CONSOLIDATED FINANCIAL STATEMENTS 2005

A) CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2005 AND 2004

Assets	Notes	2005	2004
A) INTANGIBLE ASSETS	**6,1**	**650.87**	**543.99**
I. Goodwill	6,1	595.97	502.84
II. Other intangible assets	6,1	54.90	41.15
B) PROPERTY, PLANT AND EQUIPMENT	**6,2**	**502.58**	**417.35**
I. Property for own use	6,2	377.72	304.31
II. Other property, plant and equipment	6,2	124.86	113.04
C) INVESTMENTS		**20,165.94**	**18,134.11**
I. Investment property	6,2	345.13	314.33
II. Financial investments			
1. Portfolio held to maturity	6,4	693.37	704.37
2. Portfolio available for sale	6,4	17,509.31	15,673.12
3. Trading portfolio	6,4	1,383.16	1,208.76
III. Investments recorded applying the equity method		104.35	78.28
IV. Deposits established for accepted reinsurance		97.89	113.11
V. Other investments		32.73	42.14
D) INVESTMENTS ON ACCOUNT OF LIFE POLICYHOLDERS ASSUMING INVESTMENT RISK	**6,6**	**299.70**	**361.14**
E) INVENTORIES	**6,7**	**309.22**	**62.36**
F) PARTICIPATION BY REINSURANCE IN TECHNICAL PROVISIONS	**6,12**	**1,642.25**	**1,165.11**
G) DEFERRED TAX ASSSETS	**6,19**	**736.29**	**580.47**
H) CREDITS & RECEIVABLES	**6,8**	**1,683.21**	**1,302.66**
I. Credits on direct insurance and coinsurance operations	6,8	1173.71	946.82
II. Credits on reinsurance operations	6,8	281.32	185.78
III. Tax credits	6,8	82.05	53.14
IV. Corporate and other credits	6,8	146.13	116.92
V. Shareholders, called capital	6,8	–	–
I) CASH AND BANKS	**6,9**	**964.71**	**900.81**
J) ACCRUAL ADJUSTMENTS		**425.97**	**323.69**
K) OTHER ASSETS		**40.24**	**26.89**
L) NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS		**–**	**–**
TOTAL ASSETS		**27,420.98**	**23,818.58**

Figures in million euros

A) CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2005 AND 2004

Liabilities and Equity	Notes	2005	2004
A) EQUITY	**6,10**	**3,161.28**	**2,712.14**
I. Paid-up capital	6,10	119.45	119.45
II. Reserves	6,10	1,469.38	1,362.42
III. Treasury stock		–	–
IV. Valuation adjustment reserves	6,10	182.72	154.00
V. Translation differences	6,21	58.85	(46.28)
VI. Retained earnings			
1. Results from previous years pending application		143.98	88.19
2. Result of the year attributable to the controlling Company	4,1	249.83	209.38
3. Interim dividends	4,2	(40.61)	(35.84)
Equity attributable to the controlling Company's shareholders		**2,183.60**	**1,851.32**
Minority interests		**977.68**	**860.82**
B) SUBORDINATED LIABILITIES		**–**	**–**
C) TECHNICAL PROVISIONS	**6,12**	**20,127.52**	**17,462.70**
I. Provisions for unearned premiums and for risks in progress	6,12	2,284.64	1,803.94
II. Provisions for life insurance	6,12	14,478.79	13,176.81
III. Provisions for outstanding claims	6,12	3,072.86	2,239.76
IV. Other technical provisions	6,12	291.23	242.19
D) TECHNICAL PROVISIONS FOR LIFE INSURANCE WHEN INVESTMENT RISK IS ASSUMED BY POLICYHOLDERS	**6,12**	**299.70**	**361.14**
E) PROVISIONS FOR RISKS AND EXPENSES	**6,13**	**107.72**	**109.31**
F) DEPOSITS RECEIVED ON CEDED AND RETROCEDED REINSURANCE	**6,14**	**144.70**	**147.63**
G) DEFERRED TAX LIABILITIES	**6,19**	**839.85**	**642.27**
H) DEBT	**6,15**	**2,549.96**	**2,235.65**
I. Issuance of debentures and other negotiable securities	6,11	313.58	315.95
II. Due to credit institutions	6,11	201.56	84.26
III.Other financial liabilities	6,11	628.76	747.04
IV. Due on direct insurance and coinsurance operations	6,15	431.22	428.34
V. Due on reinsurance operations	6,15	292.12	230.83
VI. Tax payable		254.35	156.97
VII Other debts	6,15	428.37	272.26
I) ACCRUAL ADJUSTMENTS		**190.25**	**147.74**
J) LIABILITIES LINKED TO NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS		**–**	**–**
TOTAL LIABILITIES AND EQUITY		**27,420.98**	**23,818.58**

Figures in million euros

(B) CONSOLIDATED INCOME STATEMENT FOR YEARS ENDED 31 DECEMBER 2005 AND 2004

Concept	Notes	2005	2004
I. REVENUES			
1. Insurance premiums, net			
a) Written premiums, direct insurance	5,21	6,175.21	5,550.42
b) Premiums from accepted reinsurance	5,21	1,085.08	864.09
c) Premiums from ceded reinsurance	6,18	(1,104.02)	(1,007.13)
d) Variation in provisions for premiums and risks in progress, net	5,15	(287.04)	(274.12)
2. Profit sharing in companies recorded by the equity method		11.68	8.30
3. Income from investments			
a) From operations	6,16	1,264.46	1,162.30
b) From equity	6,16	63.65	56.51
4. Unrealised gains in investments on account of life policyholders bearing the investment risk		26.26	18.45
5. Other technical revenues		8.15	11.67
6. Other non technical revenues		352.60	299.87
7. Positive translation differences	6,21	61.26	63.62
8. Reversion of the asset impairment provision	6,2	0.24	1.13
9. Positive results from disposal of non-current assets held for sale		–	–
TOTAL REVENUES		7,657.53	6,755.11

Figures in million euros

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Concept	Notes	2005	2004
II. EXPENSES			
1. Claims, net			
a) Claims paid			
Direct insurance	5,23	(3,605.71)	(3,529.28)
Accepted reinsurance	5,23	(507.75)	(378.30)
Ceded reinsurance	6,18	431.16	420.59
b) Variation in provision for claims, net	5,15	(435.59)	(277.69)
c) Claim related expenses	5,23	(174.93)	(137.50)
2. Variation in other technical provisions, net	5,15	(844.94)	(636.40)
3. Profit sharing and returned premiums		(24.73)	(33.27)
4. Net operating expenses	6,17	(1,315.77)	(1,036.18)
5. Sharing in losses of companies recorded by the equity method		(1.46)	(0.90)
6. Expenses from investments			
a) From operations	6,16	(266.67)	(296.44)
b) From equity and financial accounts	6,16	(22.29)	(15.13)
7. Unrealised losses in investments on account of life policyholders bearing the investment risk		(0.62)	(0.15)
8. Other technical expenses		(68.09)	(69.25)
9. Other non technical expenses		(185.97)	(205.19)
10. Negative translation differences	6,21	(63.17)	(70.03)
11. Allowance to the asset impairment provision	6,1	(23.07)	(10.46)
12. Negative results from disposal of non-current assets held for sale		–	–
TOTAL EXPENSES		(7,109.60)	(6,275.58)
III. PROFIT BEFORE TAX FROM ONGOING OPERATIONS		547.93	479.53
IV. TAX ON PROFIT FROM ONGOING OPERATIONS	6,19	(154.12)	(148.09)
V. PROFIT AFTER TAX FROM ONGOING OPERATIONS		393.81	331.44
VI. PROFIT AFTER TAX FROM DISCONTINUED OPERATIONS		–	–
VII. PROFIT FOR THE YEAR		393.81	331.44
1. Attributable to minority shareholders		(143.98)	(122.06)
2. Attributable to the controlling Company	4,1	249.83	209.38

Figures in million euros

Basic and diluted gains per share (Euros)	4,1	1.05	0.93

C) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2005 AND 2004

Concept	Equity attributable to controlling shareholder					Minority interests	Total equity
	Share capital	Reserves	Valuation adjustments reserves	Translation differences	Retained Result		
BALANCE AS AT 1 JANUARY 2004	**90.78**	**797.78**	**96.60**	**–**	**199.91**	**734.90**	**1,919.97**
I. Changes in accounting policies	–	–	–	–	–	–	–
II. Correction of errors	–	–	–	–	–	–	–
BALANCE AS AT 1 JANUARY 2004, RESTATED	**90.78**	**797.78**	**96.60**	**–**	**199.91**	**734.90**	**1,919.97**
VARIATIONS IN 2004							
I. Results recognised directly in equity							
1. From investments available for sale	–	–	242.58	–	–	213.74	456.32
2. From translation differences	–	–	–	(46.28)	–	(1.81)	(48.09)
3. From application of tacit accounting	–	–	(169.49)	–	–	(163.03)	(332.52)
Total results recognised directly in equity	**–**	**–**	**73.09**	**(46.28)**	**–**	**48.90**	**75.71**
II. Other results for 2004	–	–	–	–	209.38	122.06	331.44
III. Distribution of 2003 results	–	89.71	–	–	(111.72)	(7.27)	(29.28)
IV. Interim dividends for 2004 (Note 4.2)	–	–	–	–	(35.84)	(49.67)	(85.51)
V. Capital increase	28.67	471.88	(6.82)	–	–	–	493.73
VI. Called capital pending payment	–	–	–	–	–	–	–
VII. Capital decrease in subsidiaries	–	–	–	–	–	(6.11)	(6.11)
VIII. Other increases	–	3.05	–	–	–	18.01	21.06
IX. Other decreases	–	–	(8,87)	–	–	–	(8.87)
TOTAL VARIATIONS IN 2004	**28.67**	**564.64**	**57.40**	**(46.28)**	**61.82**	**125.92**	**792.17**
BALANCE AS AT 31 DECEMBER 2004	**119.45**	**1,362.42**	**154.00**	**(46.28)**	**261.73**	**860.82**	**2,712.14**

Figures in million euros

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Concept	Equity attributable to controlling shareholder					Minority interests	Total equity
	Share capital	Reserves	Valuation adjustments reserves	Translation differences	Retained Result		
I. Changes in accounting policies	–	–	–	–	–	–	–
II. Correction of errors	–	–	–	–	–	–	–
BALANCE AS AT 1 JANUARY 2005, RESTATED	**119.45**	**1,362.42**	**154.00**	**(46.28)**	**261.73**	**860.82**	**2,712.14**
VARIATIONS IN 2005							
I. Results recognised directly in equity							
1. From investments available for sale	–	–	179.47	–	–	172.48	351.95
2. From translation differences	–	–	–	105.13	–	20.43	125.56
3. From application of tacit accounting	–	–	(133.16)	–	–	(127.54)	(260.70)
Total results recognised directly in equity	**–**	**–**	**46.31**	**105.13**	**–**	**65.37**	**216.81**
II. Other results for 2005	–	–	–	–	249.83	143.98	393.81
III. Distribution of 2004 results	–	86.74	–	–	(117.75)	(12.35)	(43.36)
IV. Interim dividends for 2005 (Note 4.2)	–	–	–	–	(40.61)	(71.52)	(112.13)
V. Capital increase	–	–	–	–	–	24.47	44.69
VI. Called capital pending payment	–	–	–	–	–	–	–
VII. Capital decrease in subsidiaries	–	–	–	–	–	–	–
VIII. Other increases	–	20.22	–	–	–	–	–
IX. Other decreases	–	–	(17.59)	–	–	(33.09)	(50.68)
TOTAL VARIATIONS IN 2005	**–**	**106.96**	**28.72**	**105.13**	**91.47**	**116.86**	**449.14**
BALANCE AS AT 31 DECEMBER 2005	**119.45**	**1,469.38**	**182.72**	**58.85**	**353.20**	**977.68**	**3,161.28**

Figures in million euros

D) CONSOLIDATED CASH FLOW STATEMENT FOR YEARS ENDED AS AT 31 DECEMBER 2005 AND 2004

Concept	2005	2004
Cash generated from collected premiums	6,284.20	5,827.00
Payment of claims	(3,538.29)	(3,425.44)
Collections from reinsurance operations	670.25	817.92
Payments on reinsurance operations	(783.17)	(958.42)
Payments of commissions	(535.27)	(425.15)
Collections from clients, other activities	1,010.87	519.00
Payments to suppliers, other activities	(958.48)	(458.77)
Other operating cash inflows	375.51	835.76
Other operating cash outflows	(1,808.63)	(1,826.22)
Inflows or outflows from the corporation tax	(113.13)	(129.09)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**603.86**	**776.59**
Purchases of intangible fixed assets	(15.61)	(10.59)
Purchases of property, plant and equipment	(54.81)	(104.03)
Acquisition of investments and payment of capital increases	(9,151.02)	(8,395.04)
Cash generated by companies incorporated into the consolidation perimeter	14.80	0.82
Cash corresponding to entities no longer included in the consolidation perimeter	(0.70)	(1.77)
Sales of property, plant and equipment	16.27	2.10
Sales of investments	7,507.03	6,751.27
Interest collected	810.63	718.32
Interest paid	(31.66)	(23.41)
Dividends collected	37.24	18.81
Collections from other financial instruments	9,745.53	10,391.73
Payments for other financial instruments	(9,213.24)	(9,959.06)
NET CASH FLOWS FROM INVESTMENT ACTIVITIES	**(335.54)**	**(610.85)**
Dividends and donations paid	(161.53)	(113.86)
Collections on capital increases	35.14	522.57
Payments on return of shareholders' contributions	(0.73)	(21.55)
Proceeds from issuance of debentures	–	–
Payments on interest and redemption of debentures	(16.56)	(16.56)
Payments on interest and repayment of other long term borrowings	(124.14)	(172.14)
Proceeds from other long term borrowings	81.11	10.68
NET CASH FLOW EFFECT OF FINANCING ACTIVITIES	**(186.71)**	**209.14**
NET INCREASE/(DECREASE) IN CASH FLOW	**81.61**	**374.88**
Translation differences in cash flow and cash balances	**(17.71)**	**(12.20)**
OPENING CASH BALANCE	**900.81**	**538.13**
CLOSING CASH BALANCE	**964.71**	**900.81**

Figures in million euros

E) FINANCIAL INFORMATION BY SEGMENTS. CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2005 AND 2004

Assets	Direct Insurance				Reinsurance	
	Life		No Life			
	2005	2004	2005	2004	2005	2004
A) INTANGIBLE ASSETS	**15.79**	**16.09**	**289.36**	**202.03**	**4.12**	**3.5**
I. Goodwill	13.9	13.9	248.5	174.24	1.65	1.65
II. Other intangible assets	1.89	2.19	40.86	27.79	2.47	1.85
B) PROPERTY, PLANT AND EQUIPMENT	**36.18**	**41.1**	**308.8**	**231.82**	**40.64**	**40.21**
I. Property for own use	23.56	27.75	236.97	177.83	35.47	35.57
II. Other property, plant and equipment	12.62	13.35	71.83	53.99	5.17	4.64
C) INVESTEMENTS	**14,779.59**	**13,426.63**	**3,235.12**	**2,637.38**	**1,629.96**	**1,343.71**
I. Investment property	163.98	163.73	146.48	113.8	39.94	40.73
II. Financial investments						
1. Portfolio held to maturity	–	–	471.07	462.05	193.49	216.95
2. Portfolio available for sale	14,510.22	13,159.51	2,130.57	1,731.95	1,081.79	800.88
3. Trading portfolio	–	–	432	279.05	51.54	49.37
III. Investments recorded applying the equity method	25.6	23.07	37.92	33.56	13.35	10.46
IV. Deposits established for accepted reinsurance	–	–	3.8	3.29	249.32	224.98
V. Other investments	79.79	80.32	13.28	13.68	0.53	0.34
D) INVESTMENTS ON ACCOUNT OF LIFE POLICYHOLDERS BEARING THE INVESTMENT RISK	**299.7**	**361.14**	**–**	**–**	**–**	**–**
E) INVENTORIES	**–**	**–**	**–**	**–**	**–**	**–**
F) PARTICIPATION BY REINSURANCE IN TECHNICAL PROVISIONS	**22.45**	**29.42**	**1,539.82**	**1,187.68**	**542.83**	**296.33**
G) DEFERRED TAX ASSSETS	**640.33**	**481.54**	**49.9**	**40.87**	**13.39**	**4.61**
H) CREDITS & RECEIVABLES	**256.34**	**241.42**	**1,149.77**	**876.91**	**223.24**	**160.13**
I. Credits on direct insurance and coinsurance operations	244.27	229.98	929.44	717.67	–	0.02
II. Credits on reinsurance operations	7.68	7	121.24	83.6	198.78	143.1
III. Tax credits	0.44	0.46	21.14	29.81	11.28	5.38
IV. Corporate and other credits	3.95	3.98	77.95	45.83	13.18	11.63
V. Shareholders, called capital	–	–	–	–	–	–
I) CASH AND BANKS	**243.5**	**243.8**	**447.37**	**444.46**	**70.74**	**46.97**
J) ACCRUAL ADJUSTMENTS	**11.21**	**13.11**	**299.72**	**220.55**	**114.33**	**88.82**
K) OTHER ASSETS	**1.5**	**0.51**	**47.48**	**10.21**	**0.87**	**1.58**
L) NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	**–**	**–**	**–**	**–**	**–**	**–**
TOTAL ASSETS BY SEGMENTS	**16,306.59**	**14,854.76**	**7,367.34**	**5,851.91**	**2,640.12**	**1,985.86**

Figures in million euros

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	Other activities		Consolidation adjustments		Total	
	2005	2004	2005	2004	2005	2004
A) INTANGIBLE ASSETS	**61.7**	**47.29**	**279.9**	**275.08**	**650.87**	**543.99**
I. Goodwill	52.02	37.97	279.9	275.08	595.97	502.84
II. Other intangible assets	9.68	9.32	–	–	54.9	41.15
B) PROPERTY, PLANT AND EQUIPMENT	**106.24**	**90.49**	**10.72**	**13.73**	**502.58**	**417.35**
I. Property for own use	71	52.43	10.72	10.73	377.72	304.31
II. Other property, plant and equipment	35.24	38.06	–	3	124.86	113.04
C) INVESTEMENTS	**3,505.37**	**3,312.74**	**(2,984.10)**	**(2,586.35)**	**20,165.94**	**18,134.11**
I. Investment property	29.75	31.1	(35.02)	(35.03)	345.13	314.33
II. Financial investments						
1. Portfolio held to maturity	27.85	25.37	0.96	–	693.37	704.37
2. Portfolio available for sale	53.36	149.29	(266.63)	(168.51)	17,509.31	15,673.12
3. Trading portfolio	899.62	880.34	–	–	1,383.16	1,208.76
III. Investments recorded applying the equity method	5.39	3.59	22.09	7.6	104.35	78.28
IV. Deposits established for accepted reinsurance	–	–	(155.23)	(115.16)	97.89	113.11
V. Other investments	2,489.40	2,223.05	(2,550.27)	(2,275.25)	32.73	42.14
D) INVESTMENTS ON ACCOUNT OF LIFE POLICYHOLDERS BEARING THE INVESTMENT RISK	**–**	**–**	**–**	**–**	**299.7**	**361.14**
E) INVENTORIES	**309.22**	**62.36**	**–**	**–**	**309.22**	**62.36**
F) PARTICIPATION BY REINSURANCE IN TECHNICAL PROVISIONS	**–**	**–**	**(462.85)**	**(348.32)**	**1,642.25**	**1,165.11**
G) DEFERRED TAX ASSSETS	**32.67**	**53.45**	**–**	**–**	**736.29**	**580.47**
H) CREDITS & RECEIVABLES	**171.12**	**143.56**	**(117.26)**	**(119.36)**	**1,683.21**	**1,302.66**
I. Credits on direct insurance and coinsurance operations	–	–	–	(0.85)	1,173.71	946.82
II. Credits on reinsurance operations	–	–	(46.38)	(47.92)	281.32	185.78
III. Tax credits	49.19	27.92	–	(10.43)	82.05	53.14
IV. Corporate and other credits	121.93	115.64	(70.88)	(60.16)	146.13	116.92
V. Shareholders, called capital	–	–	–	–	–	–
I) CASH AND BANKS	**203.1**	**165.58**	**–**	**–**	**964.71**	**900.81**
J) ACCRUAL ADJUSTMENTS	**0.71**	**1.21**	**–**	**–**	**425.97**	**323.69**
K) OTHER ASSETS	**76.38**	**58.78**	**(85.99)**	**(44.19)**	**40.24**	**26.89**
L) NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	**–**	**–**	**–**	**–**	**–**	**–**
TOTAL ASSETS BY SEGMENTS	**4,466.51**	**3,935.46**	**(3,359.58)**	**(2,809.41)**	**27,420.98**	**23,818.58**

Figures in million euros

E) FINANCIAL INFORMATION BY SEGMENTS. CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2005 AND 2004

Liabilities and Equity	Direct Insurance				Reinsurance	
	Life		No Life			
	2005	2004	2005	2004	2005	2004
A) EQUITY	**520.89**	**512.5**	**1,501.20**	**1,184.37**	**633.4**	**551.43**
I. Paid-up capital	62.66	73.28	664.95	610.55	223.92	223.94
II. Reserves	295.6	313.66	655.28	572.99	284.73	233.53
III. Treasury stock	–	–	–	–	–	–
IV. Valuation adjustment reserves	128.23	87.43	130.89	120.28	36.37	52.49
V. Translation differences	–	–	36.41	(43.69)	33.35	(8.42)
VI. Retained earnings	(9.31)	(5.55)	(91.46)	(167.96)	51.07	44.22
Equity attributable to the controlling Company's shareholders	477.18	468.82	1,396.07	1,092.17	629.44	545.76
Minority interests	43.71	43.68	105.13	92.2	3.96	5.67
B) SUBORDINATED LIABILITIES	**–**	**–**	**–**	**–**	**–**	**–**
C) TECHNICAL PROVISIONS	**14.476,48**	**13.227,09**	**4.467,04**	**3.445,33**	**1.645,76**	**1.133,01**
I. Provisions for unearned premiums and for risks in progress	13.66	11.88	1,791.65	1,410.87	698.73	559
II. Provisions for life insurance	14,259.96	13,027.36	96.75	63.29	120.99	92.58
III. Provisions for outstanding claims	186.17	157.52	2,304.10	1,759.31	826.04	481.43
IV. Other technical provisions	16.69	30.33	274.54	211.86	–	–
D) TECHNICAL PROVISIONS FOR LIFE ASSURANCE POLICIES WHEN THE INVESTMENT RISK IS ASSUMED BY THE POLICYHOLDERS	**299.7**	**361.14**	**–**	**–**	**–**	**–**
E) PROVISIONS FOR RISKS AND EXPENSES	**15.95**	**16.89**	**87.53**	**81.72**	**7.05**	**6.48**
F) DEPOSITS RECEIVED ON CEDED AND RETROCEDED REINSURANCE	**12.1**	**11.84**	**153**	**137.29**	**134.83**	**113.66**
G) DEFERRED TAX LIABILITIES	**696.92**	**515.1**	**112.91**	**85.65**	**20.15**	**31.15**
H) DEBT	**282.53**	**208.02**	**924.04**	**819.74**	**135.34**	**105.5**
I. Issuance of debentures and other negotiable securities	–	–	–	–	–	–
II. Due to credit institutions	–	–	13.95	5.2	0.3	2.82
III. Other financial liabilities	124.77	75.05	0.9	0.81	1.11	0.15
IV. Due on direct insurance and coinsurance operations	62.5	57.23	368.37	377.02	0.35	0.18
V. Due on reinsurance operations	10.79	3.51	230.13	197.64	97.58	77.6
VI. Tax payable	20.12	13.77	196.28	145.99	2.15	2.09
VII. Other debts	64.35	58.46	114.41	93.08	33.85	22.66
I) ACCRUAL ADJUSTMENTS	**2.02**	**2.18**	**121.62**	**97.81**	**63.59**	**44.63**
J) LIABILITIES LINKED TO NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	**–**	**–**	**–**	**–**	**–**	**–**
TOTAL LIABILITIES AND EQUITY BY SEGMENTS	**16,306.59**	**14,854.76**	**7,367.34**	**5,851.91**	**2,640.12**	**1,985.86**

Figures in million euros

(Continued on following page)

(Continued from previous page)

	Other activities		Conclidation adjustements		Total	
	2005	2004	2005	2004	2005	2004
A) EQUITY	**2,729.08**	**2,418.97**	**(2,223.29)**	**(1,955.13)**	**3,161.28**	**2,712.14**
I. Paid-up capital	724.07	624.23	(1,556.15)	(1,412.55)	119.45	119.45
II. Reserves	1,588.37	1,585.14	(1,354.60)	(1,342.90)	1,469.38	1,362.42
III. Treasury stock	–	–	–	–	–	–
IV. Valuation adjustment reserves	4.79	(0.75)	(117.56)	(105.45)	182.72	154
V. Translation differences	3.25	(1.75)	(14.16)	7.58	58.85	(46.28)
VI. Retained earnings	101.38	145.27	301.52	245.75	353.2	261.73
Equity attributable to the controlling Company's shareholders	2,421.86	2,352.14	(2,740.95)	(2,607.57)	2,183.60	1,851.32
Minority interests	307.22	66.83	517.66	652.44	977.68	860.82
B) SUBORDINATED LIABILITIES	**–**	**–**	**–**	**–**	**–**	**–**
C) TECHNICAL PROVISIONS	**–**	**–**	**(461.76)**	**(342.73)**	**20,127.52**	**17,462.70**
I. Provisions for unearned premiums and for risks in progress	–	–	(219.4)	(177.81)	2,284.64	1,803.94
II. Provisions for life insurance	–	–	1.09	(6.42)	14,478.79	13,176.81
III. Provisions for outstanding claims	–	–	(243.45)	(158.5)	3,072.86	2,239.76
IV. Other technical provisions	–	–	–	–	291,23	242,19
D) TECHNICAL PROVISIONS FOR LIFE ASSURANCE POLICIES WHEN THE INVESTMENT RISK IS ASSUMED BY THE POLICYHOLDERS	**–**	**–**	**–**	**–**	**299.7**	**361.14**
E) PROVISIONS FOR RISKS AND EXPENSES	**8.9**	**14.01**	**(11.71)**	**(9.79)**	**107.72**	**109.31**
F) DEPOSITS RECEIVED ON CEDED AND RETROCEDED REINSURANCE	**–**	**–**	**(155.23)**	**(115.16)**	**144.7**	**147.63**
G) DEFERRED TAX LIABILITIES	**9.3**	**10.2**	**0.57**	**0.17**	**839.85**	**642.27**
H) DEBT	**1,716.21**	**1,487.08**	**(508.16)**	**(384.69)**	**2,549.96**	**2,235.65**
I. Issuance of debentures and other negotiable securities	313.58	315.95	–	–	313.58	315.95
II. Due to credit institutions	187.31	76.24	–	–	201.56	84.26
III. Other financial liabilities	812.37	885.1	(310.39)	(214.07)	628.76	747.04
IV. Due on direct insurance and coinsurance operations	–	–	–	(6.09)	431.22	428.34
V. Due on reinsurance operations	–	–	(46.38)	(47.92)	292.12	230.83
VI. Tax payable	53.58	48.58	(17.78)	(53.46)	254.35	156.97
VII. Other debts	349.37	161.21	(133.61)	(63.15)	428.37	272.26
I) ACCRUAL ADJUSTMENTS	**3.02**	**5.2**	**–**	**(2.08)**	**190.25**	**147.74**
J) LIABILITIES LINKED TO NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	**–**	**–**	**–**	**–**	**–**	**–**
TOTAL LIABILITIES AND EQUITY BY SEGMENTS	**4,466.51**	**3,935.46**	**(3,359.58)**	**(2,809.41)**	**27,420.98**	**23,818.58**

Figures in million euros

E) FINANCIAL INFORMATION BY SEGMENTS - CONSOLIDATED INCOME STATEMENT FOR YEARS ENDED AS AT 31 DECEMBER 2005 AND 2004

Concept	Direct Insurance					
	Life		NoLife		Reinsurance	
	2005	2004	2005	2004	2005	2004
I. REVENUES						
1. Insurance premiums, net						
a) Written premiums, direct insurance	1,923.04	1,907.76	4,252.22	3,642.67	(0.05)	(0.01)
b) Premiums from accepted reinsurance	–	4.91	96.41	71.87	1,498.85	1,258.86
c) Premiums from ceded reinsurance	(51.86)	(59.66)	(1,129.57)	(1,053.15)	(432.77)	(365.87)
d) Variation in provisions for premiums and risks in progress, net	(9.98)	(0.23)	(194.02)	(140.56)	(83.04)	(133.33)
2. Profit sharing in companies recorded by the equity method	2.09	0.48	2.23	1.56	0.22	0.22
3. Income from investments						
a) From operations	906.75	908.43	265.86	170.62	67.66	40.84
b) From equity	16.19	26.07	30.27	36.12	16.52	7.88
4. Unrealised gains in investments on account of life policyholders bearing the investment risk	26.26	18.45	–	–	–	–
5. Other technical revenues	0.05	0.52	20.27	10.99	0.21	0.16
6. Other non technical revenues	8.02	13.71	80.57	61.55	2.86	1.82
7. Positive translation differences	–	0.87	2.51	8.68	55.87	50.13
8. Reversion of the asset impairment provision	–	0.53	0.24	0.6	–	–
9. Positive results from disposal of non-current assets held for sale	–	–	–	–	–	–
TOTAL REVENUES	**2,820.56**	**2,821.84**	**3,426.99**	**2,810.95**	**1,126.33**	**860.7**
II. EXPENSES						
1. Claims, net						
a) Claims paid						
Direct insurance	(1,577.28)	(1,733.00)	(2,028.41)	(1,795.12)	(0.02)	(1.16)
Accepted reinsurance	(0.42)	(0.77)	(19.82)	(18.74)	(680.99)	(527.33)
Ceded reinsurance	44.05	35.89	402.38	416.75	178.21	136.49
b) Variation in provision for claims, net	(30.21)	(5.81)	(255.83)	(210.01)	(149.55)	(61.87)
c) Claim related expenses	(4.93)	(4.82)	(139.39)	(109.89)	(30.61)	(22.79)
2. Variation in other technical provisions, net	(781.45)	(603.72)	(61.28)	(28.83)	(1.13)	(5.01)
3. Profit sharing and returned premiums	(22.13)	(30.35)	(2.6)	(2.92)	–	–
4. Net operating expenses	(127.42)	(107.83)	(796.16)	(629.25)	(284.28)	(226.72)
5. Sharing in losses of companies recorded by the equity method	–	–	(0.77)	(0.56)	–	(0.04)
6. Expenses from investments						
a) From operations	(165.64)	(205.82)	(47.96)	(33.66)	(10.63)	(7.22)
b) From equity and financial accounts	(4.05)	(5.5)	(10.6)	(2.63)	(3.98)	(4.5)
7. Unrealised losses in investments on account of life policyholders bearing the investment risk	(0.62)	(0.15)	–	–	–	–
8. Other technical expenses	(9.87)	(14.13)	(55.32)	(48.85)	(2.9)	(6.27)
9. Other non technical expenses	(7.38)	(10.78)	(60.24)	(49.43)	(13.83)	(4.21)
10. Negative translation differences	–	(1.22)	(3.36)	(9.7)	(59.44)	(53.93)
11. Allowance to the asset impairment provision	–	–	(23.03)	(10.42)	(0.04)	(0.04)
12. Negative results from disposal of non-current assets held for sale	–	–	–	–	–	–
TOTAL EXPENSES	**(2,687.35)**	**(2,688.01)**	**(3,102.39)**	**(2,533.26)**	**(1,059.19)**	**(784.6)**
III. PROFIT BEFORE TAX FROM ONGOING OPERATIONS	**133.21**	**133.83**	**324.6**	**277.69**	**67.14**	**76.1**
IV. TAX ON PROFIT FROM ONGOING OPERATIONS	**(44.14)**	**(44.83)**	**(65.58)**	**(81.27)**	**(23.1)**	**(26.45)**
V. PROFIT AFTER TAX FROM ONGOING OPERATIONS	**89.07**	**89**	**259.02**	**196.42**	**44.04**	**49.65**
VI. PROFIT AFTER TAX FROM DISCONTINUED OPERATIONS	**–**	**–**	**–**	**–**	**–**	**–**
VII. PROFIT FOR THE YEAR	**89.07**	**89**	**259.02**	**196.42**	**44.04**	**49.65**
1. Attributable to minority shareholders	(43.7)	(43.69)	(88.2)	(75.28)	(3.85)	(5.51)
2. Attributable to the controlling Company	45.37	45.31	170.82	121.14	40.19	44.14

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	Other activities		Conclidation adjustments		Total	
	2005	2004	2005	2004	2005	2004
I. REVENUES						
1. Insurance premiums, net						
a) Written premiums, direct insurance	–	–	–	–	6,175.21	5,550.42
b) Premiums from accepted reinsurance	–	–	(510.18)	(471.55)	1,085.08	864.09
c) Premiums from ceded reinsurance	–	–	510.18	471.55	(1,104.02)	(1,007.13)
d) Variation in provisions for premiums and risks in progress, net	–	–	–	–	(287.04)	(274.12)
2. Profit sharing in companies recorded by the equity method	9.01	6.46	(1.87)	(0.42)	11.68	8.3
3. Income from investments						
a) From operations	148.73	58.75	(124.54)	(16.34)	1,264.46	1,162.30
b) From equity	357.18	210.59	(356.51)	(224.15)	63.65	56.51
4. Unrealised gains in investments on account of life policyholders bearing the investment risk	–	–	–	–	26.26	18.45
5. Other technical revenues	–	–	(12.38)	–	8.15	11.67
6. Other non technical revenues	306.21	239.65	(45.06)	(16.86)	352.6	299.87
7. Positive translation differences	2.88	3.94	–	–	61.26	63.62
8. Reversion of the asset impairment provision	–	–	–	–	0.24	1.13
9. Positive results from disposal of non-current assets held for sale	–	–	–	–	–	–
TOTAL REVENUES	**824.01**	**519.39**	**(540.36)**	**(257.77)**	**7,657.53**	**6,755.11**
II. EXPENSES						
1. Claims, net						
a) Claims paid						
Direct insurance	–	–	–	–	(3,605.71)	(3,529.28)
Accepted reinsurance	–	–	193.48	168.54	(507.75)	(378.3)
Ceded reinsurance	–	–	(193.48)	(168.54)	431.16	420.59
b) Variation in provision for claims, net	–	–	–	–	(435.59)	(277.69)
c) Claim related expenses	–	–	–	–	(174.93)	(137.5)
2. Variation in other technical provisions, net	–	–	(1.08)	1.16	(844.94)	(636.4)
3. Profit sharing and returned premiums	–	–	–	–	(24.73)	(33.27)
4. Net operating expenses	(128.71)	(76.07)	20.8	3.69	(1,315.77)	(1,036.18)
5. Sharing in losses of companies recorded by the equity method	(0.76)	(0.13)	0.07	(0.17)	(1.46)	(0.9)
6. Expenses from investments						
a) From operations	(54.93)	(56.07)	12.49	6.33	(266.67)	(296.44)
b) From equity and financial accounts	(3.66)	(2.5)	–	–	(22.29)	(15.13)
7. Unrealised losses in investments on account of life policyholders bearing the investment risk	–	–	–	–	(0.62)	(0.15)
8. Other technical expenses	–	–	–	–	(68.09)	(69.25)
9. Other non technical expenses	(143.78)	(148.8)	39.26	8.03	(185.97)	(205.19)
10. Negative translation differences	(0.37)	(5.18)	–	–	(63.17)	(70.03)
11. Allowance to the asset impairment provision	–	–	–	–	(23.07)	(10.46)
12. Negative results from disposal of non-current assets held for sale	–	–	–	–	–	–
TOTAL EXPENSES	**(332.21)**	**(288.75)**	**71.54**	**19.04**	**(7,109.60)**	**(6,275.58)**
III. PROFIT BEFORE TAX FROM ONGOING OPERATIONS	**491.8**	**230.64**	**(468.82)**	**(238.73)**	**547.93**	**479.53**
IV. TAX ON PROFIT FROM ONGOING OPERATIONS	**(38.77)**	**(1.01)**	**17.47**	**5.47**	**(154.12)**	**(148.09)**
V. PROFIT AFTER TAX FROM ONGOING OPERATIONS	**453.03**	**229.63**	**(451.35)**	**(233.26)**	**393.81**	**331.44**
VI. PROFIT AFTER TAX FROM DISCONTINUED OPERATIONS	**–**	**–**	**–**	**–**	**–**	**–**
VII. PROFIT FOR THE YEAR	**453.03**	**229.63**	**(451.35)**	**(233.26)**	**393.81**	**331.44**
1. Attributable to minority shareholders	(128.3)	(64.92)	120.07	67.34	(143.98)	(122.06)
2. Attributable to the controlling Company	324.73	164.71	(331.28)	(165.92)	249.83	209.38

E) FINANCIAL INFORMATION BY SEGMENTS – GEOGRAPHICAL BREAKDOWN

1. CONSOLIDATED ASSETS AS AT 31 DECEMBER 2005 AND 2004

Geographical segment	2005	2004
I SPAIN	22,700.77	20,729.12
II OTHER EUROPEAN UNION COUNTRIES	1,002.79	681.37
III AMERICA	3,471.67	2,257.08
IV REST OF THE WORLD	245.75	151.01
TOTAL ASSETS	27,420.98	23,818.58

Figures in million euros

2. CONSOLIDATED ORDINARY REVENUES IN YEARS CLOSED AS AT 31 DECEMBER 2005 AND 2004 (*)

Geographical segment	2005	2004
I SPAIN	4,816.44	4,510.90
II OTHER EUROPEAN UNION COUNTRIES	483.43	309.55
III AMERICA	2,110.69	1,703.23
IV REST OF THE WORLD	145.99	127.54
TOTAL REVENUES	7,556.55	6,651.22

Figures in million euros

3. PURCHASES OF FIXED ASSETS AND INVESTMENTS IN YEARS CLOSED AS AT 31 DECEMBER 2005 AND 2004 (**)

Geographical segment	2005	2004
I SPAIN	4,033.37	2,535.83
II OTHER EUROPEAN UNION COUNTRIES	114.66	149.68
III AMERICA	353.43	77.94
IV REST OF THE WORLD	18.11	7.88
TOTAL PURCHASES	4,519.57	2,771.33

Figures in million euros

(*)Ordinary revenues means direct insurance and accepted reinsurance premiums, as well as operating revenues from non insurance activities.
(**)Including total cost incurred in each financial year in the acquisition of assets that are expected to be used during more than one year.

1 GENERAL OVERVIEW ON THE COMPANY AND ITS ACTIVITY

CORPORACIÓN MAPFRE, S.A. (hereinafter the "controlling Company" or "CORPORACIÓN MAPFRE") is a public limited company engaged in securities investments, parent of a number of controlled companies engaged in insurance in its various branches, both Life and Non Life, finance, securities and real estate investment and services.

CORPORACIÓN MAPFRE is, in turn, subsidiary of MAPFRE MUTUALIDAD de Seguros and Reaseguros a Prima Fija (hereinafter "MAPFRE MUTUALIDAD") and forms part of SISTEMA MAPFRE, consisting of MAPFRE MUTUALIDAD and several companies engaged in insurance, financial, securities, real estate and services activities.

The scope of activity of the Controlling Company and its subsidiaries includes Spain, European Economic Area countries, and other countries.

The controlling Company was incorporated in Spain and its corporate domicile is located in Madrid, Paseo de Recoletos, 25.

In Spain, SISTEMA MAPFRE is structured as follows:

A) CENTRAL SERVICES

These concentrate the technical and administrative functions of insurance management, the creation of new products, the preparation and development of marketing campaigns, as well as the provision of new commercial distribution networks for territorial offices.

B) MAPFRE NETWORK

The extensive and growing territorial network of SISTEMA MAPFRE (MAPFRE NETWORK) is divided into forty geographical divisions known as sub-centrals, from which the marketing, operational and administrative activities are coordinated and promoted.

The MAPFRE NETWORK consists of the following:

- Direct Offices: these are serviced by staff from MAPFRE MUTUALIDAD and its subsidiaries, and essentially carry out marketing tasks, issuance of policies, attention to the public, and support to the agents' network.
- Delegate Offices: they are SISTEMA MAPFRE offices serviced by a fully captive agent; their work focuses virtually on the sale of MAPFRE MUTALIDAD's and its controlled companies' products.
- Agents: SISTEMA MAPFRE has a high number of commission agents, who act as brokers in the writing of transactions by virtue of cooperation agreements. Irrespectively of this, SISTEMA MAPFRE holds relationships with a large number of Insurance Brokers who contribute transactions, and also distributes through the branch offices of CAJA MADRID, a major Spanish credit institution, with which it has a corporate alliance in place.

The controlled companies have adapted their internal structure and distribution systems to the peculiarities of the markets where they are active.

The consolidated annual accounts have been issued by the Board of Directors on 7 February 2006. They are expected to be approved by the General Shareholders Meeting. The Spanish regulations envisage the possibility of modifying the annual accounts in the event they were not approved by the said governance body, albeit such a situation has never arisen in the life of the controlling Company.

2 BASES OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1.BASES OF PRESENTATION

The Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) in force on the closing date as adopted by the European Union, with all companies having carried out the required standardisation adjustments.

The consolidated financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets and for derivative financial instruments, which have been recorded at fair value.

The Group has decided to allocate interest costs to the income statement of the financial year when they are incurred.

In the preparation of its consolidated financial statements, the Group has adopted the IFRS for the first time in financial year 2005, with the date of transition being 1 January 2004. Its latest consolidated financial statements under the former accounting principles were those corresponding to the financial year closed as of 31 December 2004.

The accounting policies applied on the date of transition comply with each one of the IFRS in force on the date of presentation of these financial statements, except for the following exceptions, expressly provided for under IFRS 1, which have been adopted by the Group:

- The initial cost has been considered to be the restated value of those property, plant and equipment and investment property elements that had been restated pursuant to the legal provisions applicable in the respective countries.
- IFRS 3 has not been retroactively applied to the business combinations carried out before the date of transition.
- All actuarial gains and losses in remuneration to employees accumulated on the date of transition to the IFRS have been recognised.
- Accumulated translation differences of all businesses abroad on the date of transition have been considered as null.
- Financial instruments held in the portfolio on the date of transition have been classified as "Trading Portfolio" and "Portfolio available for sale" on the said date and not at the time of initial recognition.

The reconciliation between equity presented under the accounting principles and criteria laid down in the Insurance Entities Accountancy Plan (PCEA) and equity presented under IFRS as at 1 January 2004 and 31 December 2004 is as follows:

Reconciliation as at 1 January 2004

Concept	Note	Gross amount	Taxes	Net amount	Breakdown of net amount: Valuation adjustment reserves	Translation differences	Translation differences	Minority share-holders	Total net assets
Pursuant to PCEA					**–**	**(326.46)**	**1,414.93**	**675.73**	**1,764.20**
Amortisation of start-up expenses	a	(11.03)	2.32	(8.71)	(7.20)	–	–	(1.51)	(8.71)
Difference of valuation in investments	c	907.48	(317.16)	590.32	303.97	–	–	286.35	590.32
Embedded derivatives	d	(7.12)	2.49	(4.63)	(4.63)	–	–	–	(4.63)
Elimination of the stabilisation and catastrophe provision	e	72.05	(23.55)	48.50	34.52	–	–	13.98	48.50
Valuation difference in mathematical reserves:						–	–		
- Due to adaptation to new tables	f	(21.57)	7.55	(14.02)	(7.14)	–	–	(6.88)	(14.02)
- Due to tacit accountancy	g	(750.21)	262.58	(487.63)	(248.22)	–	–	(239.41)	(487.63)
Valuation difference in the death provision	h	(11.79)	4.13	(7.66)	(3.91)	–	–	(3.75)	(7.66)
Prepaid taxes	i	–	29.23	29.23	20.38	–	–	8.85	29.23
Deferred income	j	11.48	(4.02)	7.46	5.93	–	–	1.53	7.46
Conversion differences	k	–	–	–	–	326.46	(326.46)	–	-
Other		11.16	(8.25)	2.91	2.90	–	–	0.01	2.91
Pursuant to IFRS					**96.60**	**–**	**1,088.47**	**734.90**	**1,919.97**

Figures in million euros

Reconciliation as at 31 December 2004

Concept	Note	Gross amount	Taxes	Net amount	Breakdown of net amount: Valuation adjustment reserves	Translation differences	Results attributable to controlling Company	Other equity accounts	Minority share-holders	Total net assets
Pursuant to PCEA					**–**	**(372.29)**	**182.94**	**1,860.68**	**731.41**	**2,402.74**
Amortisation of start-up expenses	a	(17.80)	4.25	(13.55)	(14.02)	(0.03)	3.02	–	(2.52)	(13.55)
Elimination of goodwill amortisation/impairment	b	32.62	(2.17)	30.45	–	–	17.78	–	12.67	30.45
Difference of valuation in investments	c	1,678.50	(579.15)	1,099.35	546.55	–	27.08	–	525.72	1,099.35
Embedded derivatives	d	(12.60)	4.41	(8.19)	(4.63)	–	(3.39)	–	(0.17)	(8.19)
Elimination of the stabilisation and catastrophe provision	e	103.76	(35.90)	67.86	34.52	–	14.17	–	19.17	67.86
Valuation difference in mathematical reserves:										
- Due to adaptation to new tables	f	(23.33)	6.49	(16.84)	(7.14)	–	(3.21)	–	(6.49)	(16.84)
- Due to tacit accountancy	g	(1,339.21)	468.73	(870.48)	(417.71)	–	(25.60)	–	(427.17)	(870.48)
Valuation difference in the death provision	h	(5.00)	1.75	(3.25)	(3.91)	–	2.25	–	(1.59)	(3.25)
Prepaid taxes	i	–	26.53	26.53	20.38	0.19	(0.83)	–	6.79	26.53
Deferred income	j	15.76	(5.52)	10.24	5.93	–	1.92	–	2.39	10.24
Conversion differences	k	–	–	–	–	326.46	-	(326.46)	-	-
Other		(6.30)	(6.42)	(12.72)	(5.97)	(0.61)	(6.75)	–	0.61	(12.72)
Pursuant to IFRS					**154.00**	**(46.28)**	**209.38**	**1,534.22**	**860.82**	**2,712.14**

Figures in million euros

The reconciliation of results presented under PCEA and those presented under IFRS as at 31 December 2004 is as follows:

Concept	Note	Gross amount	Taxes	Minority shareholders	Result attributable to controlling Company
Under PCEA		**403.38**	**(118.42)**	**(102.02)**	**182.94**
Amortisation of start-up expenses	a	5.45	(1.09)	(1.34)	3.02
Elimination of goodwill amortisation/impairment	b	32.62	(2.61)	(12.23)	17.78
Difference in valuation of investments	c	80.53	(27.82)	(25.63)	27.08
Embedded derivatives	d	(5.48)	1.92	0.17	(3.39)
Elimination of the stabilisation and catastrophe provision	e	31.71	(12.35)	(5.19)	14.17
Valuation difference in mathematical reserves:					
- Due to adaptation to new tables	f	(1.78)	(1.05)	(0.38)	(3.21)
- Due to tacit accountancy	g	(77.44)	27.11	24.73	(25.60)
Valuation difference in the death provision	h	6.79	(2.38)	(2.16)	2.25
Prepaid taxes	i	–	(0.62)	(0.21)	(0.83)
Deferred income	j	4.28	(1.50)	(0.86)	1.92
Others		(0.53)	(9.28)	3.06	(6.75)
Under IFRS		**479.53**	**(148.09)**	**(122.06)**	**209.38**

Figures in million euros

a) Under IFRS, incorporation and start-up expenses must be recorded as expense in the year, and capital increase expenses must be deducted from equity, therefore, the restated book value of the said expenses, which amounted to €11.03 million as at 1 January 2004 under the former PCEA criteria, has been cancelled, net of the tax effect, against equity. The amounts corresponding both to the capitalisation of incorporation and start-up expenses carried out during 2004, and the allocation to results for the amortisation carried out under PCEA rules, amounting to €5.45 million, have been cancelled, net of the tax effect, against results for the said financial year.

b) Under IFRS, goodwill is not amortised on a regular basis, opposite to the provisions of the Spanish accounting regulations. The amount corresponding to amortisation increases the net result for 2004 by €17.78 million.

Likewise, the IFRS require carrying out a test, on an annual basis, in order to verify whether losses have occurred due to impairment of the goodwill. From the said test, a loss arises of €10.09 million, which was already recognised as at 31 December 2004 under PCEA criteria.

c) Under the Spanish accounting regulations, financial assets available for sale are stated at cost, while under IFRS the mentioned assets must be recorded at fair value. The difference between both valuations amounts to €907.48 million and €1.678.50 million as at 1 January 2004 and 31 December 2004, and it is stated net of the tax effect under "Valuation Adjustment Reserves", having deducted the amount corresponding to minority interests.

d) Under IFRS, embedded derivatives are accounted for at fair value, while under the local regulations in force in Spain they are valued at cost. The difference between both valuations, net of the tax effect, is included under "Valuation Adjustment Reserves", amounting to €7.12 million and €12.60 million as at 1 January 2004 and 31 December 2004, respectively. The difference between both amounts, net of the tax effect, has lowered the results for 2004.

e) IFRS do not allow recognising as a liability, in an insurer's financial statements, a provision for any future claims if these claims arise from insurance contracts not existing on the date of presentation of the financial statements. The stabilisation and catastrophe provisions recorded pursuant to the Spanish accounting regulations amount to €72.05 million as at 1 January 2004 and have been eliminated, increasing equity. The amounts allocated and applied during 2004 have been eliminated net of the tax effect, with the net result for the said financial year increasing by €14.17 million.

f) Pursuant to the local regulations in force in Spain and other countries where the Group operates, there is a transitional period to adapt to the new survival and mortality tables in the event that those used in the calculation of mathematical reserves are older than 20 years. IFRS do not contemplate transitional adaptation periods, buy lay down the obligation of assessing, on each one of the dates of presentation of financial information, whether liabilities arising from insurance contracts recognised in the financial statements are sufficient to honour future obligations. The increase in the mathematical reserve recorded as a consequence of the assessment of adequacy of technical provisions, net of the tax effect, amounts to €14.02 million as at 1 January 2004. The amount taken to results in 2004 as a consequence of the application of the transitional regime pursuant to the local regulations, as well as the effect of the cancellation of policies, amount to €3.21 million, net of the tax effect, and therefore the results for the said year have been adjusted by the mentioned amount under IFRS.

g) As a result of the valuation at fair value of assets earmarked to technical provisions and of the application of tacit accountancy, the valuation of mathematical reserves has been adjusted as at 1 January 2004 and 31 December 2004 by €750.21 million and €1,339.21 million, respectively.

h) In accordance with Spanish regulations, the death provision must be calculated on an actuarial basis with methods similar to those for life insurance; however, and transitionally for portfolios existing prior to the enforcement of the Regulations on Disposition and Supervision of Private Insurance (ROSSP), the said provision is calculated by multiplying the premiums accrued in the financial year by 7.5%. The said provision is cumulative and is allocated until reaching the limit of 150% of premiums accrued in the last financial year closed. IFRS do not contemplate adaptation periods, buy lay down insurers' obligation of assessing, on each one of the dates of presentation of financial information, whether liabilities arising from insurance contracts recognised in the financial statements are sufficient to honour future obligations. The increase in the death provision recorded as a consequence of the assessment of adequacy of the said provision, net of the tax effect, amounts to €7.66 million as at 1 January 2004. The amount expensed in 2004 as a consequence of the application of the transitional regime pursuant to the application of the mentioned percentage and the cancellation of policies, amounts to €2.25 million, net of the tax effect, having been eliminated from results for the said financial year to IFRS effects.

i) Pursuant to Spanish accounting regulations, prepaid taxes may be recorded only when their recovery is clearly ensured, this being considered not to be likely when it may take place after the lapse of 10 years or in the case of entities usually registering losses. IFRS provide for prepaid taxes to be recognised to the extent the entity is likely to count on future tax gains against which to offset temporary differences, without any time limit.

Prepaid taxes accounted under IFRS and not accounted under PCEA amounted as at 1st January 2004 to €29.23 million. This amount has been added to Group equity. The amount of net accounted and cancelled prepaid taxes in 2004 was €0.62 million, and together with corresponding minority shareholders amount has reduced €0.83 million the results of said year.

j) Deferred income

j.1) EXCHANGE DIFFERENCES

Under IFRS, the unrealised exchange differences in all monetary items must be recognised as revenues or expenses of the year when they arise. However, under the Spanish accounting regulations, unrealised positive exchange differences must be recognised as deferred income until the cancellation of the item having generated them, except the cash related ones, which have the same treatment as under IFRS. The unrealised amount of positive exchange differences in non cash items, which amounted to €8.47 million as at 1 January 2004 under Spanish accounting principles and criteria, has been considered, net of the tax effect, as a greater amount of equity under IFRS. The amounts corresponding both to capitalisation of new unrealised differences and the allocation to results of amounts recognised as deferred income, carried out during 2004, and which amount to €2.15 million, have been cancelled, net of the tax effect, with the subsequent increase in the results for the said financial year.

j.2) NEGATIVE CONSOLIDATION DIFFERENCES

Pursuant to Spanish accounting regulations, the negative difference arising from comparing the book value of the investment with the pro rata portion of the equity of the controlled or associated undertaking on the date of acquisition of the investment, provided that the said difference is not subject to allocation, totally or partially, to equity elements, is recorded under the liabilities, whether it relates to a provision for risks and expenses or has the nature of deferred income.

Under IFRS, negative goodwill cannot be recognised; therefore, as at 1 January 2004, recorded under PCEA, have been cancelled against equity.

k) The accumulated translation differences of all businesses abroad on the date of transition have been considered as null, therefore the balance of this account as at 1 January 2004 under PCEA has been classified under IFRS to reserves accounts.

The consolidated annual accounts for 2004 prepared pursuant to the PCEA presented a consolidated cash flow statement. On the other hand, the present financial statements prepared under IFRS also present a cash flow statement. Both sets of statements have been prepared under different criteria, therefore they are not comparable, and it is not possible to effect reconciliation between them.

2.2. INFORMATION BY SEGMENTS

Section E) of the consolidated annual accounts includes financial information by segments, in relation to both business activities and geographical segments.

The controlling Company has identified the following main segments as regards business activities:

- Non Life direct insurance
- Life direct insurance
- Life and Non Life accepted reinsurance
- Other activities

Revenues and expenses of the first three segments are those corresponding to the Non Life and Life activity, and to reinsurance activity, and those included under "Other activities" are those corresponding to property services, securities and real estate asset management, travel agency, services of attention to the elderly, assistance, etc.

The established geographical segments are: Spain, other European Union countries, America, and rest of the world.

2.3. ERRORS

No errors have been detected in the financial statements of previous years.

2.4. COMPARISON OF INFORMATION

There are no reasons preventing the comparison of the balances and amounts of this financial year as they appear in the financial statements with those of the preceding year, since the latter have been recalculated on the basis of the same criteria, rules and assumptions.

The controlling Company has decided to adopt IAS 39 and IFRS 4 from the date of transition (1 January 2004). On the other hand, certain rules that had been approved by the European Commission have not been adopted in advance when they were not in force on the closing date of financial year 2005, in particular the changes made in IAS 32 and IAS 39 approved by Regulations 1864/2005 of the Commission, as well as those introduced by Regulations 108/2006 of the Commission, validating IFRS 7, which, in both cases, basically affect the information and breakdowns of financial instruments.

2.5. CHANGES IN THE CONSOLIDATION PERIMETER

Appendix 1 identifies the companies that were incorporated into the consolidation perimeter in 2004 and 2005, together with details on their equity and results. In addition, appendix 1 provides a detail of other changes occurred in the consolidation perimeter.

The overall effect of these changes on the consolidatable group's equity, financial situation and results in 2004 and 2005 with respect to the preceding year is described in the relevant notes to this annual report.

2.6. ACCOUNTING JUDGEMENTS AND ESTIMATE

In the preparation of the consolidated financial statements under IFRS, the controlling Company's Board of Directors has made judgements and estimates based on assumptions on the future and on uncertainties that basically refer to:

- Losses from impairment of certain assets.
- The actuarial calculation of liabilities and post-employment remuneration related commitments.
- The useful life of intangible assets and of tangible fixed asset elements.
- The fair value of certain unlisted assets.

Estimates and assumptions used are regularly reviewed and are based on the historical experience and other factors that may have been considered as more reasonable from time to time. If a change in the estimates took place in a give period, as a consequence of these reviews, its effect would apply to that period and, if applicable, to successive periods.

3 CONSOLIDATION

3.1. SUBSIDIARIES, ASSOCIATED UNDERTAKINGS AND JOINT VENTURES

Subsidiaries, associated undertakings and joint ventures included in the consolidation are identified and their details given in the table of shareholdings forming an integral part of these notes to the financial statements as Appendix 1. The said appendix provides a breakdown of the joint ventures included by the proportionate consolidation method.

The configuration of companies as **controlled companies** is determined by the controlling Company holding a majority of the voting rights, directly or through subsidiaries, or, even if not holding half of the said rights, if the controlling Company is able to manage the said companies' financial and operating policies in order to obtain profits from their activities. Controlled companies are consolidated from the date when the Group acquires control, and are excluded from the consolidation on the date when it ceases in such control; therefore, the results relating to the part of the financial year while the said entities belong to the Group are included in the financial statements.

Associated undertakings are those where the controlling Company exercises a significant influence, albeit they are neither controlled companies nor joint ventures.

Significant influence means the power of intervening in the investee company's decisions on financial and operating policies, however without achieving control or joint control over the said policies. A significant influence is assumed to be exercised when the Company holds, either directly or indirectly through its controlled companies, at least 20% in the investee company's voting rights.

Shareholdings in associated undertakings are consolidated by the equity method, including within the value of the shareholding the net goodwill identified on the acquisition date.

When the Group's participation in the losses of an associated undertaking is equal to or higher than the book value of its stake, including any unsecured receivable, the Group does not register additional losses, unless obligations have been incurred or payments have been made on behalf of the associated undertaking.

In order to determine if an investee is a controlled or associated undertaking, account has been taken of both the potential voting rights held and liable of exercise, and the call options on shares, debt instruments convertible into shares or other instruments entailing the possibility of increasing or reducing voting rights.

A **joint venture** is considered to exist when two or more entities undertake an economic activity subject to shared control and regulated by means of a contractual agreement.

Interests in jointly controlled companies are generally recognised in the participant's financial statements by the proportionate consolidation method.

Excluded from being considered as controlled companies, associated undertakings and joint ventures are the investments made in investment funds and similar undertakings.

The financial statements of controlled companies, associated undertakings and joint ventures used for the consolidation are those relating to the financial year closed as at 31 December 2004 and 2005.

3.2. TRANSLATION OF FINANCIAL STATEMENTS OF FOREIGN COMPANIES INCLUDED IN THE CONSOLIDATION

The functional and presentation currency of SISTEMA MAPFRE is the Euro, therefore the balances and transactions of Group companies whose functional currency is not the Euro and that do not operate in an hyperinflationary economy are translated into Euros at the closing exchange rate.

The exchange differences resulting from applying the above procedure, as well as those arising from translation of loans and other foreign currency instruments covering investments in foreign operations, have been recorded as a separate component of assets in the account "Translation differences", deducting the part of the said difference corresponding to Minority Shareholders.

Goodwill and fair value adjustments of assets and liabilities arising from the acquisition of Group companies whose currency is not the Euro are dealt with as assets and liabilities of foreign operations, stating them in the functional currency of the foreign undertaking and translating them at the closing exchange rate.

Adjustments to the opening balance

The columns of adjustments to the opening balance appearing in the various tables of this report include the changes occurred as a result of changes in the consolidation method or procedure applied, and of the application of a different exchange rate for the translation of figures corresponding to overseas subsidiaries.

Variations in the technical provisions recorded on the income statement differ from those obtained by difference in the balance sheet balances of the present and previous financial year, as a result of the application of a different exchange rate for the translation of figures in the case of overseas subsidiaries.

4 EARNINGS PER SHARE AND DIVIDENDS

4.1. EARNINGS PER SHARE

The calculation of the basic earnings per share, which coincides with the diluted earnings per share, there being no dilutive potential ordinary shares, is shown below:

Concept	2005	2004
Net profit attributable to the controlling Company's shareholders (million)	249.83	209.38
Weighted average number of ordinary shares in issue (million)	238.90	224.85
Basic earnings per share (Euros)	**1.05**	**0.93**

The weighted average number of ordinary shares in issue in financial year 2004 is affected by the capital increase carried out on 15 April 2004.

4.2. DIVIDENDS

The breakdown of the controlling Company's dividends in the last two financial years is as follows:

Concept	Total dividend (in millions)		Dividend per share (in Euros)	
	2005	2004	2005	2004
Interim dividend	40.61	35.84	0.17	0.15
Final dividend	35.84	28.66	0.15	0.12
Total	**76.45**	**64.50**	**0.32**	**0.27**

The dividend for financial year 2005 has been proposed by the Board of Directors and is pending approval by the Ordinary General Shareholders Meeting.

The planned dividend pay-out complies with the requirements and limitations that are laid down in the legal regulations and the Company's bylaws.

5 ACCOUNTING POLICIES

The accounting policies applied in relation to the following items are:

5.1. INTANGIBLE ASSETS

Goodwill on merger

Goodwill on merger represents the excess of the cost paid in a business combination over the fair value of the assets and liabilities identifiable on the date of acquisition of the stake.

Goodwill on consolidation

Goodwill on consolidation represents the excess of the cost of acquisition over the fair value of the stake in the controlled company's equity. In the case of acquisition of stakes in the controlled company from minority shareholders subsequently to the initial one, the controlling Company has decided to recognise the said excess as greater goodwill on consolidation.

Impairment of goodwill

After its initial recognition and allocation to a cash generating unit, its possible loss in value is assessed at least once a year. When the recoverable value of the said cash generating unit is lower than its net book value, the corresponding loss in value is immediately recognised in the income statement, and generally no loss is recognised for individual assets not having experienced any impairment.

Other intangible assets

- Intangible assets arising from an independent acquisition

  Intangible assets acquired from third parties in a market transaction are valued at cost. If their useful life is finite they are amortised depending upon it and, if they have an indefinite useful life, impairment tests are carried out at least on an annual basis.

- Intangible assets internally generated by the company

  Research expenses are recognised directly in the income statement in the year when they are incurred. Development expenses are recorded as an asset when their probability, feasibility and future recoverability may be reasonably ensured, and are carried at cost.

  Capitalised development expenses are amortised over the period in which revenues or yields are expected to be obtained, without prejudice to the valuation that would be made if impairment occurred.

- Intangible assets acquired by exchange of assets

  Intangible assets acquired are generally recognised at the fair value of the asset given.

5.2. BUSINESS COMBINATIONS

The cost for the buying entity of a business combination is the fair value of the assets provided, instruments issued and liabilities incurred or assumed on the exchange date, plus any expenses directly attributable to the combination. Assets received and liabilities and contingencies assumed in a business combination are initially recorded at their fair value on the combination date.

Goodwill represents the excess of the cost paid over the acquired percentage of the fair value of assets and liabilities on the combination date.

5.3. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Property, plant and equipment and investment property are carried at cost less accumulated amortisation and, if applicable, accumulated impairment losses.

Costs incurred after the purchase are recognised as an asset only when future economic profits related to them are likely to revert to the Group and the cost of the element may be accurately determined. Other repair and maintenance expenses are debited to the income statement during the financial year when they are incurred.

Property, plant and equipment and investment property are amortised on a straight-line basis on the cost of acquisition of the asset less its residual value and less the value of land, based on the following periods of useful life of the different assets:

Group of elements	Years	Annual ratio
Buildings and other structures	50-25	2%-4%
Transport elements	6.25	16%
Furniture	10	10%
Fittings	16.6-10	6%-10%
Data processing equipment	4	25%

The residual value and the useful life of the assets are reviewed and adjusted, if required, on the closing date of each financial year.

The elements of property, plant and equipment and investment property are written off when they are sold or when they are no longer likely to produce future economic profits deriving from their continued use. Gains or losses arising from the write-off are accounted for in the income statement.

5.4. FINANCIAL LEASES

Leases transferring to the lessee all the risks and benefits inherent in the ownership of the leased asset are classified as financial leases. The lessee books the leased asset in its assets, at fair value or at the present value of minimum payments under the lease if this figure is lower.

Each lease payment is distributed between the liabilities and financial charges in order to arrive to a constant interest rate on the outstanding balance.

Financial costs are debited to the income statement.

Assets under financial lease are amortised during the useful life of the leased asset.

5.5. FINANCIAL INVESTMENTS

Recognition

Financial assets traded on secondary securities markets are generally recognised on the settlement date.

Classification

Financial investments are classified into the following portfolios:

- Portfolio held to maturity

  This category includes the securities with respect to which there is the intention and proven financial capacity to hold them until their maturity.

- Portfolio available for sale

  This portfolio includes securities representing debt not falling under "Portfolio held to maturity" or "Trading portfolio" and the equity instruments of entities not being controlled, associated or jointly held businesses and which have not been included in the "Trading portfolio".

- Trading portfolio

  This portfolio includes the financial assets that are originated or acquired with a view to their short-term realisation, which form part of a financial instruments portfolio being jointly identified and managed and which, according to recent experience, may give rise to short term gains.

  This portfolio also includes derivative instruments not earmarked for hedging purposes and hybrid financial assets stated at fair value.

  In the case of hybrid financial assets, which simultaneously include a main contract and a financial derivative, both elements are segregated and dealt with independently to the effects of their classification and valuation. Exceptionally, when the said segregation is not feasible, hybrid financial assets are accounted for at fair value.

Valuation

On their initial recognition in the balance sheet, all financial investments forming part of the above mentioned portfolios are recognised at the fair value of the consideration delivered, plus, in the case of financial investments not being classified in the "Trading Portfolio", any dealing costs being directly attributable to their purchase.

After the initial recognition, financial investments are stated at fair value, without deducting any dealing cost that might be incurred on their sale or any other type of disposal, with the following exceptions:

a) Financial investments included in the "Portfolio Held to Maturity", which are valued at their amortised cost using the effective interest rate method.

   The effective interest rate is the restatement rate equalling exactly the initial value of a financial instrument to all its estimated cash flows for all concepts throughout its residual life.

b) Financial assets that are equity instruments and whose fair value may not be accurately estimated, as well as derivatives having the said instruments as underlying asset and that are settled by delivering them, which are valued at cost.

The fair value of financial investments is the price that would be paid for them in an organised and transparent market ("Trading price" or "Market value"). When the said market value is not available, or when the price is not sufficiently representative, the fair value is determined by restating the future financial flows, including the redemption value, at rates equivalent to the average of the last month in the market for fixed income securities issued by the State and standardised according to the issuer's quality and the maturity period.

The fair value of the financial derivatives included in the "Trading portfolio" is taken to be their daily price on the list or the present value of future cash flows if the former is not available.

The book value of financial investments is adjusted against the income statement when there is objective evidence of an event having occurred that has a negative impact on its future cash flows or in the recovery of the book value. The objective evidence of the impairment is determined on an individual basis for significant debt instruments and collectively for the groups of instruments not being individually significant.

The amount of impairment losses is equal to the difference between their book value and the present value of their estimated future cash flows, but for listed instruments, where the present value of cash flows is taken to be their market value, provided this is sufficiently reliable and considering, in any case, the credit risk. The amount of estimated impairment losses is recognised in the income statement, including, in addition, any reduction in the fair value of investments previously recognised under "Valuation adjustment reserves".

In the case of financial swaps of exchange of flows, the amounts accrued by the main transactions are recognised, with the amount resulting from flows being accounted for under "Other financial liabilities" or "Corporate and other credits", as the case may be.

5.6. HEDGING TRANSACTIONS

Hedging derivatives are recorded, as the case may be according to their valuation, under the heading "Other investments" or "Other liabilities".

Hedging derivatives are considered those that efficiently eliminate the risks of variations in fair value, alterations in cash flows or variations in the value of the net investment in businesses abroad.

Derivatives for hedging purposes are carried at fair value.

Fair value hedge

The profit or loss arising from the valuation of the hedging instrument and the covered element is recognised in the income statement, in all cases.

5.7. INVESTMENTS ON ACCOUNT OF LIFE INSURANCE POLICYHOLDERS BEARING THE INVESTMENT RISK

Investments on account of policyholders bearing the investment risk are made in securities investment funds and are valued at cost or at subscription or purchase price. The said acquisition cost is adjusted as greater or lower value of the investment, as applicable, depending upon the net asset value at the closing of the financial year. Revaluations and depreciations of these assets are accounted for as a credit or debit to the income statement of the Life insurance business segment.

5.8. ASSET IMPAIRMENT

At the closing of each financial year, the Group assesses if there are signs that the asset element may have suffered a loss in value. If there are such signs, the recoverable value of the asset is estimated.

In the case of assets not being in operating conditions and of intangible assets with an indefinite useful life, the estimation of the recoverable value is made irrespectively of the existence of impairment signs.

If the book value exceeds the recoverable amount, a loss is recognised for the excess, reducing the book value of the asset down to its recoverable amount.

When there is an increase in the recoverable value of an asset other than goodwill, the previously recognised impairment loss is reversed, increasing the book value of the asset up to its recoverable value. This increase never exceeds the book value net of amortisation that would be accounted for had no impairment loss been recognised in previous years. The reversion is recognised in the income statement, unless the asset has been already subject to revaluation against "Valuation adjustment reserves", in which case the reversion is treated as a revaluation increase. After this reversion, the amortisation expense is adjusted in the following periods.

5.9. INVENTORIES

Inventories are valued at the lower of their acquisition or production cost and their net realisable value.

The acquisition cost includes the expenses directly attributable to the purchase, as well as an allowance for the overheads incurred for the transformation of inventories and any financial expenses incurred in their acquisition.

The net realisable value is the estimated sale price in the normal course of business, less any variable costs required for their sale.

5.10. CREDITS & RECEIVABLES

Valuation of credits is generally made at the amortised cost, calculated pursuant to the effective interest rate method and deducting, if applicable, provisions for losses due to any perceived asset impairment.

In the case of credits with maturity beyond one year without the parties having expressly agreed the applicable interest rate, credits are discounted taking as implicit financial interest that in force in the market of Public Debt securities with equal or similar term to the maturity of the credits, without prejudice to taking into account the related risk premium.

When there is objective evidence that an impairment loss has been incurred, the relevant provision has been established for the amount deemed not recoverable. The said amount is equal to the difference between the book value of the asset and the present value of future cash flows, discounted at the original effective interest rate of the financial asset. The amount of the loss is recognised in the income statement of the year.

Impairment losses corresponding to outstanding premiums are calculated separately for each business line and consist of the portion of the tariff premium accrued in the financial year that is likely not to be collected, considering the experience of previous years, and taking into account the impact of reinsurance. The impairment is recognised in the income statement overall depending upon the age of outstanding premium receipts, or on an individual bases when thus required by the circumstances and the situation of the premium receipts.

Credits on recollection of losses are capitalised only when their realisation is considered as guaranteed.

5.11. CASH AND BANKS

Cash and Banks consists of cash and cash equivalents.

Cash is formed by cash and sight deposits with banks.

Cash equivalents correspond to highly liquid short term investments that can be easily converted into fixed amounts of cash and are subject to insignificant risks as to change in their value, and have maturities below twenty four hours.

5.12. ACCRUAL ADJUSTMENTS

The heading "Accrual adjustments" of the assets side basically include fees and other acquisition expenses corresponding to accrued premiums subject to allocation to the period between the closing date and the expiry of the hedge of the contracts, with such expenses being those actually borne in the period, with the limit established in the technical bases.

Similarly, the heading "Accrual adjustments" of the liabilities side includes the amounts of fees and other acquisition expenses of ceded reinsurance that are to be allocated in subsequent years pursuant to the coverage period of ceded policies.

5.13. NON-CURRENT ASSETS HELD FOR SALE AND RELATED LIABILITIES

Assets held for sale, if applicable, are generally stated at the lower of their book value and their fair value deducting sale costs, these understood as any marginal costs directly attributable to the disposal, excluding financial costs, if applicable, and the income tax related expense.

Non-current assets classified as held for sale are not subject to amortisation.

Losses for impairment of their book value are recognised in the income statement. Similarly, when a recovery in value takes place, this is recognised in the income statement up to an amount equal to the impairment loss previously recognised.

5.14. FINANCIAL LIABILITIES

In their initial recognition in the balance sheet, financial liabilities are accounted for at their fair value. After this initial recognition, all financial liabilities are valued at their amortised cost, except financial liabilities classified as hedged losses, or as accounting hedging instruments that follow the criteria and rules that are established in Note 5.6 of hedging transactions.

When financial liabilities are written off in the balance sheet, the difference between their book value and the consideration delivered is recognised in the income statement.

5.15. TECHNICAL PROVISIONS

a) Direct insurance of companies belonging to the European Economic Area

PROVISION FOR UNEARNED PREMIUMS

The provision for unearned premiums is calculated on an individual policy basis and includes the tariff premium accrued in the financial year, having deducted the security surcharge.

PROVISION FOR RISKS IN PROGRESS

The provision for risks in progress is calculated on an individual business line basis and supplements the provision for unearned premiums for the amount not showing the valuation of risks and expenses to be covered corresponding to the coverage period not elapsed at the closing date.

For the motor business, the calculation of this provision has been made considering all the guarantees covered with the products marketed by the different companies.

PROVISION FOR LIFE INSURANCE

- In life insurance policies with a coverage period equal to or shorter than one year, the provision for unearned premiums is calculated on a policy by policy basis and reflects the tariff premium accrued in the year, subject to allocation to future financial years.

When this provision is not sufficient, the provision for risks in progress is calculated also in order to cover the valuation of risks and expenses to be covered, corresponding to the coverage period not elapsed at the year's closing date.

- In life insurance policies with a coverage period exceeding one year, the mathematical reserve has been calculated on a policy by policy basis as the difference between the current actuarial value of the future obligations of the controlled companies operating in this line, and those of the policy holder or insured party. The calculation basis is the inventory premium accrued in the year, represented by the pure premium plus the surcharge for administration expenses, both determined using the best estimates for mortality, illness, investment yields and administration expenses upon issuance of the contracts, as detailed in the technical bases of the relevant products and types, and remaining unchanged throughout the life of the contract, unless their inadequacy becomes evident, in which case the calculation of the mathematical reserve would be changed.

Written policies having a profit sharing clause in force at the closing of each year share, pro rata to their mathematical reserves and as specifically laid down in each contract, in the net yields obtained by the investments earmarked to covering the said provisions. The amount of this profit sharing is recorded as a greater amount of mathematical reserves.

- This balance sheet heading also includes the provision for profit sharing and premium returns. This provision includes the amount of profits accrued in favour of policyholders, insured persons or beneficiaries and the premiums that must be reimbursed to policyholders.

PROVISION FOR OUTSTANDING CLAIMS

It represents the estimate valuation of outstanding claims deriving from occurrences prior to the closing of the financial year, deducting interim payments effected. It includes the valuations of claims pending settlement or payment and pending to be reported, as well as the internal and external expenses relating to the liquidation of losses and, in addition, it includes maturities and redemptions pending payment in the Life Insurance business. In the Spanish companies, its calculation is made including, if applicable, additional provisions for the deviation in the valuation of claims subject to long handling periods.

OTHER TECHNICAL PROVISIONS

The most significant provision included under this heading is the Death Insurance provision, which is calculated on a policy by policy basis, as the difference between the current actuarial value of future obligations of the controlled companies operating in this line and those of the policy holder or insured party.

TECHNICAL PROVISIONS RELATING TO LIFE INSURANCE WHEN THE INVESTMENT RISK IS BORNE BY THE POLICY HOLDERS

The provisions for life insurance where it has been contractually agreed that the investment risk will be fully borne by policy holders, have been calculated on a policy by policy basis, and they are valued as a function of the assets specifically earmarked to determine the value of the rights.

b) Direct insurance of entities not belonging to the European Economic Area

Technical provisions are calculated pursuant to the local criteria in force in each country, except in the cases when their application could distort the true and fair image that must be shown by the annual accounts, in which case the controlling Company's criteria have been adopted.

Life insurance provisions have been calculated using the operational assumptions, mortality tables and technical interest rate usual in the sector in the respective countries.

c) Ceded reinsurance

Technical provisions for cessions to reinsurers are shown in the balance sheet assets and are calculated according to the reinsurance agreements entered into and under the same criteria as used for direct insurance.

d) Accepted reinsurance

PROVISION FOR UNEARNED PREMIUMS

Accepted reinsurance transactions are accounted for on the basis of the accounts received from ceding companies. If, upon closing the accounts, the ceding company's latest accounts are not available, the balance of other received accounts is considered as provisions for unearned premiums of non closed accounts, in order not to recognise results in the recording of such accounts. Exceptionally, if these provisions of non closed accounts were negatively affected by the recording of major claim payments, because of their being an actual loss not subject to being offset by movements of non closed accounts, the provision is adjusted for the relevant amount.

When the latest account and report on outstanding claims are available, the cancellation is made of provisions of non closed accounts, allocating the corresponding provisions for unearned premiums as a function of the information provided by the ceding company, and accruing them on a policy by policy basis. Failing this, the amount recorded for unearned premiums is the amount of the deposit of premiums withheld on this concept and, lastly, an overall method for the accrual of premiums may be used.

Acquisition expenses, as notified by ceding companies, are accrued under the heading of "Accrual adjustments" in the balance sheet assets, with these expenses corresponding to those actually borne in the period. When ceding companies do not notify the amounts, acquisition expenses are accrued on a risk by risk basis for facultative proportional reinsurance and overall for the rest of the proportional business.

PROVISION FOR RISKS IN PROGRESS

This is calculated on an individual business line basis and supplements the provision for unearned premiums for the amount not showing the valuation of risks and expenses to be covered, corresponding to the coverage period not elapsed at the closing date.

PROVISION FOR OUTSTANDING CLAIMS

Provisions for claims are allocated for the amounts notified by the ceding company or, failing this, for withheld deposits, and include complementary provisions for claims existing and not reported, as well as for deviations in existing ones, in accordance with the company's own experience.

e) Retroceded reinsurance

Retroceded reinsurance transactions and their corresponding technical provisions are recorded following the same criteria as for accepted reinsurance and according to the retrocession agreements entered into.

f) Liabilities adequacy test

Technical provisions existing in the books are periodically submitted to a reasonability test in order to determine their adequacy on the basis of the projections of all future cash flows of existing contracts. Recorded provisions are adjusted against the results of the financial year if it becomes evident that they are inadequate, as a consequence of the test.

g) Shadow accounting

In order to mitigate the accounting asymmetries arising from applying different valuation methods for assets and liabilities, IFRS allow the so-called "shadow accounting", in such a way that unrealised losses or gains in the relevant assets are recognised in the valuation of technical provisions.

5.16. OTHER ASSETS AND LIABILITIES ARISING FROM INSURANCE AND REINSURANCE CONTRACTS

a) Deposit components in insurance contracts

Some Life insurance contracts contain both an insurance component and a deposit component. These two components are not valued separately, since all the rights and obligations deriving from the deposit component are recognised.

b) Embedded derivatives in insurance contracts

Some Life insurance contracts contain embedded derivatives, whereby the value of the contract at maturity depends upon the evolution of a given stock market index. The embedded derivative is not valued separately because it meets the conditions to be classified as an insurance contract, being valued jointly with the main contract.

c) Insurance contracts acquired in business combinations or portfolio assignments

Insurance contracts acquired in a business combination or portfolio assignment are stated at fair value and recognised in the balance sheet as follows:

a) the liabilities deriving from the insurance contracts are accounted for pursuant to the accounting policies used by the entity,

b) an intangible asset is accounted for, representing the difference between:

- the fair value of the rights acquired and the rest of assumed contractual obligations, and

- the amount described under section a) above.

This intangible asset is amortised by the straight line method depending upon the estimated life of the contracts.

d) Capitalisation of acquisition fees and expenses

Acquisition fees and expenses directly related to new production sales are not capitalised in any case, being taken to the income statement in the financial year when they are incurred.

e) Significant assumptions and other sources of estimation of uncertainties

With respect to assets, liabilities, revenues and expenses deriving from insurance contracts, as a general rule, the assumptions that were used as basis for the issuance of the said contracts are used, as specified in the technical bases.

As regards liabilities, assumptions are based on the best possible estimate at the time of issuing the contracts. Nevertheless, the relevant provisions would be established in order to cover any proven inadequacy, should this emerge.

Generally, the company's historical experience is used as basis.

Throughout the year, no significant changes have taken place in the assumptions used to value liabilities deriving from insurance contracts.

5.17. PROVISIONS FOR RISKS AND EXPENSES

Provisions are recognised when the present obligation exists as a result of a past event and a reliable estimate of the amount of the obligation may be made.

When a provision is expected to be recovered, partly or fully, the reimbursement is recognised as a separate asset.

5.18. DEBT

The valuation of the items included under the heading "Debt" is generally made at amortised cost, using the effective interest rate method.

In the case of tax related debt with maturity beyond one year, if the parties have not expressly agreed the applicable interest rate, debts are discounted taking as implicit financial interest that in force in the public debt market for securities with the same or similar term to the maturity of the debts, without prejudice to taking into account the relevant risk premium.

5.19. GENERAL CRITERION ON REVENUES AND EXPENSES

The general principle applicable to the recognition of revenues and expenses is the accrual criterion, pursuant to which the allocation of revenues and expenses is made depending upon the actual flow of goods and services represented by them, irrespectively of the date of the monetary or financial flow deriving from them.

5.20. REMUNERATION TO STAFF

Remuneration to staff may be short term, post-employment and termination payments.

a) Short term remuneration

This is recorded as a function of services provided by employees, on an accrual basis.

b) Post-employment remuneration

It essentially consists of defined benefit plans and defined contribution plans.

DEFINED BENEFIT PLANS

They are post-employment plans different of defined contribution plans. The liability recognised in the balance sheet in relation to defined benefit pension plans is equal to the present value of the defined benefit obligation on the balance sheet date, deducting, if applicable, the fair value of the assets earmarked to the plan.

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

Actuarial losses and gains arising are debited or credited to the income statement in the financial year when they take place.

DEFINED CONTRIBUTION PLANS

These are post-employment benefit plans, in which the entity involved makes pre-determined contributions to a separate entity (whether connected or alien to the Group) and has no legal or implicit obligation of making additional contributions, should there be an insufficiency of assets to honour the payment of benefits. Therefore, the obligation solely consists of making the contribution that is agreed to a fund, and the amount of benefits to be received by employees is determined by the contributions made plus the return obtained on the investments where the fund is materialised.

OTHER POST-EMPLOYMENT OBLIGATIONS

The right to this type of benefits is usually subject to the employee's permanence with the company until his/her retirement and during a required number of years. Costs expected from these benefits are accrued during employees' working life pursuant to an accounting method similar to that for defined benefit plans.

c) Termination payments

Termination payments are recognised as a liability and as an expense when there is a demonstrable intention of termination of the labour relationship before the normal retirement date to a given number of employees, or when there is an offer to encourage the voluntary termination of labour contracts.

5.21. PREMIUMS

Direct insurance

Premiums from the Non Life business and Life annual renewable contracts are recognised as revenues throughout the validity of the contracts, pursuant to the period of time elapsed. The accrual of premiums is made by allocating the provision for unearned premiums. Premiums from the long term Life business, whether single premiums or regular premiums, are recognised when the right to collection arises on the part of the contract issuer.

Ceded reinsurance

Premiums corresponding to ceded reinsurance are accounted for pursuant to the written reinsurance contracts and under the same criteria as used for direct insurance.

Accepted and retroceded reinsurance

Premiums corresponding to accepted reinsurance are accounted for on the basis of the accounts received from ceding companies.

Retroceded reinsurance transactions are accounted for under the same criteria as accepted reinsurance, and pursuant to the retrocession contracts entered into.

Coinsurance

Coinsurance transactions are accounted for pursuant to the accounts received from the opening company and the participation in contracts entered into.

5.22. REVENUES AND EXPENSES FROM INVESTMENTS

Revenues and expenses from investments are classified between operations and equity depending upon their origin, if they are earmarked to covering technical provisions or they materialise shareholders' equity, respectively.

Revenues and expenses from financial investments are accounted for depending upon the portfolio in which they are classified, pursuant to the following criteria:

a) Trading portfolio

Changes in fair value are directly accounted for in the income statement, differentiating the portion attributable to yields, which is recorded as interest or, if applicable, as dividends, and the portion that is recorded as realised and unrealised results.

b) Portfolio held to maturity

Changes in fair value are recognised when the financial instrument is written off in the balance sheet and in case of impairment.

c) Portfolio available for sale

Changes in fair value are recognised directly in the company's equity until the financial asset is written off, at which time they are recorded in the income statement.

In all cases, the interest from financial instruments is calculated by the effective interest rate method.

5.23. CLAIMS

The estimated cost of claims, both of the Life and the Non Life business, is recognised on the date of occurrence of events, accounting for all necessary expenses to be incurred up to the settlement of the claim. For claim events occurred prior to the end of each financial year but not reported, the best estimate of their cost is recognised based on historical experience, through the provision for claims pending declaration.

Payments of claims are made against the previously recognised provision.

Claims corresponding to accepted reinsurance are accounted for on the basis of the accounts received from ceding companies.

Claims corresponding to ceded and retroceded reinsurance are accounted for as a function of the reinsurance contracts entered into, and under the same criteria as those used for direct insurance and accepted reinsurance, respectively.

5.24. RECLASSIFICATION OF EXPENSES BY FINAL NATURE AND ALLOCATION TO ACTIVITY SEGMENTS

The criteria followed for the reclassification of expenses according to their final nature are mainly based on the function fulfilled by each employee, with their direct and indirect cost being distributed pursuant to the said function.

As regards expenses not directly or indirectly related to staff, individual studies are carried out, and they are allocated according to the function fulfilled by the said expenses.

The established destinations are as follows:

- Expenses to be allocated to benefits
- Expenses to be allocated to investments
- Other technical expenses
- Other non technical expenses
- Acquisition expenses
- Administration expenses
- Operating expenses from other activities

Expenses allocated to the last three items are included under the heading "Net operating expenses" in the income statement.

Expenses have been allocated to the following segments, depending upon the business line having originated them:

- Direct insurance Life
- Direct insurance Non Life
- Accepted reinsurance
- Other activities

5.25. TRANSACTIONS AND BALANCES IN FOREIGN CURRENCIES

Transactions in foreign currencies, other than in reinsurance, are translated into Euros at the exchange rate prevailing on the transaction date.

Reinsurance transactions in foreign currencies are recorded at the exchange rate established at the beginning of each quarter in the year. Later on, upon the closing of each quarter, they are all dealt with as a single transaction, translating the amount at the exchange rate prevailing on that date and recording the corresponding difference in the income statement.

At year end, existing balances denominated in foreign currencies are translated at the exchange rate of the Euro prevailing on that date, with all exchange differences being taken to the income statement, except those directly allocated to "Translation differences", which are those arising from the monetary items that form part of the net investment in a foreign operation and from the non monetary ones stated at fair value, where changes in valuation are directly recognised in equity.

5.26. INCOME TAX

Income tax that is considered as an expense in the year is recorded as such in the income statement, and includes both the tax charge for the current tax and the effect corresponding to the movement of deferred tax.

For its determination, the liability method based on the balance sheet is used, according to which the relevant deferred tax assets and liabilities are recorded as may be necessary to correct the effect of temporary differences, which are the differences existing between the book value of an asset or a liability and that representing its tax valuation.

Temporary differences may be "Taxable temporary differences", which give rise to a higher amount of taxes payable in the future and which generally entail the recognition of a deferred tax liability, or "Deductible temporary differences", which give rise to a lower amount of taxes payable in the future and to the extent they may be recoverable when recording a deferred tax asset.

On the other hand, income tax related to items where modifications in valuation are directly recognised in equity are not allocated to the income statement, with the valuation changes being recorded in the said assets, net of the tax effect.

6 BREAKDOWN OF FINANCIAL STATEMENTS

6.1. INTANGIBLE ASSETS

The following tables detail the movement of this heading in the past two years:

Financial Year 2005

Concept	Opening balance	Adjustement to opening balance	Changes in perimeter	Additions or appropiations	Disposal cancelations or reductions	Closing balance
COST						
GOODWILL	512.93	(0.15)	–	114.16	(2.99)	623.95
OTHER INTANGIBLE ASSETS						
Portfolio acquisition expenses	1.01	–	–	–	(1.01)	–
Computer applications	73.65	2.51	0.17	19.78	(3.65)	92.46
Others	17.60	3.02	–	18.65	(2.45)	36.82
TOTAL COST	**605.19**	**5.38**	**0.17**	**152.59**	**(10.10)**	**753.23**
ACCUMULATED AMORTISATION						
OTHER INTANGIBLE ASSETS						
Portfolio acquisition expenses	(0.28)	–	–	–	0.28	–
Computer applications	(46.21)	(0.94)	–	(12.14)	2.59	(56.70)
Others	(4.62)	(1.61)	–	(12.48)	1.03	(17.68)
TOTAL ACCUMULATED AMORTISATION	**(51.11)**	**(2.55)**	**–**	**(24.62)**	**3.90**	**(74.38)**
IMPAIRMENT						
GOODWILL	(10.09)	–	–	(17.89)	–	(27.98)
OTHER INTANGIBLE ASSETS						
Portfolio acquisition expenses	–	–	–	–	–	–
Computer applications	–	–	–	–	–	–
Others	–	–	–	–	–	–
TOTAL IMPAIRMENT	**(10.09)**	**–**	**–**	**(17.89)**	**–**	**(27.98)**
TOTAL GOODWILL	**502.84**	**(0.15)**	**–**	**96.27**	**(2.99)**	**595.97**
TOTAL OTHER INTANGIBLE ASSETS	**41.15**	**2.98**	**0.17**	**13.81**	**(3.21)**	**54.90**
TOTAL INTANGIBLE ASSETS	**543.99**	**2.83**	**0.17**	**110.08**	**(6.20)**	**650.87**

Figures in million euros

The main addition in 2005 relates to the goodwill originated on the acquisition of shares in NOSSA CAIXA SEGUROS E PREVIDENCIA, amounting to €79.79 million (see Note 6.9).

Financial Year 2004

Concept	Opening balance	Adjustement to opening balance	Changes in perimeter	Additions or appropiations	Disposal cancelations or reductions	Closing balance
COST						
GOODWILL	498.22	–	4.03	10.68	–	512.93
OTHER INTANGIBLE ASSETS						
Portfolio acquisition expenses	0.40	(0.01)	–	0.62	–	1.01
Computer applications	60.25	(1.77)	–	19.52	(4.35)	73.65
Others	12.76	0.84	–	9.08	(5.08)	17.60
TOTAL COST	**571.63**	**(0.94)**	**4.03**	**39.90**	**(9.43)**	**605.19**
ACCUMULATED AMORTISATION						
OTHER INTANGIBLE ASSETS						
Portfolio acquisition expenses	–	–	–	(0.34)	0.06	(0.28)
Computer applications	(38.59)	0.81	–	(11.72)	3.29	(46.21)
Others	(3.33)	(0.15)	–	(1.21)	0.07	(4.62)
TOTAL ACCUMULATED AMORTISATION	**(41.92)**	**0.66**	**–**	**(13.27)**	**3.42**	**(51.11)**
IMPAIRMENT						
GOODWILL	–	–	–	(10.09)	–	(10.09)
OTHER INTANGIBLE ASSETS						
Portfolio acquisition expenses	–	–	–	–	–	–
Computer applications	–	–	–	–	–	–
Others	–	–	–	–	–	–
TOTAL IMPAIRMENT	**–**	**–**	**–**	**(10.09)**	**–**	**(10.09)**
TOTAL GOODWILL	**498.22**	**–**	**4.03**	**0.59**	**–**	**502.84**
TOTAL OTHER INTANGIBLE ASSETS	**31.49**	**(0.28)**	**–**	**15.95**	**(6.01)**	**41.15**
TOTAL INTANGIBLE ASSETS	**592.71**	**(0.28)**	**4.03**	**16.54**	**(6.01)**	**543.99**

Figures in million euros

The main addition in 2004 corresponds to the goodwill originated on the acquisition of shares in MAPFRE QUAVITAE, amounting to €8.19 million. The amounts stated as changes in the perimeter correspond to the goodwill that MAPFRE QUAVITAE had recognised in its subsidiaries when it joined the perimeter (July 2004).

A breakdown is given below of the useful life and amortisation rates used for the following intangible assets, having adopted in all cases the straight-line method of amortisation.

Group of elements	Useful life (years)	Amortisation rate (annual)
Computer applications	4	25%
Rights of use of administrative concessions	57	1.75%

The amortisation of intangible assets with finite useful life has been recorded in the expenses account "Amortisation allowances".

The useful life of the following intangible assets is considered indefinite, as the said assets are expected to contribute to obtaining future revenues for the Group, indefinitely:

Element	Book value	
	31/12/2005	31/12/2004
Goodwill on consolidation	477.23	366.21
Goodwill on merger	118.74	118.74
Goodwill on portfolio acquisition	–	17.89

Figures in million euros

The following table provides detailed information on the cash generating units to which the different goodwill items are allocated, as well as their book value and, if applicable, the impairment amount over the last years.

Concept	Cash generating unit	Balance 31.12.2003	Financial Year 2004 Entries/ (cancel-lations)	Financial Year 2004 Impair-ment in the period	Balance 31.12.2004	Financial Year 2005 Entries/ (cancel-lations)	Financial Year 2005 Impair-ment in the period	Balance 31.12.2005
Consolidation goodwill								
MAPFRE VIDA	Life Insurance (Spain and Portugal)	212.08	0.33	–	212.41	0.08	–	212.49
MAPFRE EMPRESAS	Insurance for companies	40.31	–	–	40.31	–	–	40.31
MAPFRE FINISTERRE	Death insurance (Spain)	87.58	(87.58)	–	–	–	–	–
GRUPO CORPORATIVO LML	Non Life insurance (Mexico)	26.70	–	(4.44)	22.26	–	–	22.26
BRICKELL FINANCIAL SERVICES	Travel assistance (U.S.A.)	16.67	0.65	–	17.32	(0.18)	–	17.14
MAPFRE AMÉRICA	Non Life insurance (America)	11.90	–	–	11.90	10.33	–	22.23
NUOVI SERVIZI AUTO	Extension of Warranty	11.16	–	(0.04)	11.12	–	–	11.12
MAPFRE LA SEGURIDAD	Non Life insurance (Venezuela)	9.76	–	–	9.76	–	–	9.76
MAPFRE QUAVITAE	Services for the Elderly	–	8.19	–	8.19	–	–	8.19
NOSSA CAIXA	Life insurance (Brazil)	–	–	–	–	79.79	–	79.79
ABRAXAS	Travel assistance (United Kingdom)	–	–	–	–	12.41	–	12.41
CLINISAS	Medical Assistance (Madrid)	–	–	–	–	11.55	–	11.55
Others	- -	33.34	2.24	(2.64)	32.94	(2.96)	–	29.98
Total consolidation goodwill		**449.50**	**(76.17)**	**(7.12)**	**366.21**	**111.02**	**–**	**477.23**
Merger goodwill								
MAPFRE FINISTERRE	Death insurance (Spain)	–	87.93	–	87.93	–	–	87.93
ASEICA	Medical assistance (Canary Islands)	12.73	–	–	12.73	–	–	12.73
IMECO	Medical assistance (Balearic Islands)	7.20	–	(2.97)	4.23	–	–	4.23
Others		11.39	2.46	–	13.85	–	–	13.85
Total merger goodwill		**31,32**	**90.39**	**(2.97)**	**118.74**	**–**	**–**	**118.74**
Goodwill on portfolio acquisition								
Agencies of MAPFRE FINISTERRE	Distribution of death insurance in Spain	17.40	0.49	–	17.89	–	(17.89)	–
Total goodwill on portfolio acquisition		**17.40**	**0.49**	**–**	**17.89**	**–**	**(17.89)**	**–**
Total goodwill		**498.22**	**14.71**	**(10.09)**	**502.84**	**111.02**	**(17.89)**	**595.97**
Goodwill in associated undertakings								
MIDDLESEA INSURANCE	Insurance (Southern Europe)	1.33	–	–	1.33	4.67	–	6.00
Others		3.25	(0.92)	(0.06)	2.27	(0.74)	–	1.53
Total goodwill in associated undertakings (equity method) (*)		**4.58**	**(0.92)**	**(0.06)**	**3.60**	**3.93**	**–**	**7.53**
Intangible assets with indefinite useful life		–	–	–	–	–	–	–
Total intangible assets with indefinite useful life		**–**	**–**	**–**	**–**	**–**	**–**	**–**

Figures in million euros

(*)Goodwill related with acquisitions of associated undertakings is stated as a greater value of investments accounted for pursuant to the equity method.

The book value, net of any impairment, of each of the above described goodwill items is, in all cases, equal to or lower than the amount recoverable from the cash generating unit to which they are allocated, which has been determined according to its use value, calculated on the basis of cash flow projections. The discount rate applied to the said projections is based on the interest rates of the geographical market where each cash generating unit operates, which oscillates between 3.69 and 4.66, and to which a risk premium has been added depending upon the unit's type of activity. Projections corresponding to the first five years take into account growth rates of the flows based on historical experience, while for the following years constant flows are considered.

6.2. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Property, plant and equipment

The following tables detail the movement of this heading in the last two years:

Financial year 2005

Concept	Opening balance	Adjustments to opening balance	Changes in perimeter	Additions or appropria-tions	Disposals, cancellations or reductions	Closing balance	Market value
COST							
PROPERTY FOR OWN USE							
Land and natural resources	69.75	2.71	–	1.17	(9.93)	63.70	73.97
Buildings and other structures	265.20	12.40	8.83	84.08	(20.87)	349.64	312.78
OTHER PROPERTY, PLANT AND EQUIPMENT							
Transport elements	7.71	(2.71)	–	8.47	(1.30)	12.17	6.28
Furniture and fittings	109.86	0.97	2.56	22.23	(6.72)	128.90	49.88
Other property, plant and equipment	108.29	7.27	–	20.11	(4.67)	131.00	78.32
Advances and fixed assets in progress	17.06	(4.16)	–	2.57	(5.63)	9.84	9.84
TOTAL COST	**577.87**	**16.48**	**11.39**	**138.63**	**(49.12)**	**695.25**	**531.07**
ACCUMULATED AMORTISATION							
PROPERTY FOR OWN USE	(29.92)	(1.89)	–	(4.53)	2.35	(33.99)	–
OTHER PROPERTY, PLANT AND EQUIPMENT	(129.63)	(8.80)	(0.85)	(20.43)	6.81	(152.90)	–
TOTAL ACCUMULATED AMORTISATION	**(159.55)**	**(10.69)**	**(0.85)**	**(24.96)**	**9.16**	**(186.89)**	**–**
IMPAIRMENT							
PROPERTY FOR OWN USE							
Land and natural resources	(0.31)	(0.05)	–	–	0.19	(0.17)	–
Buildings and other structures	(0.41)	(0.10)	–	(0.95)	–	(1.46)	–
OTHER PROPERTY, PLANT AND EQUIPMENT							
Transport elements	(0.02)	–	–	(0.16)	–	(0.18)	–
Furniture and fittings	(0.12)	–	–	(0.69)	–	(0.81)	–
Other property, plant and equipment	(0.11)	–	–	(3.05)	–	(3.16)	–
TOTAL IMPAIRMENT	**(0.97)**	**(0.15)**	**–**	**(4.85)**	**0.19**	**(5.78)**	**–**
TOTAL PROPERTY FOR OWN USE	**304.31**	**13.07**	**8.83**	**79.77**	**(28.26)**	**377.72**	**386.75**
TOTAL OTHER PROPERTY, PLANT AND EQUIPMENT	**113.04**	**(7.43)**	**1.71**	**29.05**	**(11.51)**	**124.86**	**144.32**
TOTAL PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY	**417.35**	**5.64**	**10.54**	**108.82**	**(39.77)**	**502.58**	**531.07**

Figures in million euros

The main additions in 2005 relate to the incorporation of CLINISAS to the consolidation perimeter.

The main cancellation in the year 2005 corresponds to part of the Juana Manso building in Buenos Aires, amounting to €9.64 million, which changed from being used by the company itself to a tangible investment, as it was leased to third parties.

Financial Year 2004

Concept	Opening balance	Adjustments to opening balance	Changes in perimeter	Additions or appro-priations	Disposals, cancellations or reductions	Closing balance	Market value
COST							
PROPERTY FOR OWN USE							
Land and natural resources	49.04	(1.19)	9.34	16.95	(5.29)	69.75	74.11
Buildings and other structures	184.71	(15.24)	35.49	95.77	(35.53)	265.20	294.62
OTHER PROPERTY, PLANT AND EQUIPMENT							
Transport elements	5.96	(0.08)	1.35	2.12	(1.64)	7.71	3.99
Furniture and fittings	91.19	(1.21)	5.06	19.84	(5.02)	109.86	55.10
Other property, plant and equipment	79.23	0.70	14.18	17.06	(2.88)	108.29	50.88
Advances and fixed assets in progress	0.58	(0.10)	5.49	14.01	(2.92)	17.06	17.06
TOTAL COST	**411.61**	**(17.12)**	**70.91**	**165.75**	**(53.28)**	**577.87**	**495.76**
ACCUMULATED AMORTISATION							
PROPERTY FOR OWN USE	(23.56)	0.90	(0.86)	(10.40)	4.00	(29.92)	–
OTHER PROPERTY, PLANT AND EQUIPMENT	(101.60)	1.48	(8.45)	(26.69)	5.63	(129.63)	–
TOTAL ACCUMULATED AMORTISATION	**(125.16)**	**2.38**	**(9.31)**	**(37.09)**	**9.63**	**(159.55)**	**–**
IMPAIRMENT							
PROPERTY FOR OWN USE							
Land and natural resources	–	–	–	(0.31)	–	(0.31)	–
Buildings and other structures	(0.95)	(0.07)	–	–	0.61	(0.41)	–
OTHER PROPERTY, PLANT AND EQUIPMENT							
Transport elements	(0.02)	–	–	–	–	(0.02)	–
Furniture and fittings	(0.11)	0.01	–	(0.02)	–	(0.12)	–
Other property, plant and equipment	(0.11)	0.01	–	(0.01)	–	(0.11)	–
TOTAL IMPAIRMENT	**(1.19)**	**(0.05)**	**–**	**(0.34)**	**0.61**	**(0.97)**	**–**
TOTAL PROPERTY FOR OWN USE	**210.14**	**(15.60)**	**43.97**	**102.01**	**(36.21)**	**304.31**	**368.73**
TOTAL OTHER PROPERTY, PLANT AND EQUIPMENT	**75.12**	**0.81**	**17.63**	**26.31**	**(6.83)**	**113.04**	**127.03**
TOTAL PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY	**285.26**	**(14.79)**	**61.60**	**128.32**	**(43.04)**	**417.35**	**495.76**

Figures in million euros

The main additions in financial year 2004 arise from:

- Incorporation of MAPFRE QUAVITAE to the consolidation perimeter.
- Acquisition of the building at Paseo de Recoletos no. 29, in Madrid, amounting to €20.36 million, where the registered office of MAPFRE CAJA SALUD is located.

The main cancellation in 2004 corresponds to the building of Manuel Cortina no. 2, in Madrid, amounting to €19.49 million, which changed from own use to tangible investment upon the change of the registered office of MAPFRE EMPRESAS.

The fully depreciated cost of property, plant and equipment as at 31 December 2005 and 2004 amounts to €46.90 and 44.41 million, respectively.

Impairment losses amount to €4.85 million and €0.34 million for financial years 2005 and 2004 respectively, and reversions amount to €0.19 million and €0.61 million. These amounts are recorded under the headings "Allocation to the asset impairment provision" and "Reversion of the asset impairment provision" in the income statement.

Investment property

The following tables detail the movement of this heading during the last two financial years:

Financial Year 2005

Concept	Opening balance	Adjustments to opening balance	Changes in perimeter	Additions or appro-priations	Disposals, cancellations or reductions	Closing balance	Market value
COST							
INVESTMENT PROPERTY							
Land and natural resources	84.46	3.79	–	8.90	(6.81)	90.34	189.53
Buildings and other structures	296.67	11.02	–	39.25	(19.11)	327.83	359.04
OTHER INVESTMENT PROPERTY	1.09	–	–	–	(1.09)	–	–
TOTAL COST	**382.22**	**14.81**	**–**	**48.15**	**(27.01)**	**418.17**	**548.57**
ACCUMULATED AMORTISATION							
INVESTMENT PROPERTY	(67.84)	(2.06)	–	(4.89)	1.96	(72.83)	–
TOTAL ACCUMULATED AMORTISATION	**(67.84)**	**(2.06)**	**–**	**(4.89)**	**1.96**	**(72.83)**	**–**
IMPAIRMENT							
INVESTMENT PROPERTY							
Land and natural resources	(0.04)	(0.01)	–	(0.07)	–	(0.12)	–
Buildings and other structures	(0.01)	–	–	(0.08)	–	(0.09)	–
TOTAL IMPAIRMENT	**(0.05)**	**(0.01)**	**–**	**(0.15)**	**–**	**(0.21)**	**–**
TOTAL INVESTMENT PROPERTY	**314.33**	**12.74**	**–**	**43.11**	**(25.05)**	**345.13**	**548.57**

Figures in million euros

The main addition in financial year 2005 has been a part of the Juana Manso building in Buenos Aires, amounting to €9.64 million, which changed from own use to tangible investment.

Financial Year 2004

Concept	Opening balance	Adjustments to opening balance	Changes in perimeter	Additions or appro-priations	Disposals, cancellations or reductions	Closing balance	Market value
COST							
INVESTMENT PROPERTY							
Land and natural resources	89.12	(0.09)	–	0.20	(4.84)	84.46	107.06
Buildings and other structures	304.72	(10.00)	–	22.92	(20.97)	296.67	425.63
OTHER INVESTMENT PROPERTY	–	–	–	1.09	–	1.09	1.09
TOTAL COST	**393.91**	**(10.09)**	**–**	**24.21**	**(25.81)**	**382.22**	**533.78**
ACCUMULATED AMORTISATION							
INVESTMENT PROPERTY	(61.90)	–	–	(7.41)	1.47	(67.84)	–
TOTAL ACCUMULATED AMORTISATION	**(61.90)**	**–**	**–**	**(7.41)**	**1.47**	**(67.84)**	**–**
IMPAIRMENT							
INVESTMENT PROPERTY							
Land and natural resources	(0.14)	–	–	(0.03)	0.13	(0.04)	–
Buildings and other structures	(0.40)	–	–	–	0.39	(0.01)	–
TOTAL IMPAIRMENT	**(0.54)**	**–**	**–**	**(0.03)**	**0.52**	**(0.05)**	**–**
TOTAL INVESTMENT PROPERTY	**331.47**	**(10.09)**	**–**	**16.77**	**(23.82)**	**314.33**	**533.78**

Figures in million euros

The main addition in financial year 2004 was the Manuel Cortina no. 2 building in Madrid, amounting to €19.49 million, which changed from own use to tangible investment.

The market value of investment property corresponds with the appraisal value determined by the Directorate General for Insurance and Pension Funds or by the authorised independent appraisal entity.

Lease revenues and expenses deriving from investment property in financial years 2005 and 2004 are detailed in the following table.

Concept	Investments of:					
	Operations		Equity		Total	
	2005	2004	2005	2004	2005	2004
Revenues from investment property						
From rentals	34.16	33.43	4.44	4.49	38.60	37.92
Gains on disposals	6.34	4.78	0.07	–	6.41	4.78
Gains on disposals	**40.50**	**38.21**	**4.51**	**4.49**	**45.01**	**42.70**
Expenses from investment property						
Direct operating expenses	17.23	17.47	2.14	2.30	19.37	19.77
Losses on disposals	–	–	–	0.01	–	0.01
Total expenses from investment property	**17.23**	**17.47**	**2.14**	**2.31**	**19.37**	**19.78**

Figures in million euros

The impairment loss in the year is recorded under "Allocation to the asset impairment provision" and the reversion under "Reversion of the asset impairment provision" in the income statement.

6.3. LEASES

The Group has the following elements subject to operational lease agreements:

Type of asset	Net book value		Maximum duration of agreements (years)		Years elapsed	
	2005	2004	2005	2004	2005	2004
Investment property	345.13	314.33	25	25	10	9

Figures in million euros

As at 31 December, minimum future collections from the last two years, to be received in the concept of operational lease agreements not liable of cancellation, are as follows:

Concept	2005	2004
Below one year	22.70	22.67
Over one year but below five years	48.88	43.94
More than five years	7.02	17.73
Total	**78.60**	**84.34**

Figures in million euros

The Group is a lessee pursuant to operational leases of buildings and other tangible assets.

These leases have a maximum duration of 15 years, without renewal clauses provided for in the agreements. There is no restriction whatsoever for the lessee with respect to entering into these leases.

As at 31 December, minimum future collections from the last years, to be received in the concept of operational lease agreements not liable of cancellation, are as follows:

Concept	2005	2004
Below one year	3.96	4.08
Over one year but below five years	5.08	4.92
More than five years	6.05	6.84
Total	**15.09**	**15.84**

Figures in million euros

Contingent payments recorded as expense in financial years 2005 and 2004 amount to €0.31 million and €0.35 million, respectively.

6.4. FINANCIAL INVESTMENTS

As at 31 December 2005 and 2004, the breakdown of financial investments is as follows:

Concept	Book value	
	2005	2004
PORTFOLIO HELD TO MATURITY		
Fixed income	475.52	410.16
Other investments	217.85	294.21
Total portfolio held to maturity	**693.37**	**704.37**
PORTFOLIO AVAILABLE FOR SALE		
Equities	439.53	408.17
Fixed income	16,124.01	14,281.18
Investment funds	840.52	739.09
Others	105.25	244.68
Total portfolio available for sale	**17,509.31**	**15,673.12**
TRADING PORTFOLIO		
Derivatives (non hedging):		
Swaps	7.17	–
Others derivatives	–	0.23
Equities	8.97	2.13
Fixed income	1,251.26	1,056.07
Investment funds	64.77	55.50
Others	50.99	94.83
Total trading portfolio	**1,383.16**	**1,208.76**

Figures in million euros

Portfolio held to maturity

A breakdown is given below of investments earmarked to the portfolio held to maturity, as at 31 December 2005 and 2004.

Concept	Book value (amortised cost)		Fair value		Revenues from interests		Impairment			
							Recorded loss		Gains on reversal	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Fixed income	475.52	410.16	478.00	414.25	38.16	30.39	–	–	–	–
Other investments	217.85	294.21	216.71	294.21	6.75	6.99	–	–	–	–
Total	**693.37**	**704.37**	**694.71**	**708.46**	**44.91**	**37.38**	**–**	**–**	**–**	**–**

Figures in million euros

Portfolio available for sale

A breakdown is given below of investments earmarked to the portfolio available for sale, as at 31 December 2005 and 2004.

Concept	Book value (fair value)		Impairment			
			Recorded loss		Gains on reversal	
	2005	2004	2005	2004	2005	2004
Equities	439.53	408.17	(0.03)	–	0.01	–
Fixed income	16,124.01	14,281.18	–	–	0.04	–
Investment funds	840.52	739.09	–	–	–	–
Others	105.25	244.68	–	–	–	0.19
Total	**17,509.31**	**15,673.12**	**(0.03)**	**–**	**0.05**	**0.19**

Figures in million euros

Valuation adjustments in the portfolio investments amount to €,870.42 million and €1,678.50 million as at 31 December 2005 and 2004, respectively, which have been recorded in equity net of the tax effect.

Transfers to the income statement of valuation adjustments of portfolio investments in previous financial years, carried out during years 2005 and 2004, amount to €70.13 million and €38.04 million, both net, respectively.

Trading portfolio

Capital gains and losses of the trading portfolio are recorded in the income statement. The relevant information is included in Note 6.16 "Revenues and expenses from investments".

The fixed income investments of the trading portfolio include €542.21 million and €624.11 million as at 31 December 2005 and 2004, respectively, corresponding to monetary assets and government debt sold temporarily, with a non optional repurchase agreement.

Interest rate risk

The following table details the significant information of the last two financial years in relation to the interest rate risk of financial assets:

Portfolio	Amount of asset with exposure to interest rate risk in:							
	Fair value (fixed interest rate)		Cash flow (Variable interest rate)		Not exposed to risk		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
Held to maturity	604.75	683.14	–	0.02	88.62	21.21	693.37	704.37
Available for sale	15,806.39	14,240.31	484.17	178.57	1,218.75	1,254.24	17,509.31	15,673.12
Trading	1,295.38	1,134.94	9.18	3.57	78.60	70.25	1,383.16	1,208.76
Total	**17,706.52**	**16,058.39**	**493.35**	**182.16**	**1,385.97**	**1,345.70**	**19,585.84**	**17,586.25**

Figures in million euros

The following tables show, for financial years 2005 and 2004, the maturities, average interest rate and modified duration of the different financial investment portfolios:

31 December 2005

Concept	Closing balance	Maturity: 1 year	2 years	3 years	4 years	5 years	Beyond or without maturity	Average interest rate %	Modified duration %
PORTFOLIO HELD TO MATURITY									
Fixed income	475.52	113.44	22.19	15.52	24.78	11.03	288.56	5.27	4.70
Other investments	217.85	194.67	7.38	10.28	3.73	0.30	1.49	3.00	–
Total portfolio held to maturity	**693.37**	**308.11**	**29.57**	**25.80**	**28.51**	**11.33**	**290.05**	**–**	**–**
PORTFOLIO AVAILABLE FOR SALE									
Fixed income	16,124.01	873.08	853.71	750.52	1,152.94	1,041.10	11,452.66	3.20	7.47
Other investments	105.25	91.79	6.79	0.19	0.01	4.48	1.99	18.44	–
Total portfolio available for sale	**16,229.26**	**964.87**	**860.50**	**750.71**	**1,152.95**	**1,045.58**	**11,454.65**	**–**	**–**
TRADING PORTFOLIO									
Swaps	7.17	–	–	–	–	–	7.17	–	–
Fixed income	1,251.26	1,083.04	26.04	45.73	27.04	18.53	50.88	10.26	2.25
Others	50.99	25.20	21.71	0.10	0.10	3.18	0.70	9.25	–
Total trading portfolio	**1,309.42**	**1,108.24**	**47.75**	**45.83**	**27.14**	**21.71**	**58.75**	**–**	**–**

Figures in million euros

31 December 2004

Concept	Closing balance	Maturity: 1 year	2 years	3 years	4 years	5 years	Beyond or without maturity	Average interest rate %	Modified duration %
PORTFOLIO HELD TO MATURITY									
Fixed income	410.16	98.38	37.39	11.25	11.66	16.69	234.79	6.06	6.69
Other investments	294.21	271.48	6.71	5.09	7.75	3.02	0.16	0.38	–
Total portfolio held to maturity	**704.37**	**369.86**	**44.10**	**16.34**	**19.41**	**19.71**	**234.95**	**–**	**–**
PORTFOLIO AVAILABLE FOR SALE									
Fixed income	14,281.18	877.32	471.97	615.57	640.33	1,135.15	10,540.84	3.88	7.49
Other investments	244.68	237.46	0.81	0.23	–	1.40	4.78	2.34	–
Total portfolio available for sale	**14,525.86**	**1,114.78**	**472.78**	**615.80**	**640.33**	**1,136.55**	**10,545.62**	**–**	**–**
TRADING PORTFOLIO									
Swaps	0.23	–	–	–	–	–	0.23	–	–
Fixed income	1,056.07	980.64	34.81	16.79	9.57	8.81	5.45	7.53	2.72
Others	94.83	34.49	21.84	17.35	1.59	0.33	19.23	4.81	–
Total trading portfolio	**1,151.13**	**1,015.13**	**56.65**	**34.14**	**11.16**	**9.14**	**24.91**	**–**	**–**

Figures in million euros

The modified duration is a reflection of the sensitivity of the value of the assets to interest rate movements, and represents the percentage variation in the fair value of the financial assets per each percentage point of variation in interest rates. For its calculation, the percentage variation of each financial asset is weighted against its market value.

Credit risk

The following table provides significant information of the last two financial years in relation to the credit risk of fixed income securities:

Credit rating of issuers	Book value					
	Portfolio held to maturity		Portfolio available for sale		Trading portfolio	
	2005	2004	2005	2004	2005	2004
AAA	362.38	340.36	5,730.39	5,631.13	1,125.58	1,033.20
AA	44.73	15.41	8,343.08	6,718.25	47.30	17.21
A	12.84	13.84	1,669.03	1,579.93	47.74	2.61
BBB	18.35	13.98	62.72	93.12	16.27	2.00
BB or lower	28.00	25.82	250.60	114.60	14.37	1.05
Without credit rating	9.22	0.75	68.19	144.15	–	–
Total	**475.52**	**410.16**	**16,124.01**	**14,281.18**	**1,251.26**	**1,056.07**

Figures in million euros

Currency risk

The following table shows a breakdown of financial investments according to the currencies in which they are denominated at the closing of the last two financial years.

Currency	Book value							
	Portfolio held to maturity		Portfolio available for sale		Trading portfolio		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
Euro	134.90	239.23	16,593.61	14,979.13	952.98	943.25	17,681.49	16,161.61
US Dollar	380.27	293.76	620.38	468.92	34.92	21.65	1,035.57	784.33
Mexican Peso	66.67	80.92	4.71	4.55	150.57	116.77	221.95	202.24
Brazilian Real	66.89	59.63	16.96	11.28	136.84	51.91	220.69	122.82
Chilean Peso	9.08	6.16	91.10	81.10	13.05	11.23	113.23	98.49
Venezuelan Bolivar	2.59	–	98.45	72.03	–	–	101.04	72.03
Argentinean Peso	–	0.01	–	–	80.42	61.50	80.42	61.51
Colombian Peso	23.01	19.51	7.77	5.13	6.49	0.61	37.27	25.25
Pound Sterling	2.07	0.50	29.66	23.44	4.18	0.73	35.91	24.67
Canadian Dollar	–	0.49	20.72	15.37	–	–	20.72	15.86
Other currencies	7.89	4.16	25.95	12.17	3.71	1.11	37.55	17.44
Total	**693.37**	**704.37**	**17,509.31**	**15,673.12**	**1,383.16**	**1,208.76**	**19,585.84**	**17,586.25**

Figures in million euros

6.5. HEDGE TRANSACTIONS

The following table details the hedge transactions in force at the closing of the last two financial years.

Concept	Derivatives for fair value hedge					
	Book value (fair value)		Capital gains (losses) allocated to results			
			Realised		Unrealised	
	2005	2004	2005	2004	2005	2004
Swaps	19.15	24.70	3.11	5.27	(2.72)	5.60
Total	**19.15**	**24.70**	**3.11**	**5.27**	**(2.72)**	**5.60**

Figures in million euros

The risk covered is the interest rate in the fair value of the issue of debentures that is described in Note 6.11.

6.6. INVESTMENTS ON ACCOUNT OF LIFE POLICYHOLDERS BEARING THE INVESTMENT RISK

The following table shows the composition of the heading of investments on account of life policyholders bearing the investment risk as at 31 December 2005 and 2004:

Concept	Book value		Results			
			Realised		Unrealised	
	2005	2004	2005	2004	2005	2004
Investment fund units	299.70	361.14	37.35	18.09	(11.71)	0.21
Total	**299.70**	**361.14**	**37.35**	**18.09**	**(11.71)**	**0.21**

Figures in million euros

6.7. INVENTORIES

The following tables detail the movements of the heading of inventories in the last two financial years:

Financial Year 2005

Concepts	Opening balance	Adjustments to opening balance	Adjustments to opening balance	Additions	Cancella-tions	Closing balance
Land	47.11	–	–	222.12	(0.26)	268.97
Finished buildings	1.51	–	–	0.06	(0.31)	1.26
Developments and works in progress	12.96	–	–	55.26	(30.21)	38.01
Ancillary material	0.78	–	–	0.20	–	0.98
Total	**62.36**	**–**	**–**	**277.64**	**(30.78)**	**309.22**

Figures in million euros

Additions correspond to purchases of land and developments made by MAPFRE INMUEBLES in the fulfilment of its activity.

Financial Year 2004

Concepts	Opening balance	Adjustments to opening balance	Adjustments to opening balance	Additions	Cancella-tions	Closing balance
Land	57.22	–	–	2.49	(12.60)	47.11
Finished buildings	1.70	–	–	21.37	(21.56)	1.51
Developments and works in progress	12.53	–	–	32.11	(31.68)	12.96
Ancillary material	–	–	0.78	–	–	0.78
Total	**71.45**	**–**	**0.78**	**55.97**	**(65.84)**	**62.36**

Figures in million euros

6.8. CREDITS AND RECEIVABLES

The following table shows the composition of credits and receivables as at 31 December 2005 and 2004; also, it shows the impairment losses and gains on reversal of impairment recorded in financial years 2005 and 2004:

Concept	Gross amount		Impairment provision		Net balance in the balance sheet		Impairment			
							Recorded losses		Gains on reversal	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Receivables on direct insurance and coinsurance transactions	1,174.50	948.54	(0.79)	(1.72)	1,173.71	946.82	–	–	0.93	0.02
Receivables on reinsurance transactions	288.48	187.12	(7.16)	(1.34)	281.32	185.78	(5.82)	(0.01)	–	0.12
Tax credits	82.05	53.14	–	–	82.05	53.14	–	–	–	–
Tax credits	146.78	119.84	(0.65)	(2.92)	146.13	116.92	–	–	2.27	–
Total	**1,691.81**	**1,308.64**	**(8.60)**	**(5.98)**	**1,683.21**	**1,302.66**	**(5.82)**	**(0.01)**	**3.20**	**0.14**

Figures in million euros

The balances included under credits and receivables do not accrue interest and, generally, settlement is made in the following year.

6.9 CASH AND BANKS

During financial years 2005 and 2004, expenditure has been made in investments in Group companies, the most significant one being the acquisition in August 2005 by MAPFRE VERA CRUZ SEGURADORA of 51% in the shares with voting rights of NOSSA CAIXA SEGUROS E PREVIDÊNCIA, an unlisted company located in Brazil and specialising in Life Insurance.

The fair values of the identifiable assets and liabilities of NOSSA CAIXA SEGUROS E PREVIDÊNCIA on the date of acquisition were as follows:

Concept	100%	51%
ASSETS		
Intangible assets	0.06	0.03
Property, plant and equipment	0.05	0.03
Investments	19.28	9.83
Credits	0.03	0.02
TOTAL ASSETS	**19.42**	**9.91**
LIABILITIES		
Technical provisions	14.66	7.48
Debts	0.34	0.17
TOTAL LIABILITIES	**15.00**	**7.65**
Fair value of net assets	4.42	2.26
Goodwill		79.79
Total cost		**82.05**

Figures in million euros

The total acquisition cost includes costs directly attributable to the purchase amounting to €0.53 million in the concept of fees paid to independent professionals, lawyers and financial advisers. The mentioned investment was self-funded.

Likewise, throughout 2005 and 2004, disposals have been made of investments in associated undertakings, amounting to €8.42 million and €1.71 million, respectively, from the sale of two tranches of the shareholding in PROGRESS ASSICURAZIONI S.P.A.

There are no significant monetary transactions related to investment and funding activities excluded from the cash flow statements.

6.10. EQUITY

Share capital

Share capital is recorded for the nominal value of shares being fully paid-up or the payment of which has been called.

The controlling Company's share capital as at 31 December 2005 is represented by 238,900,706 ordinary shares, with a nominal value of €0.5 each, fully subscribed and paid-up. All the shares confer the same political and economic rights.

On 15 April 2004, a capital increase was carried out by issuing 57,336,170 new ordinary registered shares with a nominal value of €0.5 each, which were fully subscribed and paid-up. These shares were issued at a rate of 1.746%, namely, a price of €8.73 each, of which €0.5 corresponded to their nominal value and the remaining €8.23 were allocated to the legal reserve until reaching 20% of the share capital, and the remainder to voluntary reserves. The said capital increase generated expenses amounting to €8.69 million, which amount has been deducted from equity, net of the tax effect, by €5.65 million, in the account "Valuation adjustment reserves".

MAPFRE MUTUALIDAD holds a 55.77% interest in the company's capital as at 31 December 2004 and 54.90% as at 31 December 2005.

All the shares representing the controlling Company's capital are listed on the Madrid and Barcelona Stock Exchanges.

Valuation adjustment reserves

It includes the equity reserves arising from fair value adjustments of the different assets and liabilities that, pursuant to IFRS, must be directly recorded in the equity accounts, as well as all IFRS valuation adjustments on the date of transition, and the above mentioned capital increase expenses.

Restrictions on the availability of reserves

- The "Reserves" item includes the legal reserve, amounting to €23.89 million as at 31 December 2005 and 2004, which may not be distributed among shareholders, except in the event of winding-up of the controlling Company, and may be used only to offset eventual losses.
- The same item also includes balances from the controlled companies MAPFRE SEGUROS GENERALES, MAPFRE GUANARTEME and MAPFRE EMPRESAS in the concept of Restatement Reserve Royal-Decree Act 7/1996, amounting to €7.85 million, €2.84 million and €1.51 million, respectively. The balance of this reserve corresponds to updating carried out under the mentioned Royal-Decree. Upon expiry of the periods established by the said Spanish regulations for checking balances, they may be used to offset losses or to increase the share capital. After ten years, the said balances may be allocated to freely available reserves.
- In addition, the "Reserves" item includes the reserve on redenomination of the share capital to Euros amounting to €0.5 million, pursuant to the provisions of article 28 of Act 46/1998.

6.11. FINANCIAL LIABILITIES

The detail in the last two financial years of financial liabilities grouped by maturity is as follows:

Financial Year 2005

Concept	Maturing on:						Closing balance
	2006	2007	2008	2009	2010	Beyond	
Issuance of debentures and other negotiable securities	16.27	15.70	15.14	14.58	14.04	237.85	313.58
Due to credit institutions	154.97	2.22	42.79	0.18	0.18	1.22	201.56
Other financial liabilities	102.66	123.29	213.72	189.09	–	–	628.76
Total	**273.90**	**141.21**	**271.65**	**203.85**	**14.22**	**239.07**	**1,143.90**

Figures in million euros

Financial Year 2004

Concept	Maturing on:						Closing balance
	2005	2006	2007	2008	2009	Beyond	
Issuance of debentures and other negotiable securities	16.31	15.79	15.23	14.66	14.07	239.89	315.95
Due to credit institutions	80.00	2.32	0.59	0.14	0.14	1.07	84.26
Other financial liabilities	161.58	59.36	123.29	213.72	189.09	–	747.04
Total	**257.89**	**77.47**	**139.11**	**228.52**	**203.30**	**240.96**	**1,147.25**

Figures in million euros

A breakdown is given below of financial liabilities according to the currency in which they are instrumented:

Currency	Financial Year	
	2005	2004
Euro	1,083.46	1,091.69
US Dollar	42.33	37.83
Brazilian Real	1.19	2.42
Chilean Peso	4.24	3.61
Colombian Peso	0.03	0.03
Pound Sterling	12.65	11.66
Other currencies	–	0.01
Total	**1,143.90**	**1,147.25**

Figures in million euros

The following table provides details on the fair value of financial liabilities:

Concept	Book value		Fair value	
	2005	2004	2005	2004
Issuance of debentures and other negotiable securities	313.58	315.95	313.58	315.95
Due to credit institutions	201.56	84.26	201.56	84.26
Other financial liabilities	628.76	747.04	628.76	747.04
Total	**1,143.90**	**1,147.25**	**1,143.90**	**1,147.25**

Figures in million euros

A breakdown of financial liabilities with exposure to interest rate risk is given below:

Concept	Amount of liability exposed to the interest rate risk in:							
	Fair value (Fixed interest rate)		Cash flow (Variable interest rate)		Non exposed to risk		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
Issuance of debentures and other negotiable securities	313.58	315.95	–	–	–	–	313.58	315.95
Due to credit institutions	2.10	9.66	184.63	64.94	14.83	9.66	201.56	84.26
Other financial liabilities	619.86	743.19	6.44	3.81	2.46	0.04	628.76	747.04
Total	**935.54**	**1,068.80**	**191.07**	**68.75**	**17.29**	**9.70**	**1,143.90**	**1,147.25**

Figures in million euros

Issuance of debentures and other negotiable securities

As at 31 December 2005 and 2004, the balance of this account includes the nominal amount of debentures issued by the controlling Company, their most significant terms and conditions being as follows:

Nature of the issue: simple debentures represented by book entries.
Total amount: €275 million
No. of securities: 2,750
Nominal per security: €100,000
Issuance date: 12 July 2001
Term: 10 years
Maturity: 12 July 2011
Repayment: In a lump sum at maturity, at par, free of expenses for holders.
Listing: Mercado AIAF de Renta Fija
Coupon: 6.02% per annum, payable on the anniversaries of the issuance date until the final maturity date inclusive.
Rating of issue: AA- (Standard & Poor's).

On 28 February 2002, an interest rate swap was agreed on the total amount of the issue, restructured on 23 June 2003, whereby the controlling Company receives on an annual basis an amount equivalent to 6.02% up to the final maturity of the issue, and undertakes to pay the 6 month Euribor plus 1.62%, with the maximum limit of 6.02% per annum. This swap is accounted for at fair value under "Other Investments".

Due to credit institutions

The amounts due to credit institutions as at 31 December 2005 and 2004 break down as follows:

Type of debt	Amount		Average interest rate		Security given	
	2005	2004	2005	2004	2005	2004
Financial leases	3.23	3.09	5.80%	5.80%	–	–
Credit facilities	121.42	69.66	2.56%	5.15%	–	–
Loans	76.86	8.54	2.54%	3.00%	33.44	7.35
Others	0.05	2.97	–	–	–	–
Total	**201.56**	**84.26**	**–**	**–**	**33.44**	**7.35**

Figures in million euros

Other financial liabilities

"Other financial liabilities" include €541.75 million and €622.95 million as at 31 December 2005 and 2004, respectively, corresponding to temporary assignment of assets with non optional repurchase agreement.

Furthermore, "Other financial liabilities" includes the amount of other payment obligations of a financial nature, not included in other items.

6.12. TECHNICAL PROVISIONS

1. Detail of the technical provisions balance

The following table shows the composition of the balance of each one of the technical provisions recorded in the balance sheet in the last two financial years.

Concept	Direct insurance		Accepted reinsurance		Ceded and retroceded reinsurance	
	2005	2004	2005	2004	2005	2004
Provisions for unearned premiums and for risks in progress Non Life						
Provision for unearned premiums	1,306.31	1,037.58	523.39	410.39	616.89	475.30
Provision for risks in progress	454.65	355.68	0.29	0.29	–	–
Provisions for Life insurance						
Provisions for Life insurance and for risks in progress						
Provision for unearned premiums	41.81	83.48	59.85	46.40	33.05	11.54
Provision for risks in progress	10.91	0.48	–	–	–	–
Mathematical reserves	14,303.30	12,991.25	61.14	53.91	0.60	23.58
Provisions for profit sharing	1.78	1.29	–	–	–	–
Provisions for claims						
Pending settlement or payment	1,840.65	1,444.54	647.12	350.90	863.80	575.85
Claim events occurred but unreported (IBNR)	551.86	421.91	9.04	2.90	127.84	76.95
For claim settlement internal expenses	23.72	19.30	0.47	0.21	0.07	1.89
Other technical provisions						
Death	255.40	206.73	9.49	–	–	–
Others	26.34	35.46	–	–	–	–
Total	**18,816.73**	**16,597.70**	**1,310.79**	**865.00**	**1,642.25**	**1,165.11**

Figures in million euros

2. Variation in technical provisions

2.1. PROVISIONS FOR UNEARNED PREMIUMS, FOR RISKS IN PROGRESS, FOR CLAIMS, FOR PROFIT SHARING, AND OTHER TECHNICAL PROVISIONS

A) Direct Insurance and accepted Reinsurance

Financial Year 2005

Concept	Opening balance	Adjustments to opening balance	Changes in perimeter	Additions	Cancellations	Closing balance
Provision for unearned premiums-Life	129.88	–	–	101.66	(129.88)	101.66
Provision for risks in progress-Life	0.48	–	–	10.91	(0.48)	10.91
Provision for profit sharing	1.29	–	–	0.49	–	1.78
Provision for unearned premiums-Non Life	1,447.97	32.44	–	2,070.45	(1,721.16)	1,829.70
Provisions for risks in progress-Non Life	355.97	5.85	–	106.26	(13.14)	454.94
Provision for claims	2,239.76	88.10	–	2,318.62	(1,573.62)	3.072.86
Other technical provisions	242.19	9.69	3.59	160.76	(125.00)	291.23
TOTAL	**4,417.54**	**136.08**	**3.59**	**4,769.15**	**(3,563.28)**	**5,763.08**

Figures in million euros

Financial Year 2004

Concept	Opening balance	Adjustments to opening balance	Changes in perimeter	Additions	Cancellations	Closing balance
Provision for unearned premiums-Life	105.37	–	–	129.88	(105.37)	129.88
Provision for risks in progress-Life	0.43	–	–	0.48	(0.43)	0.48
Provision for profit sharing	1.29	–	–	–	–	1.29
Provision for unearned premiums-Non Life	1,392.29	(15.39)	–	1,420.24	(1,349.17)	1,447.97
Provisions for risks in progress-Non Life	189.82	(10.89)	–	191.10	(14.06)	355.97
Provision for claims	1,933.22	(16.26)	–	2,198.52	(1,875.78)	2,239.76
Other technical provisions	215.69	(0.01)	–	128.54	(102.03)	242.19
TOTAL	**3,838.11**	**(42.55)**	**–**	**4,068.82**	**(3,446.84)**	**4,417.54**

Figures in million euros

B) Ceded and retroceded reinsurance

Financial Year 2005

Concept	Opening balance	Adjustments to opening balance	Changes in perimeter	Additions	Cancellations	Closing balance
Provision for unearned premiums-Life	11.54	6.45	–	194.13	(179.07)	33.05
Provision for unearned premiums-Non Life	475.30	19.07	–	1,347.49	(1,224.97)	616.89
Provision for claims	654.69	27.61	–	558.48	(249.07)	991.71
TOTAL	**1,141.53**	**53.13**	**–**	**2,100.10**	**(1,653.11)**	**1,641.65**

Figures in million euros

Financial Year 2004

Concept	Opening balance	Adjustments to opening balance	Changes in perimeter	Additions	Cancellations	Closing balance
Provision for unearned premiums-Life	10.25	(0.54)	–	9.43	(7.60)	11.54
Provision for unearned premiums-Non Life	481.72	(3.14)	–	542.73	(546.01)	475.30
Provision for claims	612.91	(3.33)	–	316.46	(271.35)	654.69
TOTAL	**1,104.88**	**(7.01)**	**–**	**868.62**	**(824.96)**	**1,141.53**

Figures in million euros

2.2. MATHEMATICAL RESERVES

Concept	Direct insurance and accepted reinsurance		Ceded and retroceded reinsurance	
	2005	2004	2005	2004
Mathematical reserve at beginning of year	**13,045.16**	**11,843.85**	**23.58**	**20.83**
Adjustments to opening balance	12.84	1.22	0.18	1.12
Incorporation to perimeter (balance of reserve on incorporation date)	11.07	–	–	–
Premiums	1,319.28	1,679.44	0.86	42.44
Technical interests	890.78	456.55	0.03	2.05
Attribution of profit sharing	11.43	9.15	–	–
Payments/collections of claims	(1,388.33)	(1,531.46)	(23.04)	(38.17)
Provision adequacy test	6.27	1.76	–	–
Tacit accounting adjustments	462.76	589.00	–	–
Others	(6.82)	(4.35)	(1.01)	(4.69)
Exit from perimeter (balance of reserve on exit date)	–	–	–	–
Mathematical reserve at year end	**14,364.44**	**13,045.16**	**0.60**	**23.58**

Figures in million euros

2.3. DEATH PROVISION

Concept	Direct insurance and accepted reinsurance	
	2005	2004
Provision at beginning of year	**206.73**	**180.36**
Adjustments to opening balanceal	9.49	–
Incorporation to perimeter (balance of provision on incorporation date)	–	–
Premiums	118.18	113.56
Technical interests	10.00	9.70
Payment of claims	(90.32)	(86.91)
Provision adequacy test	–	(6.79)
Others	10.81	(3.19)
Exit from perimeter (balance of provision on exit date)	–	–
Provision at year end	**264.89**	**206.73**

Figures in million euros

3. Other information

3.1. TECHNICAL PROVISIONS RELATING TO LIFE INSURANCE WHEN POLICYHOLDERS BEAR THE INVESTMENT RISK

Concept	Direct insurance and accepted reinsurance	
	2005	2004
Provision at beginning of year	**361.14**	**446.10**
Adjustments to opening balance	–	–
Incorporation to perimeter (balance of provision on incorporation date)	–	–
Premiums	21.67	21.79
Payment of claims	(106.80)	(123.21)
Gain in the valuation of assets	23.69	16.46
Loss in the valuation of assets	–	–
Recognised losses from provision adequacy test	–	–
Others	–	–
Exit from perimeter (balance of provision on exit date)	–	–
Provision at year end	**299.70**	**361.14**

Figures in million euros

3.2. PROVISION FOR RISKS IN PROGRESS

The allocation of the provision for risks in progress has been effected by the Group's insurance companies according to the principles stated in Note 5.15.

3.3. INFORMATION ON LIFE INSURANCE

The allocation of an additional provision to life insurance, due to inadequate returns, has not been necessary.

The following table shows the characteristics of the main types of Life Insurance policies marketed by Group companies in 2004 and 2005:

Type	Tables	Technical interest rate
Individual contracts, with regular premium, and with or without profit sharing.	GKM 80/95 GKM-95 GRM/F-95	5.00%-5.57%
Individual contracts, with single premium, and without profit sharing.	GKM-95 GRM/F-95	2.70%-4.78%
Collective contracts, with regular premium, with profit sharing.	GKM-95	3.19%
Collective contracts, with single premium, without profit sharing.	PERM/F 2000 GKM-95 GRM/F-95	3.45%-5.92%

3.4. EVOLUTION OF CLAIMS

The following table shows the evolution of claims for Non Life direct insurance from the year of occurrence until the closing of financial years 2005 and 2004.

Financial Year 2005				Financial Year 2004			
Year of occurrence	Concept	Cost recorded in year of occurrence	Cost incurred as at 31.12.2005	Cost incurred as at	Concept	Cost recorded in year of occurrence	Cost incurred as at 31.12.2004
1999 and before	Outstanding provision	848.25	206.18	1998 y anteriores	Outstanding provision	602.48	123.45
	Accumulated payments	1,274.84	1,838.49		Accumulated payments	728.82	1,155.80
	Total cost	**2,123.09**	**2,044.67**		**Total cost**	**1,331.30**	**1,279.25**
2000	Outstanding provision	485.78	54.04	1999	Outstanding provision	382.17	77.86
	Accumulated payments	659.43	1,025.90		Accumulated payments	518.24	772.40
	Total cost	**1,145.21**	**1,079.94**		**Total cost**	**900.41**	**850.26**
2001	Outstanding provision	573.72	100.60	2000	Outstanding provision	480.53	62.19
	Accumulated payments	905.38	1,330.61		Accumulated payments	637.18	976.41
	Total cost	**1,479.10**	**1,431.21**		**Total cost**	**1,117.71**	**1,038.60**
2002	Outstanding provision	660.25	143.27	2001	Outstanding provision	574.06	115.47
	Accumulated payments	992.44	1,459.00		Accumulated payments	877.64	1,283.78
	Total cost	**1,652.69**	**1,602.27**		**Total cost**	**1,451.70**	**1,399.25**
2003	Outstanding provision	846.06	212.47	2002	Outstanding provision	662.42	175.99
	Accumulated payments	1,118.24	1,715.32		Accumulated payments	963.36	1,411.13
	Total cost	**1,964.30**	**1,927.79**		**Total cost**	**1,625.78**	**1,587.12**
2004	Outstanding provision	901.86	411.45	2003	Outstanding provision	817.75	321.77
	Accumulated payments	1,275.63	1,737.37		Accumulated payments	1,085.35	1,559.05
	Total cost	**2,177.49**	**2,148.82**		**Total cost**	**1,903.10**	**1,880.82**
2005	Outstanding provision	1,165.40	1,165.40	2004	Outstanding provision	907.89	907.89
	Accumulated payments	1,555.63	1,555.63		Accumulated payments	1,280.11	1,280.11
	Total cost	**2,721.03**	**2,721.03**		**Total cost**	**2,188.00**	**2,188.00**

Figures in million euros

The percentage subject to allocation to ceded reinsurance of the claims shown in the preceding table amounts overall to 19.65% and 22.98% in financial years 2005 and 2004, respectively.

Details on the evolution of claims per year of occurrence in accepted reinsurance are not provided because, generally, ceding companies follow accounting methods different from the year of occurrence. Nevertheless, during the present financial year, MAPFRE RE has ordered a study on the adequacy of the technical provisions established at the end of year 2004. The said study has been carried out by an independent and prestigious expert firm and has revealed the adequacy of such provisions.

6.13. PROVISIONS FOR RISKS AND EXPENSES

The following tables detail the movements of the provisions for risks and expenses in the last two financial years.

Financial Year 2005

Concept	Opening balance	Adjustments to opening balance	Appropriations		Cancellations		Closing balance
			Allocated provisions	Increased value on discount	Applied provisions	Reverted provisions	
Provision for taxes	28.94	–	23.74	–	(4.15)	(2.74)	45.79
Provision for payment of liquidation treaties	2.62	–	1.43	–	(0.50)	–	3.55
Provisions for restructuringn	11.81	–	1.10	–	(2.76)	–	10.15
Other provisions on staff related commitments	21.41	(0.10)	8.91	–	(17.02)	(0.04)	13.16
Other provisions	44.53	–	19.75	–	(29.21)	–	35.07
Total	**109.31**	**(0.10)**	**54.93**	**–**	**(53.64)**	**(2.78)**	**107.72**

Figures in million euros

Financial Year 2004

Concept	Opening balance	Adjustments to opening balance	Appropriations		Cancellations		Closing balance
			Allocated provisions	Increased value on discount	Applied provisions	Reverted provisions	
Provision for taxes	28.71	(0.42)	7.05	0.53	(6.93)	–	28.94
Provision for payment of liquidation treaties	2.74	–	0.42	–	(0.54)	–	2.62
Provisions for restructuring	8.92	–	6.58	–	(3.69)	–	11.81
Other provisions on staff related commitments	20.74	(0.02)	4.22	0.18	(3.68)	(0.03)	21.41
Other provisions	45.38	–	18.91	0.01	(17.62)	(2.15)	44.53
Total	**106.49**	**(0.44)**	**37.18**	**0.72**	**(32.46)**	**(2.18)**	**109.31**

Figures in million euros

The provisions for risks and expenses include the estimated amounts of tax debts, payments on liquidation treaties, reversion fund, restructuring, staff incentives, and others deriving from the activities of the companies forming the Group, the settlement of which will take place over the coming years. The estimation of the allocated amount or of the timeframe when the provision will be liquidated is affected by uncertainties on the resolution of filed appeals and the evolution of other parameters. The preparation of assumptions on future events in order to determine the value of the provision has not been necessary.

6.14. DEPOSITS RECEIVED ON CEDED AND RETROCEDED REINSURANCE

Deposits on ceded and retroceded reinsurance represent guarantees given to reinsurers depending upon the reinsurance coverage contracts entered into according to usual business practices. The said deposits accrue interest to be paid and the average rollover period is quarterly, in general. Liquidation of the said interest is made quarterly.

6.15. DEBTS

The balances included in the heading of debt on direct insurance transactions and coinsurance, on reinsurance transactions, tax debt and other debts do not accrue any interest to be paid and, generally, their liquidation is carried out in the following financial year.

6.16. REVENUES AND EXPENSES FROM INVESTMENTS

The detail of revenues and expenses from investments for financial years 2005 and 2004 is shown below:

REVENUES FROM INVESTMENTS

Concept	Revenues from investments: Operations 2005	Operations 2004	Equity 2005	Equity 2004	Total 2005	Total 2004
REVENUES FROM INTEREST, DIVIDENDS AND SIMILAR						
Investment property	34.16	33.43	4.44	4.49	38.60	37.92
Revenues from portfolio held to maturity	38.16	30.39	6.75	6.99	44.91	37.38
Revenues from portfolio available for sale	990.44	894.74	13.31	17.51	1,003.75	912.25
Revenues from the trading portfolio	77.80	43.72	14.41	5.63	92.21	49.35
Dividends from Group companies	–	–	0.05	–	0.05	–
Other financial returns	19.39	22.21	17.21	14.78	36.60	36.99
Total revenues	**1,159,95**	**1,024.49**	**56.17**	**49.40**	**1,216.12**	**1,073.89**
REALISED AND UNREALISED GAINS						
Net realised gains:						
Investment property	6.34	4.78	0.07	–	6.41	4.78
Financial investments portfolio held to maturity	–	–	–	–	–	–
Financial investments portfolio available for sale	71.43	39.27	7.37	6.31	78.80	45.58
Financial investments trading portfolio	1.47	4.40	0.01	0.29	1.48	4.69
Net unrealised gains:						
Increase in fair value of the trading portfolio	0.43	0.01	–	–	0.43	0.01
Portfolio available for sale	20.68	83.77	0.01	–	20.69	83.77
Trading portfolio	2.94	1.40	–	–	2.94	1.40
Others	1.22	4.18	0.02	0.28	1.24	4.46
Total gains	**104.51**	**137.81**	**7.48**	**7.11**	**111.99**	**144.92**
Total revenues from investments	**1,264.46**	**1,162.30**	**63.65**	**56.51**	**1,328.11**	**1,218.81**

Figures in million euros

EXPENSES FROM INVESTMENTS

Concept	Expenses from investments: Operations 2005	Operations 2004	Equity 2005	Equity 2004	Total 2005	Total 2004
FINANCIAL EXPENSES						
Investment property	17.23	17.47	2.14	2.30	19.37	19.77
Expenses from the portfolios and associated liabilities	206.67	226.81	9.26	4.99	215.93	231.80
Other financial expenses	28.13	40.96	6.37	6.74	34.50	47.70
Total expenses	**252.03**	**285.24**	**17.77**	**14.03**	**269.80**	**299.27**
REALISED AND UNREALISED LOSSES						
Net realised losses	9.13	7.52	4.52	0.78	13.65	8.30
Net unrealised losses	5.51	3.68	–	0.32	5.51	4.00
Total losses	**14.64**	**11.20**	**4.52**	**1.10**	**19.16**	**12.30**
Total expenses from investments	**266.67**	**296.44**	**22.29**	**15.13**	**288.96**	**311.57**

Figures in million euros

6.17. OPERATING EXPENSES

A breakdown is given below of net operating expenses by activity segments in financial years 2005 and 2004:

Concept	Direct insurance: Life 2005	Life 2004	No Life 2005	No Life 2004	Reinsurance 2005	Reinsurance 2004	Other activities 2005	Other activities 2004	Consolidation adjustments 2005	Consolidation adjustments 2004	Total 2005	Total 2004
Acquisition expenses	104.01	107.67	731.56	606.76	350.54	274.16	–	–	(132.97)	(139.14)	1,053.14	849.45
Administration expenses	27.76	25.53	250.97	215.42	26.78	33.99	–	–	(20.80)	(2.92)	284.71	272.02
Commissions and participation of ceded and retroceded reinsurance	(4.35)	(25.37)	(186.37)	(192.93)	(93.04)	(81.43)	–	–	132.97	138.04	(150.79)	(161.69)
Operating expenses from other activities	–	–	–	–	–	–	128.71	76.07	–	0.33	128.71	76.40
Total	**127.42**	**107.83**	**796.16**	**629.25**	**284.28**	**226.72**	**128.71**	**76.07**	**(20.80)**	**(3.69)**	**1,315.77**	**1,036.18**

Figures in million euros

A detail of staff expenses and amortisation allowance expenses for the last two financial years is shown below.

Concept	Amount 2005	Amount 2004
Staff expenses	454.59	392.10
Allowances to amortisation	54.49	57.77
Total	**509.08**	**449.87**

Figures in million euros

6.18. RESULT OF CEDED AND RETROCEDED REINSURANCE

The result of ceded and retroceded reinsurance transactions in financial years 2005 and 2004 is shown below:

Concept	Non Life		Life		Total	
	2005	2004	2005	2004	2005	2004
Premiums	(1,039.10)	(936.76)	(64.92)	(70.37)	(1,104.02)	(1,007.13)
Variation in the provision for unearned premiums and for risks in progress	122.52	(3.28)	15.06	1.83	137.58	(1.45)
Claims paid	378.75	379.97	52.41	40.62	431.16	420.59
Variation in the provision for claims	311.63	40.05	(2.22)	5.06	309.41	45.11
Variation in mathematical reserves	–	–	(23.16)	1.63	(23.16)	1.63
Participation of reinsurance in fees and expenses	145.71	132.09	5.08	29.60	150.79	161.69
Result of ceded and retroceded reinsurance	**(80.49)**	**(387.93)**	**(17.75)**	**8.37**	**(98.24)**	**(379.56)**

Figures in million euros

6.19. FISCAL SITUATION

Tax consolidation regime

From the 1985 financial year, part of the consolidated companies with registered office in Spain are included under Fiscal Group 9/85 to the effects of the Corporation Tax, the said group being formed by the controlling Company and its subsidiaries meeting the requirements to be subject to the said tax regime. In 2005, Fiscal Group 9/85 is formed by the following Spanish companies:

CORPORACIÓN MAPFRE, MAPFRE RE, MAPFRE INMUEBLES, DESARROLLOS URBANOS CIC, SERVICIOS INMOBILIARIOS MAPFRE, MAPFRE ASISTENCIA, IBEROASISTENCIA, VIAJES MAPFRE, IBEROASISTENCIA SERVICIOS DE TELEMARKETING, MAPFRE SOFT, CONSULTING DE SOLUCIONES Y TECNOLOGIAS SIAM and MAPFRE AMÉRICA.

Likewise, from 2002, some other consolidated companies having their registered office in Spain are included under Fiscal Group 95/02 to the effects of the Corporation Tax, the said group being formed by MAPFRE-CAJA MADRID HOLDING DE ENTIDADES ASEGURADORAS, S.A. (hereinafter "MAPFRE-CAJA MADRID HOLDING") and its subsidiaries meeting the requirements to be subject to the said tax regime. In 2005, Fiscal Group 95/02 is formed by the following companies:

MAPFRE-CAJA MADRID HOLDING, MAPFRE VIDA, MAPFRE INVERSIÓN, MAPFRE INVERSIÓN DOS, MAPFRE VIDA PENSIONES, CONSULTORA ACTUARIAL Y DE PENSIONES MAPFRE VIDA, GESTIÓN MODA SHOPPING, MIRACETI, MAPFRE SEGUROS GENERALES, MAPFRE INDUSTRIAL, GESTORA DE ACTIVOS FUNERARIOS, MULTISERVICIOS MAPFRE, SEPROVAL, MESEVAL, FINISTERRE AGENCIA CANARIA DE SEGUROS, COSEBAL, HEJEAN, AGEPAL, LISS ASSURANCE, SEGURLIS, SEGESYMED, SEPENVAL, SEFIN, MAPFRE CAUCIÓN Y CRÉDITO, MAPFRE SERVICIOS DE CAUCIÓN Y CRÉDITO, MAPFRE CAJA SALUD, CENTRO MÉDICO DE CHEQUEOS MAPFRE VIDA, IGUALSERVICIOS DE HUESCA, CENTROS MÉDICOS ISLAS CANARIAS, MAPFRE GUANARTEME, PROYECTOS Y SERVICIOS MAPFRE, MUSINI VIDA, MAPFRE AMÉRICA CAUCIÓN Y CRÉDITO, MAPFRE EMPRESAS, INTERBOLSA, SERVIFINANZAS, GESMUSINI S.G.I.I.C. and ELIPSE CANARIAS.

Elements of expense from income tax of ongoing concerns

A detail is provided below, for financial years closed as at 31 December 2005 and 2004, of the main elements of expense from income tax of ongoing concerns and the reconciliation between the expense from income tax and the product of multiplying the accounting result by the applicable tax rate. The Group has made the reconciliation by adding reconciliations made separately using the national rates of each country.

Concept	Amount	
	Financial Year 2005	Financial Year 2004
Expense arising from taxes		
Result before taxes, ongoing concerns	547.92	479.53
35% of result before taxes, ongoing concerns	191.77	167.83
Tax effect of permanent differences	7.38	(12.10)
Tax effect from tax rates different from 35%	(1.76)	(3.51)
Total expense from current tax originating in the financial year	197.39	152.22
Total expense from current tax originating in previous years	15.80	(3.96)
Profits from previous periods not recognised previously due to the use of negative tax bases, deductions pending application or temporary differences	(59.07)	(0.17)
Total expense from taxes of ongoing concerns	**154.12**	**148.09**

Figures in million euros

Deductions from double taxation have not been taken into account in the table above, since they are mainly related to dividends collected from subsidiaries eliminated in the consolidation process.

Deferred tax assets

The following tables provide a breakdown of movements for financial years 2005 and 2004 of the deferred tax assets heading, detailing their amount in relation to items directly debited or credited to equity accounts in two years.

Financial Year 2005

Concept	Opening balance	Adjustments to opening balance	Changes in perimeter	From:		Cancella-tions	Closing balance
				Results	Equity		
Valuation difference in financial investments	2.11	–	–	0.81	0.59	–	3.51
Embedded derivatives	12.07	–	–	(2.92)	–	–	9.15
Valuation difference in mathematical reserves:							
Adaptation to new tables	6.49	–	–	(0.37)	–	–	6.12
Tacit accounting	468.73	–	–	–	159.87	(0.74)	627.86
Valuation difference in the provision for death insurance	1.75	–	–	0.29	–	–	2.04
Tax credits (Deductions pending and others)	53.55	0.53	–	7.89	–	(26.10)	35.87
Others	35.77	9.42	–	9.41	–	(2.86)	51.74
Total	**580.47**	**9.95**	**–**	**15.11**	**160.46**	**(29.70)**	**736.29**

Figures in million euros

Financial Year 2004

Concept	Opening balance	Adjustments to opening balance	Changes in perimeter	From: Results	From: Equity	Cancella-tions	Closing balance
Valuation difference in Financial investment	0.28	–	–	2.11	–	(0.28)	2.11
Embedded derivatives	9.18	–	–	2.89	–	–	12.07
Valuation difference in mathematical reserves:							
Adaptation to new tables	7.54	–	–	(1.05)	–	–	6.49
Tacit accounting	262.58	–	–	27.11	179.04	–	468.73
Valuation difference in the provision for death insurance	4.13	–	–	(2.38)	–	–	1.75
Tax credits (Deductions s pending and others)	66.66	–	–	19.38	–	(32.49)	53.55
Others	27.80	2.48	–	7.28	–	(1.79)	35.77
Total	**378.17**	**2.48**	**–**	**55.34**	**179.04**	**(34.56)**	**580.47**

Figures in million euros

Deferred tax assets of the fully consolidated companies, as a consequence of negative tax bases pending application and of the temporary differences accumulated as at 31 December 2005 and 2004 amount to €754.55 million and €650.60 million, respectively. Of these amounts, €736.29 million have been recorded in the balance sheet and in the equity or results accounts as at 31 December 2005, and €580.47 million as at 31 December 2004. The remaining deferred tax assets accumulated as at 31 December 2005 and 2004, which amount to €18.26 million and €70.13 million, respectively, have not been accounted for pursuant to IFRS principles.

Deferred tax liabilities

The following tables show the movements of the deferred tax liabilities heading for financial years 2005 and 2004:

Financial Year 2005

Concept	Opening balance	Adjustments to opening balance	Changes in perimeter	From: Results	From: Equity	Cancella-tions	Closing balance
Valuation difference in financial investments	581.26	(0.33)	–	22.87	174.41	–	778.21
Embedded derivatives	7.66	–	–	(1.94)	–	–	5.72
Stabilisation and catastrophe provision	35.90	–	–	(7.61)	–	–	28.29
Others	17.45	1.31	–	17.12	–	(8.25)	27.63
Total	**642.27**	**0.98**	**–**	**30.44**	**174.41**	**(8.25)**	**839.85**

Figures in million euros

Financial Year 2004

Concept	Opening balance	Adjustments to opening balance	Changes in perimeter	From: Results	From: Equity	Cancella-tions	Closing balance
Valuation difference in financial investments	317.44	–	–	29.93	233.89	–	581.26
Embedded derivatives	6.69	–	–	0.97	–	–	7.66
Stabilisation and catastrophe provision	23.55	–	–	12.35	–	–	35.90
Others	3.70	0.38	–	14.00	–	(0.63)	17.45
Total	**351.38**	**0.38**	**–**	**57.25**	**233.89**	**(0.63)**	**642.27**

Figures in million euros

The full amount of deferred tax liabilities of fully consolidated companies as a consequence of accumulated temporary differences as at 31 December 2005 and 2004 has been recorded in the balance sheets as at the said dates.

Negative tax bases

The breakdown of negative tax bases pending set-off in fully consolidated companies at the end of the last two financial years is as follows:

Year of generation	Year of generation	Amount of negative tax bases: Applied in financial year 2005	Applied in financial year 2004	Pending application 2005	Pending application 2004	Deferred tax asset: Amount recorded 2005	Amount recorded 2004	Amount not recorded 2005	Amount not recorded 2004
1998	2013	22.83	1.08	–	22.83	–	0.38	–	7.61
1999	2014	40.94	–	–	40.94	–	–	–	14.33
2000	2015	9.45	1.42	–	9.45	–	–	–	3.31
2001	2016	35.01	0.84	–	35.01	–	–	–	12.25
2002	2017	61.62	1.12	6.00	67.62	1.30	1.30	0.80	22.37
2003	2018	–	–	29.56	29.56	0.09	0.09	10.26	10.26
2004	2019	–	–	26.23	–	1.98	–	7.20	–
Total		**169.85**	**4.46**	**61.79**	**205.41**	**3.37**	**1.77**	**18.26**	**70.13**

Figures in million euros

Assets accounted for in relation to deferred taxes on negative tax bases pending set-off in consolidated companies correspond with negative tax bases generated as a result of unusual management events and future tax profits are likely to exist against which they may be offset.

Tax incentives

The detail of tax incentives in fully consolidated companies for financial years 2005 and 2004 is as follows:

Type	Amount applied in financial year 2005	Amount applied in financial year 2004	Amount pending application 2005	Amount pending application 2004	Amount not recorded 2005	Amount not recorded 2004	Deadline for application
Deduction on double taxation	72.55	23.66	–	40.02	–	–	–
Others	0.87	1.98	0.01	0.07	–	–	2020
Total	**73.42**	**25.64**	**0.01**	**40.09**	**–**	**–**	

Figures in million euros

Verification by the tax authorities

Pursuant to the legislation in force, the tax returns filed for the different taxes may not be considered as definitive until they have been inspected by the tax authorities or until the prescription period of four years has elapsed. As a result of the inspection activities completed in 1997 in some of the consolidated companies, in relation to the Corporation Tax for financial years 1989 to 1993, as well as to the remaining taxes of financial years 1991 to 1994, tax assessments were raised, signed in disagreement, for the Corporation Tax of years 1991, 1992 and 1993, due to disagreement on the qualification of certain assets acquired upon the merger by takeover of several subsidiary companies, carried out on 31 December 1992, for the materialisation of reinvestment to which the exemption of certain positive income generated in years 1990 and 1993 was subject, as well as disagreement on the deductibility of the allocation to the provision for claims pending declaration, and on withholdings on account of the Personal Income Tax, due to disagreement on the determination of the applicable withholding percentages. At year-end, MAPFRE INDUSTRIAL has made a provision for the amount of the tax assessment raised for the non deductibility of the provision for claims pending declaration. Tax liquidations deriving from the said assessments were appealed against and are pending resolution at present, except for those relating to the personal income tax, which have been admitted.

As a consequence of inspection activities relating to financial years running from 1 January 1987 to 31 December 1991, regarding the companies MAPFRE FINISTERRE and its subsidiary ORIENTE, both taken over by MAPFRE SEGUROS GENERALES, certain tax assessments were raised that were appealed against, with said appeals having been partly successful. For the portion not accepted, new tax liquidations were raised, which were again appealed against.

In 2001, inspection activities were completed in relation to Group 9/85, formed by CORPORACIÓN MAPFRE and its tax-controlled companies, for all taxes relating to financial years 1996 and 1997, as well as for the Corporation Tax of years 1994 and 1995. As a result of said inspection, tax assessments were raised, signed in disagreement, for the Corporation Tax of the years under review, due basically to disagreement on the deductibility of technical reserves, provision for depreciation of fixed assets, Tax on Insurance Premiums, discrepancy in the incorporation to the taxable base of the said tax of certain surcharges collected from insured persons, and on withholdings on account of the Personal Income Tax, due to disagreement on whether certain amounts paid in the concept of transport expenses should be subject to withholding. The said tax assessments have been appealed against, and the appeal was pending resolution at year end.

In 2001, inspection activities were completed at CAJA MADRID VIDA, a company taken over by MAPFRE VIDA pursuant to the general assignment of assets and liabilities that took place on 31 December 2001, relating to all the taxes to which said companies are subject for years 1996 and 1997, as well as to withholdings on account of returns on securities of fiscal year 1998. As a result, tax assessments were signed in disagreement in relation to withholdings on account of returns on securities of financial years 1996 to 1998 deriving from deposit administration agreements; these tax assessments were appealed against and are pending resolution, as well as the appeal brought against the tax assessment raised for the same concept and relating to financial years 1992 to 1995.

In 2003, a tax inspection took place at CAJA MADRID VIDA, a company taken over by MAPFRE VIDA, with an assessment having been signed in disagreement on the Corporation Tax of fiscal year 2000, due to a discrepancy on the fiscal allowableness of default interest on inspection assessments raised in previous years, with the liquidation deriving from the said assessment having been appealed against.

In 2005, tax assessments in disagreement have been brought against MAPFRE SEGUROS GENERALES, as taking over MAPFRE FINISTERRE, in relation to the Corporation Tax for years 1998 and 1999, Tax on Insurance Premiums of financial year 1999 and Personal Income Tax of years 1999, 2000 and 2001, with respect to which the relevant allegations have been made, which are pending resolution as at the end of the year.

Consequently, and excluding the above mentioned exceptions, consolidated companies have open to inspection all the taxes to which they are subject for the past four financial years. In the opinion of the consolidated companies' advisers, the likelihood of fiscal liabilities affecting significantly consolidated companies' financial position as at 31 December 2005 is remote.

6.20. REMUNERATION TO STAFF

Staff expenses

The breakdown of staff expenses in the last two financial years is shown in the following table:

Concept	Amount	
	2005	2004
Short term remuneration		
Wages and salaries	310.31	261.86
Social securityl	102.85	91.49
Other remuneration	34.20	14.12
Post-employment benefits		
Defined contribution commitments	0.81	2.89
Defined benefit commitments	6.25	21.62
Termination payments	0.17	0.12
Total	**454.59**	**392.10**

Figures in million euros

Post-employment benefits

The defined benefit plans in force are valued pursuant to the provisions detailed in the accounting policies, and are those where the benefit is determined as a function of end salaries, with a benefit paid as a for life annuity, subject to review according to the annual consumer price index (CPI) or by way of a benefit in the form of capital.

The most significant actuarial assumptions used on the closing date of financial years 2005 and 2004 are as follows:

Concept	2005	2004
DEMOGRAPHICAL ASSUMPTIONS		
Mortality tables	GKM/F-95	GKM/F-95
Survival tables	PERM/F-2000	PERM/F2000P
FINANCIAL ASSUMPTIONS		
Discount rate	3.76%	4.15%
Average annual salary increase	5%	5%
Average annual CPI	3%	3%

Obligations relating to defined benefit plans amount to €76.4 million and €67.18 million, respectively, as at 31 December 2005 and 2004, there being no assets earmarked to these plans as they have been fully externalised by means of a policy written with MAPFRE VIDA.

The amounts that have been recognised on this concept in the income statements of the last two financial years are as follows:

Concept	Amount	
	2005	2004
Cost of services in the year under review	8.89	13.76
Cost on interest of the obligations	3.36	3.34
Cost of past services recognised in the year	1.33	6.46
Other concepts	(7.33)	(1.94)
Total expense recognised in the income statement	**6.25**	**21.62**

Figures in million euros

The amount recorded under "Other concepts" basically corresponds to actuarial losses and gains recognised in the year, or deriving from reductions and liquidations.

Likewise, the obligations corresponding to the defined benefit plans externally contracted with a linked entity, by means of a policy written with MAPFRE VIDA, amount to €1.69 million and €0.98 million, respectively, as at 31 December 2005 and 2004.

Staff numbers

The following table shows the number of employees at the end of the last two financial years, by geographical segments.

Geographical segment	Total	
	2005	2004
Spain	8,756	5,926
Other European Union countries	493	455
America	9,281	8,377
Rest of the world	291	265
Average total number of employees	**18,821**	**15,023**

6.21. NET RESULTS ON EXCHANGE DIFFERENCES

Positive exchange differences other than those arising from financial instruments measured at fair value, allocated to the income statement, amount to €61.26 million and €63.62 million in the 2005 and 2004 financial years, respectively.

Negative exchange differences other than those arising from financial instruments measured at fair value, allocated to the income statement, amount to €63.17 million and €70.03 million in the 2005 and 2004 financial years, respectively.

The reconciliation of the translation differences recognised in equity at the beginning and the end of the year, in 2005 and 2004, is shown below.

Description	Amount	
	2005	2004
Translation differences at beginning of year	(46.28)	–
Net exchange differences on translation of financial statements	105.13	(46.28)
Translation differences at year end	**58.85**	**(46.28)**

Figures in million euros

As at 31 December 2005 and 2004, net exchange differences arising from the translation into Euros of the financial statements of those Group companies whose functional currency is not the Euro are:

Company/Sub group	Geographical area	Translation differences					
		Positive		Negative		Net	
		2005	2004	2005	2004	2005	2004
Fully consolidated companies							
MAPFRE RE	Europe, America and rest of the world	16.70	–	–	(12.14)	16.70	(12.14)
MAPFRE AMÉRICA	America	34.88	–	–	(33.72)	34.88	(33.72)
OTHERS	–	8.00	1.93	(0.73)	(2.35)	7.27	(0.42)
Total fully consolidated		**59.58**	**1.93**	**(0.73)**	**(48.21)**	**58.85**	**(46.28)**

Figures in million euros

6.22. CONTINGENT ASSETS AND LIABILITIES

At the end of financial years 2005 and 2004 and until the preparation of the financial statements, there is no evidence of the existence of contingent assets and liabilities with significant amounts.

6.23. TRANSACTIONS WITH RELATED PARTIES

All transactions with related parties have been carried out in market conditions.

Transactions with group companies

The transactions carried out between Group companies, with a null effect on results as they have been eliminated in the consolidation process, are detailed below:

Concept	Expenses		Revenues	
	2005	2004	2005	2004
Received/provided services and other expenses/revenues	39.81	51.05	51.86	35.47
Expenses/revenues from investment property	7.89	1.41	8.64	2.65
Expenses/revenues from investments and financial accounts	2.87	1.86	6.42	13.52
Dividends paid out	–	–	414.81	257.40
Total	**50.57**	**54.32**	**481.73**	**309.04**

Figures in million euros

The following table shows the amounts included in the income statement as a result of transactions carried out during the year with the consolidatable group MAPFRE MUTUALIDAD:

Concept	Expenses		Revenues	
	2005	2004	2005	2004
Expenses/revenues from investment property	5.61	13.20	4.91	3.52
Expenses/revenues from investments and financial accounts	0.01	0.24	0.05	0.01
External services and other non technical expenses/revenues	119.16	28.95	43.34	2.52
Total	**124.78**	**42.39**	**48.30**	**6.05**

Figures in million euros

Reinsurance and coinsurance transactions

Reinsurance and coinsurance transactions carried out between companies of the consolidatable Group, eliminated in the consolidation process, are shown below:

Concept	Amount	
	2005	2004
Ceded/accepted premiums	510.18	503.11
Claims	193.48	194.36
Variation in technical provisions	47.51	78.05
Commissions	132.97	143.42
Interests on deposits	1.09	3.00

Figures in million euros

Reinsurance transactions carried out with the consolidatable group MAPFRE MUTUALIDAD are detailed below:

Concept	Revenues/(Expenses)			
	Accepted reinsurance		Ceded reinsurance	
	2005	2004	2005	2004
Premiums	45.35	51.83	(38.35)	(38.45)
Claims	(20.98)	(16.80)	83.09	7.01
Commissions	(10.53)	(9.80)	0.20	6.25
Total	**13.84**	**25.23**	**44.94**	**(25.19)**

Figures in million euros

The following tables detail the balances with reinsurers and ceding companies, deposits established and technical provisions on reinsurance transactions with companies of the consolidatable Group, eliminated in the consolidation process, as well as with the consolidatable MAPFRE MUTUALIDAD:

Concept	Eliminated balances				Non eliminated balances			
	Accepted reinsurance		Ceded reinsurance		Accepted reinsurance		Ceded reinsurance	
	2005	2004	2005	2004	2005	2004	2005	2004
Credits and debts	(55.74)	(53.05)	20.89	54.96	(4.92)	(7.30)	1.79	1.89
Deposits	156.31	115.16	(156.31)	(115.16)	64.09	9.81	(0.19)	(0.39)
Technical provisions	(460.33)	(336.17)	460.33	343.41	(37.25)	(25.95)	9.86	9.47
Total	**(359.76)**	**(274.06)**	**324.91**	**283.21**	**21.92**	**(23.44)**	**11.46**	**10.97**

Figures in million euros

Remuneration of key managerial staff

The following table details the remuneration earned in the last two financial years by key managerial staff (understanding as such the members of the Board of Directors, of the Management Committee and of the Delegate Committees of the controlling Company):

Concept	Amount	
	2005	2004
Short term remuneration		
Salaries	0.77	1.04
Fixed allowances	0.55	0.34
Attendance fees	0.22	0.29
Life insurance	0.05	0.06
Other concepts	0.21	0.14
Post-employment benefits		
Defined benefits	1.88	2.69
Total	**3.68**	**4.56**

Figures in million euros

In 2004, external directors' basic remuneration consisted of an allowance for their attendance to meetings, which amounted to €1,987. External directors belonging to Commissions or Delegate Committees in the said financial year also received a fixed annual allowance in that concept, which amounted to €13,985 for the Management Commission and €10,490 for Delegate Committees.

External directors' basic remuneration consists of a fixed annual allowance for their belonging to the Board of Directors, which amounted to €25,000 in 2005. The said amount rises by 35% for those directors fulfilling positions within the Board or chairing a Commission or Delegate Committee, there not being, however, cumulative increases when the same person fulfils more than one office. In addition, they benefit from a Life insurance policy with an insured capital of €150,253.03 and enjoy some of the benefits extended to staff, such as medical insurance.

External directors belonging to Commissions or Delegate Committees also receive an attendance allowance, which in 2005 amounted to €2,500.

Executive directors (understanding as such both the company's executives and those fulfilling executive offices in other SISTEMA MAPFRE entities) receive the remuneration established in their contracts, including fixed salary, bonuses with varying amounts linked to results, life and disability insurance, and other benefits generally established for the Entity's staff; in addition, certain pension complements have been acknowledged to them for the event of retirement, externalised through a life insurance policy, it all according to the remuneration policy established by SISTEMA MAPFRE for its senior managerial staff, whether or not they are directors.

Executive directors, however, are not entitled to the remuneration established for external directors.

The basic remuneration package of external directors is approved by the General Shareholders Meeting at the proposal of the Board of Directors and pursuant to the report issued by the Nomination and Remuneration Committee. The remuneration of executive directors, attendance fees of the external members of Commissions and Delegate Committees and the fixed allowance for the chairmanship of Territorial Boards are approved by the Board of Directors, pursuant to the report issued by the said Committee.

7 OTHER INFORMATION

7.1. RISK MANAGEMENT POLICY

Risk types and methodology

MAPFRE has designed a Risk Management System (SGR) based on the integrated management of each and every one of the entity's business processes, and on the adequacy of the risk level to the established strategic objectives. The different types of risks have been grouped under four areas, or categories, as detailed below:

- Operational Risks
  - Includes 22 types of risks grouped under the following areas: actuarial, legal, technology, staff, collaborators, procedures, reporting, fraud and tangible assets.
- Financial Risks
  - Includes interest rate, liquidity, currency, investment and credit risks.
- Insurance Activity Risks
  - It groups, separately for Life and Non Life, risks arising from inadequacy of premiums, technical provisions and reinsurance.
- Strategic and Corporate Governance Risks
  - Includes the corporate ethics and corporate governance risks, and risks on organisational structure, alliances, mergers and acquisitions, regulatory and, lastly, market and competition risks.

Centralisation of the Risk Management System

The structure of SISTEMA MAPFRE is based on Units and Operating Companies having a high degree of autonomy in their management. The governance and management bodies of Sistema Mapfre approve the lines of action of the Units and Companies as regards risk management, and permanently supervise their risk exposures, through indicators and ratios. In addition, there are general action guidelines in order to mitigate risk exposure, such as maximum levels of equity investment or credit rating of reinsurers.

The Economic and Management Control Area, through the Risk Management, coordinates the activities related to the quantification of risks and, in particular, the implementation of capital models in the operating units, designed to comply with the future Solvency II requirements.

In general terms, decisions on the underwriting of insurable risks and reinsurance covers are highly decentralised in the Units. The aspects related to Operational Risk are supervised centrally, although their implementation and monitoring are delegated on the Units. The management of Strategic and Corporate Governance risks is highly centralised. Financial risks are managed centrally through the Investment General Management of Sistema Mapfre.

Operational Risks

The identification and assessment of Operational Risks are carried out by means of the computer application Riskm@p, developed by MAPFRE, which prepares the entities' Risk Maps.

The proposed Risk Management System is based on a dynamic analysis by processes, in such a way that the managers of each area or department carry out an annual identification and assessment of the potential risks affecting the following processes: Product development, Underwriting, Claims / Benefits, Administrative Management, Marketing Activities, Human Resources, Commissions, Coinsurance / Reinsurance, Technical Provisions, Investments, IT Systems and Client Service.

Financial Risks

As regards financial investments, MAPFRE's policy for mitigating its exposure to this type of risks is based on a prudent investment policy, which concentrates most of the portfolio in fixed income securities.

With respect to credit risk, MAPFRE's policy is based on prudence (issuer's solvency) and on the diversification of fixed income investments. Thus, the fixed income securities portfolio in Europe is divided, roughly, as to half in securities guaranteed by European Union States, and the other half in securities issued by corporations having high credit ratings (see in Note 6.4 the detail of the portfolio by issuer's credit rating).

Both for fixed income and equity investments, diversification criteria are applied by activity sectors and maximum risk limits by issuer.

Taking into account MAPFRE's international vocation and its expansion in the Latin American markets, there is a permanent exposure to the currency risk. This risk factor is partly mitigated by the diversification of business in different countries and the concentration of the more profitable and capital intensive transactions in countries with the US Dollar as official currency or whose domestic currency is highly correlated to the US Dollar (for example, the Mexican Peso).

Insurance Activity Risks

The organisation of MAPFRE, based on Units and Companies specialising in various business lines, requires them to be highly autonomous in their business management, in particular in the underwriting of risks and tariff fixing, as well as the indemnities or provision of services in the case of occurrences. Premium adequacy is a particularly important element, and its determination is supported by reports from independent experts in the units or situations when circumstances make it thus advisable.

The handling of claim related benefits, as well as the adequacy of provisions, are basic principles of insurance activity. Technical provisions are estimated by the actuarial teams of the different Units and Companies, and their adequacy is ratified by reports from independent exports whenever required. The prevalence of the personal damages line in MAPFRE, with very short times for the settlement of claims, as well as the scant importance of insured long-tail risks, such as asbestos or professional liability, are elements mitigating this type of risk.

MAPFRE's presence in countries with greater possibilities of occurrence of catastrophes (earthquakes, hurricanes, etc.) requires special treatment of this type of risks, which, considering their frequency and intensity, may give rise to volatility in results or need of additional capitals. The Units and Companies operating in this type of risks, essentially MAPFRE AMÉRICA and MAPFRE RE, count on expert reports on catastrophe exposure, generally prepared by independent experts, which estimate the impact on insured assets in the event of occurrence of catastrophes. This information allows underwriting catastrophic risks as a function of each entity's financial capabilities and, if applicable, taking reinsurance covers that may limit their impact on equity. In this connection, it is important to highlight the contribution of MAPFRE RE, which provides Sistema Mapfre with its extensive experience in the catastrophic risk market.

In relation to reinsurance risk, MAPFRE's policy is to cede business to reinsurers with proven financial capacity (minimum A credit rating by Standard & Poor´s).

Strategic and Corporate Governance Risks

The ethical principles applied to corporate management have been a constant at MAPFRE and form part of its bylaws and of its day to day duty. In order to standardise this corporate culture and adapt it to the legal governance and transparency requirements in management, MAPFRE's Management Bodies have approved in 2005 a revised version of the Good Governance Code, initially implemented in 1999. The strict application of Good Corporate Governance principles is considered by MAPFRE as the most efficient way for mitigating this type of risks.

7.2. EXTERNAL AUDITORS' FEES

The annual accounts of CORPORACIÓN MAPFRE and the main companies forming part of it, for financial year 2005, have been audited by the firm Ernst & Young, except for those based in El Salvador, which were audited by KPGM. The fees accrued in favour of external Auditors in the said financial year for their account auditing services amount to €3.04 million, of which EUR 3.02 million correspond to the main auditors. In addition, there is an additional amount of EUR 0.42 million in favour of the main auditor in the concept of audit related services and EUR 0.45 million accrued for other complementary services provided by them, which figures are not considered to jeopardise the independence of auditors.

7.3. OTHER DETAILS RELATING TO THE BOARD OF DIRECTORS

During the year, the controlling Company's directors did not carry out any transaction with the controlling Company itself or with any other Group company outside the scope of the companies' ordinary trading activities, nor under non market conditions.

In addition, the controlling Company's directors do not hold stakes in the capital of companies having the same, similar or complementary nature of activity to that of the controlling Company, nor carry out, either on their own account or on behalf of third parties, the same, similar or complementary activity to that of the Group companies' corporate object, with the following exceptions:

Director	Company	Number of shares /stocks	Office/ Position
D. Ricardo Blanco Martínez	Aegon, NV	6,124	–
	Ing Groep	2,140	–
D. Juan Fernández-Layos Rubio	Aegon	9,800	–
	Munchener	3,000	–
	Allianz	3,160	–
	Axa	38,930	–
D. Alberto Manzano Martos	BBVA	2,150	–
	ABN Amro	1,512	–
	Banco Español de Crédito	2,650	–
	Ing Group	1,238	–
	Banco Popular Español	3,000	–
	BSCH	3,250	–
D. Domingo Sugranyes Bickel	Münchener Ruck	67	–
	Aegon NV	320	–
	Axa	142	–
	Fortis	200	–
	ING	190	–

The following table details the shares in CORPORACIÓN MAPFRE held by the controlling Company's directors, as well as the boards of directors of SISTEMA MAPFRE entities of which they are members.

Director	SISTEMA MAPFRE	
	Entities where they form part of the board of directors	Number of shares in CORPORACIÓN MAPFRE
D. Carlos Álvarez Jiménez	–	10,992
D. Domingo Sugranyes Bickel	MAPFRE MUTUALIDAD; MAPFRE-CAJA MADRID HOLDING; MAPFRE CAJA SALUD; MAPFRE RE; MAPFRE AMÉRICA; MAPFRE AMÉRICA VIDA; MAPFRE ASISTENCIA; MAPFRE INMUEBLES; MAPFRE ASIAN; MAPFRE QUAVITAE; MAPFRE INVERSIÓN DOS	7,500
D. Francisco Ruiz Risueño	MAPFRE MUTUALIDAD; MAPFRE VIDA; MAPFRE RE	10
D. Ricardo Blanco Martínez	MAPFRE RE; MAPFRE GUANARTEME; MAPFRE EMPRESAS; MAPFRE SEGUROS GENERALES	28,107
D. Víctor Bultó Millet	MAPFRE VIDA; MAPFRE VIDA PENSIONES MUSINI VIDA; MAPFRE INVERSIÓN S.V.; MAPFRE INMUEBLES	100
D. Juan Fernández-Layos Rubio	MAPFRE MUTUALIDAD; MAPFRE INMUEBLES	7,890
D. Rafael Galárraga Solores	MAPFRE MUTUALIDAD; MAPFRE SEGUROS GERAIS; MAPFRE INMUEBLES; MAPFRE CAJA SALUD	–
D. Santiago Gayarre Bermejo	MAPFRE-CAJA MADRID HOLDING; MAPFRE AMÉRICA; MAPFRE AMÉRICA VIDA; MAPFRE MULTICENTRO; MAPFRE MUTUALIDAD; MAPFRE VIDA	–
D. Luis Hernando de Larramendi Martínez	MAPFRE MUTUALIDAD; MAPFRE VIDA	100
D. Manuel Jesús Lagares Calvo	MAPFRE VIDA	–
D. Alberto Manzano Martos	MAPFRE MUTUALIDAD; MAPFRE AGROPECUARIA; MAPFRE-CAJA MADRID HOLDING; MAPFRE VIDA	–
D. José Manuel Martínez Martínez	MAPFRE MUTUALIDAD; MAPFRE AGROPECUARIA	–
D. Antonio Miguel-Romero de Olano	MAPFRE MUTUALIDAD; MAPFRE INMUEBLES; MAPFRE VIDA; MAPFRE-CAJA MADRID HOLDING; MAPFRE ASISTENCIA; MAPFRE QUAVITAE	396
D. Filomeno Mira Candel	MAPFRE MUTUALIDAD; MAPFRE VIDA; MAPFRE-CAJA MADRID HOLDING; MAPFRE EMPRESAS	–
D. Alfonso Rebuelta Badías	MAPFRE MUTUALIDAD; MAPFRE AMÉRICA; MAPFRE AMÉRICA VIDA; BANCO SF CAJA MADRID-MAPFRE; MAPFRE EMPRESAS	–
D. José Manuel González Porro	MAPFRE INMUEBLES; CONSTITUCIÓN Y LEYES	–

7.4. ENVIRONMENTAL ISSUES

The Group companies do not have any environmental related item that might be significant or specifically included in the present financial statements.

8 ADDITIONAL NOTE FOR ENGLISH TRANSLATION

These financial statements are presented by applying the international financial reporting standards adopted by the European Union (IFRS-EU). Consequently, certain accounting principles applied by the Company may not conform with generally accepted principles in other countries.

Name	Country	Effective tax rate	Activity	Holder	Shareholding: % in share capital 2005	Shareholding: % in share capital 2004	Financial year closing figures: Assets 2005	Assets 2004	Equity 2005	Equity 2004	Revenues 2005	Revenues 2004	Results in financial year 2005	Results in financial year 2004	Method or procedure 2005	Method or procedure 2004
MAPFRE-CAJA MADRID HOLDING																
MAPFRE-CAJA MADRID HOLDING DE ENTIDADES ASEGURADORAS S.A.	Spain		Holding	CORPORACIÓN MAPFRE	51.0000	51.0000	1,103,218	1,113,298	1,042,805	966,081	236,956	121,092	234,673	116,694	(A)	(A)
LIFE																
MAPFRE VIDA SOCIEDAD ANÓNIMA DE SEGUROS Y REASEGUROS SOBRE LA VIDA HUMANA	Spain	30.50%	Insurance and reinsurance	MAPFRE-CAJA MADRID HOLDING	99.8659	99.853	15,132,140	13,040,812	380,126	378,603	2,646,089	2,558,176	82,307	81,862	(A)	(A)
CONSULTORA ACTUARIAL Y DE PENSIONES MAPFRE VIDA S.A.	Spain	35.00%	Consultancy	MAPFRE VIDA CORPORACIÓN MAPFRE	99.9339 0.0661	99.9339 0.0661	1,247	1,113	1,179	1,024	320	267	157	125	(A)	(A)
GESTION MODA SHOPPING S.A.	Spain	38.00%	Commercial centres management	MAPFRE VIDA	99.8215	99.8215	382	314	311	235	1,241	1,137	76	82	(A)	(A)
				CORPORACIÓN MAPFRE	0.1785	0.1785										
MAPFRE INVERSIÓN SOCIEDAD DE VALORES S.A.	Spain	35.01%	Securities broker-dealer	MAPFRE VIDA CORPORACIÓN MAPFRE	99.9991 0.0009	99.9991 0.0009	1,003,060	974,220	88,123	83,032	72,164	71,652	14,560	11,427	(A)	(A)
MAPFRE INVERSIÓN DOS SOCIEDAD GESTORA DE INSTITUCIONES DE INVERSIÓN COLECTIVA S.A.	Spain	39.87%	UCITS management	MAPFRE INVERSIÓN CORPORACIÓN MAPFRE	99.9853 0.0147	99.9853 0.0147	27,978	25,863	22,879	20,180	42,638	38,642	2,495	1,825	(A)	(A)
MAPFRE VIDA PENSIONES, ENTIDAD GESTORA DE FONDOS DE PENSIONES S.A.	Spain	35.00%	Pension fund administration	MAPFRE INVERSIÓN CORPORACIÓN MAPFRE	99.9971 0.0029	99.9971 0.0029	40,351	32,187	36,363	27,058	19,191	16,453	8,064	6,327	(A)	(A)
MAPFRE VIDEO Y COMUNICACIÓN S.A.	Spain	35.00%	Advertising agency	MAPFRE VIDA MAPFRE SEGUROS GENERALES CORPORACIÓN MAPFRE	43.0000 10.0000 15.0000	43.0000 10.0000 15.0000	42	42	42	42	–	–	–	–	(A)	(A)
MIRACETI S.A.	Spain	35.00%	Real estate	MAPFRE VIDA	99.9991	99.9991	45,272	43,120	43,254	41,503	2,259	2,167	909	743	(A)	(A)
				CORPORACIÓN MAPFRE	0.0009	0.0009										
MUSINI VIDA SOCIEDAD ANÓNIMA DE SEGUROS Y REASEGUROS SOCIEDAD UNIPERSONAL	Spain	35.00%	Insurance	MAPFRE VIDA	100.0000	100.0000	1,239,419	1,310,120	107,884	97,727	171,912	187,003	14,177	12,312	(A)	(A)
GENERAL INSURANCE																
MAPFRE SEGUROS GENERALES COMPAÑÍA DE SEGUROS Y REASEGUROS S.A.	Spain	35.00%	Insurance and reinsurance	MAPFRE-CAJA MADRID HOLDING	100.0000	100.0000	1,467,279	1,304,120	298,344	304,751	932,323	818,120	93,270	83,979	(A)	(A)
MAPFRE GUANARTEME COMPAÑÍA DE SEGUROS Y REASEGUROS DE CANARIAS S.A.	Spain	26.61%	Insurance and reinsurance	MAPFRE SEGUROS GENERALES SEGESYMED	99.9980 0.0020	99.9980 0.0020	418,658	387,008	77,926	70,607	207,718	202,848	16,312	17,062	(A)	(A)
MAPFRE SEGUROS GERAIS S.A.	Portugal	37.85%	Insurance and reinsurance	MAPFRE SEGUROS GENERALES	25.0000	25.0000	162,561	152,648	58,832	61,635	86,070	78,925	3,760	2,800	(C)	(C)
RELECMAP A.I.E..	Spain	–	Research, training and advisory services	MAPFRE EMPRESAS MAPFRE SEGUROS GENERALES MAPFRE INDUSTRIAL MAPFRE GUANARTEME	30.0000 60.0000 – 4.0000	– 60.0000 30.0000 4.0000	2,447	2,848	800	524	6,763	8,525	276	–	(A)	(A)
MAPFRE CONSULTORES DE SEGUROS Y REASEGUROS S.A.	Spain	35.47%	Advisory and management services	MAPFRE SEGUROS GENERALES CORPORACIÓN MAPFRE	50.0000 50.0000	50.0000 50.0000	1,382	1,142	1,282	1,102	562	427	192	64	(A)	(A)
SEGESYMED S.A. SOCIEDAD UNIPERSONAL	Spain	34.78%	Medical and surgical assistance	MAPFRE SEGUROS GENERALES	100.0000	100.0000	3,084	2,928	2,707	2,921	55	–	(215)	(103)	(A)	(A)
MAPFRE SERVICIOS MARÍTIMOS, COMISARIADO Y LIQUIDACIÓN DE AVERÍAS S.A.	Spain	–	Loss adjusters	MAPFRE SEGUROS MAPFRE EMPRESAS	– 100.0000	99.9600 –	1,789	–	1,672	–	1,064	–	(16)	–	(A)	(A)
PROYECTOS Y SERVICIOS MAPFRE S.A.	Spain	28.70%	Real estate services	MAPFRE GUANARTEME CORPORACIÓN MAPFRE	99.8520 0.1480	99.8520 0.1480	1,011	1,252	595	758	3,615	4,568	34	303	(A)	(A)
ELIPSE CANARIAS S.A.	Spain	27.04%	Services	MAPFRE GUANARTEME PROYECTOS Y SERVICIOS MAPFRE	99.9900 0.0100	99.9900 0.0100	476	344	169	135	2,418	1,425	57	35	(A)	(A) (G)
MESEVAL AGENCIA DE SEGUROS S.L. SOCIEDAD UNIPERSONAL	Spain	50.58%	Insurance agents	MAPFRE SEGUROS GENERALES	100.0000	100.0000	651	1,482	115	83	2,744	4,111	32	49	(A)	(A)
MULTISERVICIOS MAPFRE MULTIMAP S.A.	Spain	35.12%	Real estate services	MAPFRE SEGUROS GENERALES MAPFRE INDUSTRIAL MAPFRE EMPRESAS	97.5000 – 2.5000	75.0000 25.0000 –	1,994	1,563	818	457	6,543	5,333	276	(138)	(A)	(A)
GESTORA DE ACTIVOS FUNERARIOS GESMAP S.A.	Spain	34.28%	Undertakers services	MAPFRE SEGUROS GENERALES	100.0000	100.0000	4,990	2,843	4,723	678	701	541	(131)	(150)	(A)	(A)
COMPAÑÍA CANARIA DE CEMENTERIOS S.A.	Spain	–	Sale of cemetery plots	MAPFRE GUANARTEME	–	33.3300	–	–	–	–	–	–	–	–	(J)	(C)

Name	Country	Effective tax rate	Activity	Holder	Shareholding		Financial year closing figures								Method or procedure	
					% in share capital		Assets		Equity		Revenues		Results in financial year			
					2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
TINERFEÑA DE SERVICIOS DE TECNOLOGÍA E INNOVACIÓN PARA EL AUTOMÓVIL, S.A.	Spain	–	Motor technology and innovation services	MAPFRE GUANARTEME	33.3333	33.3333	5,922	6,330	4,594	5,288	1,720	2,096	(553)	(290)	(C)	(C)
SEPENVAL S.L. SOCIEDAD UNIPERSONAL	Spain	56.17%	Insurance agents	MAPFRE SEGUROS GENERALES	100.0000	100.0000	2,652	2,449	194	159	4,604	5,395	34	169	(A)	(A)
GRUPO ALISIO CANARIAS INVERSIONES S.A.	Spain	35.00%	Creation and training	MAPFRE GUANARTEME	25.0000	25.0000	9,295	9,236	6,523	6,196	76	13	213	189	(C)	(C)
CLÍNICA SANTA CATALINA S.A.	Spain	35.00%	Medical assistance	MAPFRE GUANARTEME	25.0000	25.0000	20,584	18,777	7,769	7,167	17,061	18,908	591	671	(C)	(C)
INVERSIONES GESTISAN S.L.	Spain	–	Hospital management	MAPFRE GUANARTEME	25.0000	25.0000	833	833	294	296	–	–	(3)	(1)	(C)	(C)
CLÍNICA SANTA CRUZ S.A.	Spain	–	Medical assistance	MAPFRE GUANARTEME INVERSIONES GESTISAN	25.0000 57.5400	25.0000 57.5400	3,964	2,703	(406)	691	3,756	5,318	(1,211)	(423)	(C)	(C)
LIMPIEZAS Y MANTENIMIENTO HOSPITALARIO S.L.	Spain	–	Hospital cleaning services	MAPFRE GUANARTEME	25.0000	25.0000	60	96	13	56	465	532	(42)	1	(C)	(C)
FINISTERRE AGENCIA CANARIA DE SEGUROS S.A. SOCIEDAD UNIPERSONAL	Spain	–	Insurance agents	MAPFRE GUANARTEME	100.0000	100.0000	81	84	81	83	–	–	(2)	12	(A)	(A)
SEFIN AGENCIA DE SEGUROS S.A.	Spain	48.28%	Insurance agents	MAPFRE SEGUROS GENERALES	100.0000	100.0000	677	767	597	589	902	1.186	15	52	(A)	(A)
COSEBAL AGENCIA DE SEGUROS S.L. SOCIEDAD UNIPERSONAL	Spain	48.01%	Insurance agents	MAPFRE SEGUROS GENERALES	100.0000	100.0000	1,363	1,336	997	974	1,793	2,036	23	32	(A)	(A)
LISS ASSURANCE AGENCIA DE SEGUROS S.L. SOCIEDAD UNIPERSONAL	Spain	35.00%	Insurance agents	MAPFRE SEGUROS GENERALES	100.0000	100.0000	28	83	28	26	7	17	1	6	(A)	(A)
HEJEAN, AGENCIA DE SEGUROS S.L. SOCIEDAD UNIPERSONAL	Spain	36.31%	Insurance agents	MAPFRE SEGUROS GENERALES	100.0000	100.0000	302	82	62	47	373	236	15	26	(A)	(A)
AGEPAL, AGENCIA DE SEGUROS S.L. SOCIEDAD UNIPERSONAL	Spain	41.67%	Insurance agents	MAPFRE SEGUROS GENERALES	100.0000	100.0000	771	567	569	353	662	668	14	55	(A)	(A)
SEPROVAL, AGENCIA DE SEGUROS S.L. SOCIEDAD UNIPERSONAL	Spain	36.50%	Insurance agents	MAPFRE SEGUROS GENERALES	100.0000	100.0000	506	731	706	693	175	303	13	28	(A)	(A)
SEGURLIS, AGENCIA DE SEGUROS S.A. SOCIEDAD UNIPERSONAL	Spain	36.67%	Insurance agents	MAPFRE SEGUROS GENERALES	100.0000	100.0000	792	727	419	372	422	831	48	99	(A)	(A)
MAPFRE SERVICIOS DE INFORMÁTICA S.A.	Spain	–	IT	MAPFRE SEGUROS GENERALES	4.1600	4.1600	8,594	7,336	2,806	2,706	19,342	17,487	15	59	(C)	(C)
MAPLUX REINSURANCE COMPANY LTD	Luxembourg	–	Reinsurance	MAPFRE SEGUROS GENERALES MAPFRE RE CORPORACIÓN MAPFRE	99.9630 – 0.0370	– 99.9630 0.0370	12,963	–	2,971	–	4,757	–	–	–	(A)	(A)
COMMERCIAL INSURANCE																
MAPFRE EMPRESAS SOCIEDAD ANÓNIMA DE SEGUROS Y REASEGUROS (in 2004 MUSINI SOCIEDAD ANÓNIMA DE SEGUROS Y REASEGUROS)	Spain	25.16%	Insurance	MAPFRE-CAJA MADRID HOLDING	99.9478	99.9308	2,501,310	1,474,257	226,003	178,772	968,889	135,152	66,360	25,984	(A)	(A)
MAPFRE INDUSTRIAL SOCIEDAD ANÓNIMA DE SEGUROS (Absorbed in 2005 by MAPFRE EMPRESAS)	Spain	35.00%	Insurance and reinsurance	MAPFRE SEGUROS GENERALES	–	99.9986	–	717,933	–	60,186	–	286,159	–	22,385	(J)	(A)
ITSEMAP SERVICIOS TECNOLÓGICOS MAPFRE S.A.	Spain	33.71%	Consultancy	MAPFRE EMPRESAS MAPFRE INDUSTRIAL MAPFRE RE CORPORACIÓN MAPFRE	60.0000 – 39.9752 0.0248	– 60.0000 39.9752 0.0248	4,745	3,535	2,399	2,115	5,430	4,381	5,166	7,123	(A)	(A)
ITSEMAP MÉXICO SERVICIOS TECNOLÓGICOS MAPFRE S.A.	Mexico	–	Consultancy	ITSEMAP SERVICIOS TECNOLÓGICOS	99.9998	99.9998	647	311	332	300	717	620	31	40	(A)	(A)
ITSEMAP PORTUGAL SEGURANÇA E PREVENÇAO LIMITADA	Portugal	–	Consultancy	ITSEMAP SERVICIOS TECNOLÓGICOS	99.9857	99.9857	864	887	313	287	760	1,033	26	42	(A)	(A)
ITSEMAP VENEZUELA SERVICIOS TECNOLÓGICOS MAPFRE S.A.	Venezuela	–	Consultancy	ITSEMAP SERVICIOS TECNOLÓGICOS	100.0000	100.0000	1	1	(52)	(52)	–	–	–	–	(A)	(A)
ITSEMAP CHILE, SERVICIOS TECNOLÓGICOS MAPFRE S.A.	Chile	–	Consultancy	ITSEMAP SERVICIOS TECNOLÓGICOS INVERSIONES IBÉRICAS	75.0000 25.0000	75.0000 25.0000	38	31	40	41	–	–	–	–	(A)	(A)
ITSEMAP BRASIL SERVICIOS TECNOLÓGICOS MAPFRE S.A.	Brazil	–	Consultancy	ITSEMAP SERVICIOS TECNOLÓGICOS MAPFRE RE ASSESORÍA	99.9792 0.0208	99.9792 0.0208	686	450	772	696	1,621	1,037	76	57	(A)	(A)
INTERBOLSA S.A.	Spain	35.00%	Financial	MAPFRE EMPRESAS	80.0000	80.0000	614	608	611	605	13	12	5	4	(A)	(A)
SERVIFINANZAS S.A. SOCIEDAD UNIPERSONAL	Spain	65.00%	Financial	MAPFRE EMPRESAS	100.0000	100.0000	941	14,584	910	14.526	227	645	142	219	(A)	(A)
GESMUSINI SERVICIOS, S.A. SOCIEDAD UNIPERSONAL	Spain	34.32%	Financial	MAPFRE EMPRESAS	100.0000	100.0000	1,963	1,990	1,957	1,940	40	434	17	93	(A)	(A)
INDUSTRIAL RE MUSINI S.A.	Luxembourg	–	Reinsurance	MAPFRE EMPRESAS	99.8000	99.8000	60,457	49,167	1,540	1,540	2,687	2,887	–	–	(A)	(A)

Name	Country	Effective tax rate	Activity	Holder	Shareholding: % in share capital 2005	Shareholding: % in share capital 2004	Financial year closing figures: Assets 2005	Assets 2004	Equity 2005	Equity 2004	Revenues 2005	Revenues 2004	Results in financial year 2005	Results in financial year 2004	Method or procedure 2005	Method or procedure 2004
MAPFRE CAUCIÓN Y CRÉDITO COMPAÑÍA INTERNACIONAL DE SEGUROS Y REASEGUROS S.A.	Spain	33.64%	Insurance and reinsurance	MAPFRE-CAJA MADRID HOLDING MAPFRE INDUSTRIAL MAPFRE EMPRESAS	– – 100.0000	99.9933 0.0067 –	225,325	196,300	34,835	25,318	11,506	11,885	4,776	7,123	(A)	(A)
MAPFRE AMÉRICA CAUCIÓN Y CRÉDITO S.A.	Spain	6.68%	Holding	MAPFRE CAUCIÓN Y CRÉDITO MAPFRE EMPRESAS	99.9964 0.0036	75.0000 –	19,843	17,374	19,806	17,351	2,446	608	1,454	838	(A)	(A)
MAPFRE SERVICIOS DE CAUCIÓN S.A.	Spain	–	Services	MAPFRE CAUCIÓN Y CRÉDITO CORPORACIÓN MAPFRE	99.6800 0.3200	99.6800 0.3200	161	161	161	160	2	2	1	1	(A)	(A)
MAPFRE GARANTÍAS Y CRÉDITO S.A.	Chile	15.57%	Insurance	MAPFRE AMÉRICA CAUCIÓN Y CRÉDITO INVERSIONES IBÉRICAS	99.9923 0.0077	99.9923 0.0077	13,016	10,694	7,104	5,028	671	639	1,139	638	(A)	(A)
MAPFRE SEGURADORA DE GARANTÍA E CRÉDITO S.A.	Brazil	33.10%	Insurance	MAPFRE AMÉRICA CAUCIÓN Y CRÉDITO	100.0000	100.0000	20,372	13,511	7,921	4,985	1,662	898	1,168	897	(A)	(A)
COMPAÑÍA DE SEGUROS DE CRÉDITOS COMERCIALES S.A.	Colombia	21.17%	Insurance	MAPFRE AMÉRICA CAUCIÓN Y CRÉDITO CORPORACIÓN MAPFRE	95.0000 4.7872	73.0800 –	15,105	8,074	6,544	4,727	1,866	580	886	296	(A)	(A)
MAPFRE SEGUROS DE CRÉDITO S.A.	Mexico	–	Insurance	MAPFRE AMÉRICA CAUCIÓN Y CRÉDITO SEGUROS TEPEYAC	99.9800 0.0200	99.9800 0.0200	7,417	3,903	3,813	3,046	326	115	163	(284)	(A)	(A)
ENKEN SERVICIOS DE PREVENCIÓN	Spain	–	Services	MAPFRE EMPRESAS	100.0000	–	4,355	–	1,150	–	9,717	–	(272)	–	(A)(H)	–
ENKEN ASISTENCIA SANITARIA	Spain	29.63%	Health assistance	MAPFRE EMPRESAS	100.0000	–	690	–	509	–	972	–	228	–	(A)(H)	–
HEALTH																
MAPFRE CAJA SALUD DE SEGUROS Y REASEGUROS S.A.	Spain	35.00%	Insurance and reinsurance	MAPFRE-CAJA MADRID HOLDING MAPFRE VIDA	74.9888 25.0000	74.9888 25.0000	191,098	227,945	106,335	96,019	353,257	316,817	1,990	3,920	(A)	(A)
IGUALSERVICIOS HUESCA S.L.	Spain	35.00%	Medical services	MAPFRE CAJA SALUD	100.0000	100.0000	614	801	92	285	1.409	1.322	193	257	(A)	(A)
HOSCLIMAP S.A. (in 2004 CENTRO MÉDICO DE CHEQUEOS MAPFRE VIDA S.A.)	Spain	35.00%	Medical services	MAPFRE CAJA SALUD CORPORACIÓN MAPFRE	99.9987 0.0013	99.9880 0.0120	23,495	3,285	12,958	3,144	3,065	1,574	87	275	(A)	(A)
CENTROS MÉDICOS ISLAS CANARIAS S.A.	Spain	35.00%	Medical services	MAPFRE CAJA SALUD	100.0000	100.0000	2,737	2,972	2,707	2,913	248	128	205	92	(A)	(A)
SERVIMEDIC BALEAR S.L.	Spain	35.00%	Medical services	MAPFRE CAJA SALUD	100.0000	100.0000	47	173	107	37	144	481	69	57	(A)	(A)
CLINISAS	Spain	35.00%	Medical services	MAPFRE CAJA SALUD	100.0000	–	13,947	–	7,262	–	1,890	–	514	–	(A) (H)	–
REINSURANCE																
MAPFRE RE COMPAÑÍA DE REASEGUROS S.A.	Spain	35.00%	Reinsurance	CORPORACIÓN MAPFRE	87.8941	87.8941	2,300,689	1,699,301	540,277	445,381	122,964	75,017	77,672	38,555	(A)	(A)
COMPAGNIE INTERNATIONAL D´ASSURANCES ET REASSURANCES (C.I.A.R.)	Belgium	34.00%	Insurance and reinsurance	MAPFRE RE MAPLUX REINSURANCE	99.9900 0.0100	74.9300 25.0700	25,160	28,486	9,725	8,872	2,483	2,410	1,335	586	(A)	(A)
MAPFRE CHILE REASEGUROS S.A.	Chile	17.00%	Reinsurance	MAPFRE RE	99.9986	99.9986	106,247	83,849	43,447	34,007	6,728	5,926	667	(4,115)	(A)	(A)
INVERSIONES IBÉRICAS S.A.	Chile	17.00%	Financial and real estate	MAPFRE RE	99.9986	99.9986	27,311	30,813	27,311	28,878	1,231	1,068	520	(520)	(A)	(A)
CAJA REASEGURADORA DE CHILE S.A.	Chile	17.00%	Reinsurance	MAPFRE CHILE REASEGUROS	99.8467	99.6759	97,704	77,302	29,894	23,877	4,433	3,723	839	1,415	(A)	(A)
INMOBILIARIA COSTA DE MONTEMAR S.A.	Chile	17.00%	Real estate	INVERSIONES IBÉRICAS	31.4400	31.4400	21,284	17,882	20,495	15,726	6,212	2,154	547	(195)	(C)	(D)
CAJA RE ARGENTINA S.A.	Argentina	35.00%	Advisory services	INVERSIONES IBÉRICAS	99.9900	99.9900	127	113	116	111	2	–	(6)	(5)	(A)	(A)
INVERSIONES MAPFRE RE	Colombia	35.00%	Securities and real estate investments and management	MAPFRE RE INVERSIONES IBÉRICAS	94.9000 5.1000	94.9000 5.0999	3,012	2,653	3,001	2,586	359	–	(79)	(60)	(A)	(A)
MAPFRE RE MANAGEMENT SERVICES U.K. COMPANY LIMITED	United Kingdom	–	Real estate services	MAPFRE RE	–	100.0000	–	–	–	–	–	–	–	114	(J)	(A)
MAPFRE RE ASSESORÍA LTDA.	Brazil	15.00%	Consultancy	MAPFRE RE ITSEMAP DO BRASIL	99.9998 0.0002	99.9998 0.0002	27	10	22	10	43	–	9	(7)	(B)	(B)
ADMINISTRADORA DE PROPIEDADES S.A.	Chile	17.00%	Real estate	INVERSIONES IBÉRICAS	31.2900	31.2900	594	513	(39)	(36)	1,149	925	6	41	(C)	(C)
COMERCIAL Y TURISMO S.A.	Chile	17.00%	Real estate	INVERSIONES IBÉRICAS	31.2000	31.2000	137	100	(42)	(13)	348	297	(45)	(33)	(C)	(C)
MAPFRE RE HOLDINGS INC.	U.S.A.	35.00%	Holding	MAPFRE RE	100.0000	100.0000	324,524	211,275	134,840	119,222	55,898	62,151	(1,603)	627	(A)	(A)
MAPFRE REINSURANCE CORPORATION	U.S.A.	35.00%	Insurance and reinsurance	MAPFRE RE HOLDINGS	100.0000	100.0000	–	211,233	–	119,244	55,898	62,151	–	627	(A)	(A)
INMOBILIARIA PRESIDENTE FIGUEROA ALCORTA S.A.	Argentina	35.00%	Real estate	MAPFRE RE	99.9000	99.9000	10	10	10	10	–	–	(1)	247	(B)	(A)
INMOBILIARIA TIRILLUCA S.A.	Chile	17.00%	Real estate	INVERSIONES IBÉRICAS	43.7500	43.7500	10,051	7,788	10,047	7,962	32	26	(169)	(66)	(C)	(C)
MAPFRE COMPAÑÍA DE SERVICIOS GENERALES	Peru	30.00%	Consultancy	MAPFRE RE INVERSIONES IBÉRICAS	98.0000 1.0000	98.0000 1.0000	46	81	42	74	85	100	(40)	1	(B)	(B)
MAPFRE MANDATOS Y SERVICIOS	Argentina	35.00%	Services	CAJA REASEGURADORA DE ARGENTINA MAPFRE RE	1.0000 99.0000	1.0000 99.0000	127	132	92	92	606	541	(11)	(20)	(B)	(B)

Name	Country	Effective tax rate	Activity	Holder	Shareholding		Financial year closing figures								Method or procedure	
					% in share capital		Assets		Equity		Revenues		Results in financial year			
					2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
REINSURANCE MANAGEMENT INC.	U.S.A.	–	Services	MAPFRE RE HOLDINGS	100.0000	100.0000	1	1	1	1	–	–	–	–	(A)	(A)
ASSISTANCE																
MAPFRE ASISTENCIA COMPAÑÍA INTERNACIONAL DE SEGUROS Y REASEGUROS S.A.	Spain	35.00%	Insurance and reinsurance	CORPORACIÓN MAPFRE	99.9971	99.9971	237,340	169,274	81,573	61,796	137,452	100,168	5,340	1,967	(A)	(A)
IBEROASISTENCIA PORTUGAL	Portugal	27.50%	Travel assistance	MAPFRE ASISTENCIA	100.0000	100.0000	2,645	3,450	57	340	2,023	2,237	(231)	279	(A)	(A)
BRASIASISTENCIA	Brazil	34.00%	Travel assistance	MAPFRE ASISTENCIA	99.9990	99.9990	13,526	10,833	8,898	5,854	26,842	24,883	(696)	381	(A)	(A)
AFRIQUE ASSISTANCE	Tunisia	35.00%	Travel assistance	MAPFRE ASISTENCIA	49.0000	49.0000	1,349	1,067	995	846	979	820	190	94	(C)	(C)
VENEASISTENCIA	Venezuela	34.00%	Travel assistance	MAPFRE ASISTENCIA MAPFRE RE	99.9980 0.0020	99.9980 0.0020	855	648	464	94	844	886	29	(155)	(A)	(A)
COMPAÑÍA DE ASISTENCIA DE LOS ANDES S.A.	Colombia	38.50%	Travel assistance	MAPFRE ASISTENCIA INVERSIONES MAPFRE RE IBEROASISTENCIA	94.8999 0.0008 5.0977	94.8999 0.0008 5.0977	2,024	1,200	873	685	3,333	2.367	32	59	(A)	(A)
FEDERAL ASSIST	U.S.A.	37.60%	Travel assistance	MAPFRE ASISTENCIA	100.0000	100.0000	4,046	2,741	1,488	1,284	9,141	7,049	70	199	(A)	(A)
IBEROASISTENCIA ARGENTINA S.A.	Argentina	35.00%	Travel assistance	MAPFRE ASISTENCIA IBEROASISTENCIA	99.9999 0.0001	99.99 0.01	4,526	3,034	2,101	1,178	8,648	6,418	463	198	(A)	(A)
SUR ASISTENCIA	Chile	17.50%	Travel assistance	MAPFRE ASISTENCIA IBEROASISTENCIA	99.0000 1	99.0000 1	6,201	6,117	1,512	1,340	5,593	4,585	(2,337)	177	(A)	(A)
IBEROASISTENCIA S.A.	Spain	35.00%	Travel assistance	MAPFRE ASISTENCIA	99.9300	99.9300	11,697	9,315	883	401	15,532	13,339	446	63	(A)	(A)
IRELAND ASSIST	Ireland	12.50%	Travel assistance	MAPFRE ASISTENCIA	100.0000	100.0000	3,015	1,493	1,167	951	3,,878	2,322	216	133	(A)	(A)
GULF ASSIST E.C.	Bahrain	–	Travel assistance	MAPFRE ASISTENCIA	74.6250	74.6250	10,668	6,652	3,212	2,167	4.388	2,882	2,955	1,773	(A)	(A)
FRANCE ASSISTANCE	France	34.33%	Travel assistance	MAPFRE ASISTENCIA	100.0000	100.0000	2,178	3,706	(631)	(578)	1,501	1,522	(699)	(1,035)	(A)	(A)
EUROSOS ASSISTANCE	Greece	35.00%	Travel assistance	IBEROASISTENCIA MAPFRE ASISTENCIA	0.5000 99.5000	0.5000 99.5000	2,400	1,616	238	373	4,408	4,842	(13)	(107)	(A)	(A)
CARIBE ASISTENCIA	Dominican Republic	25.00%	Travel assistance	MAPFRE ASISTENCIA	51.9997	51.9997	1,558	1,317	1,130	899	1,178	783	284	336	(A)	(A)
ECUASISTENCIA	Ecuador	25.00%	Travel assistance	MAPFRE ASISTENCIA ANDIASISTENCIA	50.0000 50.0000	50.0000 50.0000	521	457	169	248	1,996	1,343	97	187	(A)	(A)
CONSULTING DE SOLUCIONES Y TECNOLOGÍAS SIAM	Spain	35.00%	Consultancy	MAPFRE ASISTENCIA IBEROASISTENCIA	99.0000 1.0000	99.0000 1,0000.	6,073	5,874	3,016	3,147	1,996	1,874	(44)	(98)	(A)	(A)
PERÚ ASISTENCIA S.A.	Peru	30.00%	Travel assistance	MAPFRE ASISTENCIA IBEROASISTENCIA	99.8639 0.1361	99.8639 0.1361	459	248	(7)	(53)	395	408	(91)	(105)	(A)	(A)
VIAJES MAPFRE S.A.	Spain	35.00%	Travel Agents	MAPFRE ASISTENCIA IBEROASISTENCIA.	99.7600 0.2400	99.7600 0.2400	11,657	9.403	5,056	3,947	20,291	6,225	96	287	(A)	(A)
MELIÁ TOUR	Spain	35.00%	Travel wholesales	MAPFRE ASISTENCIA	50.0000	50.0000	1,806	2,866	(681)	883	3,164	6,719	(1,231)	62	(B)	(E) (G)
MÉXICO ASISTENCIA	Mexico	30.00%	Travel assistance	MAPFRE ASISTENCIA	99.9998	99.9998	7,929	4,493	1,591	494	15,807	11,733	272	(204)	(A)	(A)
IBERO ASISTENCIA SERVICIOS DE TELEMARKETING S.L.	Spain	–	Telemarketing	MAPFRE ASISTENCIA IBEROASISTENCIA	26.5000 73.4500	26.5000 73.4500	–	–	–	–	–	–	–	–	(A)	(A)
ALLMAP ASSIST GMBH	Germany	–	Travel assistance	MAPFRE ASISTENCIA IBEROASISTENCIA	99.9500 0.0500	99.9500 0.0500	197	197	53	66	–	–	–	(18)	(B)	(A)
PANAMÁ ASISTENCIA	Panama	30.00%	Travel assistance	MAPFRE ASISTENCIA	58.0000	58.0000	504	549	469	514	676	493	143	59	(B)	(A)
TUR ASSIST.	Turkey	30.00%	Travel assistance	MAPFRE ASISTENCIA IBEROASISTENCIA	91.6667 8.3333	91.6667 8.3333	2,967	1,245	394	(10)	14,563	8,464	14	(187)	(A)	(A)
URUGUAY ASISTENCIA	Uruguay	30.00%	Travel assistance	MAPFRE ASISTENCIA IBEROASISTENCIA	94.8165 5.1835	94.8165 5.1835	1,291	765	685	471	2,107	1,408	267	165	(A)	(A)
ASISTENCIA BOLIVIANA	Bolivia	25.00%	Travel assistance	MAPFRE ASISTENCIA	99.4600	99.4600	127	136	33	80	230	240	(43)	(4)	(B)	(A)
COSTA RICA ASISTENCIA	Costa Rica	30.00%	Travel assistance	MAPFRE ASISTENCIA	100.0000	100.0000	303	141	139	54	269	348	(27)	(43)	(B)	(A)
QUETZAL ASISTENCIA	Guatemala	0.00%	Travel assistance	MAPFRE ASISTENCIA	99,9920	99.9920	336	302	243	209	1,260	1,122	72	48	(A)	(A)
EL SALVADOR ASISTENCIA S.A.	El Salvador	25.00%	Travel assistance	MAPFRE ASISTENCIA IBEROASISTENCIA	99.9900 0.0100	99.9900 0.0100	569	548	353	347	1,068	1,214	269	274	(A)	(A)
NICASSIT S.A.	Nicaragua	30.00%	Travel assistance	MAPFRE ASISTENCIA	100.0000	100.0000	138	175	138	138	286	386	8	102	(B)	(A)
BENELUX ASSIST. S.A.	Belgium	34.00%	Travel assistance	MAPFRE ASISTENCIA	70.0000	70,0000	3,978	2,821	1,448	998	2,430	2,226	450	204	(A)	(A)
NOVASSIST S.L.R.	Italy	37.25%	Travel assistance	MAPFRE ASISTENCIA IBEROASISTENCIA	99.0000 1.0000	99.0000 1.0000	723	406	87	94	1,385	838	23	(16)	(A)	(A)
VIAJES TÍVOLI	Spain	35.00%	Travel Agents	MAPFRE ASISTENCIA	20.0000	20.0000	–	–	873	1,330	–	–	(343)	(625)	(C)	(C)
GENERAL SERVICES REINSURANCE LIMITED	Ireland	12.50%	Reinsurance	MAPFRE ASISTENCIA	100.0000	100.0000	3,521	1,431	539	746	(31)	3,176	(7)	246	(A)	(A)

Name	Country	Effective tax rate	Activity	Holder	Shareholding		Financial year closing figures								Method or procedure	
					% in share capital		Assets		Equity		Revenues		Results in financial year			
					2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
NUOVI SERVIZI AUTO S.P.A.	Italy	37.25%	Warranty extension	MAPFRE ASISTENCIA IBEROASISTENCIA	99.9900 0.0100	99.9900 0.0100	18,321	13,729	3,694	2,283	18,288	14,860	2,447	1,153	(A)	(A)
ALLIANCE OPTIMALE S.L.R.	France	–	Warranty of vehicles	NUOVO SERVIZI AUTO	100.0000	100.0000	48	48	50	50	–	–	2	2	(A)	(A)
JMDS	Luxembourg	–	Warranty of vehicles	NUOVO SERVIZI AUTO	100.0000	100.0000	67	67	68	68	–	–	1	1	(A)	(A)
SDMA	France	–	Warranty of vehicles	NUOVO SERVIZI AUTO	100.0000	100.0000	55	55	55	55	–	–	108	108	(A)	(A)
NORASIST S.A.	Canada	–	Travel assistance	FEDERAL ASSIST	100.0000	100.0000	218	218	200	200	–	–	(18)	(18)	(A)	(A)
BRICKELL FINANCIAL SERVICES INC.	U.S.A.	37.30%	Travel assistance	MAPFRE ASISTENCIA	100.0000	100.0000	14,730	9,353	1,938	611	39,108	28,296	1,298	1,475	(A)	(A)
ROAD CHINA ASSISTANCE	China		Travel assistance	MAPFRE ASISTENCIA	100.0000	100.0000	511	220	511	220	–	–	–	–	(B)	(A) (G)
ABRAXAS	United Kingdom	12.50%	Insurance	MAPFRE ASISTENCIA	100.0000	–	6,050	–	1,958	–	6,755	–	1,060	–	(A) (H)	–
SERVICES FOR THE ELDERLY																
MAPFRE ASISTENCIA ORO	Spain	35.00%	Services for the elderly	MAPFRE ASISTENCIA IBEROASISTENCIA MAPFRE QUAVITAE	– – 100.0000	99.7500 0.2500 –	23,143	6,062	16,651	5,777	1,944	1,079	1,694	(256)	(A)	(A)
MAPFRE QUAVITAE S.A.	Spain	50.14%	Assistance services	MAPFRE SEGUROS GENERALES CORPORACIÓN MAPFRE	10.7643 46.0731	10.7642 46.0736	131,417	105,893	47,600	27,749	68,240	57,630	(610)	(2,271)	(A)	(A)
QUAVITAE BALEARES S.A.	Spain	35.00%	Services for the elderly	MAPFRE QUAVITAE	100.0000	85.0000	13,395	14,408	(3,752)	(2,103)	2,273	1,654	(1,657)	(1,388)	(A)	(A) (G)
QUAVITAE BIZI-KALITATE S.L.	Spain	35.00%	Services for the elderly	MAPFRE QUAVITAE	99.9990	99.9990	26,065	26,169	3,652	4,377	10,043	8,388	(725)	787	(A)	(A) (G)
AZUL CENTROS RESIDENCIALES S.A.	Spain	35.00%	Services for the elderly	MAPFRE QUAVITAE	50.0000	50.0000	5,036	5,210	(679)	(1,009)	817	777	(1,230)	(2,634)	(E)	(E) (G)
SERVEIS INTEGRALS PER A L´AUTONOMIA S.A. (merged in 2005 with MAPFRE QUAVITAE)	Spain	–	Services for the elderly	MAPFRE QUAVITAE	–	100.0000	–	2,698	–	(4,992)	–	2,315	–	(1,100)	(A)	(A) (G)
PROVITAE CENTROS ASISTENCIALES S.L.	Spain	35.00%	Services for the elderly	MAPFRE QUAVITAE	50.0000	50.0000	8,383	7,496	6,120	6,176	–	–	(56)	(69)	(E)	(E) (G)
BIOINGIENERIA ARAGONESA S.L.	Spain	35.00%	Technology for the elderly	MAPFRE QUAVITAE MAPFRE SEGUROS GENERALES	59.9900 40.0000	59.9900 40.0000	6,071	4,069	3,138	1,752	5,149	3,749	901	569	(A)	(A)
REAL ESTATE																
MAPFRE INMUEBLES S.A.	Spain	35.00%	Real estate	CORPORACIÓN MAPFRE	99.9202	99.9203	393,407	99,188	91,991	46,456	35,506	59,985	2,419	6,257	(A)	(A)
DESARROLLOS URBANOS CIC. S.A.	Spain	35.00%	Real estate services	MAPFRE INMUEBLES CORPORACIÓN MAPFRE	89.9216 0.0784	99.9216 0.0784	99,645	814	517	810	32	16	8	10	(A)	(A)
SERVICIOS INMOBILIARIOS MAPFRE S.A.	Spain	37.00%	Real estate	MAPFRE INMUEBLES DESARROLLOS URBANOS	99.9000 0.1000	99.9000 0.1000	540	516	397	360	1,251	1,135	87	55	(A)	(A)
INMOBILIARIA BRAVO UREÑA S.L.	Spain	35.00%	Real estate	MAPFRE INMUEBLES	50.0000	50.0000	540	5,302	139	4,198	30	5,824	5	836	(E)	(E)
MAPFRE INTERNACIONAL																
GESMUSINI GESTIÓN S.A. (from 2006 MAPFRE INTERNACIONAL S.A.)	Spain	–	Holding (financial in 2004)	CORPORACIÓN MAPFRE MAPFRE EMPRESAS	99.7630 0.2370	– 100.0000	810	–	801	904	84,997	–	13	93	(A)	(A)
PROGRESS ASSICURAZIONI S.P.A.	Italy	–	Insurance	CORPORACIÓN MAPFRE	–	38.9731	–	117,370	–	21,196	–	48,920	–	1,076	(J)	(C)
MIDDLESEA INSURANCE P.L.C.	Malta	–	Insurance	CORPORACIÓN MAPFRE	21.0000	5.4855	–	230.,438	66.245	53,384	20,419	11,141	7,917	2,563	(C)	(C)
MAPFRE INSULAR INSURANCE CORPORATION	Philippines	–	Insurance	CORPORACIÓN MAPFRE	75.2000	99.9181	21,787	16,183	9,897	7,477	8,541	9,997	760	827	(A)	(A)
OTHERS																
DETECTAR D.T. TRANSF. E ADMON. DE RISCOS	Brazil	–	Risk administration	CORPORACIÓN MAPFRE	100.0000	100.0000	10,379	7,685	10,021	7,426	1,017	1,125	75	571	(A)	(A)
FANCY INVESTMENT S.A.	Uruguay	–	Financial	CORPORACIÓN MAPFRE	100.0000	100.0000	5,105	3,661	4,953	3,561	839	297	803	262	(A)	(A)
CAJA MADRID BOLSA SOCIEDAD DE VALORES Y BOLSA	Spain	–	Securities broker-dealer	CORPORACIÓN MAPFRE	30.0000	30.0000	203,076	194,946	28,894	30,058	17,265	12,879	6,103	4,440	(C)	(C)
GESMADRID SOCIEDAD GESTORA DE INSTITUCIONES DE INVERSIÓN COLECTIVA	Spain	–	Investment firm	CORPORACIÓN MAPFRE	30.0000	30.0000	59,509	64,494	42,612	42,147	126,735	117,781	12,316	11,349	(C)	(C)
CAJA MADRID PENSIONES ENTIDAD GESTORA DE FONDOS DE PENSIONES	Spain	–	Pension fund management	CORPORACIÓN MAPFRE	30.0000	30.0000	35,907	33,175	38,431	27,736	35,705	30,982	5,007	3,366	(C)	(C)

Name	Country	Effective tax rate	Activity	Holder	Shareholding % in share capital 2005	Shareholding % in share capital 2004	Financial year closing figures: Assets 2005	Assets 2004	Equity 2005	Equity 2004	Revenues 2005	Revenues 2004	Results in financial year 2005	Results in financial year 2004	Method or procedure 2005	Method or procedure 2004
MAPFRE INTERNET S.A.	Spain	–	IT	MAPFRE VIDA	15.0000	15..0000	3,549	3,393	2,639	2,498	6,052	4,829	80	151	(C)	(C)
				MAPFRE SEGUROS GENERALES	22,0000	22.0000										
				MAPFRE INDUSTRIAL	–	1.2500										
				MAPFRE CAJA SALUD	4.0000	4.0000										
				MAPFRE CAUCIÓN Y CRÉDITO	1.2500	1.2500										
				MAPFRE RE	1.0000	1.0000										
				CORPORACIÓN MAPFRE	1.0000	1.0000										
				MAPFRE ASISTENCIA	2.0000	2.0000										
				MAPFRE EMPRESAS	1.2500	–										
MAPFRE INFORMÁTICA A.I.E.	Spain	–	IT	MAPFRE EMPRESAS	7.0000	–	10,397	5,930	1,000	1,000	34,083	21,248	–	–	(C)	(C)
				MAPFRE INDUSTRIAL	–	7.0000										
				MAPFRE GUANARTEME	7.0000	7.0000										
				MAPFRE INVERSIÓN	0.5000	0.5000										
				MAPFRE SEGUROS GENERALES	12.1000	12.1000										
				MAPFRE VIDA	5.0000	5.0000										
				MAPFRE CAUCIÓN Y CRÉDITO	2.5000	2.5000										
				MAPFRE CAJA SALUD	0.1000	0.1000										
				MAPFRE-CAJA MADRID HOLDING	0.1000	0.1000										
				CORPORACIÓN MAPFRE	0.1000	0.1000										
				MAPFRE RE	1.0000	1.0000										
				MAPFRE ASISTENCIA	1.0000	1.0000										
				MAPFRE AMÉRICA	0.5000	0.5000										
MAPFRE AMÉRICA																
MAPFRE AMÉRICA S.A.	Spain	35.00%	Holding	CORPORACIÓN MAPFRE	87.4590	84.9169	619,664	421,180	610,879	413,139	106,258	23,361	129,585	16,221	(A)	(A)
ARGENTINA																
MAPFRE ARGENTINA HOLDING S.A.	Argentina	35.00%	Holding	MAPFRE AMÉRICA	100.0000	100.0000	36,046	29,375	35,759	29,553	78	13	2,931	1,978	(A)	(A)
MAPFRE ARGENTINA SEGUROS S.A.	Argentina	35.00%	Insurance	MAPFRE ARGENTINA HOLDING	99.9979	99.9979	146,072	112,389	24,484	20,021	154,323	135,417	2,184	1,310	(A)	(A)
ACONCAGUA SEGUROS DE RETIRO S.A.	Argentina	35.00%	Insurance	MAPFRE ARGENTINA HOLDING	23.5688	23.5688	–	–	–	–	–	–	–	–	(A)	(A)
				MAPFRE ARGENTINA SEGUROS	76.4312	76.4312										
SURASSUR S.A.	Argentina	35.00%	Insurance brokerage	MAPFRE ARGENTINA HOLDING	100.0000	100.0000	239	114	87	(6)	390	152	(7)	(31)	(A)	(A)
CESVI ARGENTINA S.A.	Argentina	35.00%	Loss control	MAPFRE ARGENTINA SEGUROS	4.3700	4.3700	–	3,058	–	2,641	–	1,809	–	28	(C)	(C)
MAPFRE ARGENTINA A.R.T.	Argentina	35.00%	Work accidents insurance	MAPFRE ARGENTINA HOLDING	99.2696	99.2696	39,218	26,687	7,696	7,605	40,429	26,327	567	838	(A)	(A)
				MAPFRE ARGENTINA SEGUROS	0.7304	0.7304										
MAPFRE ARGENTINA SEGUROS DE VIDA S.A.	Argentina	35.00%	Insurance de Vida	MAPFRE ARGENTINA HOLDING	20.0000	20.0000	15,138	9,704	3,373	1,584	7,375	5,274	1,568	373	(C)	(C)
BRAZIL																
MAPFRE VERA CRUZ SEGURADORA S.A.	Brazil	34.00%	Insurance	MAPFRE DO BRASIL	15.0732	30.3924	571,177	279,035	179,689	60,947	434,623	259,033	11,309	6,346	(A)	(A)
				MAPFRE AMÉRICA	84.9268	69.6076										
SEGURADORA ROMA S.A.	Brazil	34.00%	Insurance	MAPFRE VERA CRUZ SEGURADORA	46.0300	46.0300	26,118	19,189	8,840	6,091	26,492	21,102	–	–	(C)	(C)
MAPFRE DO BRASIL CONSULTORÍA E SERVICIOS LTDA.	Brazil	34.00%	Advisory services	CORPORACIÓN MAPFRE	0.5143	0.5143	39,658	28,361	14,237	24,974	95	23	6	706	(A)	(A)
				MAPFRE AMÉRICA	99.4857	99.4857										
MAPFRE VERA CRUZ VIDA E PREVIDENCIA S.A.	Brazil	34.00%	Insurance	MAPFRE VERA CRUZ SEGURADORA	9.9051	9.8967	274,103	136,140	43,293	33,897	216,347	115,690	2,419	(13)	(C)	(C)
				FANCY	10.2901	12.3683										
SANTACATARINA SEGUROS E PREVIDENCIA, S.A.	Brazil	34.00%	Insurance	MAPFRE VERA CRUZ SEGURADORA	–	13.3125	–	–	–	872	–	–	–	–	(J)	(C)
NOSSA CAIXA	Brazil	34.00%	Insurance	MAPFRE VERA CRUZ SEGURADORA	51.0000	–	–	–	4,642	–	–	–	204	–	(A) (H)	–
CHILE																
MAPFRE CHILE SEGUROS S.A.	Chile	17.00%	Holding	MAPFRE AMÉRICA	99.9937	99.9937	250,786	131,760	36,986	32,203	58,057	38,953	116	(1,094)	(A)	(A)
				INVERSIONES MAPFRE CHILE RE	0.0042	0.0042										
EUROAMÉRICA ASESORÍAS UNO S.A.	Chile	17.00%	Investment firm	MAPFRE CHILE SEGUROS	100.0000	100.0000	10,629	8,292	9,626	8,292	3	1,501	3	1,501	(A)	(A)
MAPFRE COMPAÑÍA DE SEGUROS GENERALES DE CHILE S.A.	Chile	17.00%	Insurance	MAPFRE CHILE SEGUROS	59.1500	59.1500	235,822	117,085	23,535	20,273	57,494	38,520	7	3,501	(A)	(A)
				EUROAMÉRICA ASESORÍAS	40.8500	40.8500										
COLOMBIA																
MAPFRE SEGUROS GENERALES DE COLOMBIA S.A.	Colombia	38.50%	Insurance	MAPFRE AMÉRICA	94.2294	94.2294	198,297	182,311	62,577	63,873	291,893	258,861	931	2,027	(A)	(A)
				APOINT	5.7623	5.7623										
CREDIMAPFRE	Colombia	38.50%	Real estate financiers	GESTIMAP	5.0833	5.0833	12,801	9,083	9,551	8,519	1,843	1,743	587	781	(A)	(A)

Name	Country	Effective tax rate	Activity	Holder	Shareholding: % in share capital 2005	Shareholding: % in share capital 2004	Financial year closing figures: Assets 2005	Assets 2004	Equity 2005	Equity 2004	Revenues 2005	Revenues 2004	Results in financial year 2005	Results in financial year 2004	Method or procedure 2005	Method or procedure 2004
				MAPFRE SEGUROS GENERALES DE COLOMBIA	94.9144	94.9144										
GESTIMAP S.A.	Colombia	38.50%	Car spare parts information	MAPFRE SEGUROS GENERALES DE COLOMBIA	92.5888	92.5888	515	503	504	540	4	4	17	58	(A)	(A)
				CREDIMAPFRE	7.4112	7.4112										
AUTOMOTORES CAPITALTDA	Colombia	38.50%	Car repair, purchase and sale	CREDIMAPFRE	100.0000	100.0000	–	–	–	11	–	–	–	–	(A)	(A)
MAPFRE COLOMBIA VIDA S.A.	Colombia	38.50%	Insurance	MAPFRE SEGUROS GENERALES DE COLOMBIA	0.0001	0.0001	54,411	32,792	6,388	4,368	28,473	19,724	1,131	20	(C)	(C)
				APOINT	6.3840	6.3839										
				MAPFRE AMÉRICA	0.0001	0.0001										
CESVI COLOMBIA	Colombia	38.50%	Scientific and technical research	MAPFRE SEGUROS GENERALES DE COLOMBIA	3.6400	3.6400	14,624	13,493	14,169	13,095	4,517	3,752	463	99	(C)	(C)
MEXICO																
MAPFRE TEPEYAC S.A.	Mexico	0%	Insurance	MAPFRE AMÉRICA	55.6602	55.6602	448,302	346,377	139,948	106,994	279,710	258,477	12,136	13,038	(A)	(A)
				GRUPO CORPORATIVO LML	44.3398	44.3398										
GRUPO CORPORATIVO LML	Mexico	30.00%	Holding	MAPFRE AMÉRICA	100.0000	100.0000	41,290	34,530	41,287	34,529	–	15	(14)	4	(A)	(A)
EDITORIAL DIANA S.A. DE C.V.	Mexico	30.00%	Editorial	MAPFRE TEPEYAC	20.1552	20.1552	13,717	12,515	5,998	5,617	8,238	8,056	(478)	133	(C)	(C)
UNIDAD MÓVIL DE DIAGNÓSTICO S.A.	Mexico	30.00%	Medical services	MAPFRE TEPEYAC	99.9982	99.9982	473	402	(87)	62	5,167	3,749	(16)	(17)	(C)	(A)
ASSET DEFENSA LEGAL MEXICANA S.A. DE C.V.	Mexico	30.00%	Legal services	MAPFRE TEPEYAC	78.8145	78.8145	462	507	344	146	3,182	2,553	208	36	(A)	(A)
CESVI MÉXICO	Mexico	27.00%	Research centre	MAPFRE TEPEYAC	13.9500	13.9500	3,023	2,333	3,925	1,978	3,287	2,361	349	(232)	(D)	(D)
TEPEYAC ASESORES	Mexico	30.00%	Fund administration	MAPFRE TEPEYAC	16.0000	16.0000	551	441	364	250	30	–	10	(51)	(D)	(D)
PARAGUAY																
MAPFRE PARAGUAY COMPAÑÍA DE SEGUROS S.A.	Paraguay	30.00%	Insurance	MAPFRE AMÉRICA	81.2200	81.2200	7,809	6,031	3,289	2,447	5,829	5,454	404	308	(A)	(A)
PERU																
MAPFRE PERÚ COMPAÑÍA DE SEGUROS Y REASEGUROS	Peru	0%	Insurance and reinsurance	MAPFRE AMÉRICA	99.3560	98.9471	27,940	20,337	11,471	6,878	27,094	22,579	71	1,331	(A)	(A)
TERRENOS Y LOCALES S.A.	Peru	30%	Real estate	MAPFRE PERÚ	66.3948	66.3948	119	915	109	838	102	116	(43)	(55)	(A)	(A)
PUERTO RICO																
MAPFRE PRAICO CORPORATION	Puerto Rico	20%	Insurance	MAPFRE AMÉRICA	100.0000	100.0000	146,043	139,328	165,114	136,519	20,505	12,502	(311)	(1,855)	(A)	(A)
MAPFRE PRAICO INSURANCE COMPANY	Puerto Rico	39%	Insurance	MAPFRE PRAICO CORPORATION	100.0000	100.0000	364,229	339,918	122,387	93,980	157,203	125,906	14,585	8,334	(A)	(A)
MAPFRE PREFERRED RISK INSURANCE COMPANY	Puerto Rico	39%	Insurance	MAPFRE PRAICO INSURANCE	100.0000	100.0000	80,636	69,005	25,940	21,741	10,153	12,105	3,288	3,902	(A)	(A)
MAPFRE PAN AMERICAN INSURANCE COMPANY	Puerto Rico	39%	Insurance	MAPFRE PRAICO CORPORATION	100.0000	100.0000	36,450	38,839	28,783	36,618	3,343	9,039	3,466	6,249	(A)	(A)
PUERTO RICAN INSURANCE AGENCY INC.	Puerto Rico	20%	Insurance brokerage	MAPFRE PRAICO CORPORATION	100.0000	100.0000	1,431	1,196	(312)	139	2,267	1,092	(96)	(25)	(A)	(A)
PAN AMERICAN FINANCE CORPORATION	Puerto Rico	20%	Financial	MAPFRE PRAICO CORPORATION	100.0000	37.2208	738	1,617	758	727	61	120	6	20	(A)	(A)
				MAPFRE PAN AMERICAN	–	62.7792										
MAPFRE LIFE INSURANCE COMPANY	Puerto Rico	25%	Insurance	MAPFRE PRAICO CORPORATION	65.4100	65.4100	51,982	45,049	17,865	11,428	43,724	23,153	(742)	512	(A)	(A)
MAPFRE LIFE FINANCIAL SERVICES CO.	Puerto Rico	–	Insurance agents	MAPFRE LIFE INSURANCE	–	100.0000	–	365	–	14	–	263	–	64	(J)	(A)
DOMINICAN REPUBLIC																
MAPFRE DOMINICANA	Dominican Republic	0%	Securities broker-dealer	MAPFRE AMÉRICA	100.0000	–	5,556	–	2,802	–	446	–	(613)	–	(A) (H)	–
MAPFRE DOMINICANA SEGUROS	Dominican Republic	0%	Insurance and reinsurance	MAPFRE AMÉRICA	100.0000	–	5,420	–	2,769	–	2,764	–	(979)	–	(A) (H)	–
URUGUAY																
MAPFRE URUGUAY S.A.	Uruguay	0%	Insurance	MAPFRE AMÉRICA	100.0000	100.0000	9,963	6,752	2,967	2,275	7,038	5,066	42	(1,171)	(A)	(A)
APOINT S.A.	Uruguay	0%	Financial	MAPFRE AMÉRICA	100.0000	100.0000	4,992	4,886	3,955	4,031	907	825	16	(360)	(A)	(A)

Name	Country	Effective tax rate	Activity	Holder	Shareholding		Financial year closing figures									
					% in share capital		Assets		Equity		Revenues		Results in financial year		Method or procedure	
					2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
VENEZUELA																
MAPFRE LA SEGURIDAD S.A.	Venezuela	0%	Insurance and reinsurance	MAPFRE AMÉRICA	99.5159	99.5159	202,143	192,758	88,686	65,546	475,098	371,466	22,975	17,434	(A)	(A)
CEFOPROSEG C.A.	Venezuela	34.00%	Education	MAPFRE LA SEGURIDAD	100.0000	100.0000	5	5	4	5	64	44	–	–	(B)	(B)
INVERSORA SEGURIDAD C.A.	Venezuela	34.00%	Policy financing	MAPFRE LA SEGURIDAD	100.0000	100.0000	25,587	21,302	21,748	19,156	6,875	6,362	4,395	4,489	(A)	(A)
CORPORACIÓN SLS 024 C.A.	Venezuela	34.00%	Sale of cementery plots	MAPFRE LA SEGURIDAD	100.0000	100.0000	501	2,170	402	1,051	351	127	309	(115)	(A)	(A)
INMOBILIARIA 96 C.A.	Venezuela	34.00%	Real estate	MAPFRE LA SEGURIDAD	100.0000	100.0000	4	4	6	6	–	–	–	–	(A)	(A)
ESTACIONAMIENTOS EL CHORRO	Venezuela	34.00%	Property administration	MAPFRE LA SEGURIDAD	100.0000	100.0000	6	7	5	6	–	–	(1)	–	(A)	(A)
EL SALVADOR																
MAPFRE LA CENTRO AMERICANA S.A.	El Salvador	25.00%	Insurance	MAPFRE AMÉRICA	72.8607	72.8373	45,137	39,443	13,866	11,169	13,236	13,927	1,390	1,570	(A)	(A)
INMOBILIARIA AMERICANA S.A.	El Salvador	25.00%	Real estate	MAPFRE AMÉRICA	78.4965	78.3539	7,846	6,985	5,625	4,788	541	615	134	115	(A)	(A)
SPAIN																
INVERSIONES PERUANAS S.A.	Spain	0%	Holding	MAPFRE AMÉRICA	12.9613	12.9613	14,013	10,837	14,002	10,834	3,290	1,074	3,168	496	(C)	(C)
MAPFRE SOFT S.A.	Spain	35.00%	IT	MAPFRE AMÉRICA	99.9991	99.9991	4,164	3,333	3,855	2,887	4,091	4,419	973	1,208	(A)	(A)

CONSOLIDATION METHOD OR PROCEDURE

(A) Fully consolidated subsidiaries
(B) Subsidiaries excluded from consolidation
(C) Associated and investee undertakings consolidated by the equity method
(D) Associated and investee undertakings excluded from consolidation
(E) Joint ventures consolidated by proportionate integration
(F) Joint ventures consolidated by the equity method
(G) Companies joining the consolidation perimeter in financial year 2004
(H) Companies joining the consolidation perimeter in financial year 2005
(I) Companies exiting the consolidation perimeter in financial year 2004
(J) Companies exiting the consolidation perimeter in financial year 2005

AUDIT REPORT FOR THE 2005 CONSOLIDATED ANNUAL ACCOUNTS

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AUDIT REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (See Note 8)

To the Shareholders of
CORPORACION MAPFRE, S.A.

1. We have audited the consolidated annual accounts of CORPORACION MAPFRE, S.A. and its subsidiaries (the Group), which comprise the consolidated balance sheet at December 31, 2005, the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity and the notes to the consolidated financial statements for the year then ended, the preparation of which is the responsibility of the Parent Company's directors. Our responsibility is to express an opinion on the aforementioned consolidated annual accounts taken as a whole, based upon work performed in accordance with auditing standards generally accepted in Spain, which require the examination, through the performance of selective tests, of the evidence supporting the annual accounts, and the evaluation of their presentation, of the accounting principles applied, and of the estimates made.

2. The accompanying 2005 consolidated annual accounts are the first ones which the Group has prepared by applying the international financial reporting standards adopted by the European Union (IFRS-EU), which in general require that comparative information be included in the financial statements presented. Thus, in accordance with mercantile law, for comparative purposes the Parent Company's directors have included for each of the captions included in the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and the notes to the consolidated financial statements, in addition to the figures of 2005, those of 2004, which have been obtained by applying IFRS-EU in effect at December 31, 2005. Consequently, the 2004 figures differ from those set forth in the approved consolidated 2004 annual accounts which were prepared in keeping with the accounting principles and criteria in effect at the time. The principal differences arising as a result of applying IFRS-EU to consolidated equity at January 1 and December 31, 2004 and 2004 consolidated income statement of the Group are set forth in Note 2.1 to the accompanying consolidated financial statements. Our opinion refers only to the consolidated annual accounts for 2005. On February 9, 2005 we issued our audit report on the 2004 consolidated annual accounts prepared in conformity with accounting principles and criteria in effect said year, in which we expressed an unqualified opinion.

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3. The Corporation and some of its subsidiaries have performed significant transactions with other MAPFRE SYSTEM companies. Information about these transactions is given in the Note 6.23 to the accompanying consolidated financial statements.

4. In our opinion, the accompanying 2005 consolidated annual accounts give a true and fair view, in all material respects of the equity and financial position of CORPORACION MAPFRE, S.A. and its subsidiaries at December 31, 2005 and the consolidated results of its operations, consolidated cash flow and changes in consolidated equity for the year then ended and contain the required information necessary for their adequate interpretation and comprehension, in conformity with the international financial reporting standards adopted by the European Union which are consistent with those applied to the figures and information corresponding to 2004 consolidated financial statements which have been included in the 2005 annual accounts for comparative purposes.

5. The accompanying consolidated management report for the year ended December 31, 2005 contains such explanations as the Parent Company's directors consider appropriate concerning the situation of CORPORACION MAPFRE, S.A. and its subsidiaries, the evolution of their business and other matters, and is not an integral part of the consolidated annual accounts. We have checked that the accounting information included in the consolidated management report mentioned above agrees with the consolidated annual accounts for the year ended December 31, 2005. Our work as auditors is limited to verifying the consolidated management report in accordance with the scope mentioned in this paragraph, and does not include the review of information other than that obtained from the accounting records of the Parent Company and the companies comprising its Group.

ERNST & YOUNG, S.L.
(Signed in the original issued in Spanish language)

Manuel Martínez Pedraza

February 8, 2006