

Annual report **2006**

**CONSOLIDATED FINANCIAL
STATEMENTS
MANAGEMENT REPORT
CORPORATE GOVERNANCE**

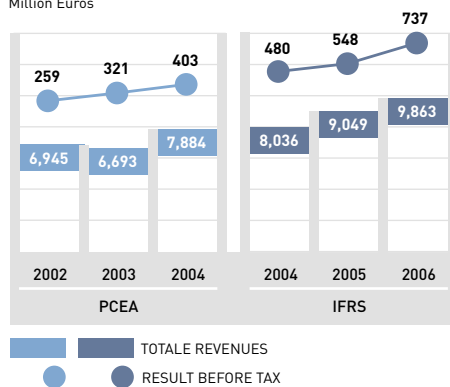


MAPFRE

MAPFRE S.A.: Accounting data

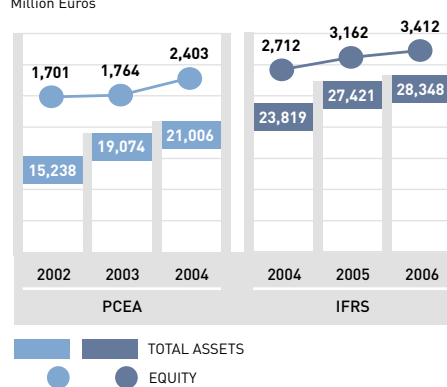
REVENUES AND RESULTS

Million Euros



ASSETS AND EQUITY

Million Euros



INCOME STATEMENT

	PCEA*			IFRS**		
	2002	2003	2004	2004	2005	2006
Total revenues	6,945	6,693	7,884	8,036	9,049	9,863
Written and accepted premiums	5,647	5,315	6,421	6,414	7,261	7,900
Non-life	3,357	3,599	4,397	4,429	5,242	5,849
Life	2,290	1,716	2,024	1,985	2,019	2,051
Result of the Non-life business	190	239	313	335	376	522
Result of the Life business	81	104	104	126	124	157
Result of the Other Business Activities	(12)	(22)	(14)	18	49	59
Result before tax	259	321	403	480	548	737
Result after tax and minority interests	113	141	183	209	250	330
Third party funds managed in Life assurance	11,834	14,946	16,048	17,378	19,252	20,105

Figures in million Euros

MANAGEMENT RATIOS

	PCEA*			IFRS**		
	2002	2003	2004	2004	2005	2006
Non-life						
Loss ratio, net of reinsurance	70.5%	67.8%	67.0%	67.6%	69.5%	65.0%
Expense ratio, net of reinsurance	30.8%	28.7%	27.3%	27.5%	28.1%	30.1%
Combined ratio, net of reinsurance	101.3%	96.5%	94.3%	95.1%	97.6%	95.1%
Life						
Net operating expenses / Reserves (MAPFRE VIDA)	1.2%	1.1%	1.2%	0.9%	0.9%	0.9%
Return on equity	10.1%	13.0%	13.3%	12.5%	12.4%	14.6%

BALANCE SHEET

	PCEA*			IFRS**		
	2002	2003	2004	2004	2005	2006
REAL ESTATE, INVESTMENTS AND CASH	12,658	15,686	17,283	19,700	21,808	22,513
Real estate (including property for own use)	514	528	639	619	723	882
Equities and mutual funds	730	901	1,063	1,205	1,354	1,784
Fixed income	9,217	11,411	12,970	15,748	17,851	18,138
Other investments	1,672	2,343	1,755	1,227	915	877
Cash	525	503	856	901	965	833
TECHNICAL RESERVES	12,008	15,330	16,542	17,824	20,427	21,004
Unearned premium reserves	1,185	1,501	1,808	1,804	2,285	2,575
Life assurance reserves	8,671	11,133	11,792	13,177	14,478	14,475
Claims reserves	1,387	1,974	2,245	2,240	3,073	3,354
Other reserves and Unit-Linked	765	722	697	603	591	600
EQUITY	1,701	1,764	2,403	2,712	3,162	3,412
Shareholders' capital and reserves	1,077	1,088	1,671	1,851	2,184	2,340
Minority interests	624	676	732	861	978	1,072
TOTAL ASSETS	15,238	19,074	21,006	23,819	27,421	28,348

Figures in million Euros

* PCEA: Spanish Accounting Standards for Insurance Companies["Plan de Contabilidad de Entidades Aseguradoras"]

** IFRS: International Financial Reporting Standard

MAPFRE S.A.: Accounting data

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY		
	2005	2006
BALANCE AS AT 1 JANUARY	2,712	3,161
Results and expenses recognised directly in equity		
From investments available for sale	352	(364)
From translation differences	126	(72)
From application of tacit accounting to Life reserves	(261)	334
TOTAL	217	(102)
Other results for the year	394	516
Distribution of result of previous year	(43)	(55)
Interim dividend for the year	(112)	(124)
Other changes in equity	(7)	16
BALANCE AS AT 31 DECEMBER	3,161	3,412

Figures in million Euros

GEOGRAPHICAL BREAKDOWN AND PRESENCE					
	2002	2003	2004	2005	2006
Number of countries in which the Group is present	37	37	38	38	39
Total number of employees	12,376	13,868	15,023	18,821	21,544
Spain	5,427	5,624	5,926	8,756	9,750
Other countries	6,949	8,244	9,097	10,065	11,794
Number of branches	3,230	3,529	3,812	4,273	4,702
Spain	2,637	2,725	2,788	2,861	2,910
Other countries	593	804	1,024	1,412	1,792
Geographical breakdown of premiums					
Spain	66%	65%	68%	64%	59%
Other countries	34%	35%	32%	36%	41%

MARKET SHARES					
	2002	2003	2004	2005	2006
Share of total premiums in Spain					
Non-life	7.1%	8.6%	8.7%	8.9%	8.8%
Life	8.2%	9.5%	9.9%	9.0%	8.4%
Total	7.6%	8.9%	9.2%	9.0%	8.6%
Share of total Life assurance technical reserves in Spain	8.9%	10.6%	10.6%	10.4%	10.3%
Share of total Non-life premiums in Latin America	5.2%	5.4%	5.7%	6.1%	n.a.

SHAREHOLDER STRUCTURE				
	2005		2006	
	%	Number	%	Number
CARTERA MAPFRE *	54.9	1	55.3	1
Other MAPFRE entities	1.1	6	1.1	5
Investors holding 0.1% or more				
Spanish	8.1	11	6.4	14
Foreign	22.7	39	21.6	33
Investors holding less than 0.1%				
Spanish	10.2	33,085	12.8	47,987
Foreign	3.0	869	2.8	1,182
TOTAL	100	34,011	100	49,222

* In 2005, MAPFRE MUTUALIDAD.

MAPFRE S.A.: Accounting data

STOCK MARKET INFORMATION

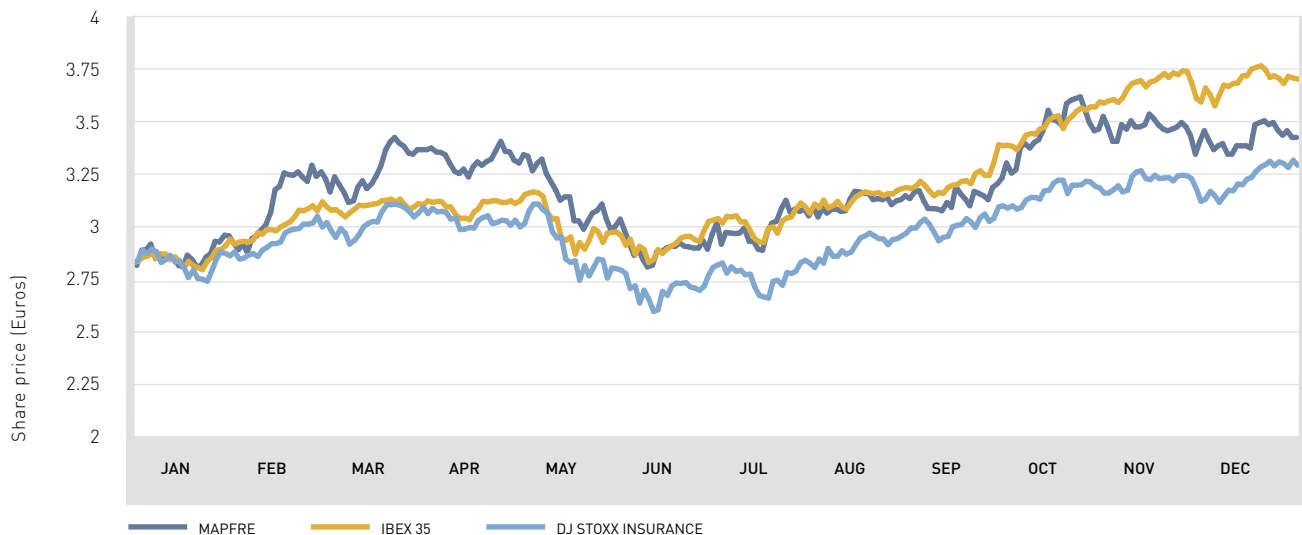
	2002	2003	2004 IFRS	2005 IFRS	2006 IFRS
Market Capitalisation as at 31 December (million Euros)	1,403.5	2,039.0	2,589.7	3,332.7	4,085.2
Number of shares in issue*	181,564,536	181,564,536	238,900,706	238,900,706	1,194,503,530
PE Ratio	12.4	14.4	12.4	13.3	12.4
Adjusted earnings per share (Euros)*	0.12	0.15	0.19	0.21	0.28
Price / Book value	1.30	1.87	1.40	1.53	1.75
Dividend per share (Euros)*	0.04	0.04	0.05	0.06	0.07
Dividend yield (%)	2.5	2.1	2.4	2.3	2.2
Average daily number of traded shares*	3,133,660	3,953,450	4,052,694	4,392,240	5,078,395
Average traded daily value (million Euros)	4.60	7.46	8.30	11.28	15.64

(*) The increase in the number of shares is due to the €500.5 million capital increase carried out in April 2004 and the 5-for-1 share split carried out in October 2006.

Earnings and dividends per share were calculated using an adjustment factor and the weighted number of shares, in compliance with IAS 33.

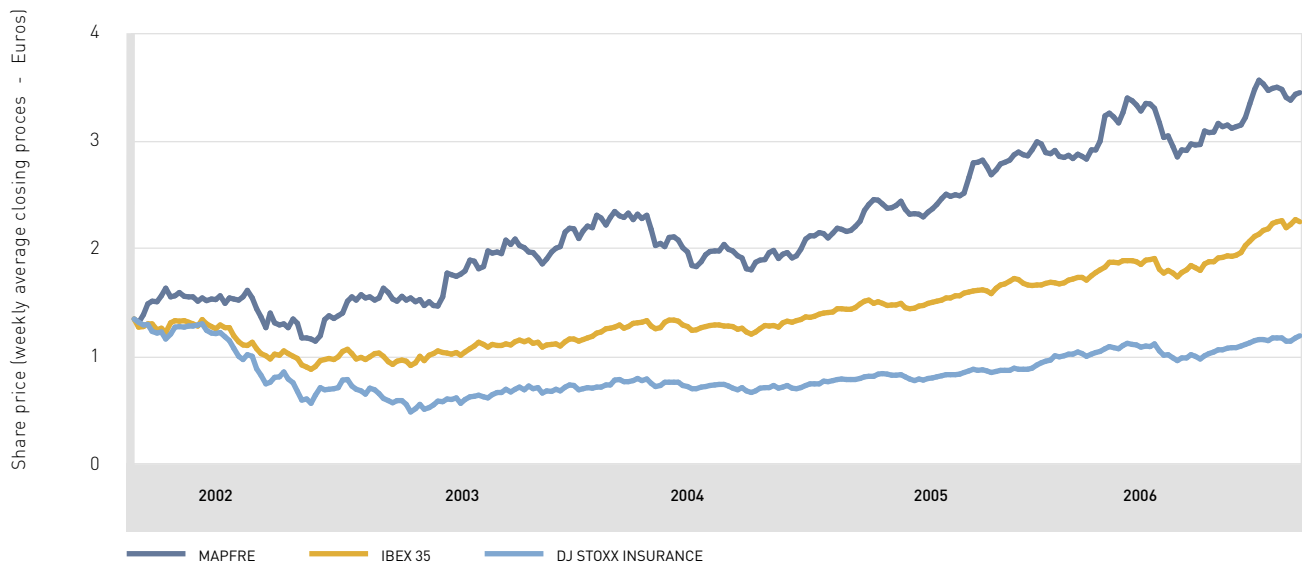
MAPFRE S.A. - IBEX 35 - DJ Stoxx Insurance

Share price performance 1st January - 31st December 2006



MAPFRE S.A. - IBEX 35 - DJ STOXX INSURANCE

Share price performance 2002 / 2006



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (PRO FORMA)

	2005	2006
BALANCE AS AT 1 JANUARY	3,696	4,466
Results and expenses recognised directly in equity		
From investments available for sale	356	(344)
From translation differences	137	(81)
From application of tacit accounting to Life reserves	(261)	332
TOTAL	232	(93)
Other results for the year	638	845
Distribution of result of previous year	(138)	(139)
Capital increase/(reduction) at subsidiaries	25	0
Other changes in equity	13	(25)
BALANCE AS AT 31 DECEMBER	4,466	5,054

Figures in million Euros

GEOGRAPHICAL BREAKDOWN AND PRESENCE

	2002	2003	2004	2005	2006
Number of countries in which the Group is present	37	37	38	38	39
Total number of employees	18,230	18,605	19,920	24,967	28,091
Spain	9,523	10,064	10,358	14,412	15,810
Other countries	8,707	8,541	9,562	10,555	12,281
Number of branches	3,230	3,529	3,812	4,273	4,702
Spain	2,637	2,725	2,788	2,861	2,910
Other countries	593	804	1,024	1,412	1,792
Geographical breakdown of premiums					
Spain	73%	73%	73%	70%	63%
Other countries	27%	27%	27%	30%	37%

MARKET SHARES

	2002	2003	2004	2005	2006*
Share of total Non-life premiums in Spain					
Motor	19.4%	19.6%	20.2%	21.0%	20.3%
Health	7.6%	7.4%	7.7%	7.9%	7.8%
Other	14.2%	17.7%	18.0%	18.3%	18.0%
Total Non-life	15.6%	17.0%	17.3%	17.8%	17.3%
Share of total Life assurance technical reserves in Spain	8.9%	10.6%	10.6%	10.4%	10.3%
Share of total Non-life premiums in Latin America	5.2%	5.4%	5.7%	6.1%	n.a.

* Provisional figures

EVOLUTION OF DIRECT INSURANCE IN SPAIN⁽¹⁾

Year	GROSS WRITTEN PREMIUMS		CLAIMS ⁽²⁾		% Market share	Employees
	Amount	% Variation	Number	Value		
1933	11	-	-	1	0.51	n.a.
1940	34	209	21,272	22	0.92	n.a.
1945	82	142	23,824	50	1.10	n.a.
1950	125	54	35,681	84	0.81	n.a.
1955	199	59	29,644	149	0.76	106
1960	477	139	25,193	225	0.83	125
1965	1,958	311	37,204	795	1.45	309
1970	4,405	125	59,938	2,608	1.78	561
1975	17,772	303	106,357	7,386	2.95	894
1980	67,301	279	175,610	32,040	4.14	987
1985	188,940	181	313,627	92,297	5.92	1,591
1990	762,017	303	773,725	378,866	7.44	3,308
1995	1,717,025	125	1,478,690	892,485	9.75	5,031
2000	3,816,084	122	3,846,180	2,032,365	10.39	6,376
2005	6,910,222	81	18,840,024	4,964,230	14.19	8,801
2006⁽³⁾	7,084,393	3	18,799,533	4,994,243	13.45	9,138

Figures in thousands Euros

(1) Figures for Gross written premiums and Claims includes Workers' Compensation insurance up until 1966, when the Outline Legislation for the Social Security System prohibits this line of insurance as a mercantile activity.

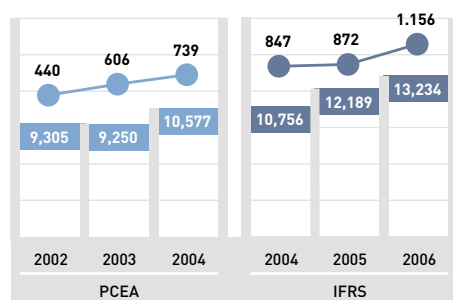
(2) Includes claims arising from Life protection and benefits paid for Life savings products. From 2000 onwards, this includes claims paid for Assistance and Health insurance.

(3) Provisional data

Pro forma data*

REVENUES AND RESULTS

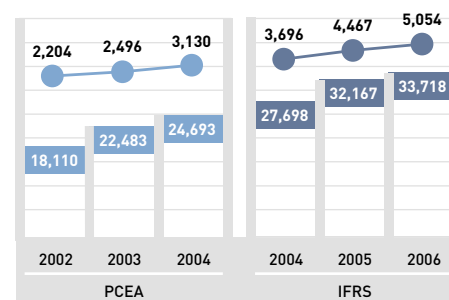
Million Euros



■ TOTAL REVENUES
● RESULT BEFORE TAX

ASSETS AND EQUITY

Million Euros



■ TOTAL ASSETS
● EQUITY

INCOME STATEMENT

	PCEA**			IFRS***		
	2002	2003	2004	2004	2005	2006
Total revenues	9,305	9,250	10,577	10,756	12,189	13,234
Written and accepted premiums	7,742	7,589	8,919	8,912	10,110	10,933
Non-life	5,296	5,712	6,713	6,736	7,801	8,452
Life	2,446	1,877	2,206	2,176	2,309	2,481
Result of the Non-life business	396	561	634	702	684	920
Result of the Life business	73	109	105	127	128	171
Result of the Other Business Activities	(29)	(64)	0	19	60	65
Result before tax	440	606	739	847	872	1,156
Result after tax and minority interests	206	299	366	405	458	610
Third party funds managed in Life assurance	12,498	15,113	16,233	17,564	19,585	20,536

Figures in million Euros

MANAGEMENT RATIOS

	PCEA**			IFRS***		
	2002	2003	2004	2004	2005	2006
Non-life						
Loss ratio, net of reinsurance	75.3%	72.8%	70.9%	70.2%	73.5%	69.0%
Expense ratio, net of reinsurance	20.9%	19.8%	20.6%	21.8%	22.1%	24.9%
Combined ratio, net of reinsurance	96.2%	92.6%	91.5%	92.0%	95.6%	93.9%
Life						
Net operating expenses / Reserves (MAPFRE VIDA)	1.2%	1.1%	1.2%	0.9%	0.9%	0.9%

BALANCE SHEET

	PCEA **			IFRS***		
	2002	2003	2004	2004	2005	2006
REAL ESTATE, INVESTMENTS AND CASH	14,845	18,347	20,105	22,601	25,409	26,617
Real estate (including property for own use)	1,034	1,068	1,206	1,201	1,365	1,588
Equities and mutual funds	967	1,198	1,402	1,526	1,713	2,333
Fixed income	10,740	13,890	15,229	16,576	19,835	20,169
Other investments	1,024	901	876	1,843	1,071	1,105
Cash	1,080	1,290	1,392	1,454	1,425	1,422
TECHNICAL RESERVES	14,100	17,695	19,156	20,257	23,317	24,027
Unearned premium reserves	2,151	2,553	2,952	2,937	3,541	3,854
Life assurance reserves	8,772	11,256	11,923	13,318	14,741	14,826
Claims reserves	2,310	3,008	3,393	3,384	4,425	4,733
Other reserves and Unit-Linked	868	878	888	618	610	614
EQUITY	2,204	2,496	3,130	3,696	4,467	5,054
Shareholders' capital and reserves	1,171	1,393	1,711	2,061	3,535	4,026
Minority interests	1,033	1,103	1,419	1,635	932	1,028
TOTAL ASSETS	18,110	22,483	24,693	27,698	32,167	33,718

Figures in million Euros

* MAPFRE S.A. pro forma data for 2005 and 2006 includes the new businesses and entities contributed in January 2007. For 2002 through to 2004, data corresponds to MAPFRE MUTUALIDAD and its participated companies.

** PCEA: Spanish Accounting Standards for Insurance Companies ("Plan de Contabilidad de Entidades Aseguradoras").

*** IFRS: International Financial Reporting Standard.

Key events in the expansion and development of MAPFRE over the last ten years

1997	<ul style="list-style-type: none"> ○ MAPFRE acquires SEGUROS LA SEGURIDAD in Venezuela and EL SOL NACIONAL in Peru. ○ The consolidated own funds of SISTEMA MAPFRE exceed €1,000 million. ○ MAPFRE insures over 3 million vehicles in Spain.
1998	<ul style="list-style-type: none"> ○ MAPFRE and CAJA MADRID sign their first framework business cooperation agreement. ○ Eight new minority shareholders take up a total 20% stake in MAPFRE AMÉRICA. ○ MAPFRE AMÉRICA VIDA begins operating and holding company MAPFRE AMÉRICA CAUCIÓN Y CRÉDITO is incorporated. ○ Direct insurance premiums in Spain exceed €2,000 million.
1999	<ul style="list-style-type: none"> ○ Entry into the North American reinsurance market through MAPFRE REINSURANCE CORPORATION. ○ LA CENTRO AMERICANA (El Salvador) is acquired. ○ The International Centre for Management Training ("Centro Internacional de Formación de Directivos") is created. ○ The MAPFRE call centres handle over 10 million calls.
2000	<ul style="list-style-type: none"> ○ MAPFRE's market share in Spain exceeds 10%. ○ SISTEMA MAPFRE manages funds worth over €10,000 million. ○ The strategic alliance with CAJA MADRID is signed. ○ The consolidated equity of SISTEMA MAPFRE exceeds €2,000 million. ○ The Board of Directors of MAPFRE MUTUALIDAD approves the Code of Good Governance of SISTEMA MAPFRE.
2001	<ul style="list-style-type: none"> ○ MAPFRE strengthens its position in Burial insurance in Spain through the acquisition of FINISTERRE. ○ José Manuel Martínez becomes Chairman of SISTEMA MAPFRE, replacing Julio Castelo. ○ MAPFRE VIDA ends the year as the largest insurance company in Spain by volume of premiums. ○ Direct insurance premiums in Spain exceed €5,000 million. ○ MAPFRE insures over 4 million vehicles in Spain.
2002	<ul style="list-style-type: none"> ○ The first Collective Employment Agreement of the MAPFRE Insurance Group for the three-yearly period 2002-2004 is signed. ○ A wide-ranging management restructuring is approved and the Commercial Insurance Operating Unit is created. ○ SISTEMA MAPFRE manages funds worth over €20,000 million. ○ The MAPFRE call centres handle over 20 million calls. ○ mapfre@com, a single Internet portal to access the whole of SISTEMA MAPFRE, is launched.
2003	<ul style="list-style-type: none"> ○ The Board of Directors of SEPI awards MUSINI and MUSINI VIDA to MAPFRE - CAJA MADRID HOLDING. ○ Standard & Poor's raises the rating of MAPFRE MUTUALIDAD to 'AA' and those of CORPORACIÓN MAPFRE and MAPFRE RE to 'AA -'. ○ CORPORACIÓN MAPFRE's shares are included in the IBEX 35 and Dow Jones Stoxx Insurance equity indices. ○ The market capitalisation of CORPORACIÓN MAPFRE exceeds €2,000 million. ○ MAPFRE ASISTENCIA ORO is incorporated. ○ SISTEMA MAPFRE obtains a result before tax of over €600 million.
2004	<ul style="list-style-type: none"> ○ The total operating revenues of SISTEMA MAPFRE exceed €10,000 million. ○ MAPFRE insures over 5 million vehicles in Spain. ○ MAPFRE SEGUROS GENERALES insures over 2 million households in Spain. ○ CORPORACIÓN MAPFRE carries out a €500 million capital increase. ○ MAPFRE acquires a majority shareholding in QUAVITAE, the leading Spanish provider of comprehensive social and health care for the Elderly. ○ MAPFRE enters the Chinese market through the incorporation of ROAD CHINA ASSISTANCE, which distributes assistance programs.
2005	<ul style="list-style-type: none"> ○ The insurance premiums of SISTEMA MAPFRE exceed €10,000 million. ○ The market capitalisation of CORPORACIÓN MAPFRE exceeds €3,000 million. ○ SISTEMA MAPFRE manages funds worth over €30,000 million. ○ The Board of Directors of SEPI awards CLINISAS to MAPFRE CAJA SALUD. ○ MAPFRE acquires a majority shareholding in NOSSA CAIXA SEGUROS E PREVIDENCIA, a Brazilian Life and Pensions Insurer. ○ SISTEMA MAPFRE employs over 20,000 staff. ○ MAPFRE becomes the leading insurance group by volume of premiums in Non-life in Latin America. ○ All foundations that operate in Spain are merged into FUNDACIÓN MAPFRE.
2006	<ul style="list-style-type: none"> ○ MAPFRE implements a new corporate structure. ○ Results before tax exceed €1,000 million. ○ MAPFRE S.A.'s market capitalisation exceeds €4,000 million. ○ An agreement is established with Cattolica di Assicurazioni to develop Motor insurance in Italy. ○ An agreement is established with Caja Castilla La Mancha to develop the Life assurance and Pensions businesses of said Caja. ○ MAPFRE S.A.'s shares are incorporated into the "Footsie4Good" Social Responsibility index.



Annual report **2006**



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Governing Bodies



BOARD OF DIRECTORS
OF MAPFRE S.A.

Governing Bodies*

BOARD OF DIRECTORS	EXECUTIVE COMMITTEE	APPOINTMENTS AND REMUNERATION COMMITTEE	AUDIT COMMITTEE	COMPLIANCE COMMITTEE
Chairman Mr. José Manuel Martínez Martínez	CHAIRMAN	CHAIRMAN		
First Vice-Chairman Mr. Alberto Manzano Martos	FIRST VICE-CHAIRMAN	FIRST VICE-CHAIRMAN		
Second Vice-Chairman Mr. Francisco Ruiz Risueño	SECOND VICE-CHAIRMAN	SECOND VICE-CHAIRMAN		CHAIRMAN
Third Vice-Chairman Mr. Filomeno Mira Candel	THIRD VICE-CHAIRMAN			
Fourth Vice-Chairman Mr. Domingo Sugranyes Bickel	MEMBER		VICE-CHAIRMAN	
Fifth Vice-Chairman Mr. Santiago Gayarre Bermejo	MEMBER			
Members				
Mr. Rafael Beca Borrego			MEMBER	
Mr. Rafael Fontoira Suris				MEMBER
Mr. Luis Hernando de Larramendi Martínez	MEMBER	MEMBER		
Mr. Sebastián Homet Duprá			MEMBER	
Mr. Antonio Huertas Mejías	MEMBER			
Mr. Luis Iturbe Sanz de Madrid			MEMBER	
Mr. Andrés Jiménez Herradón	MEMBER			
Mr. Manuel Lagares Calvo			CHAIRMAN	
Mr. Rafael Márquez Osorio				MEMBER
Mrs. Francisca Martín Tabernero				MEMBER
Mr. Antonio Miguel-Romero de Olano			MEMBER	
Mr. Alfonso Rebuelta Badías		MEMBER		
Mr. Agustín Rodríguez García				MEMBER
Mr. Matías Salvá Bennasar		MEMBER		
Mr. Francisco Vallejo Vallejo		MEMBER		
Secretary and Member				
Mr. José Manuel González Porro	SECRETARY AND MEMBER	SECRETARY	SECRETARY AND MEMBER	
Vice-Secretary				
Mr. Ángel Dávila Bermejo	VICE-SECRETARY		VICE-SECRETARY	

* Composition of the governing bodies resulting from the proposals submitted to the Annual Shareholders' Meeting relating to the appointment, retirement and re-election of Board members





Letter to Shareholders



JOSÉ MANUEL MARTÍNEZ,
CHAIRMAN

Dear Shareholder

The financial year 2006 referred to in this Annual Report was a year of major change for our Group: on 1st January 2007 the new structure was implemented, by virtue of which all of the Group's business activities have been integrated within our company, now called MAPFRE, S.A. (some of the Group businesses were formerly shared with MAPFRE MUTUALIDAD).

Our company has therefore embarked on a new journey, with much higher revenues and profits than the previous year; with a new Board of Directors comprising 14 non-executive directors (8 independent directors and 6 representing the owners) and 8 executive directors; and with a renewed operating structure which, among other things, has led to the creation of a major division in Spain (MAPFRE FAMILY DIVISION) that will lead to the generation of greater synergies and cost-savings, the use of shared technology platforms, and greater customer focus.

Our shareholders are participating, as of 2007, in a business group that: clearly ranks as the largest in Spain by insurance premiums and is the leader among the foreign companies operating in Latin America; it is also considering a number of attractive growth projects in those markets in which it is already present, and plans to expand in Europe, the United States and the Far East, building on its experience in the insurance sector, as shown by its efficiency, growth and favourable results in its existing insurance businesses; and has a strong entrepreneurial culture in which its service-oriented spirit, ethical principles and social presence act as the driving forces behind the expansion of our business.

From a corporate governance standpoint, our new structure also represents a substantial step forward in terms of transparency and segregation between the business activities, managed by the Board of Directors, and the non-profit activities, managed by the Trust of FUNDACIÓN MAPFRE, which at the same time exercises the rights that correspond to the majority shareholder and oversees the good governance of MAPFRE as a whole. In this framework, the main focus for the governing bodies of our company is the creation of shareholder value, observing the entrepreneurial principles that have guided us thus far and shall continue to direct our future: independence, social responsibility, ethical principles, humanism, and business and assets growth.

Main figures in 2006

This Annual Report for 2006 covers the last financial year, in which our Company (bearing the former corporate name of CORPORACIÓN MAPFRE) comprised only part of the Group's business activities. Nonetheless, in order to provide complete and transparent information, it also includes extensive pro forma information on the results that would have been obtained in 2006, if all of the activities that have been integrated into our Group in 2007 had been incorporated in the scope of consolidation.

In the financial year 2006, our consolidated capital and reserves increased by €156.4 million as a result of our ordinary operations, a 7.2% rise over the €2,183.6 million of the previous year, reflecting the excellent results generated by our subsidiaries overall:

- Non-Life direct insurance premiums grew by 11.6% compared to 2005.
- Funds under management from Life Assurance, pension funds and mutual funds increased by 4.4%.
- Consolidated total income rose by 9%.
- The consolidated net profit in 2006 amounted to €330.2 million, 32.2% higher than the previous year; earnings per share increased from €0.21 to €0.28.

Pro forma information

The new activities integrated into our Company also had very satisfactory results in 2006, the most significant figures being the following:

- MAPFRE AUTOMÓVILES reported a net profit of €252.8 million, with a premiums volume of €2,344.3 million.
- MAPFRE AGROPECUARIA, MAPFRE SEGUROS GERAIS and MAPFRE AMÉRICA VIDA achieved a net profit of €35.4 million, with a premiums volume of €757.6 million.

Overall, the pro forma consolidated net profit obtained in 2006 by all of the activities currently integrated in our Company amounted to €610.2 million, a 33.1% increase over 2005.

Our share price

The share price of our company, which was again included in the IBEX 35 in the month of July, performed favourably, gaining 22.6% in 2006. The average daily traded volume was 5,078,395 shares compared to 4,392,240 shares in 2005.

The adoption of our new corporate structure was welcomed by the market, as shown by the additional gain in the share price and the strong increase in the trading volumes during the days following the Extraordinary General Meeting, held on 29th December.

In October 2006 a share split was carried out whereby each share with a nominal value of €0.50 was divided into five new shares, each with a nominal value of €0.10; at the above mentioned Extraordinary General Meeting a capital increase was approved, amounting to €3,450 million. After these two operations, our Group has 2,275.3 million shares in issue, and the number of shares representing the free float has increased by 23%.

Growth of our activities

Our new corporate structure furnishes us with the necessary financial capacity to foster our expansion projects. The two operations announced at the end of 2006 reflect this approach: the agreement with CAJA CASTILLA-LA MANCHA for the joint development of the business of its affiliate CCM VIDA Y PENSIONES; and the creation, with the Italian insurer SOCIETÀ CATTOLICA DI ASSICURAZIONE, of a joint venture specialising in Motor Insurance (MAPFRE CATTOLICA AUTO), which shall integrate the current Motor portfolio of CATTOLICA GROUP, thereby commencing business with an annual premium volume of €1,100 million.

Both of these operations provide evidence of our determination to grow in new markets or businesses, taking advantage of those situations in which the contribution of our management experience and technology may add significant value.

I would like to conclude this letter by expressing my gratitude to our shareholders, customers, supervisory bodies, and generally all those who have expressed their confidence in and support for the important changes carried out by us last year; and also all the people that comprise MAPFRE (directors, executives, employees, delegates, agents, and associates) - thanks to whose efforts the excellent results we are presenting were made possible.

Sincerely,

A handwritten signature in black ink, appearing to read 'José Manuel Martínez', with a long horizontal line extending from the end of the signature.

José Manuel Martínez
Chairman





General information

General information

MAPFRE is an independent Spanish business group which carries out insurance, reinsurance, financial, real estate and service activities in Spain and a further 38 countries. These activities are carried out through 250 companies, which are grouped into divisions and operating units with wide ranging management autonomy, under the coordination and supervision of the senior management bodies of the System. These lay down the general guidelines and common policies which the entire Group must adhere to, and approve the objectives and strategic guidelines of the various units and companies, as well as the most important decisions and investments.



MAPFRE'S HEADQUARTERS
IN MAJADAHONDA, MADRID

Up until 31st December 2006, the Group's parent company was MAPFRE MUTUALIDAD DE SEGUROS Y REASEGUROS (MAPFRE MUTUALIDAD), which specialized in Motor insurance; the rest of the Group's business activities were carried out by companies controlled by MAPFRE MUTUALIDAD, some directly and others through a subsidiary holding company (CORPORACIÓN MAPFRE), whose shares are listed on the continuous market of the Madrid and Barcelona Stock Exchanges and are included in the IBEX 35, DOW JONES Stoxx Insurance, MSCI Spain, FTSE All-World Developed Europe Index and FTSE4Good indices.

Following the wide-ranging corporate reorganisation carried out during 2006, the Group's parent company is now CORPORACIÓN MAPFRE S.A., which has changed its name to MAPFRE S.A. and comprises all the business activities previously carried out by MAPFRE MUTUALIDAD and its direct subsidiaries. MAPFRE MUTUALIDAD has been dissolved and has transferred its Mutual Equity Fund to FUNDACIÓN MAPFRE (the part corresponding to the Equity Reserves) and to the Mutual Members (the part corresponding to the Mutual Fund).

As a result of these operations, FUNDACIÓN MAPFRE has become the major shareholder of MAPFRE S.A., a foundation which carries out charitable activities of general interest through five specialized institutions (Social action; Insurance sciences; Culture; Prevention, health and the environment; and Road safety). The Foundation's shareholding in MAPFRE S.A. is held through CARETRA MAPFRE, a financial holding company whose shares are owned entirely by the Foundation.

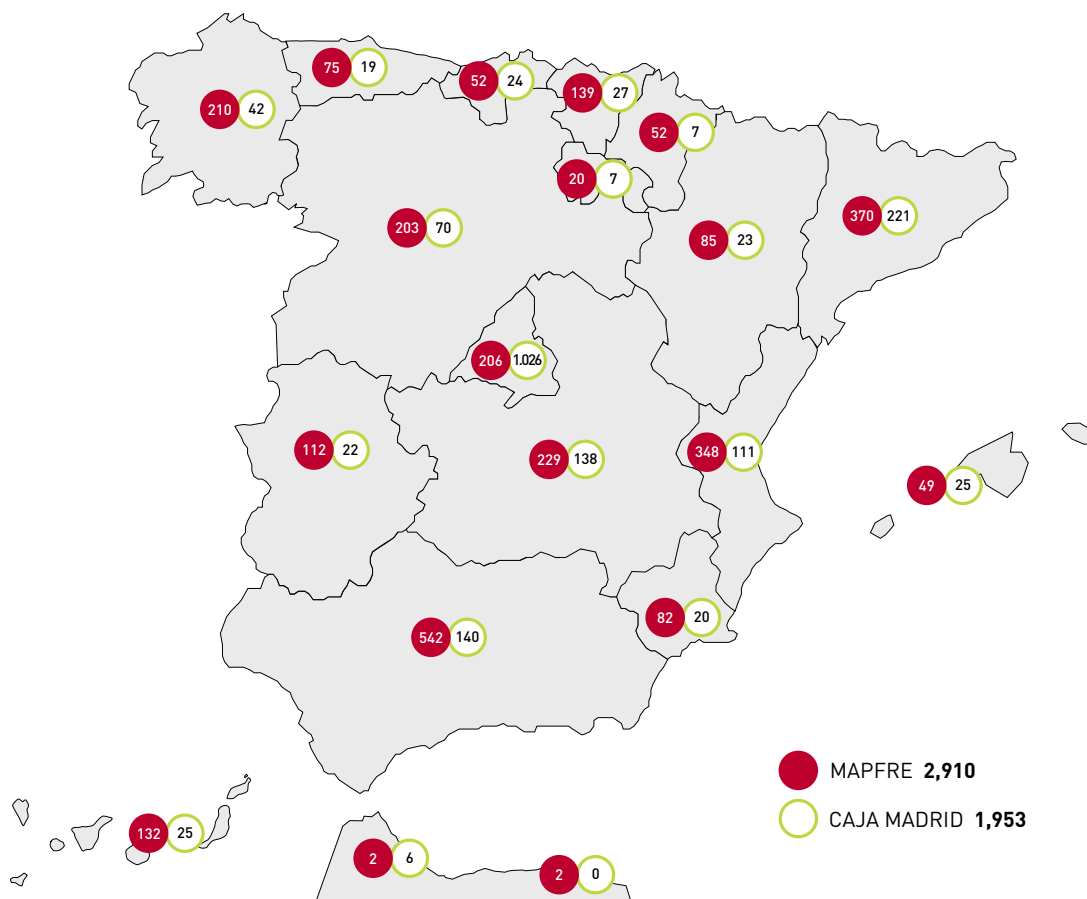
MAPFRE has established an important strategic alliance with CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID ("CAJA MADRID"), the parent company of the fourth largest Spanish financial group. This alliance is represented by the partial integration of the businesses in Spain through holding company MAPFRE-CAJA MADRID DE ENTIDADES ASEGURADORAS and through BANCO DE SERVICIOS FINANCIEROS CAJA MADRID-MAPFRE, with MAPFRE holding a majority stake in the insurance companies and CAJA MADRID in the banking entities. The alliance achieves the full exploitation of the potential of both groups' networks in the distribution of banking and insurance products. This is complemented by other stakes held by CAJA MADRID in other companies of the MAPFRE Group (MAPFRE AMÉRICA y MAPFRE AMÉRICA VIDA) and by MAPFRE in companies of the CAJA MADRID Group (GESMADRID, CAJA MADRID PENSIONES and CAJA MADRID BOLSA).

Presence in Spain

MAPFRE has the most extensive distribution network in the Spanish insurance sector and one of the largest of all financial companies. At the end of 2006, the network comprised of:

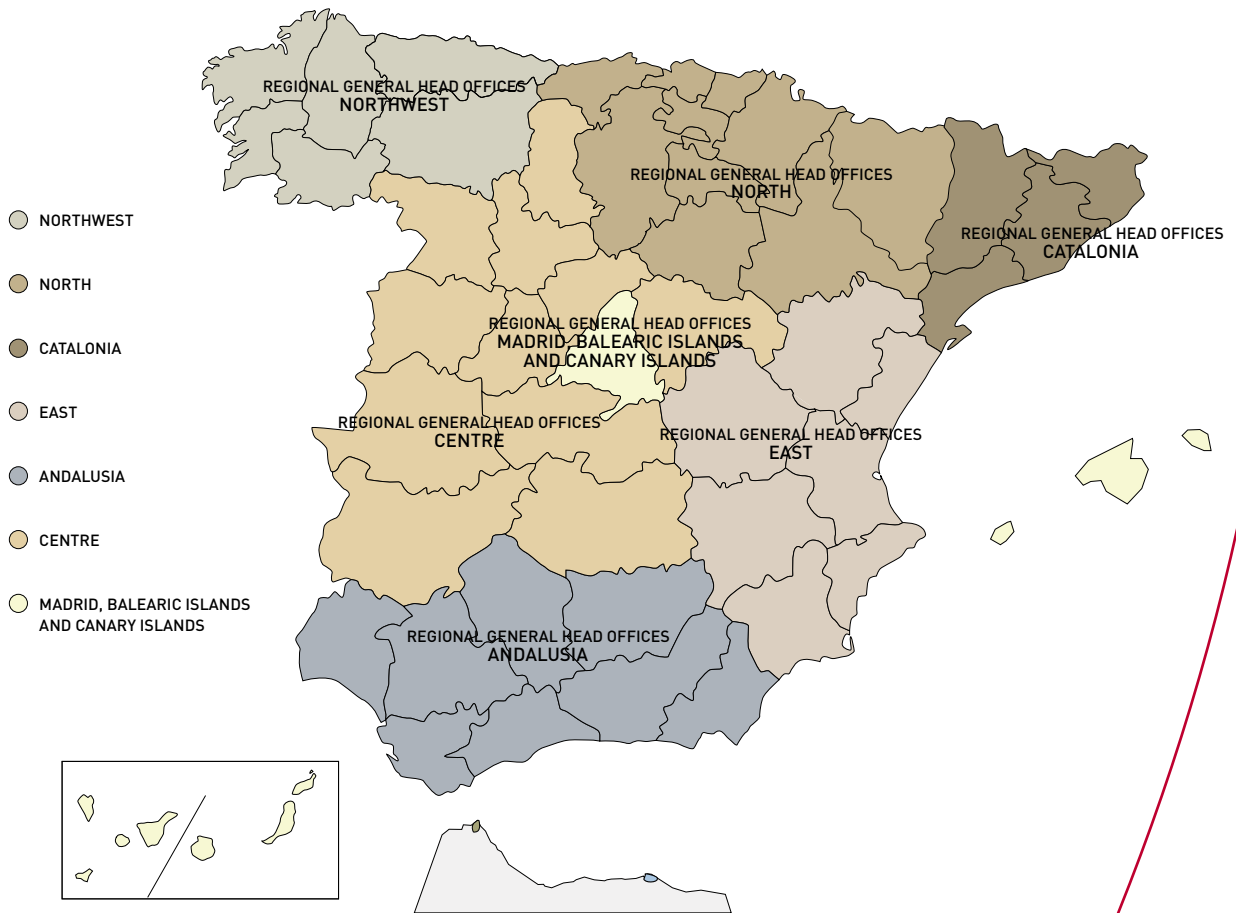
- 420 direct offices, with own management and staff (managers and advisors).
- 2,490 delegations, managed by a professional agent and his own staff.
- 24,154 agents and associates.

DISTRIBUTION NETWORK IN SPAIN IN 2006



All of these offices are grouped into forty sub-centres, which direct and coordinate the activities of the Network in a given area, which normally coincides with one or more provinces. These in turn are grouped under seven Regional General Head Offices (Andalusia, Catalonia, the Centre, the East, Madrid - Balearic Isles and Canary Islands, the Northwest and the North).

REGIONAL GENERAL HEAD OFFICES IN 2006





- ASSISTANCE
- REINSURANCE
- DIRECT INSURANCE



International presence

The Group's companies operate in a total of 38 countries, aside from Spain.

In 16 of these, the Group has companies which operate in Direct Insurance. The Assistance business, which is present in 38 countries, has the largest international presence. In addition, there are representative offices for accepting reinsurance in 16 countries. Overall, at the end of 2006, the Group had 1,792 offices and 12,281 employees in these countries.

By geographic areas, the largest presence is on the American Continent (21 countries), followed by Europe (12), Asia (4) and Africa (1).

Ratings

In accordance with standard financial market practices, MAPFRE has been rated by various credit rating agencies. This analysis has been undertaken for the consolidated Group and for certain subsidiaries, either due to legal requirements or for market related reasons.

The following table reflects the grades or ratings assigned to the main companies of the Group, in accordance with the international grading used by said agencies. In addition, there are other ratings assigned to other subsidiaries where local grading is applied.

It is worth noting that during fiscal year 2006, Standard & Poor's raised its rating for MAPFRE RE to "AA". It also affirmed its "AA" financial strength rating for the Group, as well as the "AA-" issuer credit rating assigned to MAPFRE S.A. The ratings assigned by A.M. Best and Moody's were not affected throughout 2006, reflecting in both cases the high solvency levels.

These excellent ratings received by our Group and its subsidiaries reflect the rating agencies' confidence in their strong capitalisation, market position and operating results.

COMPANY	Standard & Poor's		A.M. Best	
	2006 ⁽¹⁾	2005	2006 ⁽¹⁾	2005
MAPFRE MUTUALIDAD	AA (Excellent) Stable outlook	AA (Excellent) Stable outlook	A+ (Superior) Positive outlook	A+ (Superior) Positive outlook
MAPFRE S.A. (Debt issuer)	AA- (Excellent) Stable outlook (issuer credit rating)	AA- (Excellent) Stable outlook (issuer credit rating)	aa- Stable outlook (issuer credit rating)	aa- Positive outlook (issuer credit rating)
MAPFRE RE	AA (Excellent) Stable outlook	AA- (Excellent) Stable outlook	A+ (Superior) Positive outlook	A+ (Superior) Positive outlook
MAPFRE EMPRESAS	AA (Excellent) Stable outlook	AA (Excellent) Stable outlook	A (Excellent) Stable outlook	A (Excellent) Stable outlook
MAPFRE PRAICO	-	-	A (Excellent) Stable outlook	A (Excellent) Stable outlook
MAPFRE TEPEYAC	-	-	A- (Excellent) Stable outlook	A- (Excellent) Stable outlook

COMPANY	Moody's		A.M. Best	
	2006 ⁽¹⁾	2005	2006 ⁽¹⁾	2005
MAPFRE ASISTENCIA	A1 Stable outlook	A1 Stable outlook	A+ (Superior) Stable outlook	A+ (Superior) Stable outlook

(1) Ratings as at 31 December 2006

Organisational chart

