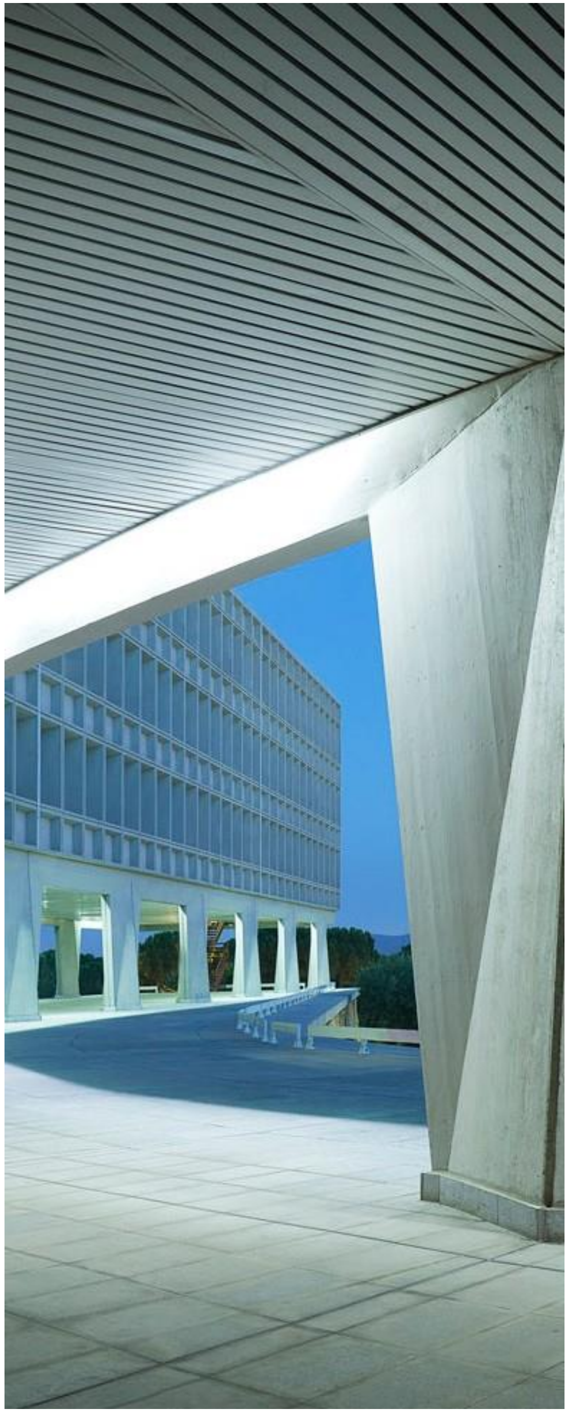

6M 2018

Results report

Grupo Catalana Occidente, S.A.

Catalana Occidente
Grupo asegurador

This report has been prepared based on the International Financial Reporting Standards (NIFF). The perimeter of the information that appears in the report corresponds to the Grupo Catalana Occidente and the companies that form it.

The Alternative Performance Measures (MAR) used in this report for the purpose of complying with the Guidelines published by the European Securities and Markets Authority (ESMA) of October 5, 2015 (Guidelines on Alternative Performance Measures, ESMA / 2015 / 1415 is). Its definition and calculation can be consulted in the glossary section and on the corporate website.

The report will be available on the Group's website, in interactive PDF format and in the application for mobile devices.

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01 Keys of the period 6M 2018

Key financial figures

"At the end of the first half of 2018, the Group increased invoicing, profit and capital"

Growth

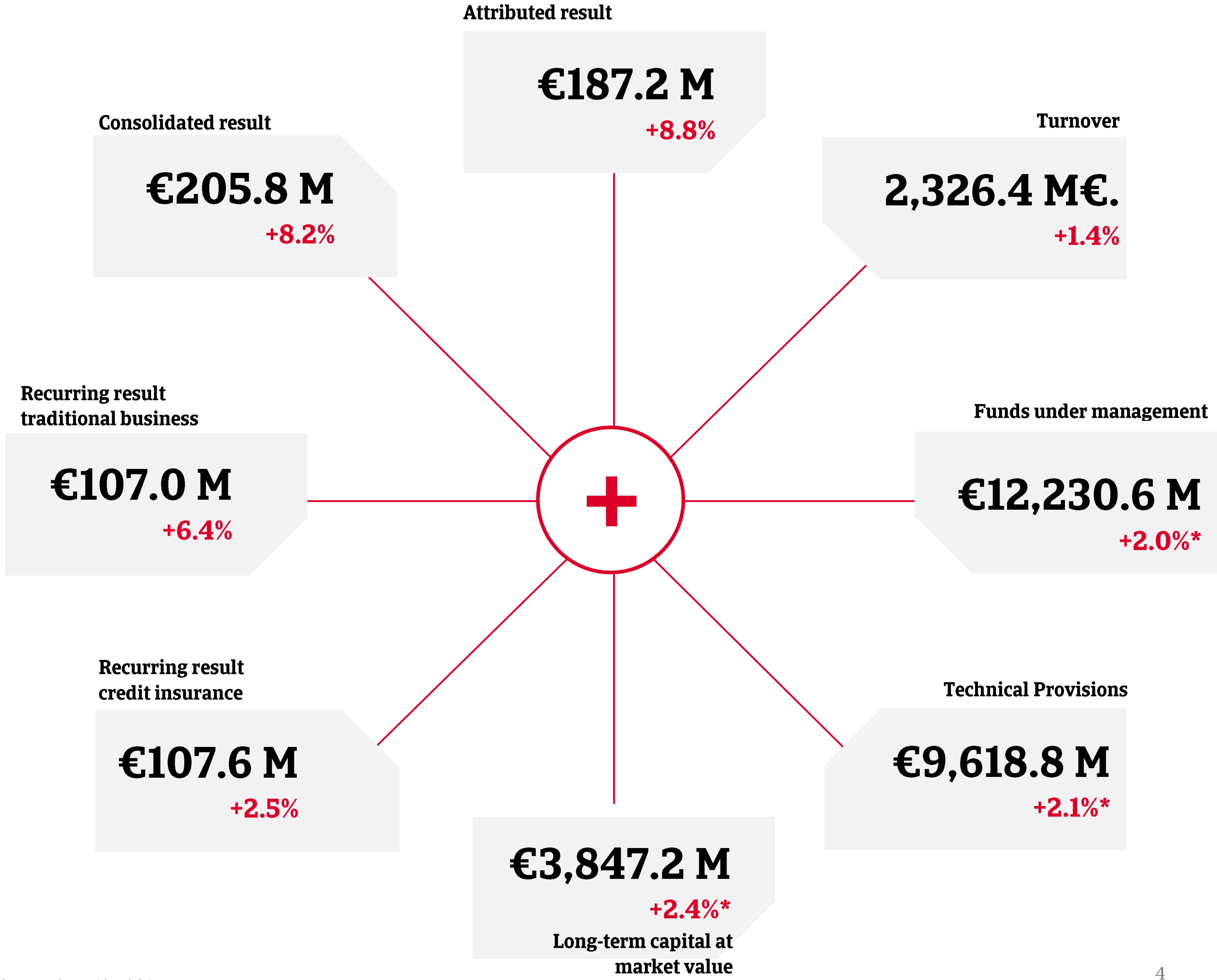
- Increase of 2.8% in recurring premiums.
- Growth in insurance policies across all lines of business.

Profitability

- Increase of 8.2% of consolidated result.
- Improvement of recurring results:
  - 6.4% in the traditional business, with €107.0 M.
  - 2.5% in the credit insurance business, with €107.6 M.
- Excellent combined ratio:
  - 90.2% in traditional business (non-life).
  - 74.4% in the credit insurance business.

Solvency

- The Group's solvency II ratio at close of 2017 is 210%, with an excess of €1,960.5 M.
- A.M. Best reported an improvement in the rating (ICR) to "a+", maintaining a stable outlook in the traditional business for the Group's main operating entities.
- 5% increase in the first dividend to be charged against 2018 results.



*Comparison 12M2017

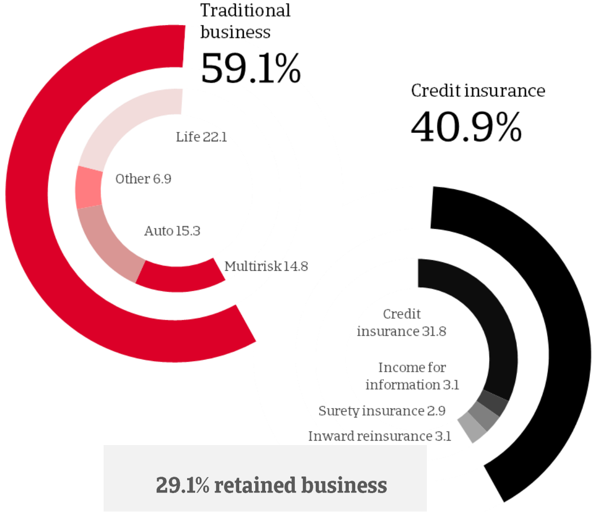
(figures in millions of euro)

	Main figures	6M2017	6M 2018	% Chg. 17-18	12M 2017
A	**GROWTH**				
	Turnover	2,293.2	2,326.4	1.4%	4,254.3
	- Traditional business	1,346.8	1,347.2	0.0%	2,516.1
	- Credit insurance business	946.4	979.2	3.5%	1,738.2
B	**PROFITABILITY**				
	Consolidated result	190.2	205.8	8.2%	357.3
	- Traditional business	100.6	107.0	6.4%	179.1
	- Credit insurance business	105.0	107.6	2.5%	190.0
	- Non-recurring	-15.5	-8.9		-11.8
	Attributed result	172.1	187.2	8.8%	325.4
	Combined traditional business ratio	90.5%	90.2%	-0.3	91.4%
	Combined ratio credit insurance	73.8%	74.4%	0.6	75.2%
	Dividend per share				0.78
	Profitability per dividend				2.2%
	Pay-out				28.4%
	Share price	36.8	38.2	3.7%	36.9
	Share revaluation YTD	18.4%	3.3%		18.7%
	PER *	14.2	13.5		13.5
	ROE *	11.8%	12.0%		11.8%
C	**SOLVENCY**				
	Long-term capital at market value	3,605.2	3,847.2	6.7%	3,755.5
	Technical provisions	9,574.7	9,618.8	0.5%	9,425.2
	Funds under management	11,881.4	12,230.6	2.9%	11,988.2
D	**NON-FINANCIAL DATA**				
	Number of employees	7,359	7,321	-0.5%	7,352
	Number of offices	1,650	1,653	0.2%	1,648
	Number of intermediaries	18,853	18,535	-1.7%	18,514

(*) Taking into account the result in terms of average annual rate

Business diversification 12M2017

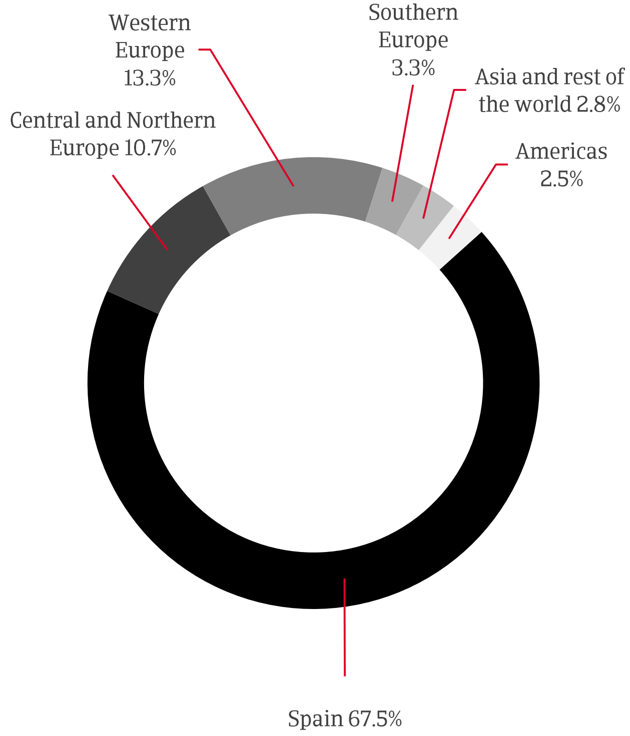
"Grupo Catalana Occidente has a balanced and diversified portfolio"

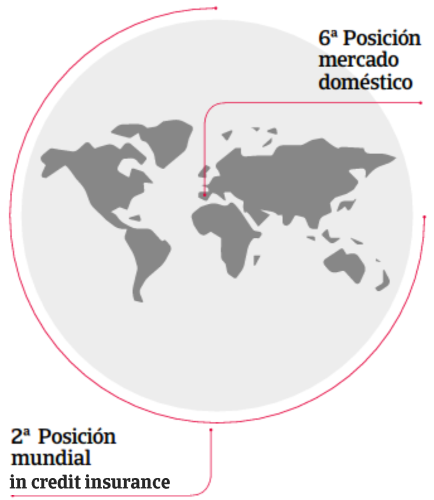


In the traditional business (59.1% of the total turnover), the Group carries out its activity through the entities Catalana Occidente, Plus Ultra Seguros, Seguros Bilbao, NorteHispana Seguros y Previsora Bilbaína Seguros, guaranteeing a balanced and diverse implementation. In credit insurance business (29.1% of the total in terms of retained business), the Crédito y Caución brand gives it a leadership position in the Spanish market, while the Atradius brand gives it an international dimension and leadership.

Global presence

"Grupo Catalana Occidente is in over 50 countries and has a significant presence in Spain."





Grupo Catalana Occidente obtains 67.5% of its income from the domestic market, where it holds the sixth position, through the brands Seguros Catalana Occidente, Plus Ultra Seguros, Seguros Bilbao, NorteHispana Seguros, Grupo Previsora Bilbaína and Crédito y Caución.

In the credit insurance business, through the brands Atradius and Atradius Re, the Group is present in over 50 countries and holds the second position on a global scale.

Group Performance in 6M 2018

"The attributed result of the Group has increased by 8.8% and the growth of recurring premiums has been 2.8%"

The attributed result of the Group has grown by 8.8%, reaching €187.2 M.

This improvement is based on an increase in the technical result, with €246.5 M, it increased by 7.4% including the application of sound underwriting criteria and the continuous improvement of efficiency.

The combined ratio of traditional business was 90.2%, improving 0.3 percentage points, mainly due to a reduction in costs reflecting the synergies of corporate platforms. Likewise, the accident rate remains low.

In credit insurance, the net combined ratio is 74.4%, increasing by 0.6 p.p., including a slight increase in claims that is partially compensated with improved expenses and commissions.

Financial income contributed €44.7 M, reflecting the lower impact of asset impairment compared to 2017, which is included in the non-recurring items. With all of this, the consolidated result has grown by 8.2%, reaching €205.8 M.

For further information, see appendices.

(figures in millions of euro)

Income statement	**6M2017**	**6M 2018**	**% Chg. 17 -18 01**	**12M 2017**
Written premiums	2,211.9	2,245.0	1.5%	4,123.5
Earned premiums	2,046.5	2,074.5	1.4%	4,094.2
Income from information	81.3	81.5	0.2%	130.8
Net income from insurance	**2,127.8**	**2,155.9**	**1.3%**	**4,225.0**
Technical cost	1,279.5	1,290.2	0.8%	2,548.4
% of net income	60.1%	59.8%		*60.3%*
Commissions	259.4	265.4	2.3%	521.9
% of net income	12.2%	12.3%		*12.4%*
Expenses	359.4	353.9	-1.5%	717.3
% of net income	16.9%	16.4%		*17.0%*
Technical result	**229.5**	**246.5**	**7.4%**	**437.4**
% of net income	10.8%	11.4%		*10.4%*
Financial result	34.4	44.7	29.9%	61.2
% of net income	1.6%	2.1%		*1.4%*
Complementary results of operations and non-technical non-financial account	-9.1	-16.3		-23.1
% of net income	-0.4%	-0.8%		*-0.6%*
Result before tax	**254.7**	**274.9**	**7.9%**	**475.5**
% of net income	12.0%	12.7%		*11.3%*
Consolidated result	**190.2**	**205.8**	**8.2%**	**357.3**
Result attributable to minorities	18.1	18.5	2.2%	31.9
Attributed result	**172.1**	**187.2**	**8.8%**	**325.4**
% of net income	8.1%	8.7%		*7.7%*

Results by areas of activity	**6M2017**	**6M 2018**	**% Chg. 17-18**	**12M 2017**
Recurring results traditional business	**100.6**	**107.0**	**6.4%**	**179.1**
Recurring results from credit insurance business	**105.0**	**107.6**	**2.5%**	**190.0**
Non-recurring result	**-15.5**	**-8.9**		**-11.8**

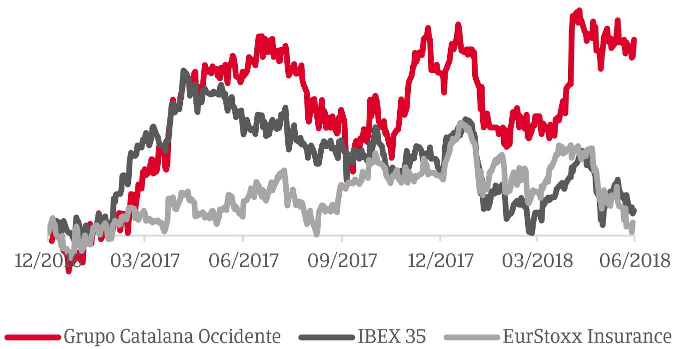
GCO shares and dividends

Share performance

"Shares in Grupo Catalana Occidente end the first half at € 38.2/share"

In this period, the shares have been revalued by +3.3%, which is better than the reference index of the Spanish market. The Group stocks are included in the IBEX MEDIUM CAP index, with a weight of 8.15%.

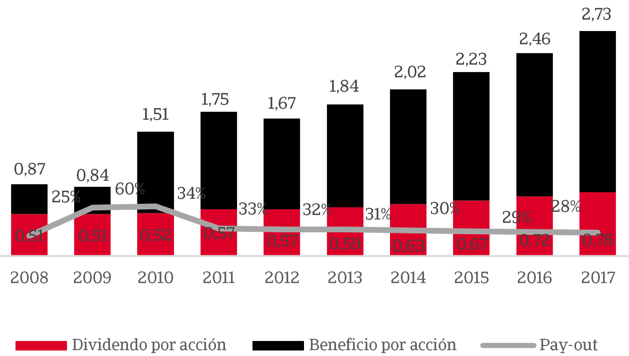
Share performance since the beginning of 2017



The average recommendation of the analysts is to "purchase" the share with a target price of €40.5/share (max. €49.0/share and min. €37.0/share).

Dividends

"The Group has increased the first dividend charged to income for 2018 by 5%"



Active relationship with the financial market

"Grupo Catalana Occidente maintains a smooth and close relationship with the financial market, offering specific communication channels"

During the first half of the year, the Group transmitted its value proposition to the financial markets through the annual and quarterly retransmission of the results published (on the website, in English and Spanish) and by holding roadshows in different European countries, as well as participating in forums/conferences.

Share price (euro per share)	6M2017	6M 2018	12M 2017
Period start	31.11	36.94	31.11
Minimum	29.82	34.30	29.82
Maximum	33.50	39.20	38.57
Period end	33.28	38.18	36.94
Average	31.39	36.67	35.50

Profitability	6M2017	6M 2018	TACC 2002 - 6M18
GCO	6.98%	3.28%	16.36%
Ibex 35	11.88%	-4.19%	3.05%
EuroStoxx Insurance	2.61%	-5.08%	3.64%

Other data (in euro)	6M2017	6M 2018	12M 2017
Number of shares	120,000,000	120,000,000	120,000,000
Nominal share value	0.30	0.30	0.30

2018 macroeconomic environment

World GDP growth is maintained, with upward revisions based on investment, international trade, and industrial production.

United States GDP + +2.9% 2018e

- Increased protectionism: new import tariffs.
- Expansive fiscal policy.
- Strong private consumption.
- Reduction in unemployment to 3.9% (-0.5p.p.).
- 2% inflation.

South America GDP +2.0% 2018e

- Recovery in Brazil with 2.3% GDP.
- Economic slowdown in Mexico.

Eurozone GDP +2.2% 2018e

- +1.2% inflation.
- Reduction in unemployment to 8.4% (-0.5p.p.).

Asia Pacific GDP + 6.5% 2018e

- Maintains a high growth.
- China: 6.6% growth despite U.S. tariffs
- Japan continues to grow 1.2%.

Spain GDP +2.8% 2018e

- The fastest growing country in the Eurozone.
- Solid internal demand.
- Strength of exports.
- Reduction in unemployment to 15.8% (-0.6p.p.).
- 1.3% inflation.

Source: the International Monetary Fund; Review of July 2018.

Fixed Income

- Some rise in interest rates
- Interest rate increase in the U.S.

Interest rates 6M 2018	1 year	3 years	5 years	10 years
Spain	-0.4	-0.2	0.4	1.3
Germany	-0.7	-0.5	-0.3	0.3
U.S.	2.3	2.4	2.7	2.8

Source: Bloomberg at the close of June 2018

Variable Income

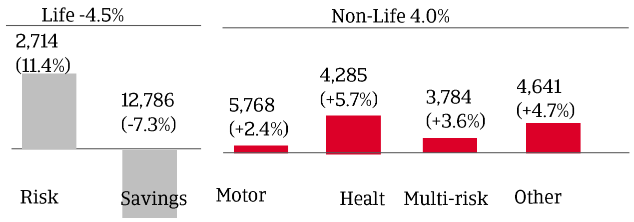
- Volatility in the markets due to fear of a global protectionist shift and geopolitical tensions
- Corrections on the stock exchanges

	6M 2018	% Chg.
Ibex35	9,622.7	-4.2%
EuroStoxx Insurance	273.7	-3.4%
Eurostoxx50	3,395.6	-3.1%
Dow Jones	24,271.4	-1.8%

Sectoral environment

"The insurance sector in Spain at the end of June remained stable, with recurrent growth in non-life of 4.0%

Performance of turnover in the sector: -0.04%



Insurance group ranking performance (first half 2018-second half 2018)

Group	*Position*	*Market share*
VidaCaixa	=	*13.2%*
Mapfre	=	*10.7%*
Grupo Mutua Madrileña	=	*8.0%*
Zurich	=	*6.2%*
Allianz	=	*5.9%*
Grupo Catalana Occidente	=	*4.4%*
SantaLucia	↑ 2	*4.0%*
Grupo Axa	=	*3.9%*
Generali	↓ 2	*3.7%*
Santander Seguros	=	*3.4%*

Source: ICEA at the close of June 2018

02 Business performance in 6M 2018

Traditional business

"The positive performance is maintained, with growth of 2.2% in turnover of recurring premiums and 6.4% in recurring result"

Turnover increased, supported by Non Life business which grew by 2.0%. The increase of 1.5% in multirisk and 5.0% in others should be highlighted. The Life business continues to be under pressure from the drop in single premiums.

The technical result increased by 11.2%, improving the margin on materials acquired by 0.9 p.p. supported both in the non-life and life business. The non-life technical result provides €77.7 M and grows 5.3%, picking up the improvement of 0.3p.p. of the combined ratio to 90.2%. The technical cost increases by 0.3 p.p. and the general expenses and commissions decrease by 0.6 p.p. In turn, the Life business increased its technical result by €6.6 M, placing it at €26.5 M, supported by the favourable behaviour of the business and the contribution of funeral insurance.

The financial result, at €42.5 M, decreased by 6.8% (for further information, see page 23) and the complementary activities provide €1.6 M from the funeral business.
On April 23, 2018 the Group acquired 100% of Funeraria Nuestra Señora de los Remedios, S.L. and related companies for 19.0 million euros.

Recurring profit after tax has increased 6.4% to €107.0 M. During the year there have been negative non-recurring results of €4.8 M; in consequence, the total result is of €102.2 M, increasing by 15.0%.

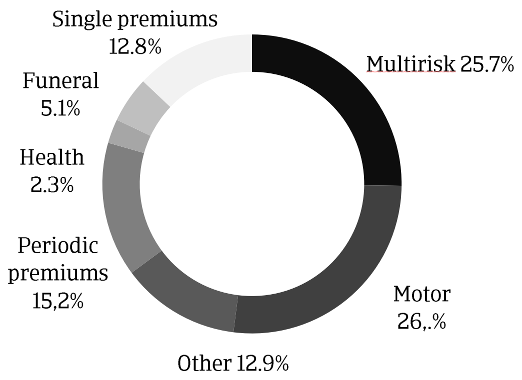
For further information, see appendices.

(figures in millions of euro)

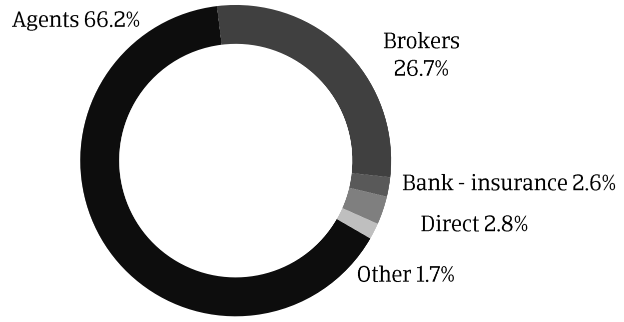
Traditional business	6M2017	6M 2018	% Chg. 17-18	12M 2017
Written premiums	**1,346.8**	**1,347.2**	**0.0%**	**2,516.1**
Recurring premiums	1,149.7	1,174.9	2.2%	2,153.2
Earned premiums	1,258.8	1,260.5	0.1%	2,506.2
Technical result	**93.7**	**104.2**	**11.2%**	**182.8**
% of earned premiums	*7.4%*	*8.3%*		*7.3%*
Financial result	**45.6**	**42.5**	**-6.8%**	**72.5**
% of earned premiums	*3.6%*	*3.4%*		*2.9%*
Result from complementary activities *	**2.1**	**1.6**		**3.6**
Recurring result	**100.6**	**107.0**	**6.4%**	**179.1**
Non-recurring result	-11.7	-4.8		1.44
Total result	**88.9**	**102.2**	**15.0%**	**180.5**

(*) From the funeral insurance business

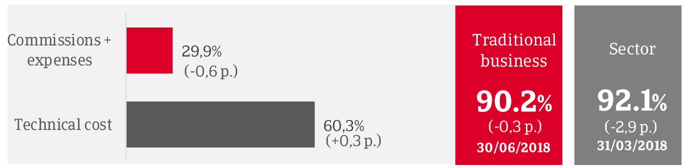
Distribution by business



Distribution channels



Combined ratio



Multirisk

"Turnover increased by 1.5%.
Some increase in claims due to more frequent weather events not covered by reinsurance. The combined ratio remains below 90%."

(figures in € M)

Multirisk	6M2017	6M 2018	% chg. 17 - 18	12M2017
Written premiums	**341.6**	**346.8**	**1.5%**	**631.3**
Earned premiums	311.4	316.3	1.6%	629.8
% Technical cost	*53.3%*	*55.3%*	*2.0*	*54.1%*
% Commissions	*20.6%*	*20.7%*	*0.1*	*20.5%*
% Expenses	*13.2%*	*12.9%*	*-0.3*	*13.3%*
% Combined ratio	**87.0%**	**89.0%**	**2.0**	**88.0%**
Technical result after expenses	**40.4**	**34.9**	**-13.6%**	**75.8**
% over earned premiums	*13.0%*	*11.0%*		*12.0%*

Motor

"The growth in turnover is maintained, although at a lower rate than in the first months of the year. The combined ratio improved by 1.3 p.p., reaching 94.1%, supported by the efficiency in expenses and commissions"

(figures in millions of euro)

Motor	6M2017	6M 2018	% chg. 17 -18	12M2017
Written premiums	**347.4**	**350.7**	**0.9%**	**651.8**
Earned premiums	319.0	325.5	2.0%	649.0
% Technical cost	*70.3%*	*70.5%*	*0.2*	*71.2%*
% Commissions	*11.2%*	*10.9%*	*-0.3*	*11.1%*
% Expenses	*13.9%*	*12.7%*	*-1.2*	*14.2%*
% Combined ratio	**95.4%**	**94.1%**	**-1.3**	**96.5%**
Technical result after expenses	**14.6**	**18.9**	**29.7%**	**22.7**
% over earned premiums	*4.6%*	*5.8%*		*3.5%*

For further information, see appendices.

Other non-life

“Improved results and turnover boosted by the civil liability area.
Reduction in technical costs due to both fewer claims and lower average/high volume claims"

(figures in millions of euro)

Other	6M2017	6M 2018	% chg. 17 -18	12M2017
Written premiums	**165.2**	**173.5**	**5.0%**	**293.9**
Earned premiums	143.7	150.8	4.9%	290.4
% Technical cost	*51.4%*	*49.0%*	*-2.4*	*52.1%*
% Commissions	*21.1%*	*21.5%*	*0.4*	*20.5%*
% Expenses	*14.4%*	*13.7%*	*-0.7*	*14.8%*
% Combined ratio	**86.9%**	**84.2%**	**-2.7**	**87.4%**
Technical result after expenses	**18.8**	**23.8**	**26.8%**	**36.6**
% over earned premiums	*13.1%*	*15.8%*		*12.6%*

Life

"Favourable performance of recurring business growing although the drop in single premiums persists.
Increase in the result supported by reduced incidence of claims and surrenders and the contribution of €11.6 M from the funeral business"

(figures in millions of euro)

Life	6M2017	6M 2018	% chg. 17 -18	12M2017
Life insurance turnover	**492.6**	**476.2**	**-3.3%**	**939.1**
Health	29.2	30.7	5.1%	54.5
Funeral	65.4	68.4	4.6%	127.7
Periodic premiums	200.9	204.8	1.9%	394.0
Single premiums	197.1	172.3	-12.6%	362.9
Recurring premiums	**295.5**	**303.9**	**2.8%**	**576.2**
Earned premiums	**484.7**	**468.0**	**-3.4%**	**936.9**
Technical result after expenses	**19.9**	**26.5**	**33.2%**	**47.6**
% over earned premiums	*4.1%*	*5.7%*		*5.8%*

For further information, see appendices.

Credit insurance business

"Growth in earned premiums of 3.4% and improved recurring result by 2.5%"

In the credit insurance business, the Group has increased its net income (earned premiums and information services) by 3.1% reaching €896.1 M. The earned premiums, at €814.6 M, have increased by 3.4%, with a notable performance in Spain.

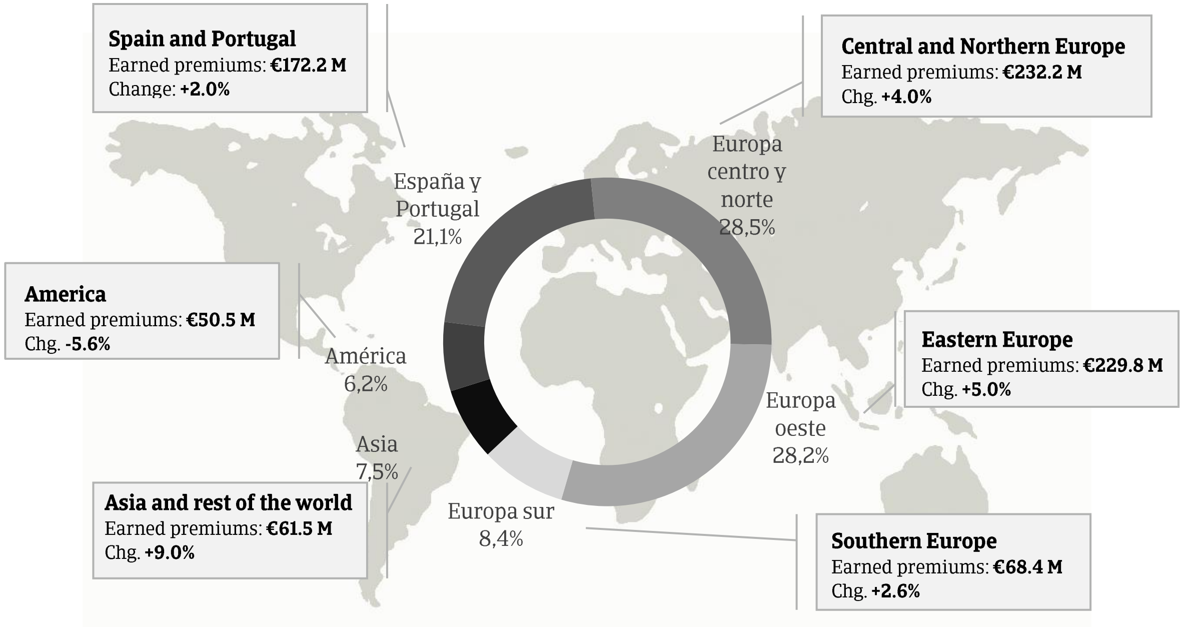
In Spain, the Group increased its earned premiums by 2.0%, improving the trend with respect to previous years. In the other European markets, premiums increased at an average rate of 4%, with constant growth in Germany being particularly noteworthy. In America premiums decreased by 5.6% as a result of an unfavourable impact of exchange rates.

In turn, income from information has increased by 0.2%, contributing €81.5 M.

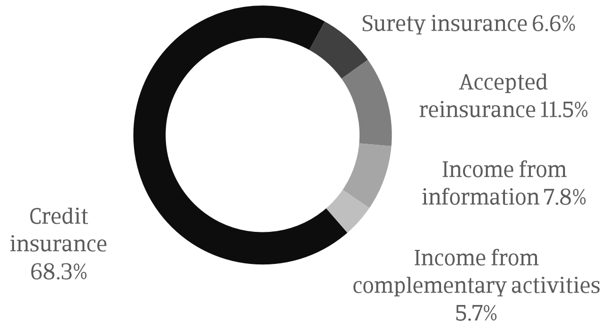
In terms of exposure to risk (TPE), the Group increased by 4.9% to €640.6 thousand million. Europe represents 72.6% of total exposure and where Spain is the main market.

For further information, see appendices.

+3.4% increase in earned premiums, at €814.6 M



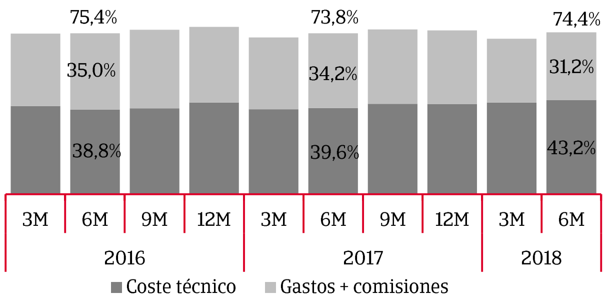
Business diversification



The technical result after expenses, at €201.2 M, reduces by 0.7%, including a slight increase in claims that is partially compensated by improved expenses and commissions.

Since the beginning of the year, the Group has increased its retention of business by 2.5 points, placing the ratio of assignment to reinsurance in 40.0% of the earned premiums. The combined ratio is 74.4%, 0.6 p.p higher than in the same period of the previous year.

Performance of the net combined ratio



In turn, the financial result contributes €5.9 M, reflecting positive exchange rate movements and a greater contribution from subsidiaries (for more information see page 23). In this period the complementary activities have a negative result due to a lower recovery activity and to the Graydon information society.

Thus, the consolidated result, at €107.6 M, increased by 2.5%. By incorporating the non-recurring results, the total result is placed at €103.6 M, increasing by 2.4%.

For further information, see appendices.

(figures in millions of euro)

Credit insurance business	6M2017	6M 2018	% Chg. 17-18	12M 2017
Earned premiums	787.7	814.6	3.4%	1,588.0
Income from information	81.3	81.5	0.2%	130.8
Credit insurance income	**869.0**	**896.1**	**3.1%**	**1,718.8**
Technical result after expenses	**202.6**	**201.2**	**-0.7%**	**392.9**
% over income	23.3%	22.5%		22.9%
Reinsurance result	-63.1	-56.9	-9.8%	-133.7
% over income	-7.3%	-6.5%		-8.4%
Net technical result of reinsurance	**139.5**	**144.3**	**3.4%**	**259.2**
% over income	16.1%	16.1%		15.1%
Financial result	**2.4**	**5.9**		**3.3**
% over income	0.3%	0.7%		0.2%
Result from complementary activities	**4.3**	**-0.8**		**6.8**
Company income tax	-37.1	-38.1	2.7%	-69.9
Adjustments	-4.0	-3.8		-9.6
Recurring result	**105.0**	**107.6**	**2.5%**	**190.0**
Non-recurring result	-3.8	-4.0		-13.2
Total result	**101.2**	**103.6**	**2.4%**	**176.8**

Investments and funds under management

"Investment operations, focused on traditional assets, have been characterised by prudence and diversification"

The Group manages investments amounting to €12,230.6 M, €242.4 M more than in the previous year.

In recent years, the Group has increased its investments in real estate. At the end of June this investment increased by €95.6 M. In total, property at market value amount to €1,266.3M, representing 11.3% of the total portfolio. The majority of the properties are located in areas considered "prime" areas in the most important Spanish cities. All of the properties for use by third parties are located in these areas and have a very high rate of occupancy. Every two years they are evaluated, through entities that are authorised by the supervisor. Capital gains from these properties stand at €479.5 M.

Fixed-income investment represents 58.9% of the total portfolio, standing at €6,613.2 M. The distribution of the rating in the portfolio is shown graphically below. At year end, 64.6% of the portfolio is rated A or higher. The duration of the portfolio at the end of the financial year is 4.71 years and profitability at 2.48%.

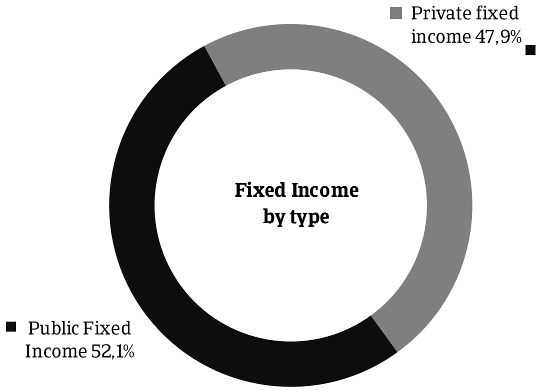
(figures in millions of euro)

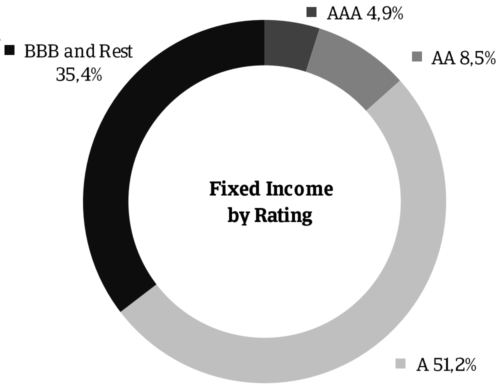
Investments and funds under management	12M 2017	6M 2018	% Chg. 17-18	% of Inv. R. Co.
Properties	1,170.7	1,266.3	8.2%	11.3%
Fixed Income	6,568.4	6,613.2	0.7%	58.9%
Variable Income	1,404.0	1,389.9	-1.0%	12.4%
Deposits with credit institutions	382.4	577.9	51.1%	5.1%
Other investments	135.2	161.5	19.5%	1.4%
Cash and monetary assets	1,274.9	1,143.1	-10.3%	10.2%
Investment in investee companies	84.8	84.1	-0.8%	0.7%
Total investments, risk to entity	**11,020.4**	**11,236.0**	**2.0%**	**100.0%**
Investments on behalf of policyholders	356.8	373.5	4.7%	
Pension plans and investment funds	611.0	621.1	1.7%	
Total investments, risk to policy holders	**967.8**	**994.6**	**2.8%**	
Investments and funds under management	**11,988.2**	**12,230.6**	**2.0%**	

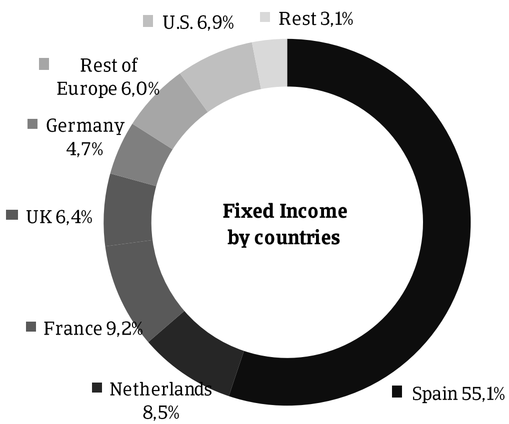
The variable income represents a 12.4% of the portfolio and decreased 1.0%, mainly due to movements in the markets. The investment portfolio is widely diversified and focused on high-capitalisation securities, mainly in the Spanish market (32.5%) and the European market (51.0%), which show attractive dividend returns.

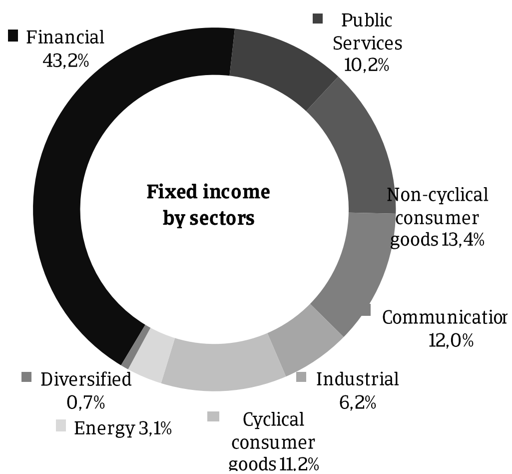
In terms of liquidity, the Group maintains a solid position of €1,721.0 M, 3.8% more than at the beginning of the year. During the period, part of the investment in current accounts was transferred to deposits with credit institutions. The Group has a total of €577.9 M in deposits, mainly in Banco Santander, BBVA and Bankinter.

Fixed income

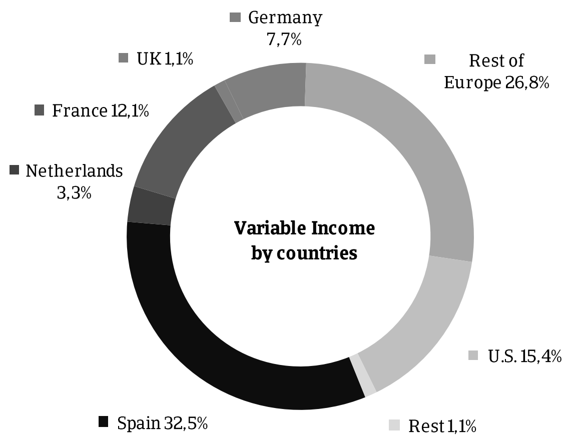


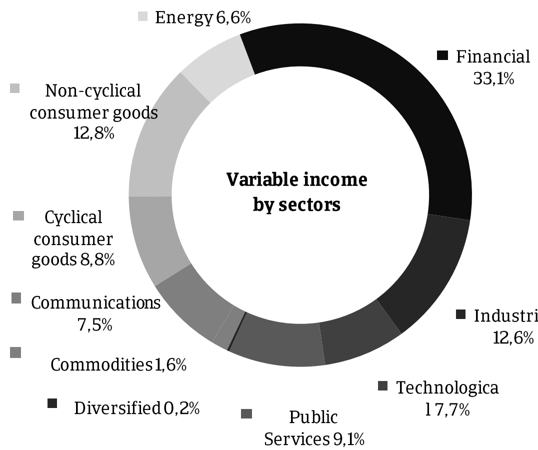






Variable Income





Capital management

Grupo Catalana Occidente manages its capital with the goal of maximising value for all its interest groups, maintaining a solid position through obtaining long-term results and a prudent policy for remunerating shareholders."

Capitalisation €4,432.8 M	**High quality of own funds 94% Tier1**	**Solvency II ratio at 210%***	**Strength for rating A**

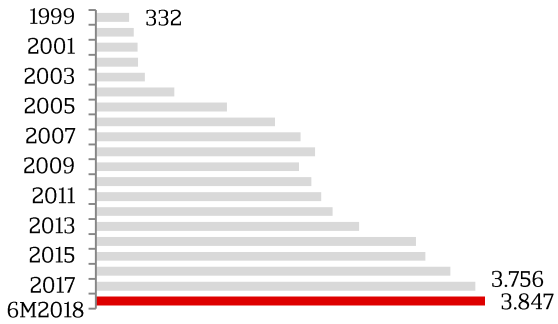
*data 2017 internal model (not audited)

Capital management at the Group is governed by the following principles:

- Ensure that Group and its companies have sufficient capitalisation to meet their financial obligations, even as they face extraordinary events.
- Manage the capital adequacy of the Group and its companies, taking into account the economic and accounting outlook and capital requirements.
- Optimise the capital structure through efficient allocation of resources between entities, ensuring financial flexibility and properly remunerating shareholders.

Capital performance

"At the end of June, the Group's capital had increased by 2.4%, supported by improved results"



(Figures in thousands of euro)

(figures in millions of euro)

Long-term capital at market value on 31/12/2017	**3,755.5**
Net equity on 01/01/2018	**3,078.6**
(+) Consolidated results	205.8
(+) Dividends paid	-87.4
(+) Variation of valuation adjustments	-24.1
(+) Other changes	-5.6
Total net equity on 30/06/2018	**3,167.3**
Subordinated debt	200.4
Long-term capital on 30/06/2018	**3,367.7**
Capital gains not included in balance sheet (properties)	479.5
Long-term capital at market value on 30/06/2018	**3,847.2**

Market movements have led to an decrease in the value of investments, with a negative impact of €24.1 M. Dividends have also been paid, amounting to €87.4 M, thus reducing the Net Equity by the same amount.

Credit rating

"The "a+" rating reflects the soundness of the balance sheet, the good business model, the excellent operating results and the appropriate capitalisation thanks to the internal generation of capital of the institutions".

For traditional business, A.M. Best highlights the prudence in underwriting, which is reflected in a positive record of operating results with an excellent combined ratio and a high return on equity (ROE). It also highlights the wide network of agents who provide good customer service and a strong position in the Spanish market. Furthermore, it considers that exposure to natural disasters is limited, thanks to the existence of a national coverage system.

In credit insurance, A.M. Best and Moody's highlight the strong competitive position, strong capitalization, low financial leverage and conservative investment portfolio.

During the period, A.M.Best in June 2018 raised the rating of the main operating entities in the traditional business to "a+" (ICR) ; and in March, Moody's raised the rating of the credit insurance entities to A2 with a stable outlook.

	AMBest	Moody's
Seguros Catalana Occidente	a+ stable	
Seguros Bilbao	a+ stable	
Plus Ultra Seguros	a+ stable	
Atradius Crédito y Caución	a stable	A2 stable
Atradius Re	a stable	A2 stable

Solvency II at year-end 2017

"The Group's capital adequacy ratio II was 210% at the end of 2017, with an excess of €1,960.5 M".

The ratio increased 10 points with respect to 2016, driven by an increase in available capital.

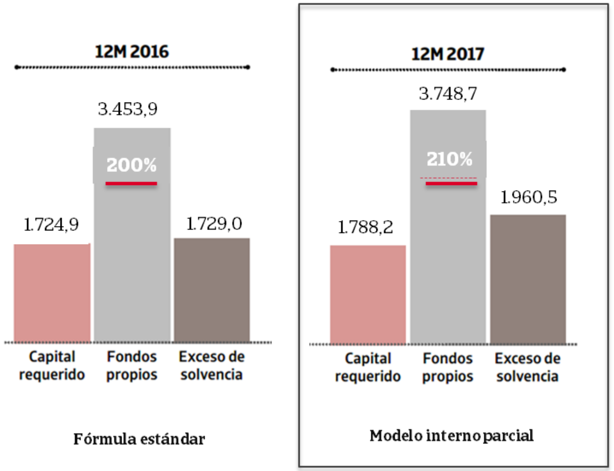
"Catalana Occidente Group has a robust solvency and financial position to withstand adverse situations"

The entities of the Group present average solvency II ratios of above 160%.

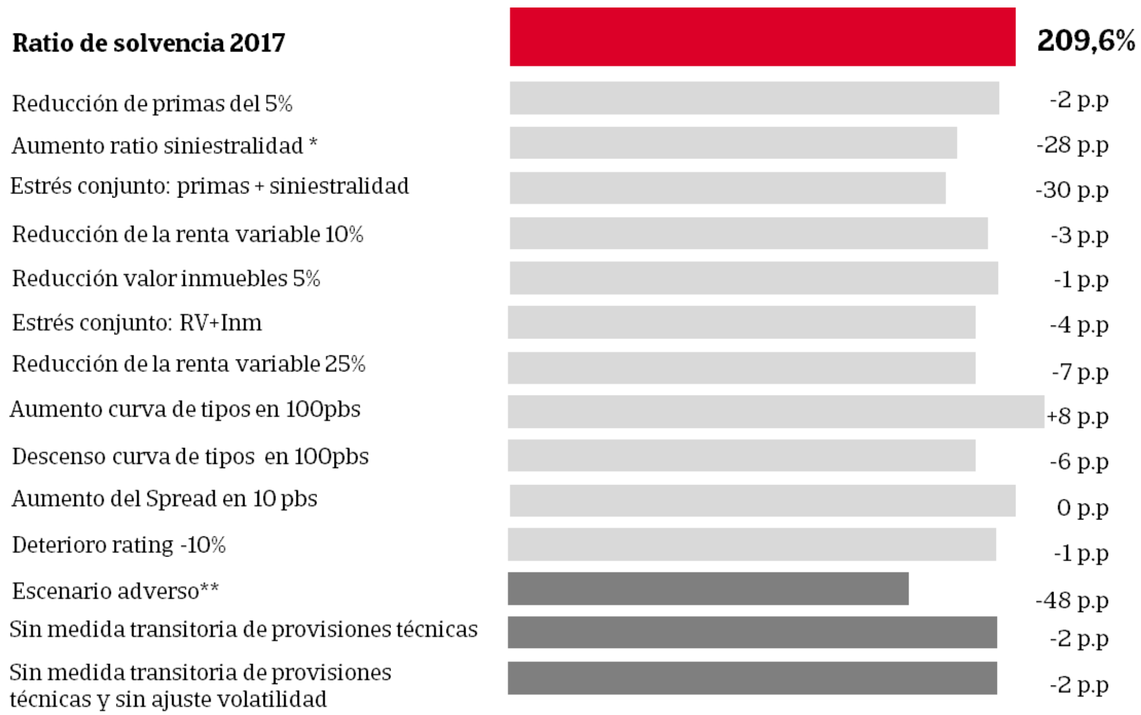
The solvency II ratio is maintained above 160%, even in adverse scenarios.

Own funds are of high quality (93.6% of tier1).

The Group carries out a quantitative valuation of the risks using the standard formula, except for the credit insurance underwriting risk, which uses a partial internal model approved in July 2017.



Stress scenarios and Analysis of sensitivity to the solvency ratio



* Increase in the claims ratio: in the credit insurance business, the ratio reached during the financial crisis period (2008) is considered and in the traditional business, the ratio is increased in the two main branches: fire and other damage to property and motors.

*Adverse scenario that includes the three main impacts: premiums, claims and market. The assumptions used are those described above in terms of premiums and claims, together with a reduction in equity and a maintenance of low interest rates.

For further information, see the report on the financial and solvency situation (SFCR) of the Group and the insurance companies available on the corporate website and the companies' websites.

Other information

Information regarding the business model, strategic focus and future orientation, corporate governance, compliance and prevention, cultural codes and risk management, among others, is available on the Group's website and detailed in the annual report of the Group. each one of the exercises. Likewise, this report also details the information about the commitments with the stakeholders and the social and environmental performance.

During the first semester of 2018 there have been no events that modify said information or that produce deviations in the appetite for risk approved by the Group. The next update will be included in the annual report for the 2018 financial year.

The Annexes provide information about the corporate structure, board of directors, financing structure and corporate responsibility.

Employees
The Catalana Occidente Group generates, directly, about 7,300 jobs divided between the traditional business and credit insurance. A figure that rises to 14,000 people if indirect jobs are also quantified.

Focus on client
The Group continues to develop new initiatives to improve the customer experience by monitoring different key indicators in order to offer them a better service. At the close of fiscal year 2017, the traditional business satisfaction index stood at 91.2%, improving 7.5 points with respect to the previous year.

Innovation
For the Group, this concept is an essential element and has always been an important part of the business strategy. In recent years, innovation has been intensively promoted with various projects

Corporate responsability
At the same time, the Group has drawn up a corporate responsibility strategy that focuses on the creation of sustainable social value and good governance. The relationship with the different interest groups is materialized with specific commitments based on the Group's cultural keys.

Social management
The Group understands that social value is the result of focusing its activity not only on obtaining good financial results but also on promoting the well-being of the people who make up its interest groups and society as a whole. A part of the Group's social action is articulated through the Jesús Serra Foundation.

Environment
The Group carries out its activities complying with current environmental legislation as well as the commitments voluntarily acquired in a way that promotes good environmental, energy and eco-efficient practices, as well as the promotion of the consumption of renewable energies and compensation of gas emissions. of greenhouse effect

The Group has not received any claim for environmental impact issues

Main risk
The principal risks and uncertainties that the Catalana Occidente Group may face during the financial year are those associated with the insurance business itself, as well as macro-economic and financial situation in general. In this regard, we highlight the following as the most significant risks:

- Uncertainties relating to the prospects of economic growth for the key countries where the Group operates.
- Impact of the economic environment and liquidity on the credit quality for companies, which may trigger higher claims frequency.
- Risk of sudden increase in the frequency and/or amount of bad debts, which may result in an increase in claims and consequently, a decrease in results.
- Volatility and disruptions in the financial markets that would cause changes in interest rates, credit spreads, and stock and foreign exchange prices..
- Declines in the value of properties, and consequently of the gains associated with them.
- New legislation and/or changes in existing laws to which the Group is subject could alter the business performance in various ways.

Grupo Catalana Occidente is strongly capitalized and reasonably protected in relation to the impacts that may be associated with various risks and uncertainties. This does not mean that the company would ever cease to continually analyses and review the various aspects that can be considered key to the Group's performance, both in the short and long term, in order to enable the Group to manage the impact of economic developments more flexibly and efficiently.

03 Appendices

About Grupo Catalana Occidente

Grupo Catalana Occidente, S.A. is a limited company that does not directly practise in the insurance business, but that is the head of a group of dependent entities that are principally engaged in insurance activities.

The registered office of Grupo Catalana Occidente is in Paseo de la Castellana 4, Madrid (Spain) and its website is: www.grupocatalanaoccidente.com

The Group is subject to the rules and regulations of insurers operating in Spain. The Directorate General of Insurance and Pension Funds as leading supervisor of the College of Supervisors (hereinafter 'DGSFP') performs the functions of supervision in the field of insurance and reinsurance, insurance mediation, capitalisation and pension funds. The DGSFP is located in Madrid (Spain) in Paseo de la Castellana, 44 and its website is:
oficinavirtual.dgsfp@mineco.es

Insurance specialist

- Over 150 years of experience
- Complete offer
- Sustainable and socially responsible model

Closeness – global presence

- Distribution of intermediaries
- Over 18,000 agents
- 7,300 employees
- Over 1,600 offices
- Over 50 countries

Solid financial structure

- Listed on the Stock exchange
- "A" Rating
- Stable, committed shareholders

Technical rigour

- Excellent combined ratio:
- Strict cost control
- 1999-2017: profitable multiplied by 10
- Prudent and diversified investment portfolio

Additional information of the credit insurance

(figures in €M)

Income	6M2017	6M 2018	% Chg. 17-18	12M 2017
Written premiums (€M)	**865.1**	**897.8**	**3.8%**	**1,607.4**
Credit insurance	685.3	709.5	3.5%	1,353.7
Surety insurance	68.0	69.0	1.6%	122.5
Accepted reinsurance	111.9	119.2	6.6%	131.2
Income from information	**81.3**	**81.5**	**0.2%**	**130.8**
Total income from insurance	**946.4**	**979.2**	**3.5%**	**1,738.2**
Complementary activities	61.8	59.4	-3.9%	121.9
Income	**1,008.2**	**1,038.6**	**3.0%**	**1,860.1**
Earned premiums	**787.7**	**814.6**	**3.4%**	**1,588.0**
Net income from insurance	**869.0**	**896.1**	**3.1%**	**1,718.8**

Combined ratio breakdown	6M2017	6M 2018	% Chg. 17-18	12M 2017
% Gross technical cost	41.5%	43.3%	1.8	41.7%
% Gross commissions + expenses	35.2%	34.3%	-0.9	35.4%
% Gross combined ratio	**76.7%**	**77.6%**	**0.9**	**77.1%**
% Net technical cost	39.6%	43.2%	3.6	41.4%
% Net commissions + expenses	34.2%	31.2%	-3.0	33.8%
% Net combined ratio	**73.8%**	**74.4%**	**0.6**	**75.2%**

(figures in millions of euro)

Risk accumulation per country	2014	2015	2016	2017	6M2017	6M 2018	% Chg. 17-18	% of total
Spain and Portugal	85,165	89,601	93,437	98,714	96,415	98,731	2.4%	15.4%
Germany	77,297	80,398	82,783	86,430	84,829	88,239	4.0%	13.8%
Australia and Asia	69,210	79,668	79,013	84,233	84,764	90,904	7.2%	14.2%
Americas	59,491	65,464	71,970	73,188	70,673	71,937	1.8%	11.2%
Eastern Europe	45,925	50,805	55,098	59,253	57,901	61,717	6.6%	9.6%
United Kingdom	40,332	45,782	43,794	48,009	45,932	50,818	10.6%	7.9%
France	39,170	40,917	43,323	44,854	44,433	46,439	4.5%	7.2%
Italy	26,929	32,735	37,208	42,242	41,202	42,872	4.1%	6.7%
Nordic and Baltic countries	23,261	25,883	26,964	28,738	28,262	30,132	6.6%	4.7%
Netherlands	23,152	23,914	25,268	27,636	26,767	29,029	8.5%	4.5%
Belgium and Luxembourg	14,229	14,662	15,708	16,701	16,257	17,153	5.5%	2.7%
Rest of the world	10,954	12,817	12,538	12,830	12,931	12,591	-2.6%	2.0%
Total	**515,114**	**562,644**	**587,104**	**622,829**	**610,366**	**640,563**	**4.9%**	**100%**

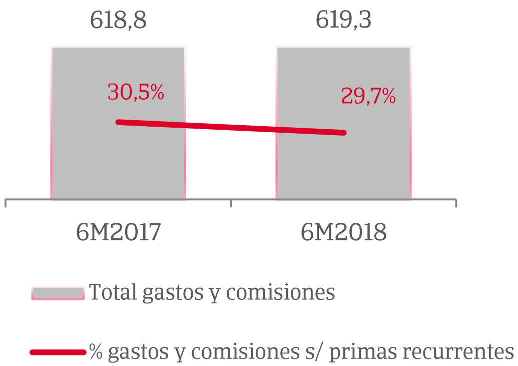
(figures in millions of euro)

Risk accumulation per sector	2014	2015	2016	2017	6M2017	6M 2018	% Chg. 17-18	% of total
Chemicals	63,915	69,797	70,510	74,476	81,200	84,520	4.1%	13.2%
Electronics	67,007	74,538	78,593	82,783	72,564	75,916	4.6%	11.9%
Durable consumer goods	56,347	60,940	65,324	68,442	66,462	69,028	3.9%	10.8%
Metals	56,286	59,888	58,855	63,419	61,266	66,468	8.5%	10.4%
Food	48,188	52,056	55,640	58,608	57,735	60,746	5.2%	9.5%
Transport	43,705	50,612	53,434	56,930	56,075	58,764	4.8%	9.2%
Construction	37,238	41,147	43,133	46,896	46,401	49,134	5.9%	7.7%
Machinery	31,629	33,902	34,734	37,137	36,709	39,611	7.9%	6.2%
Agriculture	25,932	28,327	30,907	33,318	32,392	33,911	4.7%	5.3%
Construction materials	21,981	24,425	25,387	27,058	27,164	28,088	3.4%	4.4%
Services	21,180	24,113	25,276	26,994	26,048	27,220	4.5%	4.2%
Textiles	17,722	19,065	19,855	20,562	20,065	20,491	2.1%	3.2%
Paper	12,275	12,747	13,590	13,929	13,997	14,024	0.2%	2.2%
Finance	11,711	11,088	11,867	12,277	12,289	12,642	2.9%	2.0%
Total	**515,114**	**562,644**	**587,104**	**622,829**	**610,366**	**640,563**	**4.9%**	**100%**

Expenses and commissions

(figures in €M)

Expenses and commissions	6M2017	6M 2018	% Chg. 17-18	12M 2017
Traditional business	152.1	149.0	-2.0%	311.6
Credit insurance	202.9	202.2	-0.3%	400.8
Non-recurring expenses	4.3	2.7		4.8
Total expenses	**359.4**	**353.9**	**-1.5%**	**717.3**
Commissions	**259.4**	**265.4**	**2.3%**	**521.9**
Total expenses and commissions	**618.8**	**619.3**	**0.1%**	**1,239.2**
% expenses and commissions without recurring premiums	30.5%	29.7%		32.8%



Financial result

(figures in € M)

Financial result	6M2017	6M 2018	% Chg. 17-18	12M 2017
Net financial income	124.1	109.4	-11.8%	221.1
Exchange Differences	-0.2	0.0		-0.5
Subsidiary companies	0.3	0.2		0.7
Interests applied to life	-78.3	-67.2	-14.2%	-148.7
Traditional business	**45.6**	**42.5**	**-6.8%**	**72.5**
% over earned premiums	3.6%	3.4%		2.9%
Net financial income	10.1	8.8	-12.9%	15.3
Exchange Differences	-0.1	3.6		0.5
Subsidiary companies	0.8	2.0		4.3
Interests subordinated debt	-8.4	-8.5	1.2%	-16.9
Credit insurance	**2.4**	**5.9**		**3.3**
% of net income from insurance	0.3%	0.7%		0.2%
Intra-group interest adjustment	-3.6	-3.0		-7.0
Adjusted credit insurance	**-1.2**	**3.0**		**-3.7**
Recurring financial	**44.4**	**45.5**	**2.5%**	**68.9**
% of total Group Income	2.1%	2.1%		1.6%
Non-Recurring financial	**-10.0**	**-0.8**		**-7.7**
Financial result	**34.4**	**44.7**	**29.9%**	**61.2**

Non-recurring result

(figures in millions of euro)

Non-recurring result (net taxes)	6M2017	6M 2018	12M 2017
Financial	-7.4	-1.4	6.2
Expenses and others	-4.2	-3.4	-4.8
Non-recurrent from traditional business	**-11.7**	**-4.8**	**1.4**
Financial	-0.5	-0.3	-8.8
Expenses and others	-3.2	-3.7	-4.4
Non-recurring from credit insurance	**-3.8**	**-4.0**	**-13.2**
Net non-recurring result	**-15.5**	**-8.9**	**-11.8**

Balance sheet

The assets of Grupo Catalana Occidente increased by €388.9M

Grupo Catalana Occidente ended June 2018 with assets of €14,590.3 M, an increase of 2.7% since the beginning of the year.

The main items that explain this increase are:

- Technical provisions, at €193.6M
- Investments, at €219.7 M.
- Net equity, at €88.7 M

Note that the item "cash" does not reflect the Group's liquidity position as investments in deposits and money market funds are included in Financial Investments (See Investments and Funds under Management table).

It should also be noted that the Catalana Occidente Group does not recognise capital gains on its properties on the asset side, so that these are stated at cost value less depreciation and impairment charges instead of market value.

In terms of debt ratio, the Group presents a ratio of 5.9% in line with the closing of the year 2017

(figures in € M)

Assets	12M 2017	6M 2018	% Chg. 17-18
Intangible assets and property	**1,218.8**	**1,260.4**	**3.4%**
Investments	**10,596.9**	**10,816.6**	**2.1%**
Investment property	382.8	471.4	23.1%
Financial investments	8,957.9	9,226.2	3.0%
Cash and short-term assets	1,256.2	1,119.0	-10.9%
Reinsurance participation in technical provisions	**842.5**	**859.6**	**2.0%**
Other assets	**1,543.2**	**1,653.7**	**7.2%**
Deferred tax assets	84.3	98.5	16.8%
Credits	946.4	972.6	2.8%
Other assets	512.5	582.5	13.7%
Total assets	**14,201.4**	**14,590.3**	**2.7%**

Net liabilities and equity	12M 2017	6M 2018	% Chg. 17-18
Long-term capital	**3,278.9**	**3,367.7**	**2.7%**
Net equity	**3,078.6**	**3,167.3**	**2.9%**
Parent company	2,752.6	2,836.0	3.0%
Minority interests	326.0	331.3	1.6%
Subordinated liabilities	**200.3**	**200.4**	**0.0%**
Technical Provisions	**9,425.2**	**9,618.8**	**2.1%**
Other liabilities	**1,497.3**	**1,603.8**	**7.1%**
Other provisions	165.2	159.6	-3.4%
Deposits received on buying reinsurance	57.7	56.2	-2.6%
Deferred tax liabilities	332.6	336.7	1.2%
Debts	618.7	734.0	18.6%
Other liabilities	323.1	317.3	-1.8%
Total net liabilities and equity	**14,201.4**	**14,590.3**	**2.7%**

Corporate structure

Grupo Catalana Occidente is composed of 50 companies, mostly involved in the insurance business. The parent company is Grupo Catalana Occidente S.A., (with registered office in Avda. Paseo de la Castellana 4, 28046 Madrid) which directly and indirectly administers and manages all of the shareholdings of all entities that make it up.

All of these have their own structure and organisational network, independent from the other insurance companies in the Group. From an organisational point of view they have a structure with centralisation and decentralisation of operations, with the following service centres: two underwriting centres, six claims centres, an administrative centre and a call centre.

GRUPO CATALANA OCCIDENTE
Principales entidades

SOCIEDADES DE SEGUROS	SOCIEDADES COMPLEMENTARIAS DE SEGUROS	SOCIEDADES DE INVERSIÓN
Seguros Catalana Occidente	Tecniseguros	GCO Gestión de Activos
Seguros Bilbao	Bilbao Vida	GCO Gestora de Pensiones
NorteHispana Seguros	S. Órbita	Catoc SICAV
Plus Ultra Seguros	Previsora Bilbaina Agencia de Seguros	Bilbao Hipotecaria
GCO Re	Bilbao Telemark	Sogesco
Previsora Bilbaína Seguros	Inversions Catalana Occident	Gesiuris
Previsora Bilbaína Vida	CO Capital Ag. Valores	Hercasol SICAV
	Cosalud Servicios	Previsora Inversiones
	GCO Tecnología y Servicios	GCO Activos Inmobiliarios
	Prepersa	
	GCO Contact Center	
	Asitur Asistencia	
	Calboquer	
	Grupo Asistea	
Atradius Crédito y Caución	Atradius Collections	Grupo Compañía Española Crédito y Caución
Atradius Re	Atradius Dutch State Business	Atradius NV
Atradius ATCI	Atradius Information Services	Atradius Participations Holding
Atradius Seguros de Crédito México	Iberinform International	Atradius Finance
Atradius Rus Credit Insurance	Graydon	
Crédito y Caución Seguradora de Crédito e Grantias Brazil		

NEGOCIO TRADICIONAL

NEGOCIO SEGURO DE CRÉDITO

(*) Asistea, formerly known as Grupo Arroita

Board of Directors

"Grupo Catalana Occidente has a Board of Directors that applies the principles of good governance with transparency and rigour."

The Board of Directors is the maximum management authority of Grupo Catalana Occidente. The Board delegates the ordinary management to the management team and concentrates its activity on the supervision function which includes:

- Strategic responsibility: direct the policies of the Group.
- Supervision responsibility: control the management events.
- Communication responsibility: serve as a link between shareholders.

Among other issues, the Board of Directors is responsible for the approval of the strategic plan, the annual objectives and budgets, the investment and finance policy and the policies of corporate governance, corporate responsibility, and risk control and management.

Its operation and actions are regulated by the Articles of Association and in the Regulations of the Board of Directors (available on the Group's website).

The Board of Directors annually approves the corporate governance report and the report on remuneration for the members of the Board of Directors corresponding to each year, following the guidelines established by the regulations in relation to the transparency of listed entities, and which is later submitted to a vote in the General Shareholders Meeting.

Board of Directors

Chairman

* José Mª Serra Farré

Vice chairman

Gestión de Activos y Valores S.L.
Javier Juncadella Salisachs

Chief Executive Officer

* José Ignacio Álvarez Juste

Director and Secretary

* Francisco J. Arregui Laborda

Members of the board

Jorge Enrich Izard

** Juan Ignacio Guerrero Gilabert

Federico Halpern Blasco

** Francisco Javier Pérez Farguell

*Hugo Serra Calderón

Maria Assumpta Soler Serra

Cotyp, S. L
Alberto Thiebaut Estrada

Ensivest Bros 2014, S. L.
Jorge Enrich Serra

Inversiones Giró Godó, S. L
Enrique Giró Godó

Jusal, S. L.
José M.ª Juncadella Sala

Lacanuda Consell, S. L
Carlos Halpern Serra

Villasa, S. L
Fernando Villavecchia Obregón

Vice secretary - Non member

Joaquin Guallar Pérez

Delegate committees

Audit Committee

Chairman

Francisco Javier Pérez Farguell

Members of the board

Juan Ignacio Guerrero Gilabert

Lacanuda Consell, S. L

Appointments and Remuneration Committe

Chairman

Juan Ignacio Guerrero Gilabert

Members of the board

Francisco Javier Pérez Farguell

Gestión de Activos y Valores S.L.

*Executive directors **Independent

The curriculums are available on the Group's website

For further information about the governance system, see SFCR

Corporate responsibility

The corporate responsibility strategy of the Group directs its framework for action toward the creation of value for society, ethics, transparency and commitment to legality.

The Group contributes to social and economic improvement of the areas where it operates, through business development. The nature of insurance implies the concept of social responsibility, as it means to accompany customers in all stages of their professional and personal life, anticipating risks to protect them.

Under the strict supervision of the Board of Directors, responsible for establishing and guiding the corporate responsibility strategy, its management involves all business areas and entities of the group in its three dimensions: economic performance, environmental management and social management. The Group also launched in an integrated corporate responsibility committee made up by managers of the different areas that represent the interest groups.

Social value is the result of focusing the activity not only on obtaining good financial results but also on favouring the well-being of the people that form part of the interest groups and society as a whole. This value becomes sustainable when it is integrated in the short and long term.

Internal and external application framework

The commitment to the observance of human rights is channelled through the Group's Code of Ethics, which includes the observance of ethical and legal principles to all employees and associates of the Group.

Externally, Grupo Catalana Occidente subscribes to the United Nations Global Compact. Furthermore, through the current activity and social action, it also supports the Objectives of Sustainable Development as defined by the UN encouraging aspects such as economic growth and progress, equality opportunities, learning, energy efficiency, the care of the health and well-being.

In Spain, the entities of the group are also involved in the main sectoral associations (ICEA and UNESPA) that have corporate responsibility programmes:

Fundación Jesús Serra

Fundación Jesús Serra is a private non-profit entity created in memory of Jesus Serra Santamans, well-known businessman and patron, founder of Grupo Catalana Occidente, which is intended to give support to initiatives of a cultural, business, education, music, sports, social and research type. Its budget in 2017 was for €1.9M and included the following events:

Music and poetry

- Collaboration in the María Canals Competition.
- Pianos in the street: 12,000 musicians and an audience of 120,000.
- Poetry competition: 10th edition with more than 1,000 poems.

Research and teaching

- The Research Award of Fundación Jesús Serra is aimed at scientists so that they can carry out their research in Spain.
- Visiting Researchers Programme in collaboration with different research centre at national level.
- Encouraging teaching with scholarships for talent in business schools such as ESADE and Deusto.

Sport

Fundación Jesús Serra and the Spanish Federation of Sports of People with Physical Disabilities have once again organised the "Sport for all" Seminar in educational centres in the provinces of Madrid, Valencia and Alicante, with the aim of raising awareness in young people about the difficulties faced by people with disabilities. Workshops were carried out in each centre for adapted sports, such as wheelchair basketball, goalball (football for the blind), slalom, boccia, and sitting volleyball. The traditional ski trophy from Fundación Jesús Serra and the Xpress Tennis Cup were also held, aimed at encouraging tennis.

The CDIA campus (Winter Sports Adapted Centre) should also be highlighted also integrating a strong component of solidarity, which took place in the Baqueira Beret ski station, with a competition of alpine skiing and snowboard for disabled athletes.

Charity

Initiatives aimed at achieving a world with fewer inequalities, supporting causes that provide opportunities among groups of people with physical or mental disabilities, economic difficulties, social exclusion, illness, etc.

In 2017 we highlight the contribution to projects such as improving the quality of education in the north-west region of Haiti, benefiting 2,040 students.

Calendar and contact

Jan | Feb | Mar | Ap | May | Jun | Jul | Sept | Oct | Nov | De

22 February
Results
12M 2016
Presentation 24/02 12:30

26 April
Results
6M2017
Conference: 27/04 at 11:00

26 July
Results
6M 2017
Conference 27/7 11:00

25 October
Results
9M 2017
Conference: 16.00

February
Interim
Dividend 2017

May
Complementary
Dividend 2017

July
Interim
Dividend 2018

October
Interim
Dividend 2018

March
Roadshow
BBVA
Paris

May
Medcap Forum
BME
Madrid

September
Small & Med Cap conference
JP Morgan
London

February
B. Santander
Iberian Forum
Madrid

March
Roadshow
Alatra
Frankfurt

May
Roadshow
Sabadell
Bilbao

December
Kepler
Paris

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App para iPad disponible en App Store: Grupo Catalana Occidente Financial Reports

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Glossary

Concept	Definition	Formulation
Technical result	Result of the insurance activity	**Technical result** = Income from insurance - Technical cost - Commissions - Expenses
Reinsurance result	Result due to transferring business to the reinsurer or accepting business from other entities.	**Reinsurance result** = Result of Inward Re + Result of ceded reinsurance
Financial result	Result of the financial investments.	**Financial result** = income from financial assets (coupons, dividends, actions) - financial expenses (commissions and other expenses) + result of subsidiary companies - interest accrued on the debt - interest paid to the insured parties of the life insurance business
Technical/financial result	Result of the insurance activity, including the financial result. This result is particularly relevant for Life insurance.	**Technical/financial result =** Technical result + Financial result
Result of non-technical non-financial account	Income and expenses that cannot be assigned to the technical or financial results.	**Result of non-technical non-financial account =** Income - expenses that cannot be assigned to the technical or financial results.
Result of credit insurance complementary activities	Result of activities that cannot be assigned to the purely insurance business. Mainly distinguishes the activities of: · Information services · Recoveries · Management of the export account of the Dutch state.	**Result of credit insurance complementary activities =** income - expenses
Recurring result	Result of the entity's regular activity	**Recurring result =** technical/financial result + non-technical account result - taxes, all resulting from normal activity

Non-recurring result	Extraordinary or atypical movements that may undermine the analysis of the income statement. These are classified depending on their nature (technical, expenses and financial) and by business type (traditional and credit insurance)	Non-recurring result = technical/financial result + non-technical account result - taxes, all resulting from extraordinary or atypical activity
Turnover	Turnover is the Group's business volume. It includes premiums that the Group generates in each of the business lines and the income from services pertaining to the credit insurance.	**Turnover =** Premiums invoiced + Income from information **Premiums invoiced =** premiums issued from direct insurance + premiums from accepted reinsurance
Funds under management	Amount of the financial and property assets managed by the Group	**Funds under management =** Financial and property assets entity risk + Financial and property assets policyholder risk + Managed pension funds **Funds under management =** fixed income + variable income + properties + deposits in credit entities + treasury + investee companies
Financial strength	This shows the debt and solvency situation. This is principally measured through the debt ratio, the interest coverage ratio and the credit rating.	**Debt ratio =** Net equity + Debt / Debt **Interest coverage ratio =** result before taxes / Interest
Technical cost	Direct costs of accident coverage. See claims.	**Technical cost =** total claims - claims covered by reinsurance + cost of reinsurance + increase of technical provisions
Dividend yield	The profitability per dividend or dividend yield shows the relationship existing between the dividends distributed in the previous year with the value of the share upon closing. Indicator used to value the shares of an entity.	**Dividend yield =** dividend paid in the year per share / value of the price of the share upon closing
Modified duration	Sensitivity of the value of the assets to movements in interest rates	**Modified duration=** Represents an approximation of the value of the percentage variation in the value of the financial assets for each percentage point (100 basic points) of variation in the interest rates.
Expenses	The general expenses include the costs incurred for management of the business, excluding those that can be assigned to claims.	**Expenses =** personnel expenses + commercial expenses + various expenses and services (allowance, training, management rewards, material and other office expenses, leases, external services, etc.)

Permanence index	This measures the customer's expectations of continuing with the entity Scale from less than 1 year to over 5 years	**Permanence index=** how long do you think that you will remain a customer?
Company satisfaction index	This measures the general satisfaction of the customer with the entity Scale from 1 to 10	**Overall satisfaction index** = (Satisfied – dissatisfied) / respondents Satisfied responses with result from 7 to 10 Dissatisfied responses with result from 1 to 4
Service satisfaction index	This measures the evaluation of the service received Scale from 1 to 10	**Service satisfaction index** = (Satisfied – dissatisfied) / respondents Satisfied responses with result from 7 to 10 Dissatisfied responses with result from 1 to 4
Income from insurance	Concept used in the credit insurance businessThis measures the income obtained from the main activity of the credit insurance entity	Income from insurance = earned premiums + income from information
Investments in associated / subsidiary entities	Non-dependant entities where the Group has significant influence	**Investments in associated / subsidiary entities =** accounting value of the economic investment
Net Promoter Score NPS	This measures the degree of customer loyalty with the entity	**Net Promoter score =** Would you recommend the company to family and friends? = (promoters-critics)/ respondents Promoters: responses with result equal to 9 or 10 Critics: responses with result from 1 to 6
Pay out	Ratio that indicates the part of the result distributed among investors through dividends	**Pay out =** dividend distributed in the year / result attributable
Price Earnings Ratio PER	The price-earnings ratio or PER measures the relationship between the price or value of the entity and the results. Its value expresses what the market pays for each monetary unit of results. It is representative of the entity's capacity to generate results.	**PER =** Market price of the share / result attributed per share
Ex. single premiums	Total premiums without considering non-periodic premiums in the Life business	**Ex. single premiums =** Invoiced premiums - single premiums in the life business
Technical Provisions	Amount of the obligations assumed that are derived from insurance and reinsurance contracts.	

Combined ratio	Indicator that measures the technical profitability of the Non Life insurances.	**Net combined ratio =** ((Claims + increase in technical provisions) + Commissions + Expenses) / Income from insurance
Net combined ratio	Indicator that measures the technical profitability of the non life insurances net of the reinsurance effect	**Net combined ratio =** ((Claims - claims covered by the reinsurance + reinsurance cost + increase in technical provisions) + Commissions + Expenses) / (Income from insurance - earned premiums transferred to reinsurance)
Expenses ratio	Ratio that reflects the part of the income from premiums dedicated to expenses.	**Expenses ratio =** Expenses / Income from insurance
Net expenses ratio	Ratio that reflects the part of the income from premiums dedicated to expenses, net of the reinsurance effect	**Expenses ratio =** (Expenses - commission of transferred reinsurance) / (Income from insurance - Earned premiums transferred to reinsurance)
Claims ratio	Business indicator, consisting of the proportion between claims and earned premiums.	**Claims ratio =** (Claims + increase in technical provisions) / Income from insurance
Net claims ratio	Business indicator, consisting of the proportion between claims and earned premiums, net of the reinsurance effect.	**Net claims ratio =** (Claims - claims covered by the reinsurance + increase in technical provisions) / (Income from insurance - Earned premiums transferred to reinsurance)
Long-term capital	Resources that can be included in own funds.	**Long-term capital =** Net equity + subordinate debt
Long-term capital at market value	Resources that can be included in own funds at market value	**Long-term capital at market value =** Net equity + Subordinate debt + capital gains not included in the balance
Resources transferred to society	Amount that the Group returns to the main groups of interest.	**Resources transferred to the company =** claims paid + taxes + commissions + personnel expenses + dividends
Return On Equity ROE	Financial profitability or rate of return Measures the performance of the capital	**ROE =** Result attributable / Attributed net equity
Claims	See technical cost. Economic evaluation of claims.	**Claims =** Payments for claims + Variation of the provision for services
Total Potential ExposureTPE	This is the potential exposure to risk, also "cumulative risk".Credit insurance business term	TPE = the sum of the credit risks underwritten by the Group for each buyer

Legal note

This document has been prepared by Grupo Catalana Occidente exclusively for use in the presentation of results. The forward-looking statements or predictions that may be contained in this document do not constitute, by their very nature, guarantees of future compliance, as they are subject to risks, uncertainties and other relevant factors, which may result in the developments and final results differing materially from those stated on these pages. Among these factors, we can highlight the following: performance of the insurance sector and of the overall economic situation in the countries where the entity operates; modifications to the legal framework; changes in monetary policy; pressure from the competition; changes in trends upon which the mortality and morbidity tables are based which affect the insurance activity in the areas of life and health; frequency and severity of the claims subject to coverage, both in the scope of the insurance activity and of general insurance such as life; fluctuation of the interest rates and the exchange rates; risks associated to the use of derived products; effect of future acquisitions.

Grupo Catalana Occidente is not obliged to periodically revise the content of this document in order to adapt it to events or circumstances posterior to this presentation.

The statements of this declaration must be taken into account by all people or entities that may have to adopt decisions or make or publish opinions relative to securities issued by the Company and, in particular, by the analysts and investors that use this document.

04 Consolidated Semi-annual Financial Statements

GRUPO CATALANA OCCIDENTE, S.A. AND SUBSIDIARIES
(Grupo Catalana Occidente)

ABRIDGED CONSOLIDATED BALANCE SHEET AT 30 JUNE 2018 AND 31 DECEMBER 2017 (Notes 1 & 2)

(Figures in Thousands of Euros)

ASSETS	31.12.2017 (*)		30.06.2018	
1. Cash and other equivalent liquid assets		1,256,195		1,118,996
2. Financial assets held for trading (Note 6.c.)		27		27
3. Other financial assets at fair value with changes in profit and loss (Note 6.c.)		380,581		349,502
a) Equity instruments	7,698		99	
b) Debt securities	33,786		-	
c) Investments held for the benefit of policyholders who bear the investment risk	339,097		349,403	
d) Loans	-		-	
e) Deposits with credit institutions	-		-	
4. Available-for-sale financial assets (Note 6.c)		8,148,187		8,209,521
a) Equity instruments	1,434,544		1,427,702	
b) Debt securities	6,522,649		6,601,376	
c) Loans	80		-	
d) Deposits in credit institutions	190,914		180,443	
e) Other	-		-	
5. Loans and receivables (Note 6.c)		1,161,296		1,414,507
a) Loans and other financial assets	326,542		558,991	
b) Receivables	817,018		831,377	
c) Investments held for the benefit of policyholders who bear the risk	17,736		24,139	
6. Held-to-maturity investments		-		-
7. Hedging derivatives		-		-
8. Reinsurer participation in technical provisions (Note 6.e.)		842,528		859,641
9. Property, plant and equipment and investment property		694,034		786,760
Property, plant and equipment (Note 6.a.)	311,248		315,370	
b) Property investments (Note 6.a.)	382,786		471,390	
10. Intangible assets		907,513		945,026
a) Goodwill (Note 6.b.1.)	774,794		803,301	
b) Policy portfolio acquisition costs	5,242		5,565	
c) Other intangible assets	127,477		136,160	
11. Investment in entities accounted for using the equity method (Note 6.d.)		84,837		84,058
12. Tax assets		213,743		239,786
a) Current tax assets	129,427		141,261	
b) Deferred tax assets	84,316		98,525	
13. Other assets		512,477		582,502
14. Assets held for sale		-		-
TOTAL ASSETS		14,201,418		14,590,326

(*) Presented solely and exclusively for comparison purposes. See Note 2.e. to the Explanatory Notes.

The accompanying Explanatory Notes 1 to 7 are an integral part of the Abridged Consolidated Balance Sheet as at 30 June 2018.

GRUPO CATALANA OCCIDENTE, S.A. AND SUBSIDIARIES
(Grupo Catalana Occidente)

ABRIDGED CONSOLIDATED BALANCE SHEET AT 30 JUNE 2018
AND 31 DECEMBER 2017 (Notes 1 & 2)

(Figures in Thousands of Euros)

	NET LIABILITIES AND EQUITY	31.12.2017 (*)		30.06.2018	
	TOTAL LIABILITIES		11,122,814		11,423,027
1.	Financial liabilities held for trading		-		-
2.	Other financial assets at fair value through profit or loss		-		-
3.	Trade and other payables		824,427		881,425
	a) Subordinated liabilities (Note 6.f)	200,266		200,352	
	b) Other payables	624,161		681,073	
4.	Hedging derivatives		-		-
5.	Technical provisions (Note 6.e.)		9,425,183		9,618,839
	a) For unearned premiums	1,262,816		1,426,991	
	b) For unexpired risks	5,361		5,361	
	c) For life insurance				
	- Provision for unearned premiums and unexpired risks	25,495		28,501	
	- Mathematical provision	5,116,785		5,130,442	
	- Provision for life insurance where the investment risk is borne by policyholders	356,833		373,542	
	d) For claims	2,600,591		2,595,515	
	e) For policyholder dividends and return premiums	5,933		5,086	
	f) Other technical provisions	51,369		53,401	
6.	Non-technical provisions		165,193		159,570
7.	Tax liabilities		384,954		445,887
	a) Current tax liabilities	52,308		109,196	
	b) Deferred tax liabilities	332,646		336,691	
8.	Other liabilities		323,057		317,306
9.	Liabilities related to assets held for sale		-		-
	TOTAL NET EQUITY		3,078,604		3,167,299
	Equity		2,185,289		2,281,593
1.	Capital		36,000		36,000
2.	Share Premium Account		1,533		1,533
3.	Reserves		1,874,977		2,097,216
4.	*Less:* Treasury shares and participation units		18,108		22,259
5.	Results from previous years		-		-
6.	Other equity holders contributions		-		-
7.	Profit or loss for the year attributable to the parent company		325,447		187,247
	a) Consolidated profit or loss	357,340		205,752	
	b) Profit or loss attributable to minority interests	31,893		18,505	
8.	*Less:* Interim Dividend		34,560		18,144
9.	Other equity instruments		-		-
	Other accumulated global result		567,322		554,418
1.	Items that are not re-classified to results of the period		-		-
2.	Items that cannot be recycled after the results of the period		567,322		554,418
	a) Available-for-sale financial assets	676,483		664,842	
	b) Hedging transactions	-		-	
	c) Exchange differences	(24,141)		(24,772)	
	d) Correction of accounting mismatches	(86,038)		(84,876)	
	e) Entities accounted for using the equity method	1,018		(776)	
	f) Other adjustments	-		-	
	NET EQUITY ATTRIBUTABLE TO THE PARENT COMPANY (Note 6.h.)		2,752,611		2,836,011
	MINORITY INTERESTS (Note 6.h.)		325,993		331,288
1.	Other accumulated global result		(2,639)		(4,178)
2.	Other		328,632		335,466
	TOTAL NET EQUITY AND LIABILITIES		14,201,418		14,590,326

(*) Presented solely and exclusively for comparison purposes. See Note 2.e. to the Explanatory Notes.

The accompanying Explanatory Notes 1 to 7 are an integral part of the Abridged Consolidated Balance Sheet as at 30 June 2018.

GRUPO CATALANA OCCIDENTE, S.A. AND SUBSIDIARIES
(Grupo Catalana Occidente)

ABRIDGED CONSOLIDATED PROFIT AND LOSS ACCOUNTS BY SEGMENTS FOR THE SIX MONTH PERIODS ENDED IN 30 JUNE 2018 AND 2017 (Notes 1 and 2)

(Figures in Thousands of Euros)

	1st Half-Year 2017 (*)	First half-year 2018
1. Earned premiums for the year, net of reinsurance	1,268,500	1,325,382
2. Income from investments and property, plant and equipment	73,467	73,371
3. Other technical income	140,578	139,323
4. Claims incurred in the year, net of reinsurance	(690,017)	(738,139)
5. Change in other technical provisions, net of reinsurance	(2,593)	(3,499)
6. Provision for policyholder dividends and return premiums	-	-
7. Net operating expenses	(487,093)	(491,750)
8. Other technical expenses	(3,053)	(3,059)
9. Expenses arising from property, plant and equipment and investments	(36,058)	(31,042)
A) NON-LIFE EARNINGS	263,731	270,587
10. Earned premiums for the year, net of reinsurance	393,486	371,948
11. Income from investments and property, plant and equipment	103,887	98,725
12. Income from investments assigned to insurance policies in which policyholders bear the investment risk	23,038	11,995
13. Other technical income	2,424	4,304
14. Claims incurred in the year, net of reinsurance	(364,021)	(359,042)
15. Change in other technical provisions, net of reinsurance	(75,174)	(30,241)
16. Provision for policyholder dividends and return premiums	-1,050	(372)
17. Net operating expenses	(37,033)	(38,707)
18. Other technical expenses	(1,211)	(1,405)
19. Expenses arising from property, plant and equipment and investments	(17,315)	(17,640)
20. Expenses of investments assigned to insurance policies in which policyholders bear the investment risk	(4,081)	(12,133)
B) LIFE INSURANCE PROFIT	22,950	27,432
C) PROFIT ON TECHNICAL ACCOUNT	286,681	298,019
21. Income from investments and property, plant and equipment	(4,101)	(3,085)
22. Negative goodwill	-	-
23. Expenses arising from property, plant and equipment and investments	(11,985)	(7,366)
24. Other income	12,766	11,241
25. Other expenses	(28,643)	(23,912)
E) PROFIT BEFORE TAX	254,718	274,897
26. Tax on profits	(64,545)	(69,145)
F) PROFIT FOR THE YEAR FROM ONGOING OPERATIONS	190,173	205,752
27. Result of the financial year from continuing operations net of tax	-	-
G) CONSOLIDATED RESULTS FOR THE YEAR	190,173	205,752
a) Profit attributable to the parent company	172,122	187,247
b) Profit attributable to minority interests	18,051	18,505

(Figures in Euros)

EARNINGS PER SHARE		
Basic	1.4591	1.5886
Diluted	1.4591	1.5886

(*) Presented solely and exclusively for comparison purposes. Unaudited balances. See Note 2.e. to the Explanatory Notes.

The accompanying Explanatory Notes 1 to 7 are an integral part of the abridged consolidated profit and loss account for the six-month period ended 30 June 2018.

GRUPO CATALANA OCCIDENTE, S.A. AND SUBSIDIARIES
(Grupo Catalana Occidente)

ABRIDGED CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2018 AND 2017 (Notes 1 & 2)

(Figures in Thousands of Euros)

	1st Half-Year 2017 (*)	First half-year 2018
A) CONSOLIDATED PROFIT FOR THE YEAR	190,173	205,752
B) OTHER OVERALL RESULT - ITEMS THAT WERE NOT RECLASSIFIED TO RESULT FROM THE PERIOD	-	(5,533)
1. Actuarial Gains/(losses) on long term remuneration to personnel	-	(6,899)
2. Participation in another global result recognised by the investments in joint and associated business	-	-
3. Other income and expenditure that are not re-classified to results of the period	-	-
4. Tax effect	-	1,366
B) OTHER OVERALL RESULT - ITEMS THAT CANNOT BE RECLASSIFIED AFTER THE RESULTS OF THE PERIOD	(7,590)	(14,444)
1. Available-for-sale financial assets:	(8,464)	(17,524)
a) Valuation gains/(losses)	(2,803)	(12,752)
b) Amounts transferred to the income statement	(5,661)	(4,772)
c) Other reclassifications	-	-
2. Cash flow hedges:	-	-
a) Valuation gains/(losses)	-	-
b) Amounts transferred to the income statement	-	-
c) Amounts transferred to the initial carrying amount of hedged items	-	-
c) Other reclassifications	-	-
3. Coverage of net investments in foreign operations:	-	-
a) Valuation gains/(losses)	-	-
b) Amounts transferred to the income statement	-	-
c) Other reclassifications	-	-
4. Exchange differences:	(9,734)	(821)
a) Valuation gains/(losses)	(9,734)	(821)
b) Amounts transferred to the income statement	-	-
c) Other reclassifications	-	-
5. Correction of accounting mismatches:	14,990	1,572
a) Valuation gains/(losses)	14,990	1,572
b) Amounts transferred to the income statement	-	-
c) Other reclassifications	-	-
6. Assets held for sale:	-	-
a) Valuation gains/(losses)	-	-
b) Amounts transferred to the income statement	-	-
c) Other reclassifications	-	-
7. Participation in another global result recognised by the investments in joint and associated business	(1,273)	(2,097)
a) Valuation gains/(losses)	(1,273)	(2,097)
b) Amounts transferred to the income statement	-	-
c) Other reclassifications	-	-
8. Other income and expenses that may be reclassified after the results of the period	-	-
9. Tax effect	(3,109)	4,426
TOTAL GLOBAL RESULT FOR THE FINANCIAL YEAR (A + B + C)	182,583	185,775
a) Attributable to the parent company	165,269	169,739
b) Attributable to minority interests	17,314	16,036

(*) Presented solely and exclusively for comparison purposes. Unaudited balances. See Note 2.e. to the Explanatory Notes.

The accompanying Explanatory Notes 1 to 7 are an integral part of the abridged consolidated statement of recognised income and expense for the six-month period ended 30 June 2018.

GRUPO CATALANA OCCIDENTE, S.A. AND SUBSIDIARIES
(Grupo Catalana Occidente)

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2018, 31 DECEMBER 2017 AND 30 JUNE 2017 (Notes 1 and 2)

(Figures in Thousands of Euros)

	Equity attributable to the parent company							
	Equity							
	Capital or mutual fund	Share premium Account and Reserves	Treasury shares and participation units	Profit for the year attributable to the parent company	(Interim Dividends)	Other accumulated global result	Minority Interests	Total net equity
Closing balance at 31 December 2016 (*)	36,000	1,678,807	(18,293)	295,599	(32,904)	574,443	301,047	2,834,699
Adjustment for changes in accounting policies	-	-	-	-	-	-	-	-
Adjustment for errors	-	-	-	-	-	-	-	-
Opening balance adjusted to 1 January 2017	36,000	1,678,807	(18,293)	295,599	(32,904)	574,443	301,047	2,834,699
I. Total recognised income/(expense) first half 2017	-	-	-	172,122	-	(6,853)	17,314	182,583
II. Transactions with shareholders and owners	-	-	185	-	(71,160)	-	(9,801)	(80,776)
1. Capital increases/(decreases)	-	-	-	-	-	-	-	-
2. Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-
3. Distribution of dividends	-	-	-	-	(71,160)	-	(9,801)	(80,961)
4. Transactions with treasury shares or participation units (net)	-	-	185	-	-	-	-	185
5. Increases (decreases) due to business combinations	-	-	-	-	-	-	-	-
6. Other operations with shareholders or owners	-	-	-	-	-	-	-	-
III. Other changes in equity	-	208,937	-	(295,599)	86,784	-	(390)	(268)
1. Share-based payments	-	-	-	-	-	-	-	-
2. Transfers between equity components	-	208,815	-	(295,599)	86,784	-	-	-
3. Other changes	-	122	-	-	-	-	(390)	(268)
Closing balance at 30 June 2017 (*)	36,000	1,887,744	(18,108)	172,122	(17,280)	567,590	308,170	2,936,238
Adjustment for changes in accounting policies	-	-	-	-	-	-	-	-
Adjustment for errors	-	-	-	-	-	-	-	-
Initial adjusted balance	36,000	1,887,744	(18,108)	172,122	(17,280)	567,590	308,170	2,936,238
I. Total recognised income/(expense) second half 2017	-	26,351	-	153,325	-	(268)	17,987	197,395
II. Transactions with shareholders and owners	-	-	-	-	(17,280)	-	-	(17,280)
1. Capital increases/(decreases)	-	-	-	-	-	-	-	-
2. Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-
3. Distribution of dividends	-	-	-	-	(17,280)	-	-	(17,280)
4. Transactions with treasury shares or participation units (net)	-	-	-	-	-	-	-	-
5. Increases (decreases) due to business combinations	-	-	-	-	-	-	-	-
6. Other operations with shareholders or owners	-	-	-	-	-	-	-	-
III. Other changes in equity	-	(37,585)	-	-	-	-	(164)	(37,749)
1. Share-based payments	-	-	-	-	-	-	-	-
2. Transfers between equity components	-	-	-	-	-	-	-	-
3. Other changes	-	(37,585)	-	-	-	-	(164)	(37,749)
Closing balance at 31 December 2017 (*)	36,000	1,876,510	(18,108)	325,447	(34,560)	567,322	325,993	3,078,604
Adjustment for changes in accounting policies	-	-	-	-	-	-	-	-
Adjustment for errors	-	-	-	-	-	-	-	-
Opening balance adjusted to 1 January 2018	36,000	1,876,510	(18,108)	325,447	(34,560)	567,322	325,993	3,078,604
I. Total recognised income/(expense) first half 2018	-	(4,604)	-	187,247	-	(12,904)	16,036	185,775
II. Transactions with shareholders and owners	-	-	(4,151)	-	(76,596)	-	(10,778)	(91,525)
1. Capital increases/(decreases)	-	-	-	-	-	-	-	-
2. Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-
3. Distribution of dividends	-	-	-	-	(76,596)	-	(10,778)	(87,374)
4. Transactions with treasury shares or participation units (net)	-	-	(4,151)	-	-	-	-	(4,151)
5. Increases (decreases) due to business combinations	-	-	-	-	-	-	-	-
6. Other operations with shareholders or owners	-	-	-	-	-	-	-	-
III. Other changes in equity	-	226,843	-	(325,447)	93,012	-	37	(5,555)
1. Share-based payments	-	-	-	-	-	-	-	-
2. Transfers between equity components	-	232,435	-	(325,447)	93,012	-	-	-
3. Other changes	-	(5,592)	-	-	-	-	37	(5,555)
Closing balance at 30 June 2018	36,000	2,098,749	(22,259)	187,247	(18,144)	554,418	331,288	3,167,299

(*) Presented solely and exclusively for comparison purposes. See Note 2.e. to the Explanatory Notes.
The accompanying Explanatory Notes 1 to 7 are an integral part of the abridged consolidated statement of changes in equity for the six-month period ended 30 June 2018.

GRUPO CATALANA OCCIDENTE, S.A. AND SUBSIDIARIES
(Grupo Catalana Occidente)

ABRIDGED CONSOLIDATED STATEMENTS OF CASH FLOWS GENERATED IN THE SIX MONTH PERIODS ENDED 30 JUNE 2018 AND 2017 (DIRECT METHOD) (Notes 1 and 2)

(Figures in Thousands of Euros)

	1st Half-Year 2017 (*)	First half-year 2018
A) CASH FLOWS FROM OPERATING ACTIVITIES (1+2+3)	184,158	242,648
1. Insurance activities:	398,886	465,624
(+) Cash received from insurance activities	2,583,499	2,633,756
(-) Cash paid in insurance activities	(2,184,613)	(2,168,132)
2. Other operating activities:	(165,637)	(193,063)
(+) Cash received from other operating activities	226,886	196,115
(-) Cash paid in other operating activities	(392,523)	(389,178)
3. Income tax refunded/(paid)	(49,091)	(29,913)
B) CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2)	(24,491)	(312,128)
1. Cash received from investing activities:	960,922	1,201,194
(+) Property, plant and equipment	231	455
(+) Investment property	12,769	12,323
(+) Intangible assets	734	-
(+) Financial instruments	698,040	910,390
(+) Investments in equity instruments	-	-
(+) Subsidiaries and other business units	-	-
(+) Interest received	119,599	116,635
(+) Dividends received	27,714	34,794
(+) Other cash received in relation to investing activities	101,835	126,597
2. Payments from investment activities:	(985,413)	(1,513,322)
(-) Property, plant and equipment	(5,080)	(9,913)
(-) Investment property	(8,215)	(11,238)
(-) Intangible assets	(15,801)	(28,665)
(-) Financial instruments	(873,749)	(1,340,880)
(-) Investments in equity instruments	-	-
(-) Subsidiaries and other business units	(34,742)	-
(-) Other cash paid in relation to investing activities	(47,826)	(122,626)
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2)	(59,083)	(67,320)
1. Cash received from financing activities:	-	202
(+) Subordinated liabilities	-	-
(+) Cash received from issue of equity instruments and capital increase	-	-
(+) Assessments received and contributions from shareholders or mutual members	-	-
(+) Disposal of treasury shares	-	202
(+) Other cash received in relation to financing activities	-	-
2. Cash paid in investing activities:	(59,083)	(67,522)
(-) Dividends to shareholders	(53,880)	(58,452)
(-) Interest paid	(5,203)	(4,717)
(-) Subordinated liabilities	-	-
(-) Cash paid for return of contributions to shareholders	-	-
(-) Assessments paid and return of contributions to members or mutual members	-	-
(-) Purchase of own securities	-	(4,353)
(-) Other cash paid in relation to financing activities	-	-
D) EFFECT OF CHANGES IN EXCHANGE RATES	(668)	(399)
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)	99,916	(137,199)
F) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD	1,036,622	1,256,195
G) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (E+F)	1,136,538	1,118,996

COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1st Half-Year 2017 (*)	First half-year 2018
(+) Cash	1,133,228	1,115,686
(+) Other financial assets	3,310	3,310
(-) *Minus: Bank overdrafts repayable on demand*	-	-
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1,136,538	1,118,996

(*) Presented solely and exclusively for comparison purposes. Unaudited balances. See Note 2.e. to the Explanatory Notes.
The accompanying Explanatory Notes 1 to 7 are an integral part of the abridged consolidated Statement of Cash Flows.
for the six-month period ended 30 June 2018.

05 Explanatory notes for the consolidated Semi-annual Financial Statements

Grupo Catalana Occidente, S.A.
and Subsidiaries
(Grupo Catalana Occidente)

Explanatory notes to the abridged consolidated half-year financial statements that correspond to the six-month period ending on 30 June 2018.

1. General information on the Group and its business

1.a) Introduction

Grupo Catalana Occidente, Sociedad Anónima (hereafter, "the parent company") is a private entity subject to Spanish laws and regulations for insurance groups. The parent company is not directly involved in insurance activity, this is performed by companies of the Group which have the corresponding legal authority. These companies, together with the parent company and the other companies that carry out business complementary to the insurance or investment business, comprise Grupo Catalana Occidente (hereafter, "the Group").

The Articles of Association of the parent company and other public information about the group can be accessed at www.grupocatalanaoccidente.com and at the company's registered offices, Paseo de la Castellana 4, Madrid (Spain).

The 2017 consolidated annual financial statements of the Group were approved by the Annual General Shareholders' Meeting, which was held on 26 April 2018.

1.b) Grupo Catalana Occidente

Annexes I and II of the consolidated annual financial statements corresponding to the year ended 31 December 2017, provide relevant information on the companies of the Group that were consolidated on that date and those valued by the equity method.

Below is a summary of the main operations in the six-month period ending on 30 June 2018:

1.b.1) Acquisition of 100% of Chezsuccess, S.L.

On 28 July 2017, Seguros Catalana Occidente, S.A. de Seguros y Reaseguros (hereinafter 'Seguros Catalana Occidente'), a company wholly owned by the Group, reached an agreement to acquire 100% of Chezsuccess, S.L., with the ultimate aim of obtaining ownership of Parque Empresarial Luxa.

The consummation and, therefore, entry into force of the sales contract took place on 15 February 2018, once the conditions precedent provided for in the aforementioned contract had been met.

On 27 February 2018, the execution of the sales contract for 100% of the company's shares was formalised and, on the same date, the company changed its name to Grupo Catalana Occidente Activos Inmobiliarios, S.L. (Hereinafter 'GCO Activos Inmobiliarios').

The final price has been adjusted in accordance with the parameters set out in the contract, and is set at 90,848 thousand euros, of which 1,890 thousand euros have been retained by the purchaser and will be settled within one year, subject to the non-existence of any damage to the real estate assets owned by the company.

Provisional accounting of the business combination

The Group has performed a "Purchase Price Allocation" or PPA analysis to determine the fair value of the assets and liabilities of GCO Activos Inmobiliarios at 31 March 2018. Accounting regulations establish a period of one year, during which the valuation of assets and liabilities acquired is not final. Therefore, the valuations performed by the Directors are the best estimate available on the date of drafting these consolidated financial statements, these being, in any case, provisional.

The amount of the consideration paid stands at 90,848 thousand euros, which corresponds to the acquisition price on the date of the business combination.

The Group has valued the identifiable assets acquired and the liabilities assumed at fair value on the date of the combination, pursuant to International Financial Reporting Standard 3.

The fair value of the identified assets, net of the liabilities assumed, was 77,384 thousand euros, and includes capital gains on properties amounting to 46,296 thousand euros, which will be amortised according to the useful life of the real estate asset. As a result of the recognition of these capital gains, a deferred tax liability of 11,574 thousand euros was recognised.

No other intangible assets of the acquired entities were recognised during the PPA period.

From the beginning of 2018 until the date of the interim financial statements, the acquired entity generated ordinary income of 281 thousand euros and a loss after tax of 1,310 thousand euros.

Expenses incurred in the transaction stand at 816 thousand euros and have been recorded in the consolidated profit and loss account.

The operation has generated goodwill of 13,464 thousand euros (see Note 6.b.1)).

1.b.2) Acquisition of 100% of Funeraria Nuestra Señora de los Remedios, S.L. and related companies

On 1 February 2018, Grupo Catalana Occidente, through its investee company Funeraria La Auxiliadora, Sociedad Limitada Personal, reached an agreement to acquire 100% of the shares of Funeraria Nuestra Señora de los Remedios, S.L. (hereinafter,"Funeraria de los Remedios"), Los Remedios Tanatorio Norte de Madrid, S.L (hereinafter referred to as “Tanatorio Norte”) and Servicios Funerarios Cisneros, S.L. (hereinafter, “Servicios Funerarios Cisneros”) and Mantenimiento Valdegovia, S.L. (hereinafter, “Mantenimiento Valdegovia”).

On 23 April 2018, after having obtained authorisation from the Spanish Commission of the Markets and Competition on 12 April for the corresponding authorisation for the transfer and acquisition of the shareholdings, the corresponding sales contract was executed and formalised.

The final price was adjusted in accordance with the variations of the net equity of the Companies acquired and other parameters established in the contract and was set at 19,014 thousand euros.

Provisional accounting of the business combination

The effective date of the takeover was set at 23 April 2018, the date on which the deed of execution of the sale of the shares was signed. For accounting purposes, 30 April 2018 has been taken as the convenient date for registration. The effect of considering the aforementioned convenient date instead of the date of effective control takeover on net equity is not significant.

The Group has valued the identifiable assets acquired and the liabilities assumed at fair value on the date of the combination, pursuant to International Financial Reporting Standard 3.

The Group has performed a Purchase Price Allocation (PPA) analysis to determine the fair value of the assets and liabilities of Funeraria de los Remedios, Tanatorio Norte, Servicios Funerarios Cisneros and Mantenimiento Valdegovia at 30 April 2018. Accounting regulations establish a period of one year, during which the valuation of assets and liabilities acquired is not final. Therefore, the valuations performed are the best estimate available on the date of drafting these consolidated financial statements, these being, in any case, provisional.

The amount of the consideration stands at 19,014 thousand euros, which corresponds to the acquisition price on the date of the business combination.

The fair value of the identified assets, net of the liabilities assumed, amounted to 4,112 thousand euros.

No intangible assets of the acquired entities were recognised during the PPA period.

From the beginning of 2018 until the date of the interim financial statements, the acquired entities generated ordinary income of 4,414 thousand euros and a result after tax of 151 thousand euros.

Expenses incurred in the transaction stand at 283 thousand euros and have been recorded in the consolidated profit and loss account.

The operation has generated goodwill of 15,043 thousand euros (see Note 6.b.1)).

1.b.3) Merger by absorption by Nortehispana de Seguros y Reaseguros, S.A. of the insurance business of Grupo Previsora Bilbaína

On 21 February 2018, the General Shareholders' Meeting of Nortehispana de Seguros y Reaseguros, S.A. (the "absorbing company" and 99.81% owned by the Group), and the sole shareholder of PB Cemer 2002, S.L.U., the sole shareholder of Previsora Bilbaína Seguros, S.A.U. and the General Shareholders' Meeting of Previsora Bilbaína Vida Seguros, S.A. (the 'absorbed companies'), approved the merger by absorption of the absorbed companies by the absorbing company under the terms set out in the common draft terms of merger deposited with the Mercantile Registers of Bizkaia and Madrid.

The merger entails the transfer en bloc of the assets and liabilities of the absorbed companies to the absorbing company which will acquire, by universal succession, all the assets, liabilities, rights, obligations and relationships of all kinds of the absorbed companies and the dissolution without liquidation of the absorbed companies, which will lead to their extinction.

In accordance with the provisions of the Common Merger Plan, the approved merger is conditional to obtaining mandatory prior authorisation from the Minister of Economy and Competitiveness, in accordance with the provisions of Article 91 of Law 20/2015, of 14 July, on the management, supervision and solvency of insurance and reinsurance companies.

1.b.4) Voluntary waiver of the status of Investment Company with Variable Capital by Previsora Inversiones, SICAV, S.A.

On 27 March 2018, the sole shareholder of Previsora Inversiones, SICAV, S.A., adopted, among other resolutions, the voluntary resignation of its status as an Investment Company with Variable Capital ('SICAV'). Subsequently, on 5 April 2018, the managing entity of Previsora Inversiones, SICAV, S.A., notified this agreement to the Spanish National Securities Market Commission ('CNMV').

The company continues to carry out its activity as an ordinary public limited company. This change of regime has not had a significant impact on the consolidated financial statements.

2. Basis of presentation of the abridged consolidated half-year financial statements

2.a) Regulatory framework applied

Pursuant to Regulation (EC) no, 1606/2002 of the European Parliament and Council of 19 July 2002 all companies subject to the Legislation of a member state of the European Union, and whose shares are traded on a regulated securities market of any member state, must publish their consolidated annual financial statements, as from 1 January 2005, in accordance with the International Financial Reporting Standards (hereafter IFRS) previously adopted by the European Union.

The Group's 2017 consolidated annual financial statements were produced by the Board of Directors of the parent company at its meeting held on 22 February 2018, in accordance with the stipulations of the International Financial Reporting Standards approved by the European Union applying the principles of consolidation, accounting policies, and appraisal criteria, as described in Notes 2 and 3 of the Notes to these Consolidated Financial Statements, in such a way that they represent a true and fair view of the equity and financial situation of the Group on 31 December 2017 and the results of its operations, changes in equity and its cash flows, consolidated, produced in 2017.

These abridged consolidated half-year financial statements (hereinafter the half-year financial statements) are presented according to IAS 34 – *Interim Financial Information* and were produced by the Board of Directors on 26 July 2018, as established by the provisions of article 12 of Royal Decree (hereafter "RD") 1362/2007 and taking into account the provisions of CNMV Circular 3/2018 of 28 June.

Pursuant to IAS 34, the Group has produced the half-yearly financial statements exclusively in order to update the content of the latest consolidated annual financial statements, emphasising the new activities, events and circumstances occurred during the half-year and not duplicating the information previously published in the last consolidated annual financial statements. In view of the foregoing, and in order to provide an adequate understanding of the information included in these abridged consolidated half-year financial statements, they should be read together with the 2017 consolidated annual financial statements of the Group.

The accounting policies and methods used in the production of these half-year financial statements has not changed significantly compared with those used in the consolidated annual financial statements of 2017.

2.b) New accounting principles and policies used in the abridged consolidated financial statements of the Group

New standards, modifications and interpretations adopted in 2018

New accounting standards and/or amendments have come into force during the first half of 2018 that the Group has, therefore, taken into consideration when preparing the abridged consolidated half-year financial statements.

- IFRS 15 Income from contracts with customers: New income recognition standard (supersedes IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and AIS 31).

- IFRS 9 Financial Instruments: Supersedes the classification, appraisal, recognition and elimination requirements in the accounts of financial assets and liabilities, the accounting of coverage and impairment in IAS 39.

- Amendment to IFRS 4. Insurance Contracts: Allows entities within the scope of IFRS 4, the option of applying IFRS 9 or its temporary exemption.

- Amendment to IAS 40 Reclassification of Investment Property: The amendment clarifies that a reclassification of an investment from or to investment property is only permitted where there is evidence of a change in its use.

- Amendment to IFRS 2 Classification and Measurement in payments based on shares: Specific clarifications regarding payments based on shares.

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Measurement of an investment in an associate or joint venture at fair value.

- IFRIC 22 Foreign currency transactions and prepayments: This IFRIC addresses how to determine the date of the transaction when applying the foreign currency standard, IAS 21. The interpretation applies when an entity pays or receives a fee in advance for contracts denominated in foreign currency.

The main implementing rules for 2018 are developed below:

IFRS 15 Income from contracts with customers

This is the new regulation that addresses income recognition with customers, which applies to all contracts with customers except those that are within the scope of other IFRSS, such as leases, insurance contracts and financial instruments. The regulation sets forth a comprehensive framework to determine at what time and what amount of income must be recognised.

This regulation establishes an ordinary income recognition model, different from those arising from financial instruments, based on the identification of the customer contracts and the obligations of each contract, the determination of their price, the allocation of this to the obligations identified and, finally, the recognition of income at the time that the control of assets is transferred, including the provision of services.

The Entity has applied the modified approach, which involves not restating the comparative information. In view of the Group's activities, its entry into force does not have a significant effect on the traditional business or on credit insurance (although, given its nature, information services have been the type of income where the standard has had the greatest impact).

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 will replace IAS 39 and there are very significant differences with the current recognition regulation and the measurement of the financial instruments, impairment of the financial assets and hedge accounting.

With regards to the classification and measurement of financial assets, the approach of IFRS 9 is based on joint consideration of both the characteristics of the cash flows that are derived from the instruments as well as the business model under which they are managed, reducing in practice the number of portfolios and the impairment models currently provided in IAS 39. The financial assets whose cash flows represent only payments of principal and interest are recorded at amortised cost if they are maintained in a business model whose objective is to collect the previous flows, while they are measured at fair value, recording the valuation changes in other income and expenses, if the objective is to both collect the cash flows as well as their sale. The rest of financial assets, including those that incorporate implicit derivatives, should be valued in their entirety at fair value with changes in the profit and loss account.

For all assets that are not measured at fair value with changes registered in the profit and loss account, entities should recognise the expected credit losses by differentiating between the assets whose credit quality has not been significantly impaired since their initial recognition from those assets which have.

In relation to financial liabilities, the categories provided in IFRS 9 are similar to those contained in IAS 39 and their valuation will not change.

The effective date of IFRS 9 was 1 January 2018. The Group, however, has contemplated the application of the Deferral Approach provided for the insurance sector to postpone the application of IFRS 9 until the date of effective entry of IFRS 17, originally scheduled for 1 January 2021. The Group may apply the temporary exemption in IFRS 9 insofar as its activities are predominantly insurance-connected, as described in paragraph 20D of IFRS 4, at its annual reporting date immediately preceding 1 April 2016 (i.e. the end of 31 December 2015). The Group meets this requirement because the carrying amount of its liabilities under contracts within the scope of IFRS 4 is significant in comparison with the total amount of all its liabilities. The percentage of the total amount of its liabilities connected with insurance (in relation to the total amount of all its liabilities) is greater than 80% and the Group is not involved in a significant activity not connected with insurance.

It is estimated that for debt securities, most would pass the SPPI test considering the nature of such investments.

It is expected that the new requirements of IFRS 17 and IFRS 9 (which is developed in the following section), may have a significant impact on the amounts recorded in the financial statements of the Group and the Directors are currently quantifying the potential impact. It is not feasible to provide a reasonable estimate of the financial effect until such an analysis is more advanced.

The entry into force of these standards adopted in the 2018 financial year has had no significant impact on the Group.

Standards and Interpretations issued not in force

At the date these abridged consolidated financial accounts were authorised for release, the following are the most significant standards and interpretations that had been published by the IASB but had not yet come into force, either because their effective date was after the date of the consolidated financial statements, or because they have not yet been adopted by the European Union (only the most significant are included):

New standards, amendments and interpretations		**Mandatory application for periods beginning as from**
Approved for use in the European Union:		
New standards		
IFRS 16 Leases	Supersedes IAS 17 and associated interpretations. The new standard proposes a single accounting model for lessees, which will include all leases with a similar impact to those of financial leases.	1 January 2019
Amendments and/or interpretations		
Amendment to IFRS 9. Characteristics of early cancellation due to negative offsetting	Valuation is allowed at amortised cost of certain financial instruments with characteristics of advance payment allowing the payment of an amount that is less than the unpaid amounts of capital and interest	1 January 2019

New standards, amendments and interpretations		Mandatory application for periods beginning as from
Not approved for use in the European Union:		
New rules		
IFRS 17. Insurance contracts	It replaces IFRS 4 and sets out the principles for recording, measuring, presenting and disclosing insurance contracts in order for an entity to provide relevant and reliable information to enable users of the information to determine the effect of contracts on financial statements.	01 January 2021
Amendments and/or interpretations		
Amendment to IAS 28. Long-term interest in associates and joint ventures	It clarifies that IFRS 9 should be applied to the long-term interest in an associate or joint venture if the equity method is not applied.	1 January 2019
Amendment to IAS 19 Employee benefits	It clarifies how to calculate the service cost for the current period and the net interest for the remainder of an annual period when there is a change, reduction or settlement of a defined benefit plan.	

The Group has not made plans for the anticipated application of the aforementioned standards and interpretations and in any case their application will be subject to consideration by the Group upon approval, if applicable, by the European Union.

IFRS 16 Leases

This regulation introduces an accounting model of leases for lessees, so as to recognise the assets and liabilities of all leases with a duration of more than 12 months, unless the underlying asset is of low value.

The main change is derived from the obligation to recognise the right of use of an asset by the lessee, which represents their right to use the underlying leased asset, and a liability for lease, which represents its obligation in terms of present value to make payments on the lease. While the asset is amortised over the life of the contract, the liability will generate a financial expense.

The date of entry into force of the IFRS 16 is expected for the financial years initiated starting from 1 January 2019. The Entity will apply the modified retrospective approach, which involves not restating comparative information and allows for recognition of the cumulative effect of the initial application of the standard as an adjustment to the opening balance of retained earnings or other equity component as appropriate.

The Group has been working internally to quantify this potential impact and to adapt the systems, although the directors consider that its entry into force will not have a significant impact on the consolidated profit and loss account.

A preliminary assessment indicates that lease agreements in which the Group acts as the lessee would meet the definition of a lease in IFRS 16 and, therefore, the Entity would recognise an asset for the right to use and the corresponding liability unless they are classified as low value or short-term leases.

IFRS 17 Insurance contracts

This regulation supersedes the IFRS 4, a temporary regulation that allows local accounting practices to continue being used and that has given rise to insurance contracts being accounted for differently between jurisdictions. This standard establishes the principles of registration, presentation and classification of the insurance contracts so that the entity provides relevant and reliable information that enables users of financial information to determine the effect that these contracts have in the financial statements of the entity.

The implementation of the IFRS 17 will mean undertaking consistent accounting for all insurance contracts based on a valuation model that will use calculation hypotheses updated at each reporting date (such as the type of discount, actuarial hypotheses, and regarding other financial variables).

The effects of changes in the previous assumptions may be recognised both in the income statement as well as in the equity, depending on their nature and if these changes are associated with the provision of a service that has already occurred or not, or to assume a reclassification between the components of the registered insurance liabilities. Income or expenses may be recorded entirely in the profit and loss account or in equity.

For all those contracts that are not onerous, entities shall recognise a profit margin on the profit and loss account (hereinafter referred to as the 'contractual margin of the service') over the period in which the entity carries out the service. However, if at the time of initial recognition or during the period in which the entity carries out the service, the contract is onerous, the entity must recognise the loss in the profit and loss account immediately.

The IFRS 17 shall apply for annual periods beginning on 1 January 2021 (date of first application), although it is compulsory to present comparative information (transition date of 1 January 2020).

The Group has continued the project to adapt insurance contracts to the new regulatory framework of IFRS 17, which began in September 2017, working this year on a full impact analysis, which aims to obtain the modelling of the balance sheet and profit and loss account under IFRS17, in order to establish, in a preliminary manner, the set of policies and valuation principles for the implementation of the standard. The main objective is to carry out the necessary preparatory work for the implementation of IFRS 17, in such a way as to guarantee its compliance on the date of the first application, and evaluate the potential impacts, both quantitative and qualitative, with sufficient notice for the purposes of adapting their management as well as to align the requirements of this regulation with IFRS 9.

2.c) Estimates

The consolidated results, and the determination of the consolidated equity are sensitive to the accounting principles and policies, the appraisal criteria and the estimates used by the Board of Directors of the parent company in the production of the condensed consolidated half-year financial statements. The main accounting principles and policies and appraisal criteria are set out in Note 3 of the Notes to the 2017 annual consolidated financial statements.

On occasions, in preparing the half-year financial statements, judgements and estimates made by the Board and the management board of the parent company, and consolidated companies, have been used to quantify certain assets and liabilities, revenues, expenses and commitments registered by those companies. Basically, those estimates, produced with the best information available, refer to the reasonable value of certain financial assets and liabilities, impairment losses, the useful life of tangible and intangible assets, the measurement of consolidation goodwill, the actuarial hypothesis used in the calculation of pension commitments, the hypotheses used in the calculation of the liability adequacy test, the hypotheses used in transferring a portion of the unrealised gains on the portfolio of financial assets designated as “available for sale” or “at fair value through changes in profit or loss” to a higher amount of the life insurance provision, as well as the final liability derived from the incurred claims. Moreover, they also refer to profit tax expenses which, in accordance with IAS 34, is recognised in interim periods on the best estimate of the weighted average tax rate that the Group expects for the year.

Although the estimations previously described were performed according to the best information available at that time, it is possible that future events may oblige an amendment (up or down) at the end of the 2018 financial year or in later years; which would, if precise, and pursuant to IAS 8, prospectively recognise the effects of the change in estimation of the consolidated profit and loss account for the years affected.

During the six-month period ended 30 June 2018 no significant changes were made to the estimates made in the first half of 2017, nor from those carried out at the end of 2017, except from that indicated in these condensed consolidated half-year financial statements.

2.d) Contingent assets and liabilities

Notes 10 and 14 of the Notes to the Annual Consolidated Financial Statements of the Group corresponding to the year ending 31 December 2017 provide information on the contingent assets and liabilities on that date. During the first six months of 2018, no significant changes have occurred in the contingent assets and liabilities of the Group (see Note 6.i.).

2.e) Comparison of information

The information contained in these abridged consolidated half-yearly financial statements as of 31 December 2017 and 30 June 2017 is presented for comparison purposes only and exclusively with the information as of 30 June 2018.

2.f) Seasonability of the transactions of the Group

Given the activities that the companies of the Group carry out, their transactions are not marked by a strongly cyclical or seasonal character. For this reason, no specific disclosures have been included in these explanatory notes to the abridged consolidated financial statements that correspond to the six-month period ending on 30 June 2018.

2.g) Relative Importance

When determining the information to be divulged on the different items of the financial statements or other topics, the Group, in accordance with IAS 34, has considered the relative importance in terms of the abridged consolidated financial statements of the first half-year.

2.h) Later events

After the close of the six-month period until the date of preparation of these abridged consolidated financial statements have not produced facts that affect them significantly that are not already explained in the other notes thereto.

3. Financial information by segment

3.a) Revenue and Technical Costs Per Segment – Life and Non-Life

IFRS 8 – Segment Reporting confirms the principles governing the preparation of financial information by business lines and geographical area.

Segment information is presented according to the control, monitoring and internal management of the Group's insurance activities and results and is prepared for all the insurance lines and sub-lines which the Group operates, taking the Group's structure and organisation into account.

Pursuant to the requirements of IAS 34, below are the ordinary revenues and results of the main lines of business according the previous definition of the Group, related to the first half year of 2018, as well as the same information on the same period of the previous year:

Business Segment	Ordinary Revenues		Profit before tax	
	1st Half-Year 2017	1st Half-Year 2018	1st Half-Year 2017	1st Half-Year 2018
Non-life (*)	1,812,431	1,853,973	263,731	270,587
Life (*)	400,417	381,374	22,950	27,432
Other activities (**)	12,766	11,241	(31,963)	(23,122)
Total	**2,225,614**	**2,246,588**	**254,718**	**274,897**

(*) Income from the Non-Life and Life segments include direct insurance premiums and other technical income, respectively.

(**) Income for the Other Businesses segment in the first half of 2018 include income from the funeral business.

In addition to the volume of ordinary income, the Group has managed payments to pension plans and investment funds, not reflected in the abridged consolidated profit and loss account, amounting to 27.917 thousand euros during the period (28,253 thousand euros in the previous equivalent period).

Both the assets and liabilities of the segments as well as the income and expenses were set before the elimination of the balances and intra-group transactions carried out in the consolidation process, except when those balances and transactions were undertaken between companies within one segment. This is the prevailing scenario in the Group, with all intra-group transactions being carried out at current market prices.

3.b) Premiums by geographical segment

The secondary segments defined by the Group correspond, basically, to the location of the insured customers in the European Union and other countries, belonging or not to the OECD:

Geographical Area	Distribution of earned premiums in the period, net of reinsurance per geographical area							
	1st Half-Year 2017				1st Half-Year 2018			
	Non-Life Segment			Segment Life	Non-Life Segment			Segment Life
	Traditional Business	Credit Business	Total Non-Life		Traditional Business	Credit Business	Total Non-Life	
Domestic market	812,297	85,369	**897,666**	**391,427**	836,664	92,738	**929,402**	**370,025**
Export:								
a) European Union	-	284,705	**284,705**	**-**	-	302,107	**302,107**	**-**
b) OECD countries	-	59,895	**59,895**	**-**	-	61,619	**61,619**	**-**
c) Other countries	5,913	20,321	**26,234**	**2,059**	6,785	25,469	**32,254**	**1,923**
Total	**818,210**	**450,290**	**1,268,500**	**393,486**	**843,449**	**481,933**	**1,325,382**	**371,948**

4. Dividends paid and earnings per share

4.a) Dividends paid by the parent company

Below are the dividends agreed by the parent company during the first six months of 2018 and 2017 and their date of payment, which correspond to dividends agreed on the 2018, 2017 and 2016 results, as appropriate:

Government Body	Date of Agreement	Date of Payment	Type of Dividend	Per share in euros	Total (thousand euros)
Board of Directors	25/01/2018	14/02/2018	3rd Interim Dividend 2017	0.1440	17,280
Annual General Meeting	26/04/2018	09/05/2018	Dividend 2017	0.3431	41,172
Board of Directors	28/06/2018	11/07/2018	1st Interim Dividend 2018	0.1512	18,144
1st Half-Year Total 2018					**76,596**

Government Body	Date of Agreement	Date of Payment	Type of Dividend	Per share in euros	Total (thousand euros)
Board of Directors	26/01/2017	15/02/2017	3rd Interim Dividend 2016	0.1371	16,452
Annual General Meeting	27/04/2017	10/05/2017	Supplementary 2016	0.3119	37,428
Board of Directors	29/06/2017	12/07/2017	1st Interim Dividend 2017	0.1440	17,280
1st Half-Year Total 2017					**71,160**

The provisional financial statements produced by the parent company in accordance with the legal requirements, declaring the existence of sufficient resources to distribute the interim dividends, are as follows:

	Thousand euros			
	26 January 2017	29 June 2017	25 January 2018	28 June 2018
Sum of available and realisable assets	57,891	78,302	97,069	90,807
Sum of payable liabilities (*)	39,399	56,844	69,625	46,445
Estimated liquidity surplus	18,492	21,458	27,444	44,362

(*) Includes the interim dividend proposed on each date

The completed dividend pay-outs broken down in the table above, comply with the requirements and limitations established by the current legal framework and Articles of Association.

4.b) Earnings per share in continued and discontinued activities

The earnings per share are determined by dividing the net result attributable to the Group by the weighted average of ordinary shares outstanding during the period, excluding the average number of treasury shares held over that time.

The earnings per share of continuing and discontinued operations on 30 June 2018 and 2017 are as follows:

	1st Half-Year 2017	1st Half-Year 2018
From continued and discontinued operations:		
Net profit attributable to equity holders of the parent company (thousand euros)	172,122	187,247
Weighted average number of shares issued (thousands of shares)	120,000	120,000
Less: Weighted treasury shares (thousands of shares) (*)	(2,036)	(2,132)
Weighted average number of shares outstanding (thousands of shares)	117,964	117,868
Basic earnings per share (euros)	**1.46**	**1.59**
From discontinued operations:		
Net profit attributable to equity holders of the parent from discontinued operations (thousands of euros)	-	-
Basic earnings per share (euros)	**1.46**	**1.59**

(*) Refers to treasury shares held in treasury stock for the different periods.

As there are no stock options, warrants or other equivalent instruments that might cause a potential dilutive effect on the shares of the parent, the earnings per share figure is the same as the diluted earnings per share in the different periods presented.

5. Remuneration and other benefits of the Board of Directors and Senior Staff of the parent company

Note 20 of the Notes to the Annual Consolidated Financial Statements of the Group which correspond to year end 31 December 2017, explains the remuneration and other benefits paid to the members of the Board of Directors of the parent company of the companies in 2017.

At the General Shareholders' Meeting held on 26 April 2018, it was agreed to pay all the Directors, in their capacity as such for 2018, the attendance fees for Board meetings set, and the Annual Report on Directors' Remuneration for 2017 was submitted to a consultative vote at the General Shareholders' Meeting

Below is a summary of the most important information on the remuneration and benefits that corresponds to the six-month period ending on 30 June 2018 and 2017:

Remuneration to members of the Board of Directors

Members of the Board of Directors	Thousand euros 1st Half-Year 2017	Thousand euros 1st Half-Year 2018
Concept-		
Fixed remuneration	852	867
Variable remuneration.	-	-
Allowances	334	340
Bylaw-stipulated compensation	-	-
Transactions with shares and/or other financial instruments	-	-
Miscellaneous	52	63
	1,238	**1,270**

In addition, the unconsolidated deferred variable remuneration stands at 98 thousand euros.

Other Board Members' retributions

Members of the Board of Directors	Thousand euros 1st Half-Year 2017	Thousand euros 1st Half-Year 2018
Other benefits-	-	-
Advances	-	-
Loans granted	-	-
Pension schemes and funds: Contributions	-	-
Pension schemes and funds: Liabilities incurred	-	-
Life insurance premiums	69	84
Guarantees provided in favour of Board Members	-	-

Remuneration of members of the senior management, excluding members of the Board of Directors

Senior Management	Thousand euros 1st Half-Year 2017	Thousand euros 1st Half-Year 2018
Total remuneration received by senior management	938	937

In addition, the unconsolidated deferred variable remuneration stands at 233 thousand euros.

In the production of these Interim abridged consolidated financial statements, and the effects of the above table, 6 people were considered as senior executives at 30 June 2018 (6 people at 30 June 2017).

On 30 June 2018 and 2017 there have been no advances or loans granted by the Parent company to the members of the Board of Directors, nor have any liabilities been incurred by these members as security.

6. Information on certain items of the abridged consolidated financial statements

6.a) Property Investments and owner-occupied property.

The disclosure by type of items that make up the balance of this segment and sub segment of the abridged consolidated income statement, on 30 June 2018 is as follows (in thousands of euros):

Details of Net Book Value on 30 June 2018:	Owner-Occupied Property	Property investments, third party use
Cost at 30 June 2018	312,211	582,765
Accumulated Depreciation at 30 June 2018	(81,518)	(108,307)
Losses due to impairment	(7,318)	(3,068)
Net carrying amount at 30 June 2018	223,375	471,390
Market value	366,495	807,801
Unrealised gains on 30 June 2018	143,120	336,411

The breakdown at 31 December 2017 is as follows (in thousands of euros):

Details of Net Book Value on 31 December 2017:	Owner-Occupied Property	Property investments, third party use
Cost at 31 December 2017	311,003	489,877
Accumulated Depreciation at 31 December 2017	(78,965)	(103,479)
Losses due to impairment	(7,373)	(3,612)
Net book value at 31 December 2017	224,665	382,786
Market value	366,994	717,064
Unrealised gains at 31 December 2017	142,329	334,278

On 30 June 2018, the Group holds full ownership of these properties. None of the properties are affected by a guarantee of any type. Moreover, the Group has no agreements in place to acquire new property.

During the first six months of 2018 and 2017 there have been no significant impairment losses of property and plant.

The market value of the properties has been obtained from appraisal reports performed by independent experts under the current rules, which must be at most 2 years old as of 30 June 2018. For properties situated in Spain, the prior market value has been determined in accordance with the Order ECO/805/2003, of 27 March, partially amended by Order EHA 3011/2007, of 4 October, on rules for the valuation of property and determined rights for certain financial purposes.

Furthermore, on 30 June 2018, the balance corresponding to the tangible assets of own use gathers 91,995 thousand euros for furniture and installations, equipment for data processing and improvements in own buildings, among others.

6.b) Intangible assets

The Group has goodwill in consolidation of 803,301 thousand euros at 30 June 2018, which has increased since 31 December 2017 as a result of the new acquisitions described in Note 1.b).

This heading also includes other intangible assets amounting to 141,725 thousand euros, which include mainly the internally generated software from Atradius N.V. amounting to 76,512 thousand euros and the intangible assets arising from the process of allocating the acquisition cost of Plus Ultra. The net book value of the brand and the distribution network currently amounts to 13,650 thousand euros and 13,719 thousand euros, respectively.

6.b.1) Goodwill

The breakdown of the goodwill in the consolidated balance sheet, listed according to originating undertaking is as follows:

Companies	Thousands of euros	
	31/12/2017	30/06/2018
Consolidated by global integration:		
Seguros Catalana Occidente, S.A. de Seguros y Reaseguros (*)	6,012	6,012
Nortehispana de Seguros y Reaseguros, S.A. (**)	25,945	25,945
Bilbao Compañía Anónima de Seguros y Reaseguros, S.A.	94,398	94,398
Plus Ultra Seguros Generales y Vida, S.A. de Seguros y Reaseguros	118,186	118,186
Grupo PB Cemer	12,451	12,451
Grupo Asistea (***)	25,139	40,182
Grupo Catalana Occidente Activos Inmobiliarios, S.L.	-	13,464
Atradius N.V.	461,503	461,503
Graydon Holding N.V.	30,920	30,920
Others	240	240
Gross Total	**774,794**	**803,301**
Less: Impairment losses	-	-
Net book value	**774,794**	**803,301**

(*) Corresponds to the goodwill of Cosalud and Aseq.

(**) This goodwill corresponds to the residual goodwill that was calculated jointly for the companies Lepanto and Nortehispana at the time of acquisition. At the end of 2006, Lepanto was absorbed by Seguros Catalana Occidente.

(***) Formerly Grupo Arroita.

During the first six months of 2018 there have been no impairment losses that affect goodwill on consolidation. The Group has reviewed the goodwill on consolidation for indications of impairment and concluded that they are not observed.

6.c) Financial investments

On the next page is the disclosure of the financial assets of the Group, apart from the balances included in the sections “Investments accounted for using the Equity method”, and certain receivables presented in different sections and sub sections of abridged consolidated balance sheet on 30 June 2018 and 31 December 2017, presented by their nature and categories for valuation purposes:

Investments classified by category of financial asset and by type	30/06/2018				
	Financial Assets held for trading (HFT)	Other financial assets at fair value through profit or loss (FVPL)	Available-for-Sale financial assets (AVS)	Loans and receivables (LR)	Total at 30/06/2018
FINANCIAL INVESTMENTS:	**27**	**349,502**	**8,209,521**	**583,130**	**9,142,180**
Equity instruments					
- Financial investments in capital	-	-	1,033,295	-	**1,033,295**
- Stakes in mutual funds	-	99	394,407	-	**394,506**
Debt securities	-	-	6,601,376	-	**6,601,376**
Derivatives	27	-	-	-	**27**
Investments by policyholders assuming the investment risk	-	349,403	-	24,139	**373,542**
Loans	-	-	-	126,506	**126,506**
Other financial assets without published prices	-	-	-	7,617	**7,617**
Deposits with credit institutions	-	-	180,443	397,467	**577,910**
Deposits made for reinsurance accepted	-	-	-	27,401	**27,401**
CREDITS:	**-**	**-**	**-**	**831,377**	**831,377**
Credits for direct insurance and coinsurance transactions	-	-	-	389,059	**389,059**
Receivables arising from reinsurance operations	-	-	-	53,359	**53,359**
Other loans	-	-	-	388,959	**388,959**
Total	**27**	**349,502**	**8,209,521**	**1,414,507**	**9,973,557**

Investments classified by category of financial asset and by type	31/12/2017				
	Financial Assets held for trading (HFT)	Other financial assets at fair value through profit or loss (FVPL)	Available-for-Sale financial assets (AVS)	Loans and receivables (LR)	Total at 31/12/2017
FINANCIAL INVESTMENTS:	**27**	**380,581**	**8,148,187**	**344,278**	**8,873,073**
Equity instruments					
- Financial investments in capital	-	6,765	1,035,079	-	**1,041,844**
- Stakes in mutual funds	-	933	399,465	-	**400,398**
Debt securities	-	33,786	6,522,649	-	**6,556,435**
Derivatives	27	-	-	-	**27**
Investments by policyholders assuming the investment risk	-	339,097	-	17,736	**356,833**
Loans	-	-	80	99,312	**99,392**
Other financial assets without published prices	-	-	-	6,293	**6,293**
Deposits with credit institutions	-	-	190,914	191,444	**382,358**
Deposits made for reinsurance accepted	-	-	-	29,493	**29,493**
CREDITS:	**-**	**-**	**-**	**817,018**	**817,018**
Credits for direct insurance and coinsurance transactions	-	-	-	345,753	345,753
Receivables arising from reinsurance operations	-	-	-	59,709	59,709
Other loans	-	-	-	411,556	411,556
Total	**27**	**380,581**	**8,148,187**	**1,161,296**	**9,690,091**

During the first six months of 2018, impairment losses have been recognised in an amount of 5,034 thousand euros, mainly in equity instruments. In the first half of 2017, impairment losses amounting to 16,489 thousand euros were recognised, mainly on equity instruments.

Most of the revaluations recognised with a payment or charge to reserves and the condensed consolidated profit and loss account, net of the corresponding tax effect and the involvement of external partners, have occurred through financial instruments traded on organised markets (Level 1 fair value). The remaining amount has originated financial instruments whose fair value was calculated using valuation techniques based on observable market data directly or indirectly (Level 2 fair value).

The breakdown of financial assets at 30 June 2018 and 31 December 2017 according to the inputs used is as follows (in thousand euros):

	Level 1	Level 2	Level 3	Total at 30/06/2018
Financial assets held for trading	**-**	**27**	**-**	**27**
Derivatives	-	27	-	**27**
Other financial assets at fair value through profit or loss	**349,502**	**-**	**-**	**349,502**
Equity investments	-	-	-	-
Stakes in mutual funds	99	-	-	99
Debt securities	-			-
Investments held for the benefit of policyholders who bear the investment risk	349,403	-	-	349,403
Available-for-sale financial assets	**8,118,962**	**90,559**	**-**	**8,209,521**
Equity investments	1,012,609	20,686	-	**1,033,295**
Stakes in mutual funds	394,407	-	-	**394,407**
Debt securities	6,548,393	52,983	-	**6,601,376**
Loans	-	-	-	**-**
Deposits with credit institutions	163,553	16,890	-	**180,443**
Total at 30 June 2018	**8,468,464**	**90,586**	**-**	**8,559,050**

	Level 1	Level 2	Level 3	Total at 31/12/2017
Financial assets held for trading	**-**	**27**	**-**	**27**
Derivatives	-	27	-	**27**
Other financial assets at fair value through profit or loss	**380,581**	**-**	**-**	**380,581**
Equity investments	6,765	-	-	**6,765**
Stakes in mutual funds	933	-	-	**933**
Debt securities	33,786			**33,786**
Investments held for the benefit of policyholders who bear the investment risk	339,097	-	-	**339,097**
Available-for-sale financial assets	**8,050,837**	**97,350**	**-**	**8,148,187**
Equity investments	1,014,155	20,924	-	**1,035,079**
Stakes in mutual funds	399,465	-	-	**399,465**
Debt securities	6,469,492	53,157	-	**6,522,649**
Loans	-	80	-	**80**
Deposits with credit institutions	167,725	23,189	-	**190,914**
Total at 31 December 2017	**8,431,418**	**97,377**	**-**	**8,528,795**

During FY 2018 no significant transfers or reclassifications of financial instruments took place in the various valuation methodologies.

For instruments classified in Level 2, for which there is no market price (observable share price), fair value is estimated using valuation techniques where all significant variables are based on observable market data, mainly interest rates and risk premiums.

6.d) Investments accounted for using the equity method (equity-accounted associates)

The composition and movements during the first six months of 2018 of those investments in the capital of companies over which the Group exercises significant influence is as follows:

Company	Thousand euros					
	Balances 31/12/2017	Additions and removals from consolidation scope	Increases due to non-distributed profit	Other variations due to valuation	Impairment Losses	Balances 30/06/2018
Asitur Asistencia, S.A.	5,634	-	88	99	-	5,821
Calboquer, S.L.	71	-	1	12	-	84
Gesiuris, S.A. S.G.I.I.C. (1)	3,652	-	160	9	-	3,821
Inversiones Credere, S.A.	-	-	-	-	-	-
CLAL Credit Insurance (2) (6)	12,494	-	749	(322)	-	12,921
Compañía de Seguros de Crédito Continental, S.A. (3) (6)	38,805	-	387	(727)	-	38,465
The Lebanese Credit Insurer, S.A.L. (4) (6)	1,938	-	(92)	40	-	1,886
Credit Guarantee Insurance Corporation of Africa Limited (5) (6)	22,243	-	229	(1,412)	-	21,060
Total	**84,837**	**-**	**1,522**	**(2,301)**	**-**	**84,058**

(1) Includes goodwill totalling 1,836 thousand euros.
(2) Includes goodwill totalling 2,127 thousand euros.
(3) Includes goodwill totalling 11,366 thousand euros.
(4) Includes goodwill totalling 478 thousand euros.
(5) Includes goodwill totalling 6,927 thousand euros.
(6) Participated through the company Atradius N.V.

At 30 June 2018, the Group had reviewed the goodwill implicit in the investments in associates for indications of impairment and concluded that these had not been observed.

6.e) Technical Provisions

A breakdown of the provisions established at 30 June 2018 and their movements respect to the year ended 31 December 2017 are shown below together with Reinsurers' participation.

Provision	Thousand euros			
	Balance 31/12/2017	Provisions charged against profit	Applications credits to earnings	Balance 30/06/2018
Technical Provisions:				
Unearned premiums	1,262,816	1,426,991	(1,262,816)	1,426,991
Provision for unexpired risks	5,361	5,361	(5,361)	5,361
Life insurance:				
- Relative to Life insurance (*)	5,142,280	5,158,943	(5,142,280)	5,158,943
- For life insurance where the risk is borne by policyholders	356,833	373,542	(356,833)	373,542
Provisions	2,600,591	2,595,515	(2,600,591)	2,595,515
Provision for policyholder dividends and return premiums	5,933	5,086	(5,933)	5,086
Other technical provisions	51,369	53,401	(51,369)	53,401
	9,425,183	**9,618,839**	**(9,425,183)**	**9,618,839**
Reinsurer's share of				
Technical provisions (ceded):				
Provisions for unearned premiums	190,237	217,129	(190,237)	217,129
Provision for life insurance	1,913	2,215	(1,913)	2,215
Provision for claims	648,912	640,297	(648,912)	640,297
Other technical provisions	1,466	-	(1,466)	-
	842,528	**859,641**	**(842,528)**	**859,641**

(*) On 30 June 2018 includes 28,501 thousand euros corresponding to provisions for unearned premiums for products with coverage of less than one year.

The movement of the provision for profit sharing from the mathematical provision has not been significant in the first half of 2018, in the same way as the previous year.

6.f) Subordinated liabilities

Subordinated liabilities include the subordinated debt emissions issued by Atradius Finance B.V. and Atradius Reinsurance DAC, subsidiaries of Atradius N.V.

On 23 September 2014, Atradius Finance B.V. issued subordinated bonds for a nominal aggregate amount of 250,000 thousand euros with a maturity of 30 years, which may be re-purchased beginning on the tenth year, on a quarterly basis. The bonds are irrevocably, unconditionally and subordinately guaranteed by Atradius N.V., a Group company. During the first 10 years, bonds have a fixed nominal annual interest rate of 5.250%, payable in annual instalments and, from that date, they will have a nominal variable interest rate of Euribor 3 months plus 5.031%, payable quarterly in arrears. The bonds are listed on the Luxembourg Stock Exchange.

At the date of issuance, Plus Ultra has underwritten 40,000 thousand euros of the aforementioned subordinated bonds. Later, during the year 2016, Seguros Catalana Occidente and Seguros Bilbao underwrote 11,291 thousand euros and 2,000 thousand euros of nominal value, respectively. Furthermore, during the year 2017, Seguros Catalana Occidente and Seguros Bilbao underwrote 2,000 thousand euros and 1,000 thousand euros of nominal value, respectively. These operations have been eliminated in the consolidation process.

On 20 April 2016, Atradius Reinsurance DAC received a subordinated loan, mainly from subsidiaries of the Group, in a nominal amount of 75,000 thousand euros, maturing in 10 years and with the possibility of a repurchase after the fifth year, on an annual basis. The loan has a fixed nominal interest rate of 5.0%, payable in arrears in annual instalments until the maturity date.

The creditors of the Group are Seguros Bilbao, Seguros Catalana Occidente and Nortehispana, which granted 40,000 thousand euros, 23,000 thousand euros and 6,000 thousand euros, respectively, of the aforementioned subordinated loan, which were eliminated in the consolidation process.

At 30 June 2018 the Group estimates the fair value of 100% of these subordinated liabilities at 361,761 thousand euros, based on binding valuations from independent experts. During the first six months of 2018, interest for subordinated liabilities in an amount of 8,450 thousand euros were paid.

6.g) Provisions for Risks and Expenses

Besides the stipulations noted in Note 6.i) and the risks that correspond to the nature of the insurance business which are duly valued and included, where necessary, in the claims provisions, the Group has no significant claims, lawsuits or court processes which individually imply damage or that may affect the half-yearly financial statements as well as contingent liabilities that could involve the Group in law suits or involve the imposition of sanctions or penalties with a significant effect on the company's Equity (see Note 2.d.).

6.h) Net equity

6.h.1) Capital

The parent company's subscribed capital, on 30 June 2018, stands at 36,000 thousand euros consisting of 120,000,000 fully subscribed and paid in book entry shares of 0.30 euros par value each represented in book-entry form. All shares have the same rights, and the parent company may issue shares without voting rights.

The shareholders owning 10% or more of the parent company's share capital on 30 June 2018 were as follows:

	Percentage equity
Corporación Catalana Occidente, S.A.	29.40%
La Previsión 96, S.A.	25.00%

The percentage equity of Corporación Catalana Occidente, S.A. decreased 1.75% compared to the percentage at 31 December 2017 (31.15%).

INOC, S.A. which owns 100% of Corporación Catalana Occidente, S.A. and 72.25% de La Previsión 96, S.A., directly or indirectly owns 53.94% of the parent company on 30 June 2018 and belongs to a group whose parent is CO Sociedad de Gestión y Participación, S.A.

6.h.2) Reserves and Other reserves for changes in accounting criteria

The abridged consolidated statement of changes in equity, attached to this half-year financial statement, includes details of the balances of the reserves for accumulated retained earnings at the start of financial year 2017 and on 30 June 2018 as well as the movements produced during the periods and the reconciliations between the amounts for each class of equity and for each class of reserves, informing separately on each movement that is produced.

6.i) Tax situation

The calculation of the expense for profit tax in the first half 2018 is based on the best estimate of the average tax rate that will be applicable on the expected result of the year 2018. To do so, the amounts calculated for the tax expense for the current interim period may be adjusted in later periods should the annual interest rate estimates change.

In connection with the inspection report filed in 2011 and challenged by the tax consolidation group, on 20 December 2016 the National Court ruled on the appeal filed, agreeing to declare the statute of limitations on the right of the Administration to carry out a settlement for the year 2006 and confirming the deduction for double taxation applied with respect to the dividends received for the financial years 2006 and 2007.

On 20 February 2017, the National Court declared the firmness of the resolution, as there was no record of the filing of any appeal in the period established for this purpose. Subsequently, on 13 June 2017, issued the act for execution of the judgement.

In relation to the inspection report filed in 2013, a reference to the corporate tax for the year 2008, the Company keeps an account receivable for the amount of 14,047 thousands euros for the amount offset and claimed from the tax administration because, although the 14 May 2018 the Central Economic-Administrative Tribunal has issued a favourable resolution in respect of dividends on corporation tax for the year 2008, the Tax Administration has not yet implemented the resolution, ordering the return of the tax debt.

As a result of possible varying interpretations of applicable tax legislation for the years subject to inspection, contingent tax liabilities might result, which cannot be objectively quantified. However, the Directors of the Company believe that the tax debt, if any, that could eventually materialise, would not have a material effect on the interim financial statements (see Note 10.f of the consolidated annual statements of financial year 2017).

6.j) Related Party Transactions

“Related parties" to the Group, in addition to subsidiaries and associates, are considered to be the "key personnel" of the Group's management (members of the Board of Directors and the General Managers, together with their close family members), as well as shareholders who can directly or indirectly, exercise control over the Group. In the first half of 2018 there were no new transactions with related parties.

Operations between companies of the consolidated Group

During the first half of financial year 2018, there have been no relevant operations between companies in the Group that have not been eliminated in the process of producing the consolidated financial statements and that do not form part of the normal business of the Group.

All the significant reciprocal translations have been duly eliminated in the process of consolidation.

6.k) Stocks and Treasury Shares

The balance of this subheading, which is the result of deducting the equity attributable to the shareholders of the parent company from the consolidated balance sheet on 30 June 2017 and on 31 December 2016, in accordance with the reporting requirements established by IAS 32, which corresponds to the shares of Grupo Catalana Occidente, S.A. property of the consolidated subsidiary Sociedad Gestión Catalana Occidente, S.A. These shares are reflected in its acquisition cost.

The total of Group shares owned by the company of the subsidiary Sociedad Gestión Catalana Occidente, S.A. on 30 June 2018 represents 77% of the capital issued as of that date (1.68% as of 31 December 2017). These shares are available-for-sale in order to safeguard liquidity. There are no more Grupo Catalana Occidente S.A. shares held by other Group companies or third parties that operate on their behalf. Additionally, on 30 June 2018, neither the parent company, nor the companies of the Group held obligations based on the payment of shares of the parent company.

The development in the movement of acquisitions and sales made during the first half of 2018 and the comparative period of the previous year is as follows:

	Thousands of euros		Number of shares
	Cost of acquisition	Book Value	
Balance at 1 January 2017	**18,293**	**612**	**2,039,537**
Additions	-	-	-
Withdrawals (*)	(185)	(6)	(20,646)
Balance at 30 June 2017	**18,108**	**606**	**2,018,891**
Additions	-	-	-
Withdrawals	-	-	-
Balance at 1 January 2018	**18,108**	**606**	**2,018,891**
Additions (*)	4,353	36	120,000
Withdrawals (*)	(202)	(6)	(19,193)
Balance at 30 June 2018	**22,259**	**636**	**2,119,698**

(*) Purchases and sales carried out by Sociedad Gestión Catalana Occidente, S.A.

7. Other Information

The average number of full-time employees (or equivalent) of the parent company and subsidiaries as of 30 June 2018 and 2017, broken down by gender, is as follows:

	Number of people	
	30/06/2017 (*)	30/06/2018
Men	3,913	3,876
Women	3,446	3,445
Total	**7,359**	**7,321**

(*) The information published in 2017 was 7,269 persons, as it did not include the information from the newly acquired entities.

The Board of Directors of the parent company is made up of 9 individual members, 8 men and 1 woman, and 7 corporate members, represented physically by 7 men.

06

Report of the Auditors

This version of our report is a free translation from the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

REPORT ON LIMITED REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders of Grupo Catalana Occidente S.A. at the request of the Board of Directors:

Report of condensed interim consolidated financial statements

Introduction

We have performed a limited review of the accompanying condensed interim consolidated financial statements (hereinafter, the interim financial statements) of Grupo Catalana Occidente, S.A. (hereinafter, "the parent company") and its subsidiaries (hereinafter, "the group"), which comprise the statement of financial position as at June 30, 2018, and the income statement, statement of other comprehensive income, statement of changes in equity, cash flow statement and related notes, all condensed and consolidated, for the six months period then ended. The parent company's directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial information, as provided in Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with legislation governing the audit practice in Spain and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our limited review, that cannot be considered as an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six months period ended June 30, 2018 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial statements, as provided in Article 12 of Royal Decree 1362/2007.

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Emphasis of Matter

We draw attention to Note 2, in which it is mentioned that these interim financial statements do not include all the information required of complete consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, therefore the accompanying interim financial statements should be read together with the consolidated annual accounts of the group for the year ended December 31, 2017. Our conclusion is not modified in respect of this matter.

Other Matters

Comparative figures

The annual consolidated financial statements of Grupo Catalana Occidente, S.A. and its subisidiares for the year ended December 31, 2017 were audited by other auditors, who expressed an unqualified opinion on the annual consolidated financial statements on February 22, 2018.

Interim consolidated directors' Report

The accompanying interim consolidated directors' Report for the six months period ended June 30, 2018 contains the explanations which the parent company's directors consider appropriate regarding the principal events of this period and their impact on the interim financial statements presented, of which it does not form part, as well as the information required under the provisions of Article 15 of Royal Decree 1362/2007. We have verified that the accounting information contained in this directors' Report is in agreement with that of the interim financial statements for the six months period ended June 30, 2018. Our work is limited to checking the interim consolidated directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from Grupo Catalana Occidente, S.A. and its subsidiaries' accounting records.

Preparation of this review report

This report has been prepared at the request of the Board of Directors in relation to the publication of the half-yearly fina **Report of condensed interim consolidated financial statements** ncial report required by Article 119 of Royal Legislative Decree 4/2015 of 23 October, approving the revised text of the Securities Market Law developed by the Royal Decree 1362/2007, of 19 October.

Pricewaterhousecoopers Auditores, S.L.

Original in Spanish signed by
Ana Isabel Peláez Morón

July 26, 2018

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Catalana Occidente
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