of 2,000 million of euros.

The Board of Directors, at its meeting of February 7, 2018, agreed to propose to the Annual General Meeting to be held on March 9, 2018, that the directors of the Company be once again authorized to increase the capital as per the previously cited terms, as well as to issue subordinated debt or fixed-interest securities of a similar nature, under the same terms set down in the previous 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	ISSUE TYPE	AMOUNT
June 1985	200%	956
October 1985	300%	4,015
January 1986	600%	11,040
June 1986	600%	2,428
January 2007	3,192%	3,320,281
TOTAL		3,338,720

Thousand euro

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 redenomination of the share capital to euros, which in accordance with Article 28 of Law 46/1998 may not be distributed. Additionally, a capitalization reserve totaling 47,000,000 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.

During 2017, the Company reduced the number of treasury shares it held by 3,988,894, representing 0.13 percent of the capital. The cost of this reduction totaled 7,877,560.29 euros, giving rise to a positive impact totaling 4,701,782.03 euros, which was entered under the "Other reserves" heading.

At the close of the fiscal year, Company owned 26,511,106 treasury shares; these represent 0.86 percent of the capital at an average exchange of 1.97 euros per share.

The total face value of shares acquired was 2,651,110.60 euros (3,050,000 euros in 2016).

10. NON-CONVERTIBLE DEBENTURES

At December 31, 2017 and 2016, the balance of this account included the face value of the debentures issued by the Company, the most salient terms and conditions of which are described below.

Description	Nominal value	Book value		Interest pending		Issue date	Maturity date	Coupon	Market	Rating
		31/12/2017	31/12/2016	31/12/2017	31/12/2016					
March 2017 issue	600,000	597,591	-	19,777	-	31-03-17	31-03-47	4.38%	AI AF	BBB-
May 2016 issue	1,000,000	993,229	992,484	10,062	10,062	19-05-16	19-05-26	1.63%	AI AF	BBB+
July 2007 issue	700,000	-	578,945	-	15,013	24-07-07	24-07-17	5.92%	AI AF	BBB+
TOTAL	2,300,000	1,590,820	1,571,429	29,839	25,075					

Thousand euros

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 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.

July 2007 issue

The issuer, at its discretion, may defer interest payments if such payments exceed distributable earnings, and if the issuer has not made any payment nor amortized or repurchased any class of capital or securities issued that are of the same range or lower than the subordinated debt in question.

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.

At December 31, 2017, the Company's working capital was negative in the amount of 4,268,000 euros, 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 foreseeably receivable in 2018 and the credit lines available. At the close of 2016, said working capital was negative in the amount of 353,783,000 euros, as a result of transferring the subordinated debt issued in July 2017 to the short-term.

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 2017, 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.

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	
	2017	2016	2017	2016	2017	2016
Balance of revenue and expenses of the year	495,530	468,831	--	--	495,530	468,831
Corporation tax	(36,476)	(30,179)	--	--	(36,476)	(30,179)
Permanent differences	(595,948)	(566,586)	--	--	(595,948)	(566,586)
Temporary differences:						
- originating in the year	15,058	16,891	--	--	15,058	16,891
- originating in previous years	148	(10,697)	--	--	148	(10,697)
Compensation of negative tax bases of previous years	--	--	--	--	--	--
Individual taxable rate (fiscal result)	(121,688)	(121,740)	--	--	(121,688)	(121,740)
Permanent differences for fiscal consolidation	12	(305)	--	--	12	(305)
Individual taxable rate after consolidation	(121,676)	(122,045)	--	--	(121,676)	(122,045)

Thousand euro

Increases and decreases in the past two years:

Increases due to permanent differences in the profit and loss account 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 profit and loss account 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 medium-term remuneration of personnel and the value corrections of equity instruments (holdings in Group and associated companies), recorded in the accounts.

Decreases due to temporary differences originating in prior years in the profit and loss account primarily relate to the application of provisions for 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 inclusion of negative temporary differences from previous years. These correspond to the recovery of the tax-deductible provision in previous years due to impairment of the investee portfolio.

Shown below for the years ending December 31, 2017 and 2016 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.

MAPFRE S.A.

Item	Amount	
	2017	2016
Tax expense		
Earnings before taxes from ongoing operations	459,054	438,652
25% of the result before taxes from ongoing operations	(114,764)	(109,663)
Tax effect of the permanent differences	148,987	141,647
Permanent differences for fiscal consolidation	--	--
Tax incentives for the year	2,325	2,795
Total (expense)/ revenue from current tax originating in the year	36,548	34,779
Expense from current tax originating in previous financial years	(72)	(4,600)
Adjustment to temporary differences Law 27/2014 (General Provisions)	--	--
(Expense)/revenue for tax of ongoing operations	36,476	30,179
Tax on profits to be (paid)/received	36,476	30,179
Taxes withheld and payments on account	6	4
Temporary differences	(3,805)	(1,472)
Tax effect of capital increase expenses posted to equity	--	--
Tax credits and incentives recorded in previous years and appropriated in the current year	72	4,600
Tax on profits from discontinued operations	--	--
Net tax on profits to be (paid)/ received	32,750	33,311

Thousand euro

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	Deductible tax revenue		Share equity differences (beginning / end of the year)		Recoveries		Amounts pending recovery
	2017	Previous years	2017	2016	2017	Previous years	
MAPFRE INMUEBLES	--	14,877	396	(1,216)	3,719	3,985	11,158
Total	--	14,877	396	(1,216)	3,719	3,985	11,158

Thousand euro

The applicable tax rate for 2017 and 2016 was 25 percent.

The following tables offer a breakdown of the movements for years 2017 and 2016 under the "Deferred tax assets" heading, differentiating the corresponding amounts in terms of items debited or credited directly to equity.

2017

Item	Opening Balance	Originating from		Derecognized	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

Thousand euro

2016

Item	Opening Balance	Originating from		Derecognized	Closing Balance
		Earnings	Equity		
Assets					
Commitments to personnel	6,405	1,432	--	--	7,837
Equity instruments impairment	13,342	267	--	--	13,609
Other items	6,113	(887)	--	--	5,226
Total	25,860	812	--	--	26,672

Thousand euro

The breakdown of movements for years 2017 and 2016 under the heading "Deferred tax liabilities" is also shown below, differentiating the amounts in terms of items debit or credited directly to equity.

2017

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

Thousand euro

2016

Item	Opening balance	Originating from		Derecognized	Closing balance
		Earnings	Equity		
Liabilities					
Profit from sales of equity instruments	42	65	--	--	107
TOTAL	42	65	--	--	107

Thousand euro

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:

2017

Type	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	--	--	--

Thousand euro

2016

Type	Year to which they correspond	Amount applied in the financial year	Amount pending application	Amount not recorded	Deadline for use
Double taxation deduction	2016	--	--	--	--
Other	2016	2,795	--	--	--
TOTAL		2,795	--	--	--

Thousand euro

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 2017 and 2016, 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 parent of Tax Group 9/85.

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

Thousand euro

In 2017, the consolidated settlement of Tax Group 9/85 entailed payment of 13,972,576 euros, recognized as a liability in the Company (12,394,073 euros in 2016).

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	
	2017	2016	2017	2016
MAPFRE VIDA S A DE SEGUROS Y REASEG SOBRE LA VIDA HUMANA	120	1,026	--	--
MAPFRE RE COMPAÑÍA INTERNACIONAL DE REASEGUROS S A	25,656	25,329	--	--
MAPFRE INMUEBLES S A	4,758	--	--	23
MAPFRE INVERSION S V S A	5,107	3,503	--	--
MAPFRE VIDA PENSIONES S G F P S A	200	203	--	--
MAPFRE ASSET MANAGEMENT S G I I C S A	1,148	672	--	--
CONSULTORA ACTUARIAL Y DE PENSIONES MAPFRE VIDA S A	9	8	--	--
GESTION MODA SHOPPING S A	--	--	5	8
MIRACETI S A	75	27	--	--
MAPFRE VIDEO Y COMUNICACIÓN S A (MAVICO)	195	--	--	125
MAPFRE CONSULTORES DE SEGUROS Y REASEGUROS S A	7	3	--	--
MAPFRE ASISTENCIA CIA INTERNACIONAL DE SEGUROS S A	--	--	3,626	2,841
IBEROASISTENCIA S A	--	--	70	11
CENTRO DE EXPERIMENTACIÓN Y SEGURIDAD VIAL MAPFRE S A	--	--	57	59
MAPFRE SOFT S.A.	--	--	--	1,086
CLUB MAPFRE S A	--	18	21	--
DESARROLLOS URBANOS CIC S A (DESURCIC)	--	--	2,483	592
MAPFRE INTERNACIONAL (formerly MAPFRE America)	--	--	22,006	1,943
MULTISERVICIOS MAPFRE S A (MULTIMAP)	128	351	--	--
IBEROASISTENCIA INTERNACIONAL S.A.	--	3	--	--
SERVICIOS INMOBILIARIOS MAPFRE S A (SERVIMAP)	70	49	--	--
MAPFRE TECH	--	--	1,583	643
MAPFRE AUTOMOCIÓN	--	--	237	218
IBEROASIS CONSULTING DE SOLUCIONES Y TECNOLOGIAS S A	--	--	224	627
SERVIFINANZAS S A	--	--	5	5
MAPFRE INTERNACIONAL S.A.	--	--	--	11,963
MAPFRE GLOBAL RISKS S A	425	9,431	--	--
CENTROS MEDICOS MAPFRE SA	--	--	1,250	818
VERTI ASEGURADORA CIA DE SEGUROS Y REASEGUROS S A	--	--	127	4,614
MEDISEMAP AGENCIA DE SEGUROS S L	12	8	--	--
MAPFRE ESPAÑA COMPAÑÍA DE SEGUROS Y REASEGUROS S A	39,934	31,162	--	--
FUNESPAÑA S A	--	--	91	826
SERVICIOS FUNERARIOS FUNEMADRID S A	173	123	--	--
FUNERARIA PEDROLA S.L.	--	5	--	--
SERVICIOS Y GESTIÓN FUNERARIA S.A.	--	--	--	23
ALL FUNERAL SERVICES S L	189	148	--	--
FUNERARIAS REUNIDAS EL BIERZO S A	123	33	--	--
GAB MANAGEMENT & CONSULTING S R L	1	2	--	--
POMPES FÚNEBRES DOMINGO S L	34	--	--	--
BIOINGENIERIA ARAGONESA	--	--	2	--
MAQUAVIT	181	--	--	--
MAPFRE AM INVESTMENT HOLDING S A U	--	26	35	--
TOTAL	78,545	72,130	31,822	26,425

Thousand euro

The total amount payable to the tax authorities in 2017, and the net amount of the aforementioned receivables and payables, gives rise to the amount to be collected by the Company, namely 32,749,030 euros (33,310,748 euros in 2016).

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	

Thousand euro

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

Temporary differences	Company	Year	
		2017	2016
• Impairment Group companies	- MAPFRE INMUEBLES S.G.A.	3,719	3,985
Total temporary differences		3,719	3,985

Thousand euro

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 research and development and technological innovation generated by several subsidiaries, which does not affect MAPFRE S.A. The settlement derived from the assessment was contested and is currently pending a ruling from the Central Administrative-Financial Court.

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, 2017, the Company had open to inspection all taxes to which it is subject for 2014 to 2017, as well as corporate income tax for 2013. 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 2017, 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.

13. REVENUE AND EXPENSES

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

BREAKDOWN OF SOCIAL SECURITY CONTRIBUTIONS	AMOUNT	
	2017	2016
Social security	6,432	5,798
Contributions to pensions	7,152	7,268
Other social security contributions	7,946	8,106
TOTAL	21,530	21,172

Thousand euro

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	
	2017	2016	2017	2016	2017	2016	2017	2016
Long-term provisions								
Non-current employee benefit obligations	14,876	8,908	4,929	14,152	(4,736)	(8,184)	15,069	14,876
Other provisions	1,069	940	791	984	(1,616)	(855)	245	1,069
Short-term provisions								
Current provisions	--	13,451				(13,451)	--	--
TOTAL	15,945	23,299	5,720	15,136	(6,352)	(22,490)	15,314	15,945

Thousand euro

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 4,751,000 euros (4,748,000 euros in 2016).
- Long service bonus detailed under "Personnel expenses" amounting to 3,397,000 euros (3,321,000 euros in 2016).
- Life insurance covering death between age 65 and 77 years detailed in the note disclosing measurement standards in respect of "Personnel expenses", for 1,354,000 euros (1,534,000 euros in 2016).

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 expense for defined-contribution pension plans amounted to 7,152,000 euros in 2017 (7,268,000 euros in 2016).

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

Item	2017	2016
Present value of obligation at January 1	4,748	4,855
• Current year's service costs	--	--
• Interest cost	199	200
• Actuarial gains and losses	109	64
• Benefits paid	(249)	(244)
• Settlements	--	--
• Other items	(56)	(127)
Present value of obligation at December 31	4,751	4,748

Thousand euro

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	2017	2016
Value of reimbursement right at January 1	4,748	4,855
• Expected return from allocated assets	199	200
• Employer contributions	--	--
• Actuarial gains and losses	109	64
• Benefits paid	(249)	(244)
• Settlements	--	--
• Other items	(56)	(127)
Value of reimbursement right at December 31	4,751	4,748

Thousand euro

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 profit and loss account in line with indications set down in the measurement standards of 4h) "Personnel expenses".

The personnel costs arising from the plan were recorded in the profit and loss account in the amount of 387,000 euros (5,662,000 euros in 2016), appearing as 3,182,000 euros in liabilities (2,744,000 euros in 2016), corresponding to remuneration to be settled in cash and 2,687,000 euros (2,918,000 in 2016), in equity for the corresponding amount to be settled via equity amounts.

The number of reference shares required to effect the remuneration stood at 2,196,474 (3,788,939 in 2016).

As detailed in the measurement standards of rule 4h) "Personnel expenses", the Company had in place an incentive plan linked to the MAPFRE S.A. share that expired in 2016.

In order to cover the expenses related to this item at the date of exercise of the right, in fiscal 2008 two equity swaps were purchased on 8,625,733 shares and 219,297 shares, with a strike price of 3.2397 and 2.6657 euros, respectively. At the close of 2017, these liabilities have expired. At December 31, 2016, the net market value of said equity swap, 2.92 million euros, was allocated to "Other financial liabilities", with the variation for the year being included in the consolidated profit and loss account.

17. SUBSEQUENT EVENTS

There have been no significant events subsequent to the close of the year, apart from those detailed in note 9 (Shareholders' Equity).

18. OPERATIONS WITH RELATED PARTIES

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

Expenses and revenue	Group companies		Other related parties		TOTAL	
	2017	2016	2017	2016	2017	2016
1) Financial expenses	(16,428)	(23,913)	--	--	(16,428)	(23,913)
4) Leasing	(5,044)	(4,620)	--	--	(5,044)	(4,620)
9) Other expenses	(11,203)	(9,997)	--	--	(11,203)	(9,997)
EXPENSES	(32,675)	(38,530)	--	--	(32,675)	(38,530)
10) Financial income	6,552	6,154	--	--	6,552	6,154
13) Dividends received	632,193	572,271	--	--	632,193	572,271
15) Provision of services	76,030	80,790	--	--	76,030	80,790
REVENUE	714,775	659,215	--	--	714,775	659,215

Thousand euro

MAPFRE S.A.

Other transactions	Group companies		Other related parties		TOTAL	
	2017	2016	2017	2016	2017	2016
Acquisition of tangible, intangible or other assets	(1,058)	(934)	--	--	(1,058)	(934)
Financing agreements: Credits and capital contributions	(436,977)	194,753	--	--	(436,977)	194,753
Amortization or cancellation of credits	(209,850)	(109,107)	--	--	(209,850)	(109,107)
Financing agreements: Loans and capital contributions	--	(60,000)	--	--	0	(60,000)
Repayment or cancellation of loans	7,100	439,899	--	--	7,100	439,899
Dividends and other profits distributed	--	--	304,949	272,101	304,949	272,101

Thousand euro

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

Investments	Group companies	
	2017	2016
Capital increases		
MAPFRE INTERNACIONAL	135,000	--
MAPFRE ASISTENCIA	49,998	84,997
TOTAL	184,998	84,997

Thousand euro

At December 31, 2017, a contribution was pending in MAPFRE ASISTENCIA in the amount of 19,999,000 euros (49,978,000 euros in 2016).

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 by MAPFRE S.A.

As indicated in note 8, in 2016 the Company acquired 788,134 MAPFRE AMÉRICA shares from extra-Group parties, bringing its total shareholding from 99.22 percent to 100 percent. The purchase price amounted to 19,973,000 euros.

On December 29, 2016, the Company acquired 1,960,879 MAQUAVIT INMUEBLES S.L. shares from extra-Group parties, bringing its total shareholding from 56.84 percent to 100 percent. The purchase price amounted to 9,843,000 euros.

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

Item	Assets		Liabilities	
	2017	2016	2017	2016
Loans	396,150	384,000	341,700	348,800
Loan interest	1,017	399	65,317	49,748
Tax group	78,541	72,130	31,818	26,424
Other items	19,469	21,045	5,011	35,206
TOTAL	495,177	477,574	443,846	460,178

Thousand euro

Finance costs corresponding to fiscal 2017 for the CARTERA MAPFRE credit line described in Note 8 stood at 23,000 euros (1,140,000 euros in 2016).

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	
	2017	2016
Short-term remuneration		
Salaries	2,997	3,259
Short-term variable remuneration	1,981	2,181
Fixed amounts	1,876	1,788
Other concepts	115	173
Medium-term variable remuneration	1,128	3,696
TOTAL	8,097	11,097
Other remuneration		
Long-service bonus	12	13
Life insurance	100	103

Thousand euros

The remuneration amounts for 2016 differ from those included in the annual report for that year in that they reflect the remuneration paid out in place of the remuneration accrued.

The basic remuneration of external directors comprises an annual fixed amount for their membership of the Board of Directors, which amounted to 110,000 euros in the last two fiscal periods. In 2017, a fixed annual allocation of 110,000 euros was established for Vice Chairpersons and Coordinating Directors. Members of the Steering Committee receive 20,000 euros (40,000 euros in 2016). In addition, the individual serving as Chairperson of the Steering Committee receives 55,000 euros, (50,000 in 2016), while the other members of that committee receive 35,000 euros (30,000 in 2016).

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. In 2017, contributions to defined benefit plans amounted to 4,200,000 euros (3,377,000 euros in 2016).

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

In relation to medium-term incentive plans, 1,328,000 euros has been provisioned, of which 1,311,000 euros corresponds to cash remuneration and 17,000 euros relates to remuneration to be settled via equity instruments. In 2016, 3,280,000 euros was provisioned under this concept, of which 2,170,000 corresponded to cash remuneration and 1,110,000 euros to remuneration to be settled via Company equity instruments.

In fiscal 2016, 4.72 million euros was disbursed, with 1.48 million euros being pending from the close of that period, with this amount being fully provisioned.

The estimated amounts arising from the provisions pending payment to the members of the Board of Directors as at December 31 of each of the last two fiscal periods is shown in the accompanying table.

ITEM	AMOUNT	
	2017	2016
Medium-term incentives: Shares	991	1,110
Medium-term incentives: Cash	2,228	3,650
Long-service bonus	310	430
TOTAL	3,529	5,190

Thousand euros

Additionally, and with respect to short-term variable remuneration already accrued, at the close of fiscal 2017, 2,620,000 euros was pending payment, with 1,981,000 euros corresponding to 2017 and the balance to 2016.

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

The insurance premium paid on behalf of directors for damages liability was 444,000 euros (465,000 euros in 2016).

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:

	2017	2016
No. of senior management members	5	6
Short-term remuneration	2,530	3,238
Other remuneration	40	42
TOTAL	2,575	3,286

Figures in millions of euros

With regards to the medium-term incentive plan 2016-2019, over the course of the fiscal year in question, a provision in the amount of 97 million euros has been applied (1,270,000 in 2016), of which 89,000 corresponds to cash remuneration and 8,000 corresponds to remuneration to be settled via equity instruments. In 2016, settlement of the medium-term incentive plan 2013-2016 implied the paying out of 4,980,000 euros.

In addition, contributions to defined contribution plans were recognized as expenses in the amount of 517,000 euros in the fiscal period (1,178,000 euros in 2016).

19. OTHER DISCLOSURES

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

Average number of employees

ITEM	2017		2016	
	Men	Women	Men	Women
Board Directors and Senior Management	9	1	10	1
Executives	92	48	88	43
Technicians	132	134	116	123
Administrative Assistants	18	64	19	66
TOTAL AVERAGE NUMBER OF EMPLOYEES	251	247	233	233

Number of employees at the end of the year

ITEM	2017		2016	
	Men	Women	Men	Women
Board Directors and Senior Management	9	1	10	1
Executives	95	51	89	46
Technicians	138	141	124	125
Administrative Assistants	17	63	20	65
TOTAL NUMBER OF EMPLOYEES	259	256	243	237

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	2017	2016
Executives	2	2
Technicians	2	1
Administrative Assistants	5	5
TOTAL	9	8

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	
	2017	2016
Audit services	456	488
Other verification services	295	183
Tax services	--	--
Other services	--	193
Total services of main auditor	751	864

Thousand euro

Other verification services include services rendered by KPMG Auditores S.L. to the Company during fiscal 2017, 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	2017	2016
	Days	Days
Average supplier payment period	20	20
Ratio of paid operations	20	20
Ratio of operations pending payment	--	--
	Amounts	Amounts
Payments made	76,174	80,473
Payments pending	6,314	--
Total payments for the year	82,488	80,473

Thousand euro

Annex 1
2017

Name	Legal form	Address	Activity	STAKE				thousand euro								
				%		Voting rights		Capital	Reserves	Other items in equity	Earnings for the year		Book value	(Impairment) /Reversal gear	Accumulated impairment	Dividends received
				Direct	Indirect	Direct	Indirect				Earnings from operations	Other earnings				
MAPFRE TECH	S.A.	Ctra.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.	Ctra.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	223,316	831,059	83,813	162,655	--	383,360	--	--	95,281
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	334,176	35,804	(69,023)	(44,053)	(24,373)	309,794	(27,111)	27,111	
MAPFRE Inmuebles	S.G.A.	Ctra.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.	Ctra.Pozuelo, 52 Majadahonda - 28222 Madrid	Real Estate	100.0000	--	100.0000	--	45,436	575	--	(416)	1,475	34,582		--	
MAPFRE Vida	S.A.	Ctra.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.	Ctra.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 Asset Management (formerly MAPFRE Inversión DGS)	S.A.	Ctra.Pozuelo, 50 Majadahonda - 28222 Madrid	Real estate investment management firm	0.0147	99.8967	0.0147	99.8967	2,043	11,397	3,747	(2,543)	10,224	15,000	--	--	1
MAPFRE España	S.A.	Ctra.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.	Ctra.Pozuelo, 52 Majadahonda - 28222 Madrid	Insurance	99.9999	--	99.9999	--	20,132	1,110,059	64,396	(12,183)	9	529,060	--	--	39,419

MAPFRE S.A.

2017

Name	Legal form	Address	Activity	STAKE				thousand euro									
				%		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	0.0000	50.0000	0.0000	5,000				(426)	5,000	--	--	--	
Desarrollos Urbanos	LTDA	Crta.Pozuelo, 52 Majadahonda - 28222 Madrid	Real Estate	0784	99.9136	0.0784	99.9136	383	76	678	2,483	(9,932)		37	--	--	
Total												9,464,927	(27,726)	82,112			
Other investments															7		
Total investments in Group and affiliated 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.

2016

Name	Legal form	Address	Activity	STAKE				thousand euro									
				%		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.	Crta.Pozuelo, 52 Majadahonda - 28222 Madrid	IT	0.7746	39.1522	0.7746	39.1522	30,390	(9,168)	--	498	(425)	--	(148)	240	--	
MAPFRE Internacional (formerly MAPFRE America)	S.A.	Crta.Pozuelo, 52 Majadahonda - 28222 Madrid	Holding	100.0000	--	100.0000	--	604,182	4,358,033	(844,947)	218,203	(36,644)	3,806,763	--	--	40,278	
MAPFRE Re Cia. de Reaseguros	S.A.	Paseo de Recoletos 25 28004 Madrid	Reinsurance	32.2454	0.0003	32.2454	0.0003	223,316	750,804	118,614	186,074	--	383,360	--	--	83,287	
MAPFRE Asistencia, Cia Internacional de Seguros y Reaseguros	S.A.	Sor Ángels de la Cruz, No. 6, 28020 Madrid.	Insurance and Reinsurance	39.9370	0.0030	39.9370	0.0030	254,196	129,113	(73,521)	(15,442)	(40,332)	256,928	--	--		
MAPFRE Inmuebles	S.G.A.	Crta.Pozuelo, 52 Majadahonda - 28222 Madrid	Real Estate	3.9377	89.9941	3.9377	89.9941	825,642	(342,821)	--	1,452	(5,687)	52,888	(830)	54,109		
Maquvit Inmuebles	S.L.	Crta.Pozuelo, 52 Majadahonda - 28222 Madrid	Real Estate	100.0000	--	100.0000	--	45,436	(1,206)	--	(435)	2,215	34,582	--	--	--	
MAPFRE Vida	S.A.	Crta.Pozuelo, 52 Majadahonda - 28222 Madrid	Insurance and Reinsurance	39.9087	--	39.9087	--	60,242	1,315,351	204,388	114,625	55,579	1,132,917	--	--	121,968	
Fancy Investment	S.A.	Avda. 18 de Julio, 841 Montevideo (Uruguay)	Finance	100.0000	--	100.0000	--	12,123	3,675	(3,338)	--	1,610	11,177	--	--	--	
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	106	--	(15)	40	61	--	--	--	
MAPFRE Inversión	S.A.	Crta.Pozuelo, 50 Majadahonda - 28222 Madrid	Investment company	0.0009	39.9078	0.0009	39.9078	33,055	213,617	14,681	(13,334)	53,334	2	--	--		
MAPFRE Asset Management (formerly MAPFRE Inversión DOS)	S.A.	Crta.Pozuelo, 50 Majadahonda - 28222 Madrid	Real estate investment management firm	0.0147	39.834	0.0147	39.834	2,043	10,727	3,522	(2,234)	8,336	2	--	--	4	
MAPFRE España	S.A.	Crta.Pozuelo, 52 Majadahonda - 28222 Madrid	Insurance and Reinsurance	83.5168	16.4825	83.5168	16.4825	564,624	347,892	397,158	365,099	3,096	3,050,931	--	--	242,537	
MAPFRE Global Risks	S.A.	Crta.Pozuelo, 52 Majadahonda - 28222 Madrid	Insurance	100.0000	--	100.0000	--	20,132	1,042,604	79,859	107,381	(3)	529,063	--	--	84,197	

2016

Name	Legal form	Address	Activity	STAKE				thousand euro								
				%		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	28,129	(56,707)	(4,545)	12,819	86	--	--	--
Premien Price Comparison Holding	LTDA	Ty Admital David Street Cardiff CF102EH	Online insurance policy price comparator	50.0000	0.0000	50.0000	0.0000	5,000	--	--	--	(426)	2,500	--	--	--
Total												3,261,260	(378)	54,349		
Other investments												40				
Total investments in Group and affiliated companies												3,261,300				

No companies are listed on the stock market.

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

INDIVIDUAL MANAGEMENT REPORT

2017

MAPFRE S.A.

MAPFRE S.A.

2017 INDIVIDUAL MANAGEMENT REPORT

MAPFRE S.A. (the "Company") is a limited liability company, the main activity of which is the investment of its funds in real-estate assets and tradeable financial securities.

Key individual figures

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

- Dividend revenue from Group companies amounted to 632.2 million euros, up 10.47 percent on the prior year.
- Operating expenses amounted to 151.0 million euros, a 1.0 percent increase on 2016.
- Financial income amounted to 0.4 million euros, compared to 1.6 million euros in 2016.
- Financial expenses stood at 77.9 million euros, 1.3 percent up on the prior year.
- During 2017, the Company recognized impairment allowances of 27.8 million euros in respect of equity investments in Group and affiliated companies (0.9 in 2016).
- As a result of the foregoing, pre-tax profit stood at 459.1 million euros, up 4.7 percent against the prior year.
- Income tax revenue amounted to 36.5 million euros in 2017, compared with 30.2 in 2016.
- Post-tax profit was 495.5 million euros, up 5.7 percent on the previous year.

Key balance sheet figures are as follows:

MAPFRE S.A.'s shareholders' equity amounted to 7,334.1 million euros, an increase of 61.4 million euros, 0.9 percent higher than in the previous year, due to the difference between the profit for the year and the dividends paid during the year, which stood at 261.7 million euros, the final dividend for the 2016 year distributed in 2017 and 184.8 million euros for the interim dividend charged against the year's profits.

- Assets totaled 10,079.7 million euros, of which 9,643.4 million euros relate to long-term investments in Group and affiliated companies and 316.7 million euros correspond to short-term investments in Group and affiliated companies.

Main activities

The main variations in the Company's financing sources during 2017 were as follows:

- Issue of simple debentures totaling 600 million euros, maturing in May 2047.
- Cancellation of debentures issued in 2007 amounting to 578 million euros.
- Partial cancellation of loans from Group companies, in the amount of 7.1 million euros.
- Partial cancellation of the syndicated loan, maturing in December 2021, in the amount of 830.0 million euros and new drawdowns of 950.0 million euros.

Investments in Group companies

During 2017, the Company had the following expenditure in respect of investments in Group companies:

- Capital increase in MAPFRE ASISTENCIA, in the amount of 50 million euros, as well as pending disbursements of 30 million euros.
- Capital increase in MAPFRE INTERNACIONAL, in the amount of 135.0 million euros.

MAPFRE and its shareholders

MAPFRE shares

The table below shows the key information relating to MAPFRE shares at the end of Year 2017:

Number of shares outstanding	3,079,553,273 fully subscribed 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– Dow Jones Stoxx Insurance– MSCI Spain– FTSE All-World Developed Europe– FTSE4Good¹ and FTSE4Good IBEX¹
ISIN code	ES0124244E34

In 2017 MAPFRE S.A. shares traded for 257 days on the continuous market with a frequency index of 100 percent. In total, 1,867,798,310 securities were traded, compared to 2,312,308,450 in the previous year, reflecting a decrease of 19.2 percent. The effective value of these transactions amounted to 5,525.5 million euros, compared to 5,211.8 million euros in 2016, up by 6 percent.

At the end of 2017, six Spanish and international investment banks had "buy" recommendations for the company's shares, compared to three who held "hold" recommendations, while nine had the stock on their "sell" lists.

¹ Indices 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 indices (the IBEX 35 and the Dow Jones STOXX Insurance indices):

	1 YEAR	3 YEARS	5 YEARS
MAPFRE	-7.7%	-4.8%	15.7%
DJ Stoxx Insurance	6.9%	15.1%	62.8%
IBEX 35	7.4%	-2.3%	23.0%

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

	2017	2016	2015	2014	2013
EPS (euros)	0.23	0.25	0.23	0.27	0.26
INCREASE	-8.0%	8.7%	-14.8%	3.8%	18.2%

Shareholder structure and remuneration

At the close of 2017 Fundación MAPFRE, through its direct and indirect holdings, owned 68.3 percent of the company's shares, Spanish shareholders owned 10.9 percent and shareholders of other countries owned the remaining 20.8 percent.

Of the Spanish shareholders, 3.4 percent were institutional investors and 7.5 percent were non-institutional investors (principally individuals). With regard to investors resident in other countries, 20.7 percent were institutional investors, while 0.1 percent were non-institutional investors.

Among the objectives set for the three-year period 2016-2018 is suitable shareholder remuneration. Likewise, the dividend policy establishes that shareholder remuneration must be linked to the Company's profit, solvency, liquidity and investment plans, and also aligned with the interests of all its shareholders. As a general rule, the Board of Directors will propose at the Annual General Meeting a distribution of dividends of between 50 percent and 65 percent of the attributable result (payout ratio).

In fiscal year 2017, the Board of Directors agreed to pay an interim dividend against the income statement of 0.06 euros per share. The total amount paid out in the year was 0,145 euros per share, for a total remuneration of 446.5 million euros.

The final dividend for fiscal year 2017 to be proposed at the Annual General Meeting is a dividend of 0.085 euros per share (before tax). Therefore, the total dividend against 2017 earnings amounts to 0.145 euros per share before tax, giving a payout ratio of 63.7 percent.

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

	2017	2016	2015	2014	2013
DIVIDEND (euros)	0.145	0.13	0.14	0.14	0.12
DIVIDEND YIELD	4.9%	5.8%	4.9%	4.7%	4.4%

Other disclosures

MAPFRE S.A. has several Corporate Areas (Finance, Investment, Human Resources, Resources and Institutional Coordination, Business Support, Internal Audit, Strategy and M&A, General Counsel and Legal Affairs, and Business, Clients and Innovation), all with global responsibilities for all the Group's companies.

Environment

One of the ways in which MAPFRE builds trust with its stakeholders is by promoting a sustainable environment in which to pursue its activities.

In 2017, MAPFRE continued its initiatives to ensure compliance with the commitments assumed in the corporate environmental policy approved by the Board of Directors of MAPFRE S.A. and reviewed in 2015 to include new commitments such as the preservation of Biodiversity and the fight against Climate Change.

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

The transversal design and the global nature of the SIGMAYE allows 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.

The execution of the actions defined in the Energy Efficiency and Climate Change Strategic Plan has continued with the objective of reducing the Group's emissions by 20 percent in 2020 and that objective was obtained three years earlier than projected, which has led the Company to committing to more ambitious challenges in both the medium and long-term with a 2050 time horizon, at which time it hopes to attain CO2 neutrality.

For the third year running, the Group's initiatives in this area earned recognition from the CDP (Driving Sustainable Economies) of MAPFRE as a global leader in taking action on Climate Change, and the Group was included on the CDP Global Climate A-list.

The eco-efficiency measures rolled out included the deployment of energy efficiency measures in buildings for air conditioning (use of freecooling, technological renewal of equipment and adjustment of hour and temperature set points); lighting (replacement of lamps with LED, installation of presence sensors and adjustment of times); and other usages (technological renewal of installations based on energy efficiency criteria).

Operational control of water management is carried out through the installation of optimization measures in buildings (aerators, timers, sensors, dual flush....) and control of internal usage by managing billing, own meters, detecting leaks and raising employee awareness.

Since joining the Biodiversity Pact launched by the Spanish Companies and Biodiversity Initiative, MAPFRE published a report on its results 2013-2015 together with the rest of the member companies and it has also continued its work regarding the protection of an endangered species and the preservation of its habitat, choosing the turtle and the Mediterranean Sea this year.

As part of the integration of the environment into the business in terms of biodiversity protection, the Group has also committed to the initiative led by the UN supported NGO OCEANA to protect the oceans and, specifically, to eliminate illegal fishing by not insuring those activities.

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:

- Favor trading liquidity and regularity in the purchase of MAPFRE shares.
- Allow MAPFRE to access the securities it requires to comply with 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.

In any case, treasury stock transactions are 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.

During 2017, the Company reduced the number of treasury shares by 3,988,894, representing 0.13 percent of the capital. The cost of the operation totaled 7,877,560.29 euros, giving rise to a positive impact of 4,701,782.03 euros, which was entered under the "Other reserves" heading.

At the close of the fiscal year, Company owned 26,511,106 treasury shares; these represent 0.86 percent of the capital at an average exchange of 1.97 euros per share.

The total face value of shares acquired was 2,651,110.60 euros (3,050,000 euros in 2016).

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	2017		2016	
	Men	Women	Men	Women
Board Directors and Senior Management Executives	9	1	10	1
Executives	92	48	88	43
Technicians	132	134	116	123
Administrative Assistants	18	64	19	66
TOTAL AVERAGE NUMBER OF EMPLOYEES	251	247	233	233

Number of employees at the end of the year

ITEM	2017		2016	
	Men	Women	Men	Women
Consejeros y alta dirección	9	1	10	1
Executives	95	51	89	46
Technicians	138	141	124	125
Administrative Assistants	17	63	20	65
TOTAL NUMBER OF EMPLOYEES	259	256	243	237

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	2017	2016
Executives	2	2
Technicians	2	1
Administrative Assistants	5	5
TOTAL	9	8

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 within a setting of commitment and mutual respect; free of insults, intimidation, harassment or discrimination, at a workplace that guarantees security and stability of employment.

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 Personal Respect 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 2017 was 96.7 percent (96.5 percent in 2016).

During the year, MAPFRE continued to roll out its Global Disability Program, and by year-end the company had 9 disabled persons within its workforce (8 disabled people in 2016).

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 5,210 selection processes were completed in 2017 (5,782 processes in 2016).

In 2017 the Group invested 820,000 euros in staff training (873,000 euros in 2016).

Remuneration policy is based on each employee's job post, 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 auditing

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	AMOUNT (euros)	
	2017	2016
Audit services	456	488
Other verification services	295	183
Tax services	--	--
Other services	--	193
Total services of main auditor	751	864

Thousand euros

Governing bodies

At the Annual General Meeting held on 10 March 2017, Adriana Casademont i Ruhí, Ana Isabel Fernández Álvarez and Fernando Mata Verdejo were re-elected, and Francisco José Marco Orenes was appointed, as directors.

On 22 February 2017, Andrés Jiménez Herradón stepped down from his duties as member of the Board of Directors, in compliance with the Board of Directors Regulation. Also, Adriana Casademont i Ruhí stepped down from her duties as director on 31 December 2017.

On the General Meeting held on 21 December 2017, María del Pilar Perales Viscasillas was appointed as director through the co-option procedure, to replace Ms Casademont, effectively starting from 1 January 2018.

In 2018, the appointments of Catalina Miñarro Brugarolas and María del Pilar Perales Viscasillas will expire, the latter having been appointed by the co-option procedure on the date indicated above. The Appointments and Remuneration Committee has proposed that these two directors be reappointed.

In 2017, the appointment of Antonio Huertas Mejías will also expire; the proposal for him to be re-appointed will be put to the Annual General Meeting. This proposal was preceded by a favorable report from the Appointments and Remuneration Committee.

Average provider payment period

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

ITEM	2017	2016
	Days	Days
Average supplier payment period	20	20
Ratio of paid operations	20	20
Ratios of operations pending payment	-	--
	Amounts	Amounts
Payments made	76,174	80,473
Payments pending	6,314	--
Total payments for the year	82,488	80,473

Thousand euro

Research, development and innovation

Client orientation is one of the main focal points of the MAPFRE Strategic Plan, which identifies innovation as one of the key tools for offering insurance solutions focused on client needs. Hence, innovation in client-focused products and services is a key driver for reaching short, mid and long term targets.

The MAPFRE Innovation Model, which is aimed to promote the innovation culture throughout the organization and to meet business challenges, was launched in 2014. The Corporate Innovation Committee, made up of members from key innovation areas, was set up to govern the Innovation Model, and the Corporate Innovation Department, which spearheads innovation in MAPFRE, was launched. The Innovation Model, which is used for both local and global strategy, is one of the key instruments for achieving differentiation and reaching the goals for the Group's organic growth.

No significant research and development activities were performed during the year.

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 International Monetary Fund (IMF) projects global growth at around 3.4 percent, which represents an acceleration compared with just over 3 percent at the end of 2016. This figure is slightly lower than the IMF's April projection and similar to the July forecast, which confirms that activity in the latter part of 2016 was more or less as predicted. Naturally, growth is firmly biased toward the emerging economies, where the IMF estimates a rate of 4.6 percent in 2017, four decimal points higher than in 2016, revealing confidence in the recovery of these countries. The projection for the advanced economies is 1.8 percent, two decimal points higher than last year but nevertheless indicative of a weaker performance than the emerging economies.

This outlook is based on an increase in world trade which the IMF estimates at 3.8 percent, a significant improvement on 2016. The recovery of the advanced economies remains very weak because the strong monetary stimulus received has not managed to eradicate the burden of excessive—mainly public—debt, a situation compounded by contractionary fiscal policies and the absence of credit. These effects are much more perceptible in the Eurozone, where the predicted growth in 2017 is a mere 1.5 percent. The United States is reaping the benefits of a more advanced position in the cycle and its GDP is therefore expected to grow by 2.2 percent. The four main European economies are likely to remain in positive territory, albeit with Italy still below 1 percent.

The projections for Spain indicate sustained growth at the head of Europe. Specifically, the IMF puts GDP growth in 2017 at 2.3 percent. This is a marked downturn compared with over 3 percent in 2016, precipitated by a slowdown of nearly every component. However, the IMF has praised Spanish economic policies as highly favorable for business and therefore for sustaining the country's recovery, in spite of this slowdown.

Among the emerging countries, the standout projections are for Asia, with China and India reporting 6.2 percent and 7.6 percent, respectively. By contrast, Latin America will see its growth limited to 1.6 percent, mainly because of the burden of Brazil, whose GDP rate for 2017 the IMF estimates at 0.5 percent. In spite of this extremely modest figure, Brazil has nevertheless shown considerable improvement, following a growth rate of 3.8 percent in 2015 and just under 3 percent in 2016. Consequently, this 0.5 percent implies that the country is firmly on the path to recovery. By contrast, Mexico is expected to see a 2.3 percent growth.

The two sides of the Atlantic will continue to pursue different monetary policies if there are no surprises. The Federal Reserve (Fed) of the United States has hinted that it intends to continue raising interest rates at a moderate but sustained pace, especially in view of the anticipated increase in inflation as a result of the economic measures announced and very low unemployment. By contrast, in Europe the central bank (ECB) will continue to buy assets as part of its quantitative easing (QE) policy throughout the year, enabling the European

money supply to continue growing. At some point near the end of 2017 questions are likely to be raised about whether these purchases should be reduced or not, which could in itself lead to slightly tighter financial conditions, but this would be minimal compared to the massive amount of liquidity which the ECB has injected in the last two years. Among the emerging central banks, the most significant process will probably be interest rate cuts throughout the year in Brazil.

The main risks for 2017 are political, since the year will see elections in several European countries. In light of certain events last year, economic and financial analysts are attaching much greater weight to possible surprises in electoral processes, and these therefore constitute a very significant risk. Likewise, the U.S. economic policy is currently an unknown quantity. The combination of these two circumstances could lead to considerably tighter financial conditions in a context where the recovery is still fragile. This could have repercussions for the emerging markets since the sustained appreciation of the dollar may cause a very deep impact at a time when they are still recovering from the problems of 2016 and 2015.

Annual Corporate Governance Report

The annual corporate governance report is published by the Entity along with the Management Report of the consolidated annual accounts of MAPFRE S.A. and dependent Companies.