





**Material events
during the year**

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JANUARY

- (03.01.06) ○ AENOR renews the quality certificate awarded to MAPFRE CAUCIÓN Y CRÉDITO.
- (04.01.06) ○ MAPFRE is considered to be one of the top Spanish Brands, according to Interbrand, a multi-national consultancy firm.
- (08.01.06) ○ MAPFRE VIDA launches a new guaranteed fund, FONDMAPFRE BOLSA GVIII, where unit holders benefit from the average monthly revaluation of the Dow Jones Eurostoxx 50, S&P 500, Ibex 35, and Nikkei 225 stock indices.
- (09.01.06) ○ MAPFRE EMPRESAS integrates the activities of MUSINI and MAPFRE INDUSTRIAL, after receiving authorisation from the Dirección General de Seguros y Fondos de Pensiones (DGSFP).
- (25.01.06) ○ MAPFRE EMPRESAS wins the public tender for the insurance policy covering the construction works of Expoagua Zaragoza 2008.

FEBRUARY

- (06.02.06) ○ MAPFRE QUAVITAE opens a new retirement home in Bilbao.
- (09.02.06) ○ MAPFRE reports earnings for 2005, with a record result before taxes of €872 million.
- (10.02.06) ○ The "El camino de tu vida" campaign is relaunched on TV, the economic press, billboards and Internet.
- (25.02.06) ○ The Annual General meeting of MAPFRE MUTUALIDAD is held, which approves the Annual Accounts for 2005 and the management of the Board.

MARCH

- (06.03.06) ○ MAPFRE is again considered the most highly valued company in the insurance industry according to the MERC0 2006 report (Spanish Monitor of Corporate Reputation).
- (08.03.06) ○ MAPFRE ASISTENCIA acquires all the shares of CANADIAN ROADSIDE & RECOVERY INC., a motor assistance company based in Cambridge, Ontario.
- (09.03.06) ○ The MAPFRE Crecimiento Pension Plan receives the Expansi3n-Standard & Poor's Award for the best Mixed Global Equity performance over three years.
- (15.03.06) ○ MAPFRE extends its Accident Insurance offering with its new products, RENTA 140 and RENTA 190.
- (18.03.06) ○ MAPFRE's shares join the FTSE4Good index, which includes those companies from all over the world that are most committed to corporate responsibility.
- (20.03.06) ○ MAPFRE launches the Flat Fee Motor Insurance Policy linked to car purchase financing.
- (24.03.06) ○ The Environmental Management System of the MAPFRE headquarters in Majadahonda (Madrid) receives the ISO 14001 certificate issued by Det Norske Veritas (DNV).
- (27.03.06) ○ MAPFRE becomes the leading Insurance company by volume of mutual fund assets under management.

APRIL

- (04.04.06) ○ MAPFRE VIDA launches the Garantía-Index savings & investment insurance, which guarantees 105 per cent of the initial investment.
- (05.04.06) ○ MAPFRE MUTUALIDAD renews its range of Motor insurance policies, incorporating important changes and salient social cover.
- (07.04.06) ○ MAPFRE signs an agreement to sponsor the Expoagua Zaragoza 2008 International Exhibition.
- (26.04.06) ○ MAPFRE AGROPECUARIA launches a Forestry Insurance policy covering the reforestation expenses resulting from fires on private lands not used for agricultural purposes.
- (27.04.06) ○ The Annual General Meeting of Shareholders of CORPORACI3N MAPFRE is held. The Annual Accounts and a dividend of €0.32 (gross) per share are approved, as well as a 5-for-1 share split.

MAY

- (08.05.06) ○ MAPFRE ranks 11th among European Non-Life Insurance companies, improving two positions.
- (10.05.06) ○ MAPFRE AGROPECUARIA launches a new insurance policy for pig farms, and another policy to cover the needs of hunters on their trips abroad.
- (17.05.06) ○ The magazine *Actualidad Aseguradora* chooses the MAPFRE website as one of the best in the insurance sector because of its design, contents and online services for customers.
- (22.05.06) ○ *Mi Cartera de Inversión*, a financial publication, includes MAPFRE among the 10 largest companies in Spain.
- (22.05.06) ○ FUNDACIÓN MAPFRE presents its first study on Motor Insurance in Latin America, analysing the most relevant aspects of this insurance line in 19 countries.
- (23.05.06) ○ MAPFRE BRAZIL ends 2005 as the leading provider of Agricultural Insurance in Brazil, with a market share of 48 per cent.
- (25.05.06) ○ CLUB MAPFRE DEL AUTOMÓVIL launches the *Club Fracciona* service, which offers consumer loans at the best terms and conditions on the market.
- (29.05.06) ○ The Board of Directors of MAPFRE MUTUALIDAD unanimously resolves to submit to the General Assembly of Mutual members the proposal to provide the Group with a new corporate structure, in order to continue widening its activities and its international expansion.

JUNE

- (06.06.06) ○ MAPFRE QUAVITAE opens a new retirement home in the Community of Valencia.
- (06.06.06) ○ MAPFRE VIDA launches FONDMAPFRE GARANTIZADO 607, an equity mutual fund linked to four international stock market indices.
- (15.06.06) ○ The Extraordinary General Assembly of MAPFRE MUTUALIDAD approves the Group's new corporate structure.
- (26.06.06) ○ CIS, the telephone assistance platform of MAPFRE SEGUROS GENERALES, renews its ISO 9001:2000 certificate for the third year in a row.
- (29.06.06) ○ MAPFRE PUERTO RICO enters into an agreement with the US Government to provide medical assistance through the Medicare program.
- (30.06.06) ○ The Board of Directors of CORPORACIÓN MAPFRE approves the terms of the capital increase required for the re-organisation of the Group.

JULY

- (04.07.06) ○ MAPFRE ASISTENCIA extends its range of Travel Insurance with new policies and covers.
- (19.07.06) ○ Standard & Poor's raises the rating for MAPFRE RE to 'AA', considering it as a core company for the Group for the first time. It confirms its ratings for MAPFRE MUTUALIDAD (AA) and MAPFRE EMPRESAS (AA), as well as debt issued by CORPORACIÓN MAPFRE (AA-).
- (24.07.06) ○ MAPFRE MUTUALIDAD establishes discounts on Motor Insurance for drivers who do not lose any points on their driver's license.
- (25.07.06) ○ CORPORACIÓN MAPFRE's shares are again included in the Ibex 35 index.
- (27.07.06) ○ FUNDACIÓN MAPFRE presents the "Green Paper on Road Safety", which includes 77 proposals to reduce traffic accidents.
- (28.07.06) ○ The Chairman of MAPFRE ARGENTINA receives the 'Business man of the Year' award due to the company's strong growth and important achievements.

AUGUST

- (1.08.06) ○ FUNDACIÓN MAPFRE and the Inter-American Federation of Insurance Companies (FIDES) present the first global study on Taxation of Life Assurance in Latin America.
- (3.08.06) ○ The Madrid City Council acknowledges the work carried out by FUNDACIÓN MAPFRE'S Road Safety Institute during the presentation of the 2nd Promotion of Mobility Agents.
- (4.08.06) ○ MAPFRE QUAVITAE opens a new retirement home in Badajoz.
- (10.08.06) ○ *Negocios*, a newspaper, and Grupo Júbilo Comunicación awards SABIA BIOINGENIERIA ARAGONESA the Prize for Excellence in the 'Research and Management Programs' category.
- (21.08.06) ○ MAPFRE ASISTENCIA opens a representative office in Amman (Jordan), to develop the company's business in the Middle East.
- (31.08.06) ○ The Euromoney Group chooses MAPFRE as the Best Insurance Company in Latin America in 2006.

SEPTEMBER

- (8.09.06) ○ MAPFRE remains in the FTSE4Good Corporate Responsibility Index, which groups together those companies in the world which are most committed to corporate responsibility.
- (11.09.06) ○ The Professional Insurance Agents' Association of Puerto Rico chooses MAPFRE PRAICO as the country's best General Insurance Company.
- (12.09.06) ○ *Information Week* magazine includes MAPFRE TEPEYAC among the 50 most innovative companies in Mexico.
- (29.09.06) ○ MAPFRE VIDA starts to sell the new FONDMAPFRE GARANTIZADO 611 Fund.

OCTOBER

- (05.10.06) ○ Moody's, a ratings agency, confirms MAPFRE ASISTENCIA'S 'A1' financial strength rating, with a stable outlook.
- (05.10.06) ○ MAPFRE is chosen as one of Spain's most popular brands in a survey conducted by the magazine *Actualidad Económica* among over 2,100 professionals.
- (09.10.06) ○ MAPFRE PRAICO acquires the general insurance agency BALDRICH & ASSOCIATES, as well as AUTO GUARD and PROFIT SOLUTIONS, both companies dedicated to providing motor vehicle services.
- (18.10.06) ○ MAPFRE sets up a new call centre in Valladolid, from where it handles all types of issues related to motor vehicles.
- (19.10.06) ○ Her Majesty Queen Sophia presents the FUNDACIÓN MAPFRE 2006 Awards for Research, Development, Innovation and the Humanities.
- (24.10.06) ○ MAPFRE ARGENTINA receives the *Prestigio Seguros* award for the third time in a row, granted by the Public Opinion Research Centre (CEOP) and the company Comunica, and is ranked number one by executives from companies in the insurance industry.
- (26.10.06) ○ The Board of Directors of CORPORACIÓN MAPFRE resolves to pay, as of 17 November, an interim dividend of €0.20 per share (€0.04 after the share split) against 2006 profits.

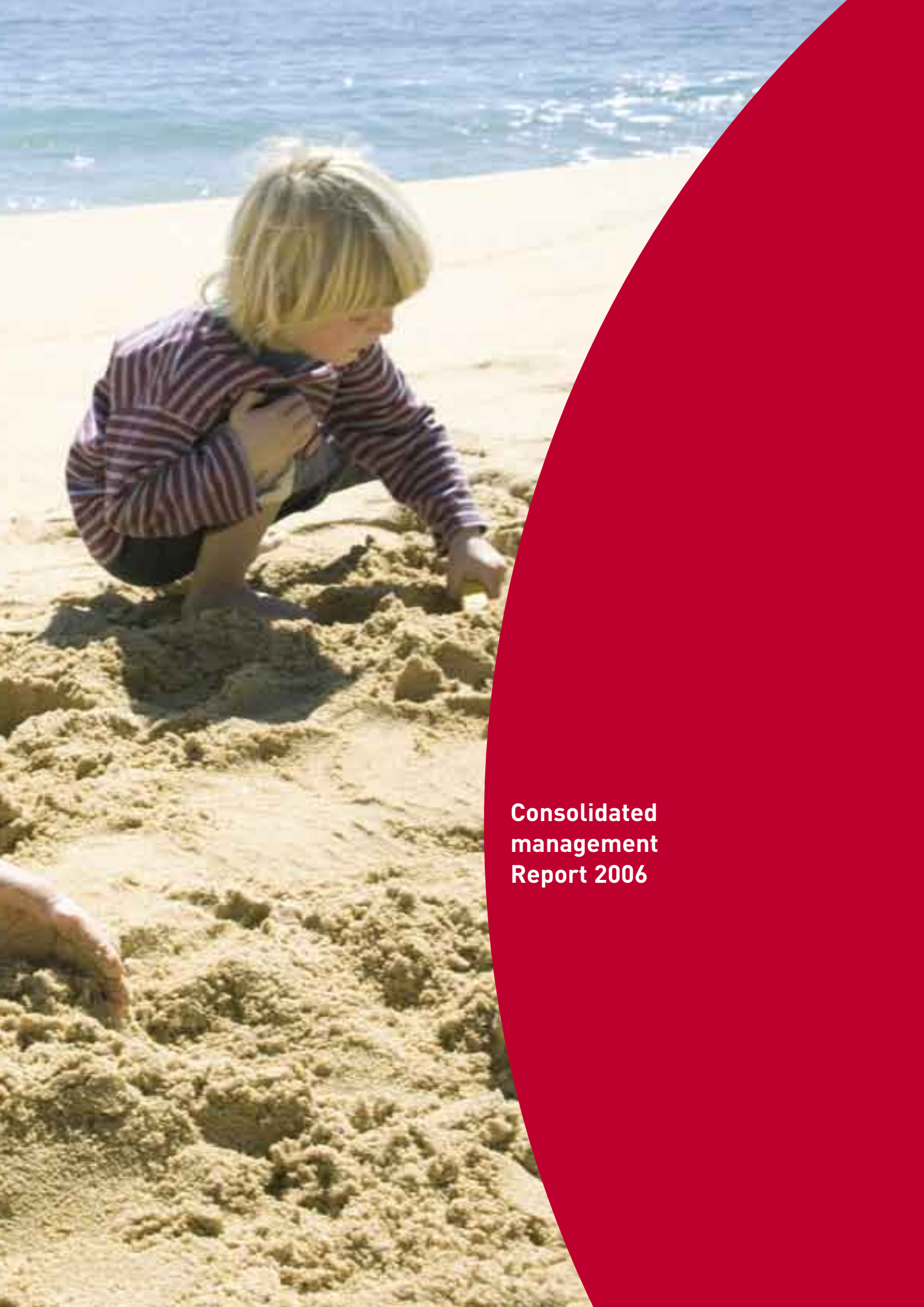
NOVEMBER

- (02.11.06) ○ MAPFRE SEGUROS GENERALES presents its two new Insurance policies, Family Protection and Rental Protection.
- (06.11.06) ○ AENOR grants MAPFRE MUTUALIDAD the ISO 9001-2000 quality certificate, which guarantees that the centres handling motor accidents and the company's medical centres comply with all of the quality requirements established by said standard.
- (17.11.06) ○ FUNDACIÓN MAPFRE starts its volunteer program, with over 500 participants drawn from among Group employees, associates and their families.
- (20.11.06) ○ *Call Center Magazine*, International Faculty for Executives (IFAES), Izo System, and the Spanish Association of Experts in Customer Call Centres (AEECCC) grant LÍNEA MAPFRE AUTOS *Call Center de Oro 2006* Award for excellence in the insurance sector.
- (22.11.06) ○ MAPFRE leads the 2005 ranking of Non-Life Insurance Companies in Latin America, and is ranked fourth overall among the insurance companies in the region.
- (22.11.06) ○ The Chairman of MAPFRE receives the Executive Award granted by the Spanish Confederation of Directors and Executives (CEDE), in recognition of individuals from Murcia who stand out for their managerial skills.
- (23.11.06) ○ MAPFRE acquires the San Antonio Polyclinic building in Bilbao in order to extend the activity of the San Francisco Javier Hospital.
- (27.11.06) ○ The FUNDACIÓN MAPFRE Trust and the Board of Directors of CORPORACIÓN MAPFRE define the new composition and members of the Group's governing bodies, as well as the relevant amendments to their Bylaws.

DECEMBER

- (01.12.06) ○ Managers, a consultancy firm, highlights MAPFRE ARGENTINA for its Record as the Best Company to Work for, according to the Great Place to Work criteria.
- (03.12.06) ○ MAPFRE ASISTENCIA starts operating in China, after entering into an agreement with China Life, the leading Life assurance company in China.
- (04.12.06) ○ MAPFRE RE opens an office in Munich to manage its business in Germany, Austria, and Central and Eastern Europe
- (05.12.06) ○ MAPFRE commences direct insurance operations in Ecuador.
- (12.12.06) ○ Twenty-three companies within the MAPFRE Group receive the ISO 14001 environmental certificate issued by Det Norske Veritas (DNV), in recognition of the optimal handling of environmental risk.
- (17.12.06) ○ MAPFRE and SOCIETÀ CATTOLICA DI ASSICURAZIONI (CATTOLICA) sign a letter of intent for the joint development in Italy of motor insurance distributed through agencies.
- (18.12.06) ○ MAPFRE and CAJA CASTILLA LA MANCHA reach an agreement for the joint development of the savings bank's life assurance and pension plan business, *CCM Vida y Pensiones*.
- (19.12.06) ○ Standard & Poor's, a rating agency, confirms the ratings and outlooks for MAPFRE and its subsidiaries after the announcement of the deal with SOCIETÀ CATTOLICA DI ASSICURAZIONI.
- (29.12.06) ○ After securing the required official authorisations, the Extraordinary General Meeting of CORPORACIÓN MAPFRE approved the resolutions needed to implement the Group's corporate restructuring, which was approved on 15th June 2006 by the General Assembly of MAPFRE MUTUALIDAD.
- (31.12.06) ○ The public deed is executed whereby the Insurance portfolio of MAPFRE MUTUALIDAD is transferred to a new company, MAPFRE AUTOMÓVILES, and equity reserves of MAPFRE MUTUALIDAD are transferred to FUNDACIÓN MAPFRE.





**Consolidated
management
Report 2006**

Consolidated management Report 2006

Economic environment

The world economy maintained its high rate of growth in 2006 (5.1%, according to the IMF), 0.2% above the growth rate for the previous year. Growth rates in the various geographic areas were more balanced than in previous years. The gradual loss of momentum in the North American economy was offset by high levels of activity in the Euro zone, led by countries such as Germany or Spain, the consolidation of economic recovery in Japan, and continuation of intense activity in major Asian economies such as China or India. Moreover, the increase in world trade (8.9% in 2006) and the high prices for major commodities over most of the year benefited emerging economies such as South-East Asia or Latin America.

Other features of the financial year from an economic viewpoint were the rise and subsequent fall in oil prices, which meant that inflation declined throughout the year; extremely favourable financial conditions for companies, despite the fact that central banks continued their normalisation process of official interest rates (increases of 1% in the United States and 1.25% in Europe), a cycle which Japan joined with its first increase in rates in six years; moderate increases in the returns from bonds; and the noteworthy depreciation of the US Dollar against the Euro.

Within this context, the trend was extremely satisfactory in those areas where MAPFRE has a major presence (Spain and Latin America). The Spanish economy is set to end the year with an increase in GDP of almost 3.8%, signalling an acceleration in comparison to previous years, and maintain a differential of almost one point against the Euro zone. Carried along by a healthy jobs market, internal demand was the main factor responsible for this performance, driven by steady consumer expenditure and dynamic investment. On the downside, some mention should be made of the ever increasing financial requirements, as a result of a substantial current account deficit, and price indices still far the European Union average.

The positive behaviour of financial markets only partially affected collective investment. Although mutual funds reached a new all-time high, growth (3.5%) was the lowest since 2002 due to competition from other financial products.

2006 was once again an excellent year for economic activity in Latin America. The region benefited from favourable international conditions – higher prices for raw materials and the wide availability of financing – with GDP growth estimated at 5.3%, an increase of 0.8% on the previous year. From an economic viewpoint, the major achievements were the consolidation of internal demand, an improvement in public accounts and the balance on current accounts, and generally lower inflation. The many electoral processes during the year scarcely affected the trend of Latin American economies. With respect to financial markets, particular mention should be made of the good performance of Latin American Stock Markets, which finished the year posting all-time highs and among the world's most profitable markets; the continued decline in risk premiums to minimum levels; successive improvements in the rating of sovereign debt by rating agencies; relative strength of currencies; and the decline in interest rates in Brazil and Mexico.

The year 2006 was also extremely positive with respect to equity markets, where indices in general finished the year close to the highest levels recorded over the last five years, or at all-time highs, such as the Dow Jones Industrial index, the IBEX 35, the Latin American markets, and certain markets in Asia. In general, the returns were extremely satisfactory, around 15% on average in Europe and the United States, and slightly lower in Japan. In developed markets, excellent returns were obtained by the Spanish market, double that of the European average.

After an initial positive phase to mid-May, stock markets capitalised on an increasingly positive context for equities, in an environment of available liquidity and a lack of investment alternatives. Thus there was an extremely favourable consolidation of a solid, global macroeconomic scenario: the relaxation of interest rates expectations, companies results which again surprised positively, a correction of over 20% in the price of oil from record levels, and the intensification of corporate activities with high premiums over market prices. The trend of rising markets thus continued, and in fact accelerated towards year-end. A more optimistic outlook among investors brought about a reduction in volatility levels to all-time lows.

The positive behaviour of financial markets only partially affected collective investment. Although mutual funds reached a new all-time high - €254,000 million, with 8.8 million unit holders - growth (3.5%) was the lowest since 2002 due to competition from other financial products. Pension funds had an excellent year, with double-digit increases in funds.

Development of the insurance markets

SPANISH MARKET*

In accordance with initial estimates, the total volume of premiums written by Spanish Insurance Companies rose in 2006 to €52,686 million, broken down as follows by lines of business:

Line of Business	2006	2005	% Var. 06/05
Life	22,540	20,532	9.8%
Non-Life	30,146	28,302	6.5%
Total Direct Insurance	52,686	48,834	7.9%

Figures in million euros

* Data supplied by the Spanish Association of Insurance and Reinsurance Companies, UNESPA.

The increase with respect the previous year once again exceeded the rate of growth of GDP for the Spanish economy.

Non-Life insurance accounted for 57.2% of the total volume of premiums. In absolute terms, Motor Insurance continued to be the largest by volume, although the growth rate was the lowest due to fierce competition. The table below shows the total estimated volume of Non-Life insurance premiums broken down by lines of business, and the variation with respect the previous year:

	2006	2005	% Var. 06/05
Motor	12,313	11,742	4.9%
Health	4,927	4,488	9.8%
Multi-peril	5,044	4,637	8.8%
Other Non-Life	7,861	7,435	5.7%
Total Non-Life	30,146	28,302	6.5%

Figures in million euros

In 2006, as in previous years, the decrease in the relative importance of the Motor Insurance component continued, as shown in the table below:

	2006	2005	2004	2003	2002
Motor	40.8%	41.5%	42.8%	44.5%	45.7%
Health	16.3%	15.9%	15.6%	15.2%	15.1%
Multi-peril	16.7%	16.3%	15.9%	15.7%	15.1%
Other Non-Life	26.1%	26.2%	25.7%	24.6%	24.1%

Based on the trends seen up to September, technical results have improved in all Non-Life lines, with the exception of Motor Insurance, which continues the negative trend observed during the previous year. The following table shows the development of the combined ratio as a percentage of net premiums earned:

	Total		Motor		Multi-peril		Health	
	30.09.06	30.09.05	30.09.06	30.09.05	30.09.06	30.09.05	30.09.06	30.09.05
Loss ratio	70.7%	71.2%	75.5%	74.2%	60.5%	60.4%	80.8%	81.6%
Expense ratio	20.4%	20.4%	18.3%	17.7%	30.3%	30.8%	11.2%	11.4%
Combined ratio	91.1%	91.6%	93.8%	91.9%	90.8%	91.2%	92.0%	93.0%

PRESS CONFERENCE
TO PRESENT THE 2006
RESULTS



The volume of managed Life savings, represented by technical reserves, was €131,081 million, up 5.6% on the previous year.

The table below shows the progress of managed Life savings, mutual funds and pension funds, and their respective increases versus the previous year:

	2006	2005	% Var. 06/05
Life Assurance	131,081	124,181	5.6%
Mutual Funds	333,100	313,531	6.2%
Pension Funds	81,200	72,917	11.4%
Total	545,381	510,629	6.8%

Figures in million euros

LATIN AMERICAN MARKETS*

According to information available, the major Latin American insurance markets posted the following increases in their respective volume of written premiums, expressed in local currency at current prices¹:

Country	Date	Non-Life	Life	Total
Argentina	30/06/2006	24.4%	5.9%	18.2%
Brazil	31/12/2006 (E) ²	15.8%	19.6%	17.4%
Colombia	30/09/2006	15.5%	7.5%	13.3%
Chile	30/09/2006	12.1%	9.3%	10.4%
Dominican Republic	30/11/2006	21.6%	0.5%	19.2%
Mexico	30/09/2006	3.8%	27.2%	13.4%
Paraguay	30/06/2006	11.0%	8.8%	10.8%
Peru	30/11/2006	15.8%	8.9%	12.9%
Puerto Rico	30/09/2006	14.3%	(4.0)%	12.4%
El Salvador	30/09/2006	16.6%	11.4%	14.9%
Uruguay	31/12/2006 (E) ²	12.7%	11.2%	12.4%
Venezuela ³	31/12/2006	-	-	49.7%

(1) Percentage variations were calculated on the basis of the most recent information available for each country, and are presented on an annualised basis.

(2) Estimated year end figures.

(3) Life assurance accounts for less than 3% of the Venezuelan market's total premiums, therefore any changes have only a minor bearing on the sector as a whole.

In 2006, the Latin American markets performed as follows:

- o In ARGENTINA, with data to the end of June, the volume of premiums shows a significant increase with respect to the previous year, mainly from Non-Life insurance business, featuring a 57% increase in the Workers' Compensation insurance line, arising from the increase in the active population. Motor insurance is noticeably accelerating due to a sharp rise in vehicle sales. Growth in the Life business was restricted by a fall in demand for retirement related insurance. The Non-Life loss ratio increased due to price competition in the Motor Insurance business, and a rise in the number of court cases related with Workers' Compensation insurance.

* Data for Latin American markets were obtained from supervisory bodies and sectorial associations in each country, from MAPFRE companies operating there, and from FUNDACION MAPFRE

- In BRAZIL, with estimated 2006 year-end data, the total volume of premiums reported a sharp increase with respect to the previous year. The main factor behind the growth was VGBL Life Insurance*, which experienced high demand in view of its attractive financial and fiscal returns. With respect to Non-Life insurance, the Motor Insurance sector grew strongly, mainly due to price increases. Growth in wealth protection insurance, meanwhile, was modest, due to the appreciation of the Real against the US Dollar, the currency in which policies are normally referenced in this line of insurance. The year was characterised by an improvement in the technical results for Non-Life insurance, thanks to the application of more restrictive subscription criteria, measures taken against fraud, and increasing costs control.
- In CHILE, with data to the end of September, the rate of growth in the volume of premiums accelerated, due to a recovery in Life business driven by the high demand for policies linked to bank financing, which offset the sustained decrease in the Life Annuity business. The main feature of the Non-Life business was an 11.2% increase in Motor Insurance, driven by an increase in vehicle sales. The Non-Life insurance loss ratio declined, particularly in the Fire and Motor Insurance lines.
- In COLOMBIA, with data to the end of September, the total volume of premiums experienced a considerable increase (8.1% in real terms), due to an acceleration in economic activity, which has driven Non-Life business volumes, particularly Motor Insurance, which benefited

* Life Assurance Generating Free Benefits.

PRESS CONFERENCE
WITH THE GOVERNOR OF
PUERTO RICO



from increased sales of vehicles. The Non-Life loss ratio fell, thanks to a tightening on subscriptions and control of risks, and increased security in the country. However, there was no change in the technical balance with respect to the previous year, due to fierce price competition in Fire, Transport and Earthquake insurance.

- In the DOMINICAN REPUBLIC, with data to the end of November, the volume of premiums increased noticeably with respect to the previous year, thanks to a rise of over 30% in Fire insurance, the main line in this market, caused by increases in the price of cover for catastrophe insurance. Motor insurance experienced considerable price competition, limiting growth to 10%, despite a significant increase in vehicle sales, which resulted in a worsening of the loss ratio. Meanwhile, the loss ratio was quite low in Fire-related business, due to the absence of claims brought about by natural disasters.
- In MEXICO, with data to the end of September, the total volume of premiums showed a significant increase, thus reversing the trend recorded during the previous year. This positive trend was due mainly to the Life business, thanks to the high demand for savings products brought on by attractive tax treatment in an environment of stable interest rates. In Non-Life business the growth in Motor Insurance premiums was over 7%, as a result of an increase in the number of vehicles purchased using financing. Accident and Illness maintained the growth reported for the previous year, around 13%, due to rate increases. Other Non-Life business, meanwhile, fell by around 5% due to fierce price competition. The loss ratio increased for Motor Insurance, leading to an upward revision of tariffs, and fell in other Non-Life businesses, due to the low incidence of claims caused by natural disasters.



EXTRAORDINARY
GENERAL MEETING,
15TH JUNE 2006

- In PARAGUAY, with data for the first six months, the growth rate accelerated with respect to the previous year, thanks to an increase of over 16% in Motor Insurance driven by an increase in imported second-hand vehicles following the devaluation of the US Dollar. However this depreciation had a negative effect on a number of sectors of the economy, particularly agriculture. This resulted in a slowdown in growth rates in other Non-Life areas and Life assurance, the latter remaining stable at 7.2% of total premiums. The Non-Life loss ratio fell, mainly due to a significant reduction in the Motor Insurance line.
- In PERU, with data to the end of November, premium growth accelerated with respect to the previous year. Non-Life business showed the most significant increase, mainly due to Motor Insurance, as a result of the increase in sales of new vehicles, and Earthquake cover, due to higher rates as a result of a rise in the cost of reinsurance. The growth in Life and Pensions was slightly less, due to a decrease of almost 7% in the main line of business (Retirement Earnings), caused by the termination of an early retirement scheme for unemployment. The Non-Life loss ratio fell, mainly thanks to the 4% decrease in Fire business, which accounts for 22% of total Non-Life insurance.
- In PUERTO RICO, according to data from the first nine months, the market reported substantial growth, mostly due to an increase of over 22% in Health insurance, as a





NEW HEADQUARTERS
OF MAPFRE CHILE

result of the continued success of health care plans for retired individuals, subsidised and regulated by the federal authorities (Medicare). Other Non-Life business, including Motor Insurance, declined due to a slump in economic activity on the island, causing a fall in demand and fierce price competition. Life premiums also fell due to a decrease in the volume subscribed by foreign companies. The Non-Life loss ratio decreased with respect to the previous year.

- The market in EL SALVADOR, with data to the end of September, reported a growth rate in excess of the previous year. Growth was almost 20% in the main Non-Life lines (Fire and Motor), although it is likely that the overall growth rates for the year as a whole will be lower, due to fierce price competition. The loss ratio increased substantially in most Non-Life insurance lines, due to insufficient rates and an increase in frequency.
- In URUGUAY, according to the estimated figures for the year overall, the insurance market accelerated its growth trend versus the previous year, thanks to the recovery of the Uruguayan economy. Non-Life insurance experienced growth in most lines of business, particularly Motor Insurance, which increased by over 11% due to a gradual recovery in the sales of vehicles. As in 2005, the Life business maintained steady progress, caused by the growth in the active population and in salaries. The Non-Life loss ratio decreased, with a noteworthy fall in Motor Insurance, caused by a slight increase in rates and a decrease in frequency.
- In VENEZUELA, with year-end data, the market showed the highest growth of the last nine years both in nominal and in real terms (+ 32.7%), mainly due to substantial activity in Health business, due to the continuing process of externalisation of group policies in the public sector, and Motor Insurance, due to increased vehicle sales. Price competition was intense, producing higher loss ratios and acquisition costs which, within a context of lower interest rates, reduced the industry's technical-financial results.

The global reinsurance companies are experiencing a reduction in the growth of premiums, partly caused by the voluntary limitation of catastrophe business in certain areas, as a result of a better analysis of exposures and a redrafting of the models used, and partly by an increase in retentions and the replacement, by certain cedants, of proportional reinsurance with non-proportional reinsurance.

REINSURANCE MARKET

The worldwide reinsurance market progressed satisfactorily in 2006, due to the low incidence of natural catastrophe claims, with no large individual claims affecting results negatively.

The reduction in the combined ratio, due to the abovementioned absence of major natural catastrophes, and improved financial returns, would seem to indicate that the reinsurance market is set to end the year with considerably higher earnings than in 2004 and 2005, both of which were affected by large and frequent natural disaster claims, leading to substantial losses.

The market has generally witnessed an improvement in conditions and prices in zones and business lines affected by catastrophes, and the maintenance of conditions or a slight reduction in tariffs in unaffected markets. It may be deduced that pressure from competitors will increase in 2007, in order to obtain market shares and revenues in accordance with their high market capitalisation and expectations.

In general, the global reinsurance companies are experiencing a reduction in the growth of premiums, partly caused by the voluntary limitation of catastrophe business in certain areas, as a result of a better analysis of exposures and a redrafting of the models used, and partly by an increase in retentions and the replacement, by certain cedants, of proportional reinsurance with non-proportional reinsurance.

New capital continued to reach the sector in 2006 from major mutual funds as "sidecars", catastrophe bonds, or new reinsurers operating in the Bermuda market.

SPANISH AGRICULTURE
MINISTER, ELENA
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Business development

OPERATING REVENUES AND FUNDS UNDER MANAGEMENT

Gross written and accepted premiums, including accepted reinsurance premiums, written by the subsidiaries of the Company, amounted to €7,900.1 million in 2006, an 8.8% increase. Total operating revenues reached €10,212.7 million, including €349.6 million of new gross contributions to pension funds. The breakdown of these revenues by business line is shown in the following table:

	2006	2005	Var. % 06/05
Companies operating primarily in Spain	6,151.8	5,884.9	4.5%
Gross written and accepted premiums	4,689.6	4,508.6	4.0%
Income from investments	1,071.1	1,110.8	(3.6)%
Other income	391.1	265.5	47.3%
Companies operating primarily abroad	3,715.3	3,178.3	16.9%
Gross written and accepted premiums	3,210.5	2,751.7	16.7%
Income from investments	364.5	297.2	22.6%
Other income	140.3	129.4	8.4%
Holding company	167.8	241.6	(30.5)%
CUMULATIVE REVENUES SUBTOTAL	10,034.9	9,304.8	7.8%
Consolidation adjustments and other companies	(171.8)	(256.2)	(32.9)%
CONSOLIDATED REVENUES SUBTOTAL	9,863.1	9,048.6	9.0%
Gross contributions to pension funds	349.6	295.7	18.2%
TOTAL REVENUES FROM OPERATIONS	10,212.7	9,344.3	9.3%

Figures in million euros

In 2006, total cumulative and total consolidated revenues grew 7.8% and 9% over the previous year, respectively. This development was characterised by the following factors:

- Organic growth in premiums volumes, which was particularly significant outside of Spain.
- The rise in interest rates, which reduced financial income through shadow accounting adjustments.
- The appreciation of the Euro against the US Dollar and Latin American currencies, which reduced the amount of revenues coming from Latin America.

The following table shows the evolution of managed funds in Life Assurance and Savings products:

	2006	2005	Var. % 06/05
Life assurance technical reserves	14,834.4	14,867.7	(0.2)%
Pension funds	1,493.2	1,287.4	16.0%
Mutual funds	3,777.3	3,097.1	22.0%
TOTAL	20,104.9	19,252.2	4.4%

Figures in million euros

The variation in managed funds obtained in 2006 (4.4%) reflects primarily the following factors:

- An increase in the recurring sale of Life Savings products.
- Growth rates above the market average in the volume of funds managed in Mutual and Pension Funds.

The reduction in the market value of investments, due to the abovementioned rise in interest rates versus the previous year, lead to a €334.3 million downwards adjustment in Life assurance technical reserves.

Spain

Gross written and accepted premiums issued by the companies that operate primarily in Spain reached €4,689.6 million, to which €349.6 million of new gross contributions to pension funds must be added. The following table provides a breakdown of these volumes.

	2006	2005	Var.% 06/05
LIFE ASSURANCE OPERATING UNIT	1,891.8	1,915.3	(1.2)%
GENERAL INSURANCE OPERATING UNIT	1,182.8	1,140.2	3.7%
COMMERCIAL INSURANCE OPERATING UNIT	1,233.2	1,101.5	12.0%
MAPFRE CAJA SALUD	388.0	353.3	9.8%
Consolidation adjustments	(6.2)	(1.7)	-
TOTAL PREMIUMS	4,689.6	4,508.6	4.0%
Gross contributions to pension funds	349.6	295.7	18.2%

Figures in million euros

The decrease in the volume of premiums of the LIFE ASSURANCE OPERATING UNIT is due to the absence of non-recurring operations arising from the externalisation of corporate pension commitments, which amounted to €148.6 million in 2005. Excluding these, premiums volumes grew 7.1%, thanks to a 6.6% increase in Life Savings premiums and the sustained growth in retail Life Protection products. The revenues of the stockbroking and mutual and pension funds management subsidiaries grouped under MAPFRE INVERSIÓN reached €110.2 million, a 19.4% increase over the previous year, thanks to growth above the market average in managed funds.

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Premium growth in the GENERAL INSURANCE OPERATING UNIT reflects the transfer of the industrial risks portfolio of its subsidiary MAPFRE GUANARTEME to MAPFRE EMPRESAS. Excluding this, the increase in its business volume stood at 7.1%, as a result of a 9.9% rise in the General Insurance and Burial lines, and a 10.4% decrease in the Motor Insurance business (Canary Islands) which will be transferred to MAPFRE AUTOMÓVILES under the new structure. In 2006, there were over 2.3 million homes insured and more than 4.4 million policies issued.

The business volume of the COMMERCIAL INSURANCE OPERATING UNIT includes the premiums from the abovementioned integration of MAPFRE GUANARTEME'S industrial risks portfolio. Excluding this, premiums grew 8.7% in the year, despite strong competition. The following increases were recorded: 7.2% in the Industrial business in Spain, reflecting the attainment of new clients; 10.9% in the Global Risk business, thanks to significant growth abroad; and 5.3% in the Credit and Surety business, on the back of sustained growth in Latin America.

Lastly, MAPFRE CAJA SALUD, which operates in a highly specialised business line, recorded a 9.8% increase in premiums, which came primarily from the Health Assistance (retail business) and Expense Reimbursement lines, which grew 8.3% and 13.3%, respectively.

The following table shows a breakdown of written and accepted premiums by line of business in 2005 and 2006, together with the corresponding market shares (provisional in the case of 2006):

	2006	2005	Var. % 06/05	Market Share	
				2006	2005
Motor	129.0	143.9	(10.4)%	1.0%	1.2%
Health	388.0	353.3	9.8%	7.8%	7.9%
Other - Non-Life	2,281.5	2,090.1	9.2%	16.6%	16.8%
Consolidation adjustments	(6.2)	(1.7)			
TOTAL NON-LIFE	2,792.3	2,585.6	8.0%	8.8%	8.9%
Life Protection	274.9	252.2	9.0%		
Life Savings	1,622.4	1,522.2	6.6%		
Life Externalisations	0.0	148.6	-		
Consolidation adjustments	-	-			
TOTAL LIFE	1,897.3	1,923.0	(1.3)%	8.4%	9.0%
TOTAL	4,689.6	4,508.6	4.0%	8.6%	9.0%

Figures in million euros

The breakdown of premiums written through the agents channel and the CAJA MADRID bank channel was as follows:

	Agents Channel			Caja Madrid Bank Channel			Total		
	2006	2005	Var. %	2006	2005	Var. %	2006	2005	Var. %
LIFE	1,061.7	1,073.0	(1.1)%	830.1	842.3	(1.4)%	1,891.8	1,915.3	(1.2)%
GENERAL INSURANCE	1,047.5	1,033.3	1.4%	135.3	106.9	26.6%	1,182.8	1,140.2	3.7%
COMMERCIAL INSURANCE	1,205.7	1,076.7	12.0%	27.5	24.8	10.9%	1,233.2	1,101.5	12.0%
HEALTH	367.0	335.0	9.6%	21.0	18.3	14.8%	388.0	353.3	9.8%
Consolidation adjustments							(6.2)	(1.7)	-
TOTAL	3,681.9	3,518.0	4.7%	1,013.9	992.3	2.2%	4,689.6	4,508.6	4.0%

Figures in million euros

Total income from investments for the companies that operate primarily in Spain decreased 3.6% to €1,071.1 million (vs. €1,110.8 million in 2005). Of these, €965.6 million came from interest, dividends and equivalents, against €986.5 million in 2005.

Total income from non insurance operations amounted to €416 million, a 41.1% increase over the previous year. Its breakdown is shown in the following table:

	2006	2005	% Var. 06/05
MAPFRE INVERSIÓN and subsidiaries	110.2	92.3	19.4%
MAPFRE INMUEBLES	118.3	37.4	-
MAPFRE QUAVITAE	103.6	85.0	21.9%
Other entities	83.9	80.2	4.6%
TOTAL	416.0	294.9	41.1%

Figures in million euros



FRONT COVER OF THE PUBLICATION "RANKING OF LATIN AMERICAN INSURANCE COMPANIES", ISSUED BY FUNDACIÓN MAPFRE

International

Gross written and accepted premiums issued by the Units and Companies that operate primarily abroad, evolved as follows:

	2006	2005	Var. % 06/05
MAPFRE AMÉRICA	2,031.9	1,655.0	22.8%
Argentina	266.2	195.2	36.4%
Brazil ⁽¹⁾	621.9	434.6	43.1%
Chile	107.7	133.6	(19.4)%
Colombia	62.9	55.2	13.9%
El Salvador	32.0	28.4	12.7%
Mexico	310.9	250.8	24.0%
Paraguay	9.1	8.6	5.8%
Peru	31.2	27.1	15.1%
Puerto Rico	270.9	254.3	6.5%
Dominican Republic	10.8	1.8	–
Uruguay	11.7	10.0	17.0%
Venezuela	296.6	255.4	16.1%
MAPFRE INTERNACIONAL	34.7	12.9	169.0%
MAPFRE INSULAR (The Philippines)	18.5	12.9	43.4%
MAPFRE U.S.A.	16.2	–	–
SUBTOTAL DIRECT INSURANCE	2,066.6	1,667.9	23.9%
ACCEPTED REINSURANCE	1,437.7	1,337.4	7.5%
ASSISTANCE	296.3	254.5	16.4%
TOTAL CUMULATIVE PREMIUMS	3,800.6	3,259.8	16.6%
Intra-group transactions eliminated upon consolidation	(590.1)	(508.1)	16.1%
TOTAL CONSOLIDATED PREMIUMS	3,210.5	2,751.7	16.7%

Figures in million euros

(1) Figures at the close of 2006 include premiums from MAPFRE NOSSA CAIXA amounting to €73.3 million (€11.5 million in 2005).

The breakdown of Direct insurance premiums written by business lines and by companies that operate abroad, is shown in the following table:

	2006	2005	Var. % 06/05
Motor	886.2	749.4	18.3%
Health and accidents	338.8	263.1	28.8%
Other lines of business	841.6	655.4	28.4%
TOTAL	2,066.6	1,667.9	23.9%

Figures in million euros

MAPFRE AMÉRICA reported premiums of €2,031.9 million, a 22.8% increase over the previous year. It is worth noting the growth achieved by the subsidiaries operating in Brazil, Argentina and Mexico.

MAPFRE is the leading Non-Life insurance group in Latin America, where it ranked first in 2005 with a share of approximately 6.1% of the premiums of the countries and territories in which it operates. The following table shows the Non-Life direct insurance market shares in the various countries:

Countries	Market shares ⁽¹⁾
Argentina	8.0%
Brazil	5.4%
Chile	12.3%
Colombia	4.2%
El Salvador	13.0%
Mexico	3.7%
Paraguay ⁽²⁾	13.3%
Peru	6.4%
Puerto Rico	12.4%
Uruguay	5.1%
Venezuela	9.6%

(1) Figures as per the latest data available for each market.

(2) Total market share (Life and Non-Life).

In the accepted reinsurance business, MAPFRE RE and its subsidiaries recorded consolidated premiums of €1,437.7 million (€1,337.4 million in 2005), a 7.5% increase. Retained premiums were €984.3 million, equivalent to a 68.5% retention rate (68.3% in 2005). By geographical areas, 41% of accepted premiums came from Spain, 25% from the rest of Europe, 22% from Latin America, 4% from North America and the remaining 8% from other countries. During 2006, the North American operations were reorganised, with the transfer to the parent company MAPFRE RE, the business of its subsidiary MAPFRE REINSURANCE CORPORATION and also its Canadian branch.

The total revenues (premiums and revenues from the sale of services) of MAPFRE ASISTENCIA and its subsidiaries reached €421.4 million, a 15.9% increase over the previous year. The geographical breakdown was as follows: Spain, 14%; Latin America, 26%; other European countries, 43%; North America, 13%; and 4% from other areas.

Lastly, MAPFRE INTERNACIONAL recorded consolidated premiums of €34.7 million. Its subsidiaries evolved as follows:

- MAPFRE USA, which operates in Florida, wrote premiums totalling €16.2 million.
- MAPFRE INSULAR (The Philippines) grew written premiums by 43.4% in euros (35.1% in local currency).

The total income from the investments held by the companies that operate primarily outside of Spain grew 22.6% to €364.5 million. (vs. €297.2 million in 2005). Of these, €251.7 million came from interests, dividends and equivalents, versus €218.5 million in 2005.

MANAGEMENT RATIOS

The consolidated Non-Life combined ratio was 95.1%, against 97.6% the previous year. This ratio improved in virtually all Units and Companies, especially at MAPFRE RE, reflecting the limited occurrence of insured natural catastrophe claims. The evolution of the main management ratios is shown in the following table:

Units and Companies	Ratios					
	Expense Ratio ⁽¹⁾		Loss Ratio ⁽²⁾		Combined Ratio ⁽³⁾	
	2006	2005	2006	2005	2006	2005
Companies operating primarily in Spain						
GENERAL INSURANCE OPERATING UNIT	27.7%	27.3%	62.8%	64.7%	90.5%	92.0%
COMMERCIAL INSURANCE OPERATING UNIT ⁽⁴⁾	20.3%	12.1%	65.7%	78.0%	86.0%	90.1%
MAPFRE CAJA SALUD	16.6%	15.7%	78.1%	81.2%	94.7%	96.9%
MAPFRE-CAJA MADRID HOLDING	23.6%	21.1%	66.5%	71.2%	90.1%	92.3%
Companies operating primarily abroad						
MAPFRE AMÉRICA	36.4%	34.8%	66.6%	68.2%	103.0%	103.0%
MAPFRE RE	34.8%	32.1%	57.6%	67.6%	92.3%	99.7%
MAPFRE ASISTENCIA	22.9%	25.3%	70.8%	71.4%	93.7%	96.7%
LIFE ASSURANCE OPERATING UNIT ⁽⁵⁾	0.9%	0.9%				
Consolidated total	30.1%	28.1%	65.0%	69.5%	95.1%	97.6%

(1) (Operating expenses, net of reinsurance + profit sharing and returned premiums – other technical income + other technical expenses) / Net premiums earned. Figures for the Non-Life business. In 2006, figures include the reserves appropriated for early retirements to be undertaken in future years, which added 0.4 percentage points to the expense ratio.

(2) (Net claims incurred + variation of other technical reserves)/Net premiums earned. Figures for the Non-Life business.

(3) Combined ratio = Expense ratio + Loss ratio. Figures for the Non-Life business.

(4) Given the importance of credit opinion activities for MAPFRE CAUCIÓN y CRÉDITO, the net income from other activities of this subsidiary is added to the numerator of the expense ratio.

(5) Net operating expenses/average third-party funds under management.



RESULTS

The consolidated profit after tax was €515.9 million (€393.8 million in 2005), a 31% increase. The net consolidated profit after tax and minority interests reached €330.2 million, a 32.2% increase.

In general terms, most Units and Subsidiaries increased considerably their profits versus fiscal year 2005. Of special mention is the growth achieved by MAPFRE RE, MAPFRE SEGUROS GENERALES and MAPFRE CAJA SALUD. The following table shows the sources and breakdown of results:

	2006	2005	Var. % 06/05
INSURANCE ACTIVITIES	677.1	523.7	29.3%
Companies operating primarily in Spain	445.6	364.3	22.3%
Companies operating primarily abroad	231.5	159.4	45.2%
OTHER ACTIVITIES	63.7	41.0	55.4%
Holding & other companies and consolidation adjustments	(3.4)	(16.8)	(79.8)%
Result before tax and minority interests	737.4	547.9	34.6%
Taxes	(221.5)	(154.1)	43.7%
Result after tax	515.9	393.8	31.0%
Result attributable to minority interests	(185.7)	(144.0)	29.0%
Result after tax and minority interests	330.2	249.8	32.2%

Figures in million euros

The development of the results of the main Units and Companies with respect to the previous year, is shown in the following table:

	Before tax and minority interests		After tax and minority interests	
	2006	2005	2006	2005
INSURANCE ACTIVITIES				
Companies operating primarily in Spain				
LIFE ASSURANCE OPERATING UNIT	142.3	133.1	96.5	88.8
GENERAL INSURANCE OPERATING UNIT	161.3	111.6	106.0	69.7
COMMERCIAL INSURANCE OPERATING UNIT	115.5	103.9	78.7	71.4
MAPFRE CAJA SALUD	26.5	15.7	16.5	9.9
Companies operating primarily abroad				
MAPFRE AMÉRICA	101.4	91.6	83.8	105.7
MAPFRE RE	115.8	54.4	77.2	32.3
ASSISTANCE INSURANCE OPERATING UNIT	14.3	13.4	10.0	9.5
OTHER ACTIVITIES				
LIFE ASSURANCE OP.UNIT (MAPFRE INVERSIÓN)	50.4	39.2	32.4	25.4
MAPFRE INMUEBLES	12.9	2.8	8.3	2.4
MAPFRE QUAVITAE	0.4	(1.0)	0.1	(1.2)
COMPANIES WITH A MINORITY SHAREHOLDING⁽¹⁾				
GESMADRID	5.5	5.7	3.6	3.7
CAJA MADRID PENSIONES	3.0	2.3	2.0	1.5
CAJA MADRID BOLSA	5.7	2.7	3.8	1.8

Figures in million euros

(1) Figures adjusted for the percentage of ownership.



MAPFRE BUILDING
IN MAJADAHONDA,
MADRID

The income arising from the use of tax credits from previous years for MAPFRE AMERICA amounted to €4.4 million, against €30.6 million in 2005. Excluding these items, the net result would have grown 5.7%.

In this fiscal year and in the previous one a series of transfers of shareholdings and portfolios among several companies were carried out within the framework of the Group's corporate reorganisation process. This generated increases and decreases in the results of the Units that were affected, which were subsequently eliminated upon consolidation. The following table compares the increases recorded by the various Units in their accounting profits for 2006 with those they would have recorded excluding the results arising from the transfers referred to above:

	Increase / (decrease) in net result	
	Accounting profit	Adjusted by transfers
COMMERCIAL INSURANCE OPERATING UNIT	10.2%	44.4%
GENERAL INSURANCE OPERATING UNIT	52.1%	39.1%
MAPFRE RE	139.0%	88.8%
MAPFRE-CAJA MADRID HOLDING and others	25.4%	27.0%

The consolidated profit after tax was €515.9 million (€393.8 million in 2005), a 31% increase.

The net consolidated profit after tax and minority interests reached €330.2 million, a 32.2% increase.

The contribution of the various Units and Companies to the net consolidated result, is as follows:

	Net Result	Minority interests	Consolidation adjustments	Contribution to consolidated result 2006	% over total	Contribution to consolidated result 2005	% over total
INSURANCE ACTIVITIES							
LIFE AND SAVINGS OPERATING UNIT	128.9	(63.2)		65.7	19.9%	58.1	23.2%
GENERAL INSURANCE OPERATING UNIT	106.0	(51.9)		54.1	16.4%	39.2	15.7%
COMMERCIAL INSURANCE OPERATING UNIT	78.7	(38.6)		40.1	12.2%	27.7	11.1%
MAPFRE CAJA SALUD	16.5	(8.1)		8.4	2.5%	4.9	2.0%
Individual result and consolidation adjustments				(1.3)	(0.4)%	3.6	1.4%
MAPFRE-CAJA MADRID HOLDING				167.1	50.6%	133.5	53.4%
OTHER ACTIVITIES							
MAPFRE INMUEBLES	8.3			8.3	2.5%	2.4	1.0%
MAPFRE QUAVITAE	0.1			0.1	0.04%	(0.5)	(0.2)%
Companies operating mainly in Spain				175.5	53.1%	135.4	54.2%
MAPFRE AMÉRICA	83.8	(10.5)		73.3	22.2%	92.4	37.0%
MAPFRE RE	77.2	(9.3)		67.9	20.6%	35.9	14.4%
ASSISTANCE OPERATING UNIT	10.0			10.0	3.0%	9.5	3.8%
MAPFRE INTERNACIONAL ⁽¹⁾	3.0			3.0	0.9%	0.8	0.3%
Companies operating mainly abroad				154.2	46.7%	138.6	55.5%
Other companies and consolidation adjustments				0.5	0.2%	(24.1)	(9.7)%
Consolidated total				330.2	100%	249.8	100%

Figures in million euros

(1) The figures for 2005 correspond to MAPFRE INSULAR. Figures for 2006 correspond to MAPFRE USA and MAPFRE INSULAR.

INVESTMENTS AND LIQUID ASSETS

The book value of investments and liquid assets as at 31 December 2006 was €22,512.9 million, a 3.2% increase over the previous year. The following table shows its breakdown and percentage distribution:

	2006	% over total	2005	% over total
Risk-free investments	1,088.3	4.8%	1,264.4	5.8%
Cash	832.5	3.7%	964.7	4.4%
Unit-linked investments	255.8	1.1%	299.7	1.4%
Real Estate Investments	881.7	3.9%	722.8	3.3%
Buildings for own use	428.0	1.9%	377.7	1.7%
Other Real Estate investments	453.7	2.0%	345.1	1.6%
Financial investments	20,266.0	90.0%	19,585.8	89.8%
Shares	747.0	3.3%	448.5	2.1%
Fixed income	18,138.0	80.6%	17,850.8	81.9%
Mutual funds	1,037.2	4.6%	905.3	4.2%
Other financial investments	343.8	1.5%	381.2	1.7%
Other investments	276.9	1.2%	235.0	1.1%
Investments in associated companies	125.2	0.6%	104.4	0.5%
Accepted reinsurance deposits	104.8	0.5%	97.9	0.4%
Other investments	46.9	0.2%	32.7	0.1%
TOTAL	22,512.9	100.0%	21,808.0	100.0%

Figures in million euros

The value of real estate investments shown in the previous table does not include unrealised capital gains, which amounted to €434.8 million at the close of the year, according to valuations performed by independent valuers.

SHAREHOLDERS' EQUITY AND RETURNS

The net consolidated equity reached €3,411.7 million, versus €3,161.3 million at the close of 2005. This variation includes the positive impact of the profits earned by the various Units and Companies, together with the negative impact of the decrease in the value of unrealised capital gains and the adjustments for translation differences. Of said amount, €1,071.7 million corresponded to minority interests in subsidiaries. Consolidated shareholders' equity per share was €1.96 at the end of 2006 (€1.83 at the end of 2005).

The return on equity (ROE), defined as the net consolidated profit after tax and minority interests, as a percentage of average shareholders' equity, was 14.6%, against 12.4% for the previous year. The following table shows the ROE of the main Units and Companies:

	2006			2005
	Average equity	Net Result	ROE % ⁽¹⁾	ROE % ⁽¹⁾
LIFE ASSURANCE OPERATING UNIT	628.4	128.9	20.5%	19.8%
GENERAL INSURANCE OPERATING UNIT	330.5	106.0	32.1%	23.2%
COMMERCIAL INSURANCE OPERATING UNIT	292.2	78.7	26.8%	24.7%
MAPFRE CAJA SALUD	114.2	16.5	14.4%	9.8%
MAPFRE INMUEBLES	118.7	8.3	7.0%	3.5%
MAPFRE AMÉRICA	799.8	83.8	10.5%	15.9%
MAPFRE RE	634.9	77.2	12.2%	5.6%
MAPFRE ASISTENCIA	93.5	10.0	10.7%	12.2%
MAPFRE S.A. Consolidated	2,261.8	330.2	14.6%	12.4%

Figures in million euros

(1) Net result after taxes and minority interests/average shareholders' equity (excluding minority interests).

As approved by the General Shareholders' Meeting, a 5-for-1 share split became effective on 28th October. As a consequence, the nominal value of each share was set at €0.10, against €0.50 previously, while the number of shares in issue changed from 238,900,706 to 1,194,503,530.

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Main activities of the year

CORPORATE RESTRUCTURING

On 15th June 2006 the General Assembly of MAPFRE MUTUALIDAD resolved to carry out a reorganisation of the Group's corporate structure in order to safeguard its future independence, its Spanish origins and its institutional stability; to submit all of MAPFRE'S business activities to market appraisal and to the rules and controls of the market; to substantially increase MAPFRE'S size and market capitalisation, as well as its capacity to raise new funds so as to allow it to continue increasing its activities and its international growth, with the purpose of gaining a place among the large European and global insurers; and to facilitate a more efficient and transparent management of the Group as a whole.

To fulfil these resolutions, after having obtained the necessary authorisations, the re-structuring was implemented at the end of financial year 2006, for which purpose the Extraordinary General Meeting of our company passed the following resolutions on 29th December 2006:

- To carry out a capital increase amounting to €108,082,063.30, by means of the issue of 1,080,820,633 new shares, with a nominal value of €0.10 each, without pre-emption rights, and structured into two tranches: a non-cash tranche, reserved for CARTERA MAPFRE, which subscribed 960,577,530 shares, in exchange for the following holdings:
 - 100% of the new company MAPFRE AUTOMÓVILES, which incorporated the insurance portfolio of MAPFRE MUTUALIDAD.
 - 87.57% of MAPFRE AMÉRICA VIDA.
 - 99.97% of MAPFRE AGROPECUARIA.
 - 75% of MAPFRE SEGUROS GERAIS, in Portugal.
 - 57.28% of MAPFRE USA CORPORATION, in Florida.
 - 48.89% of BANCO DE SERVICIOS FINANCIEROS CAJA MADRID – MAPFRE.
 - 99.98% of CENTRO INTERNACIONAL DE FORMACIÓN DE DIRECTIVOS MAPFRE.
 - 95.83% of MAPFRE SERVICIOS DE INFORMÁTICA.
 - A 3% holding in SOCIETÀ CATTOLICA DI ASSICURAZIONI.



PRESS CONFERENCE
HELD ON 30TH MAY 2006,
WHERE THE CREATION
OF THE NEW MAPFRE
S.A. WAS PRESENTED



MAPFRE BUILDINGS IN
MAJADAHONDA, MADRID

And another tranche reserved for MAPFRE MUTUALIDAD, which subscribed 120,243,103 shares, in exchange for €383,815,984.78 in cash.

The terms of the non-cash tranche of the capital increase were set taking into account the weighted average price of the Company's shares between 30th April and 29th May 2006, and the market value range over the same dates of the above mentioned holdings that were contributed, as defined by Morgan Stanley based on those same parameters. The resulting exchange equation was revised by Citigroup, which considered it fair and hence it issued the relevant fairness opinion.

- To change the former company name (CORPORACIÓN MAPFRE) to the present one (MAPFRE S.A.); and carry out an amendment of the articles of Association in order to adapt them to the new situation of the Group's parent company, through which there were incorporated rules for the protection of the interests of the Company and its shareholders, such that the power of managers is limited and potential conflicts of interest are prevented. This is in keeping with the recommendations of the CNMV'S Unified Governance Code and the Group's own internal practice. The structure of the Company's governing bodies is updated, the Board of Directors shall be composed of a maximum twenty-four directors, of whom at least two thirds shall be external directors (and at least one third shall be independent directors), and it shall have a Standing Committee, plus Audit, Appointments and Remuneration, and Compliance Committees; and the possibility of creating an Executive Committee reporting to the Standing Committee is provided.

The General Assembly of MAPFRE MUTUALIDAD resolved to carry out a reorganisation of the Group's corporate structure in order to safeguard its future independence, its Spanish origins and its institutional stability; and to facilitate a more efficient and transparent management of the Group as a whole.

MAPFRE MUTUALIDAD, for its part, transferred its Assets and also its corresponding share of the Reserves to FUNDACIÓN MAPFRE; and to those who were members on 15th June 2006 or during the three preceding financial years (a total of 5,229,786 beneficiaries), who shall receive €73.40 or 23 shares of MAPFRE S.A., whichever they freely choose.

After these operations, FUNDACIÓN MAPFRE, through CARTERA MAPFRE, is the holder of 71.59 per cent of the shares of our MAPFRE S.A., becoming the majority shareholder instead of MAPFRE MUTUALIDAD; it shall assume, by way of its Institutional Control Commission, the supervision of the Company's Good Governance, to be performed exclusively by the Board of Directors, with the priority objective of creating value for all of its shareholders.



OPERATIONAL REORGANISATION

At the Extraordinary General Meeting held on 29th December 2006, and at the meeting of the Board of Directors held on the same day, a reorganisation was carried out in the composition of the latter body, and of its commissions and standing committees. Below are some of the most important decisions taken for this purpose:

- The Board of Directors is composed of eight executive directors, six representing the majority shareholder, and eight independent directors.
- The Chairman of the Board of Directors, a post which naturally entails the chairmanship of FUNDACIÓN MAPFRE, shall continue to be Mr. José Manuel Martínez. The First Vice Chairman is Mr. Alberto Manzano, who has also been appointed the Chairman of the Institutional Control Commission of FUNDACIÓN MAPFRE; and there are four more Vice Chairmen, which will be reduced to just two by year-end 2007, due to the scheduled retirement of Mr. Domingo Sugranyes and Mr. Santiago Gayarre.
- Mr. Ricardo Blanco and Mr. Esteban Tejera were appointed General Managers, and in the future the latter will assume the management of the Economic and Management Control Area. The remaining Group Common Areas (Human Resources, Legal Affairs, Internal Audit, Investments, and Communication and Social Responsibility) were integrated in the Company with the same functions and managers as formerly at MAPFRE MUTUALIDAD as the Group's parent company. The Group's Company Secretary is Mr. José Manuel González Porro.

From an operating standpoint, two large Divisions were created, which group together a number of Units and Companies, with the purpose of enhancing their coordination and customer focus, reducing costs by integrating those activities that can be integrated, without losing their specialisation, and taking advantage of possible synergies to the maximum:

- The MAPFRE FAMILY DIVISION groups together the Motor, General Insurance, Health and Agricultural & Livestock Insurance Units. The Executive Manager is Mr. Antonio Huertas, who also supervises the performance of the MAPFRE NETWORK and of a new TECHNOLOGIES AND OPERATIONAL PROCEDURES Area, the General Manager of which shall be Mr. José Manuel Inchausti. It will seek the maximum performance synergies with MAPFRE EMPRESAS, which shall continue to be chaired by Mr. Filomeno Mira, and with MAPFRE VIDA, who's new Chairman is Mr. Ignacio Baeza.
- The International Direct Insurance Division integrates the companies MAPFRE AMÉRICA, MAPFRE AMÉRICA VIDA and MAPFRE INTERNACIONAL, and in the future it will also include the Global Risks and Credit Insurance businesses. The Executive Manager is Mr. Andrés Jiménez, who also chairs an International Operations Commission that coordinates and supervises the performance of the new Division and of the REINSURANCE and ASSISTANCE Units. The newly appointed Chairman of the latter unit is Mr. Rafael Senén.

In addition to the abovementioned appointments, we must add those of Mr. Ángel Alonso Batres as the Deputy Chairman of the International Direct Insurance Division, assuming specific functions in other areas related to the Chairmanship of MAPFRE; Mr. Esteban Pedrayes Larrauri as the First Vice Chairman of the Executive Committee of the MAPFRE FAMILY DIVISION, without relinquishing any of his other positions; Mr. Rafael Casas Gutiérrez as the First Vice Chairman of the International Direct Insurance Division's Executive Committee, without relinquishing any of his other positions; Mr. Francisco Marco Orenes, as the CEO of MAPFRE CAJA SALUD; Mr. José Luis Calvo López as the CEO of MAPFRE EMPRESAS and First Deputy Vice Chairman of the Unit's Executive Committee; and Mr. Alfredo Castelo Marín as the General Manager of MAPFRE EMPRESAS, remaining in his position of General Manager at MAPFRE CAUCIÓN Y CRÉDITO.

These steps are meant to achieve in the coming years important efficiency enhancements and reductions in operating expenses, by means of the unification of the Group's technology platforms and operational processes, and a greater synergy in the performance of all of the Units.

Finally, Mr. Renzo Calda Giurato was appointed Chairman of MAPFRE PERÚ, and Mr. Enrique Clemente III was named CEO and Chairman of the Executive Committee of MAPFRE INSULAR.

STRATEGIC ALLIANCE WITH CAJA MADRID

During 2006, MAPFRE further strengthened its strategic alliance with CAJA MADRID, which is a model of how two major independent financial groups can support each other, to compete more efficiently in the market and offer a better service to their customers. Throughout 2006, the mutual co-operation between their respective networks in the distribution of insurance and banking products grew significantly, this having been a major positive factor in attaining the excellent results achieved this year.



The volume of insurance premiums generated by the CAJA MADRID network in 2006 amounted to €1,046.3 million, while the CAJA MADRID asset and liability banking products sold by the MAPFRE NETWORK amounted to €3,505.7 million. These figures demonstrate the level of co-operation achieved by both groups.

ACQUISITIONS , PROJECTS AND DISPOSALS

Direct investments by the Company

The most significant investments and disposals carried out by the Group and associated companies during 2006 were the following:

- Two capital increases carried out by MAPFRE INTERNACIONAL were fully subscribed, amounting to €42.5 million, of which €13.9 million were paid in cash and €28.6 million by contributing holdings in MIDDLESEA INSURANCE plc (Malta) and MAPFRE INSULAR (Philippines). Also, a loan was granted to the latter holding company, totalling €26 million, at market rates and conditions, whose purpose was to fund the growth of its investment portfolio.
- Three loans were granted at market rates and conditions to MAPFRE AMÉRICA for an aggregate €62 million, which the latter company used to pay a €36 million capital increase at its affiliate MAPFRE VERA CRUZ; and MAPFRE AMÉRICA VIDA was granted a €38 million loan to pay the capital increase at its subsidiary MAPFRE VERA CRUZ VIDA.
- Loans were also granted to MAPFRE INMUEBLES and its subsidiary DESURCIC, at market rates and conditions, amounting to €61.6 million, which were partially cancelled during the year by means of the subscription of a capital increase totalling €47.9 million.
- MAPFRE ASSISTANCE partially paid back two loans granted in previous years, amounting to €2.1 million.

Altogether, the total of net cash investments amounted to €166 million, as shown in the following table:

Company	Investments	Loans	Total
MAPFRE INTERNACIONAL	13.9	26.0	39.9
MAPFRE AMÉRICA	-	32.0	32.0
MAPFRE AMÉRICA VIDA	-	30.0	30.0
MAPFRE INMUEBLES and subsidiaries	47.9	12.4	60.3
MAPFRE ASSISTANCE		(2.1)	(2.1)
Other subsidiaries	1.9	4.0	5.9
TOTAL	63.7	102.3	166.0

Figures in million euros



HEADQUARTERS
OF CATTOLICA IN
VERONA, ITALY

On 17th December a letter of intent was signed to establish a joint venture with SOCIETÀ CATTOLICA DI ASSICURAZIONE (Italy), in order to jointly develop the Motor insurance business distributed via the agency channel in Italy. MAPFRE shall acquire 50% of the company, which shall be called MAPFRE CATTOLICA AUTO, with an investment of €473 million.

Investments by subsidiaries

- MAPFRE SEGUROS GENERALES sold its holdings in the Santa Catalina and Santa Cruz de Tenerife hospitals, and in the company Limpieza y Mantenimiento Hospitalario, for a total consideration of €6.8 million.
- MAPFRE AMÉRICA CAUCIÓN Y CRÉDITO carried out a €4 million capital increase, and it established two new subsidiaries: MAPFRE FIANZAS (Mexico), by contributing €4 million in cash; and MAPFRE SEGURADORA DE CREDITO A EXPORTAÇÃO, S.A. (Brazil), contributing 8.3 million Brazilian Reals in cash (approximately €3 million).
- MAPFRE CAJA SALUD acquired the building in which the San Antonio hospital (Bilbao) is located, for a consideration of €7.4 million, and another property in Zaragoza, for the future installation of a medical centre, the price being €3.4 million .
- Aside from the investment in MAPFRE VERA CRUZ mentioned above, MAPFRE AMÉRICA and its subsidiaries carried out the following transactions:
 - Subscription of a capital increase carried out by MAPFRE DOMINICANA (Dominican Republic), totalling 12.4 million US Dollars (approximately €10.4 million), to finance the acquisition of 38.33% of SEGUROS PALIC.
 - Subscription of a capital increase carried out by MAPFRE ARGENTINA, totalling 20 million pesos (€4.9 million), in order to fund the increases in business volumes.
 - Acquisition by MAPFRE PRAICO (Puerto Rico) of all the issued shares of BALDRICH & ASSOCIATES, one of the major Insurance Agencies in the country, with an initial payment of 8.5 million US Dollars (approximately €6.5 million) and variable future payments, depending on the results.

- MAPFRE RE received 111 million US Dollars from the capital reduction of its subsidiary MAPFRE REINSURANCE CORPORATION (USA), and it paid the US subsidiary 25 million US Dollars (approximately €19 million) to acquire its branch in Canada. These operations were necessary to transfer to MAPFRE RE the US company's business, and they have no effect on the consolidated financial statements.
- MAPFRE ASSISTANCE acquired all of the shares of CANADIAN ROADSIDE & RECOVERY INC. (Canada), a company providing road assistance services, for 0.9 million Canadian Dollars (approximately €0.6 million); it paid the former owners of its subsidiary ABRAXAS (United Kingdom) 2.7 million Pounds sterling (approximately €4 million) for that part, yet to be paid, of the agreed purchase price of the company; and it paid the deferred portion of the purchase price of ROAD AMERICA (USA), totalling €0.5 million.
- MAPFRE INTERNACIONAL subscribed two capital increases carried out by its subsidiary MAPFRE USA, amounting to 8.8 million US Dollars.

Corporate reorganisation related internal transfers

MAPFRE GUANARTEME transferred its industrial risk and personal insurance portfolios to MAPFRE EMPRESAS and MAPFRE SEGUROS GENERALES, respectively. Said transfers were effective for accounting purposes as of 1st January 2006.

Financing

The above mentioned investments were financed using excess available cash and loans.



INVESTMENT PLANNING AND MANAGEMENT

Group Investment management was geared towards increasing diversification, both by types of assets and by issuers. Investments in Equities and Mutual Funds were increased throughout the year, within the prudent levels that are characteristic of the Group's policy, and at year-end they represented 9.5% of total investments, compared to 84% in Fixed Income and 6.5 % in Real Estate.

Financial investments were carried out strictly in accordance with the policy of covering interest rate risk in single premium Life assurance, whereas for the rest of the assets assigned to other operations, a greater diversification was sought, thereby Equity investments were increased. Within Fixed Income investments, a policy of maximum prudence was applied in the selection of credit risk, giving priority to those with the highest credit ratings.

There were several features of the real estate market in 2006: a slowdown of housing prices; a rapid hike in the price of office and industrial properties, both for rental and for sale; a number of big controversial decisions in the reclassifications of the permitted use of large plots of land; a very low portion of rental housing (11% of total homes), much lower than the European average (35%); all of the foregoing was presided by a number of corporate movements between companies in the real estate sector that seek to increase their size, to secure recurring revenues, and to seek protection against the economic cycle via geographical or product diversification.

MAPFRE'S policy consisted in carrying out a moderate rotation of its assets, generally non-strategic, reinvesting in Real Estate. In 2006 investments were made in industrial premises and office buildings, in major Spanish and South American cities, both for own use and for rental to third parties, while the new emerging markets, with greater risk and returns in Eastern European countries, are also being considered.

INVESTOR RELATIONS

The Financial Area and the Investor Relations Department have carried out intensive communication activities with analysts and investors. The results for each quarter were presented at meetings in Madrid and London, as well as by means of conference calls, supplying extensive supplementary information which, at the same time, was disclosed through the Spanish Securities Exchange Commission (CNMV).

As from 2006, MAPFRE is using webcast technology to make available its meetings with analysts and investors (in Spanish) and its conference calls (in English). These communication facilities make it substantially easier for shareholders and investors to have access to the information, because anybody with an Internet connection can listen to the Company's managers live, or

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MEETING WITH
ANALYSTS IN MADRID

afterwards via recordings. During the year, there were five webcasts to present quarterly results and three relating to the corporate reorganisation process.

Between May and July, a specific communication program was carried out in order to explain the Group's corporate reorganisation process. As a part of this process, a physical meeting was set up in Madrid and two conference calls were arranged in English, which were available via the Internet. In addition, meetings were arranged with 52 different institutional investors in 5 countries.

Altogether, during 2006, there were direct contacts with 61 Spanish and 202 foreign institutional investors and investment managers (in Germany, Canada, the United States, France, Italy, the United Kingdom and Switzerland); and many institutional investors, from different countries, were received at the corporate headquarters.

In 2006, the Company participated in the following forums, organised by broker dealers and banks, in order to establish contacts between listed companies and institutional investors:

- The 'MidCap Events' seminar, organised by Interdín, a broker dealer, in Paris in March.
- The '2nd MidCap Forum', organised by the Madrid Stock Exchange, in Madrid, in May.
- 'European Financials Conference 2006', organised by Goldman Sachs, an investment bank, in Barcelona, in June.
- A seminar on small caps, organised by Ibersecurities, a broker dealer, in Madrid, in September.
- 'Banking & Insurance CEO Conference 2006', organised by Merrill Lynch, an investment bank, in London, in October.
- 'Stock Picking in Europe', organised by HSBC, in Paris, in October.
- 'European Mid Cap Conference', organised by Cheuvreux Indosuez, an Investment bank, in New York, in November.

All of the publicly disclosed information on the company and its results is available in the section of the corporate website dedicated to investors.

SHAREHOLDERS

At year-end 2006, FUNDACIÓN MAPFRE and its subsidiary CARTERA MAPFRE together held 55.3 per cent of the company's shares. A further 48,006 Spanish shareholders held 20.3 per cent, and 1,215 shareholders from other countries held the remaining 24.4 per cent. The following table shows the approximate breakdown of shareholders by country:

Shareholders	%
Spain	75.6
United States	2.2
Germany	1.7
United Kingdom	1.6
France	1.0
Switzerland	0.4
Canada	0.3
Scandinavian countries	0.2
Belgium	0.2
Unidentified	16.8

At the end of 2006, the Board of Directors represented 56.12% of all outstanding shares.

At year-end 2006 the company did not have in force any share option plans for executives, employees or directors.

In January 2007, as a result of the capital increase mentioned in another section of this report, CARTERA MAPFRE has increased its shareholding to 71.2%.

STOCK MARKET DATA

During financial year 2006, MAPFRE S.A. shares were traded during 254 days on the Continuous Market, 100 per cent of the market days. 1,294,990,695 shares were traded, compared to 1,124,412,890 the year before, representing a 15.2 per cent increase. The value of these transactions amounted to €3,988.78 million, compared to €2,887.8 million in 2005, a 38.1 per cent increase.

In 2006, MAPFRE S.A. shares rose by 22.6 per cent, which compares with the 31.8 per cent increase of the IBEX 35, and the 17.2 per cent rise of the DJ Stoxx Insurance index. Over the last five years, the company's shares have increased by 173.7 per cent, compared to the 68.5 per cent rise of the IBEX 35 and the 11.2 per cent drop in the DJ Stoxx Insurance index. The dividend yield during the year was equal to 2.2% of the average share price. At year-end, three Spanish and three international investment banks had given 'buy' ratings to the Company shares, there were four 'hold' ratings and five 'sell' ratings.

EXTRAORDINARY
GENERAL MEETING

HUMAN RESOURCES

At the end of the year, the Company and its subsidiaries employed a total of 21,544 executives and employees. The Spanish companies had 9,750 employees (3,905 in Insurance companies and 5,845 in other businesses) and the Group companies abroad had 11,794 employees. The average age was 35.8, with 5.6 years of seniority. These figures highlight the youth and experience of our staff, as well as the stability and quality of employment in the Group. Male employees account for 42% of the headcount, and female employees for 58%.

MAPFRE considers that its employees are its main asset, and they are directly responsible for its growth. As a result, the Group is highly committed to their training and development, as shown by its institutional principles. The Report on Social Responsibility provides extensive information on the Group's human resources policy, the development of which is articulated in specific programs and principles.

As a result of the integration of the new businesses and entities contributed to the Company in January 2007, headcount at the company and its subsidiaries now consists of 28,091 executives and employees, 15,810 at the Spanish companies and 12,281 abroad.

REGIONAL STRUCTURE

During 2006, the new structure of the MAPFRE NETWORK was consolidated, entailing important efforts in the fields of training, administrative organisation and adaptation of software programs, as well as the revision of the existing regional structure.

At year-end 2006, the Network consisted of 420 direct offices, supervised by 40 managers and 377 office directors, and 2,490 delegations, staffed by professional agents. This regional structure handled the work of a total of 21,083 tied agents and 3,071 brokers. It should be noted that during 2006 contracts were renewed for 85 per cent of the new agents incorporated in 2005.

The regional structure was fostered, extended and consolidated by means of a number of different initiatives, among which the following should be highlighted:

- The “New Delegates” programme, which was attended by 464 brokers.
- The “Mapfre System Integrated Agent” programme, involving 690 new agents, in which €6.9 million has been invested.
- 1,209 sales campaigns aimed at more than 3,510,000 customers.
- The production of various reports and market research to facilitate the sales initiatives of the Network.
- The implementation of the ‘Sales Management System’ tool .
- The incorporation of new operating applications for customer service, such as Wfondos, Gesalud, Gesvida, and Greco.

MANAGEMENT CONTROL

The Economic and System Management Control Area (AECG) continued streamlining the economic and management information, both the consolidated information and the individual information of the various Units and Companies. 2006 saw the inclusion of a monthly statement on changes in equity, and the investment related information was complemented with the incorporation of new profitability indicators. The management information also incorporated new efficiency and productivity indicators obtained by means of operational databases, which supplement the monitoring of economic and financial indicators based on accounting figures.

STRATEGIC PLANNING

As it is customary at MAPFRE, all of the Companies and Operating Units, as well as the Group’s Common Areas, updated their corresponding Strategic Plans at year-end 2006, defining the objectives established for the following three years (in this case for the 2007-2009 period), as well as the strategies they plan to use to achieve these objectives. These plans are included in the Company’s Strategic Plan, which is approved by the Board of Directors.

In preparing the economic forecasts, the International Financial Reporting Standards (IFRS) were used, and common, homogeneous economic and financial indicators were incorporated, as well as specific efficiency and productivity indicators, as defined by the Operating Units themselves.

CONFERENCE
ORGANISED BY UNESPA
ON SOLVENCY II



RISK MANAGEMENT

During 2006 the schedule established for the development of the Group Risk Management System remained in place, and the following relevant facts should be highlighted:

- Implementation of the operational risks model (risk map) in all of the System's Units and Companies.
- Half-yearly calculation of the risk models and economic capital model, using standard factors. This is used to quantify the risks of the insurance activity and the financial risks (interest rate, market, liquidity and credit), determining the optimum capital and the risk adjusted return on capital (RORAC methodology).
- Implementation of MAPFRE EMPRESAS' own risk estimation and economic capital forecasting model.
- Establishment of the capital and dividend policy applicable to the Group companies as a whole.
- Participation in a number of forums relating to Solvency II, and in the quantitative impact studies of the new risk estimation models (QIS 2).

Note 7 to the Annual Accounts provides extensive information on MAPFRE'S Risk Management System.

INTERNAL AUDIT

At year-end 2006 the Company and its subsidiaries had seven Internal Audit Services (SAI): at the General Insurance, Commercial, Life, America, Reinsurance, Assistance and Health Operating Units. In addition, twelve Internal Audit Units (UAI) are located in the main countries in Latin America, the Philippines and Portugal, all of which are coordinated by the Group Audit Area, which reports directly to the Audit Committee.

During 2006 a total 541 audits were conducted, of which 210 dealt with Central Services, 135 had to do with the Regional Structure and 44 with subsidiaries, 136 were special task audits and 16 were systems audits. The Audit Committee was regularly informed of the reports issued as a result of these tasks, the main conclusions, the recommendations that were made, and the degree of compliance with the same.

10,636 hours were dedicated to training internal auditors, which represents an average of 124 hours per auditor per annum.

The Internal Audit Area likewise reviewed the Company's Management Reports and Annual Accounts, both individual and consolidated, corresponding to the year 2006, and it informed the Audit Committee of said documents; it also reviewed the reports that the company submits quarterly to the Spanish Securities Exchange Commission (CNMV), and the relevant economic information submitted to MAPFRE'S governing bodies.

With effect from 1st January 2007, the Company incorporated the Group's Internal Audit Area (formerly integrated in MAPFRE MUTUALIDAD) and the Internal Audit Service of the Motor Unit. The latter will be merged with the General Insurance and Health audit Units, giving rise to the MAPFRE FAMILY DIVISION Audit Service. As from the above date the Group's Audit structure comprises the Group's Internal Audit Area, six Internal Audit Services (SAI) in Spain, and twelve Internal Audit Units (UAI) abroad.

INFORMATION TECHNOLOGIES

Three years ago MAPFRE decided to adopt a new version of the TRONADOR system as its integrated insurance management application, which was originally developed by MAPFRE AMÉRICA. The development of the new version (TRON21) is to be done simultaneously with the migration towards leading edge information technologies with relational databases. During 2006 the top priority and dedication of the I.T. teams in Spain was to advance towards stage I of TRON21, both in terms of development and technology. For this purpose, important investments were made to reinforce the processing, storage and interconnection capacity of the equipment. The testing period began at the end of the year, with the construction of the industrial production platform, which will enable support to be provided to the new business applications, starting in mid 2007.

In parallel, the I.T. staff developed and implemented novel solutions in different Units and Companies:

- In the field of Motor Insurance, we must note the support for products with special covers, improvements in policy issuance applications, reporting of accidents via telephone and claim-related queries on the Internet. In respect of sales systems, enhancements were made in actions geared at ensuring customer loyalty, comparative market information and information on insurance policies via the Intranet, as well as a new application on new potential customers. In the field of operation support, the STCAT project takes care of control functions at the Regional Customer Service Centres.
- In General Insurance, advances were made in the distribution channels strategy; the support for distribution agreements by affinity groups was implemented; the tools made available to insurance brokers were improved, and the administrative support systems for bankassurance operations were adopted. Applications were implemented for the Family Protection and Rental Protection products, support via the call centres was boosted with an internal solution to handle subscriptions, and a customer relations management system was implemented.
- Support for the Health business focused on the implementation of systems for Medical Centres and Hospitals, the risk selection system, and an increase of customer services at the call centre. Enhancements were incorporated to the sales process via the MAPFRE NETWORK, implementing I.T. systems for Managers and Claims handling.
- Life Assurance features the new income management application, which unifies the management of the portfolios originating from acquisitions and from externalisation; new applications were implemented to calculate mathematical provisions and profit-sharing. The new GesVIDA application allows the MAPFRE NETWORK to access the contracting, project preparation and query functions, formerly carried out by specialised personnel.
- In the Commercial insurance business, improvements were made in the reporting systems for the Regional General Headoffices, the systems for documentary management of claims, the automated processing of civil liability, damages and engineering claims; and the GRECO price management application was implemented. In relation to the Credit and Surety business, stage I of the predictive statistical models for establishing ceilings was implemented, the processing of external sources of solvency information was improved, the management of technical control offices was automated, and the processing of electronic signatures was incorporated in certain supplements.
- The improvements carried out for the MAPFRE NETWORK include the computer installation and using voice communications and data for 18 new Direct Offices and 203 Delegations,

creating 1,170 new jobs. Facilities were implemented in the Call Centres in Avila and Las Rozas, and the Infored business reporting project was developed.

- The principal actions carried out at the America Unit were the implementation of contingency plans for Mexico, Colombia, Chile and Venezuela, and the start of the deployment of a Voice over I.P. solution to be used in a number of countries in the America Unit. The TRON WEB system was implemented in the Dominican Republic, which is the version of TRONADOR used at all of the American subsidiaries; the OPTIMA project was launched (it does TRONADOR'S Process Mapping) as well as the CLUB MAPFRE project; and a new system for handling roadside assistance was implemented.
- In Reinsurance, the development of the Condor System for integrated business management was completed, which runs on a corporate web page architecture; the capital modelling and XL contract pricing model applications were also implemented.
- In the Assistance Unit, the Management System for Fleets/Professional Vehicles was implemented in Mexico and Brazil. This allows associates to communicate using Mobile devices with a central control system, via the Internet, optimising the resources and time required to respond to a claim, and always keeping customers posted on the status of their service via SMS.

Among the general activities, it is worth highlighting the completion of the Balanced Data Processing Centre that will be installed in Avila, to be operated in collaboration with a specialised external supplier; it will allow a complete computerised support for MAPFRE'S systems under any circumstance.

SAFETY AND THE ENVIRONMENT

Territorial Heads of Security were created in 2006, which has provided much better knowledge of the MAPFRE NETWORK's situation, with respect to Security and the Environment, and a much more effective response to their increasingly stringent requirements.

Particular emphasis has been placed on developing the concept of providing security for branch offices, particularly in conflictive areas with high crime rates, with the implementation of low cost combined measures and information campaigns.

23 MAPFRE COMPANIES
RECEIVE THE
ENVIRONMENTAL
CERTIFICATION, ISO
14001



The General Control Centre (CCG) project has been implemented. Pilot facilities and the new IP Alarms developed by MAPFRE have been connected to the Centre, and work has begun on the implementation of a single credential for all Group employees. In addition, work also started on the introduction of the User Administration Operating Centre (COAS) during 2007. This will handle incorporations, eliminations and modifications to users of the computer systems.

A programme has been drawn up to revise and update the Self-Protection and Emergency Plans for Group premises. These comply over and above the current legal requirements and, in particular, the levels of security and awareness have increased substantially.

Work has continued on the plan to improve Information Security, initiated in 2005. Among the many courses of action taken, special mention should be made of the awareness and divulgation programme, the implementation of new software for an inventory of assets and management of vulnerabilities, redesign of Group communications networks, and the extension of this Plan abroad.

The second phase of the Environmental Action Plan has been carried out, which required the participation of members of all Business Units, and which successfully achieved the objectives, as set out in the Corporate Responsibility Report.

COMMUNICATION AND CORPORATE IMAGE

During 2006, special emphasis was placed on boosting and co-ordinating internal and external communications, with the following achievements being worthy of special mention:

- Relations with and response to the media were improved through the following courses of action: 38 press conferences, 254 press releases, organization of 238 interviews, replies to 1,151 information queries, organization of 85 events, and handling and response to 220 economic information questionnaires.

Work was also carried out to publicise MAPFRE's activity at a regional level (Spain) and abroad (America), which consisted of MAPFRE presentations in Castille and Leon, Galicia and Extremadura, and also in Puerto Rico and Mexico.

- Four editions of MUNDO MAPFRE, the institutional magazine, were published, together with a separate special edition devoted to presentation of the 2005 results and the 2006 General Shareholders' Meeting. All of these were distributed on the intranet and as printed copy to all Board Members and employees.

OFFICIAL MEETING
OF THE SPANISH
PRESS WITH THE
PRESIDENT OF MEXICO,
VICENTE FOX



PRESS CONFERENCE
TO PRESENT THE 2006
RESULTS



Work continued on the coordination and improvement of internal publications, where specific mention should be made of the design of inserts for the International Edition of EL MUNDO DE MAPFRE with information on each country, redesign of the magazine RED MAPFRE, and various publications by the FUNDACIÓN MAPFRE.

This task of internal communication was much enhanced by use of the Internal Portal as a vehicle to post major news items (315 items posted in 2006).

- Implementation of MAPFRE's new corporate identity has been extended to practically all offices and premises through the application of the Signage Manual.
- The programme for the new corporate identity of the FUNDACIÓN MAPFRE and its various Institutes has been defined, and a number of manuals have been produced concerning stationery, signage and publications.
- An Advertising Applications Manual has been published and implemented to standardise the image of various advertising formats, mainly printed material (advertisements in the press, posters, pamphlets, direct exterior advertising and hoardings, etc.), as well as unifying their usage for the components of the corporate identity (logo, symbols, colours and typesetting).
- During the first quarter of the year, the third and final wave was produced of the brand advertising campaign "El camino de tu vida", with scheduling of the different components on television, in the press and on the Internet. A new feature with respect to previous waves was exterior advertising on large-format mono-hoardings on ring roads around major cities.
- At the end of March, an advertising strategy master plan was approved (Integral Advertising Plan) for a coherent and effective coordination of brand and product advertising. The Plan also includes a gradual increase in advertising investment to promote the Group image as a global brand name, enhance its corporate reputation, and emphasise the commitment to service in business management and to society through activities arranged by the foundations.

Implementation of this Plan involved the continued and coordinated management of a number of product advertising campaigns: Motor insurance in May and June, Household insurance in July, and Retirement products in November.

The motor insurance campaign during the second quarter was based around service as an axis of communication. Reprogramming was carried out in the last quarter of the year to include new components, which, on the basis of service, emphasise the price factor.

Advertising for other business lines targeted a more permanent presence in the media. With respect to Health insurance, the focus was on the Internet, whereas the main tool used by Commercial insurance was sponsorship, in view of the singular nature of the target group.

External audit

The Annual Accounts of the Company and main Group entities for 2006 were audited by Ernst & Young, with the exception of entities in Mexico, which were audited by Deloitte, and in El Salvador, audited by Figueroa Jiménez. During the year, the External Auditors were paid €3,277,242 for the services rendered in connection with the audit of the annual accounts, with the main auditor having received €2,961,039. Furthermore, the main auditor received payments of €121,175 for services related with the audit of the accounts and of €753,012 for other complementary services. Neither of the latter two payments is deemed to compromise the independence of the auditors.

Post-balance sheet events

The following events took place after the year end:

- On 16th January MAPFRE signed a strategic agreement with CAJA CASTILLA – LA MANCHA for the joint operation and development of the Life assurance and Pension plans business, through the Savings Bank's branch network and other channels. By virtue of this agreement, both companies will have a 50% share in the ownership of CCM VIDA Y PENSIONES. MAPFRE will manage the insurance company and will initially pay €60.9 million to acquire the shareholding. This may be complemented in future years with additional payments, in accordance with the value created by CCM VIDA Y PENSIONES.
- On 25th January a Memorandum of Understanding was drawn up with MUTUA VALENCIANA AUTOMOVILISTA to integrate the business and activities of the mutual society within MAPFRE's insurance subsidiaries. By virtue of this agreement, MUTUA VALENCIANA will transfer its motor insurance portfolio, the company's major line of business, to MAPFRE AUTOMÓVILES. The portfolios of other lines of business will be integrated into the appropriate entities of the MAPFRE Group. The parties will define, by mutual agreement, the best legal structure to bring about the integration, as well as the economic terms, to be set out in accordance with reports by independent valuers.



SIGNING OF THE STRATEGIC AGREEMENT WITH CAJA CASTILLA LA MANCHA

Outlook

The world economy is expected to continue its expansion phase in 2007, although growth is set to be somewhat less than the previous year. Greater geographic balance is expected in 2007: the United States will experience a gradual slow-down, Europe will maintain a growth rate above 2%, Japan is set to consolidate growth, and the emerging economies, such as China or India, will continue to be the most dynamic. With respect to the Spanish economy, prospects are favourable, and growth at high rates is set to continue, although at a slightly slower pace in comparison to 2006.

Official interest rates will rise in Europe and Japan, although this will not prevent economic growth. In the United States, however, rates may fall during the course of the year. The trend for long-term interest rates will also be a gradual increase. With respect to business activity, the estimated trend in results is positive, and increases may reach double digit in Europe and the United States.

Savings insurance products will become much more attractive within this context of increases in nominal interest rates, particularly life annuities and the new Systematic Individual Savings Plans (PIAS), regulated by modifications to Personal Income Tax (IRPF). Savings with an equity component (mutual and pension funds) will tend to maintain an excellent rate of growth.

Objectives

The Company's objectives for 2007-2009 are as follows:

- To attain in direct Non-Life insurance higher growth rates than those obtained by the market of each country.
- To achieve increases in volumes of managed funds above those obtained by the market of each country, both in Life Assurance and other savings products.
- To maintain a combined ratio equal to or lower than 97% in Non-life Direct Insurance and Reinsurance businesses.
- To obtain growing earnings per share.
- To continue to improve the expense ratio as a percentage of premiums (Non-Life) and managed funds (Life and Savings).

The amount of synergies expected following the implementation of the new operating structure will be quantified more precisely, as and when permitted by the strategic plans for each business area. Without prejudice to any other objectives which may be set in the future, the Company expects to reduce its Non-Life expense ratio (total net expenses over net premiums earned) in Spain. This was 19.2% in 2006, and is expected to improve by at least 1% over the next three years. This reduction in expenses will generate additional profits, which at current multiples represent an increase in market value of €0.17 per share.