

*4. THE ECONOMIC
DIMENSION
OF MAPFRE*



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BUSINESS DEVELOPMENT

REVENUE FROM OPERATIONS AND MANAGED FUNDS

Direct insurance and accepted reinsurance premiums by MAPFRE MUTUALIDAD and its subsidiaries in 2005 reached a total of 10,110.2 million euros, an increase of 13.4 percent. Total revenue through operations in 2005 was 12,484.9 million euros, including 295.7 million in new gross contributions to pension funds. The revenue with a breakdown by line of business is seen in this chart:

	2005	2004	%Var. 05/04
Companies operating mainly in Spain	8,948.0	8,270.5	8.2%
Premiums issued and accepted	7,066.2	6,627.1	6.6%
Revenues from investments	1,380.3	1,307.5	5.6%
Other revenues	501.5	335.8	49.3%
Companies operating mainly outside Spain	4,137.8	3,254.4	27.1%
Premiums issued and accepted	3,664.6	2,907.8	26.0%
Revenues from investments	341.7	250.9	36.2%
Other revenues	131.5	95.7	37.4%
SUBTOTAL AGGREGATE REVENUES	13,085.8	11,524.9	13.5%
Consolidation adjustments	(896.6)	(768.8)	16.6%
SUBTOTAL AGGREGATE REVENUES	12,189.2	10,756.1	13.3%
Gross contributions to pension funds	295.7	290.6	1.8%
TOTAL REVENUE FROM OPERATIONS	12,484.9	11,046.7	13.0%

Figures in millions of euros

Total revenue grew 13.3 percent compared to the previous year.

The following table shows the evolution of funds under management in Life insurance and Savings products:

	2005	2004	%Var. 05/04
Technical reserves-life insurance	15,200.4	13,780.8	10.3%
MAPFRE VIDA	14,721.0	13,041.5	12.9%
Other subsidiaries	479.4	739.3	(35.2)%
Pension funds ⁽¹⁾	1,287.4	1,103.2	16.7%
Mutual funds	3,097.1	2,680.1	15.6%
TOTAL	19,584.9	17,564.1	11.5%

Figures in millions of euros

(1) Figures do not include defined benefit plans amounting to 733.7 million euros in 2004.

Spain

The premiums written and accepted by companies operating mainly in Spain reached a total of 6,961.8 million euros, as seen in the lines of business in the following chart, which also includes market shares:

	2005	2004	% Var. 04/05	2005	2004
Motor	2,474.5	2,306.6	7.3%	20.9%	20.2%
Health	353.3	316.8	11.5%	7.9%	7.7%
Other – Non-Life	2,315.4	2,091.1	10.7%	18.4%	18.0%
TOTAL NON-LIFE	5,143.2	4,714.5	9.1%	17.8%	17.3%
Life Risk	252.2	237.8	6.0%		
Life Savings	1,522.2	1,561.4	(2.5)%		
Life Externalisations	148.6	113.5	30.9%		
TOTAL LIFE	1,923.0	1,912.7	0.5%	9.0%	9.9%
Consolidation adjustments	(104.4)	(81.4)			
TOTAL	6,961.8	6,545.8	6.4%	14.2%	14.2%

Figures in millions of euros

To these figures we must add 295.7 million euros in new, gross contributions to pension funds, raising total revenue from insurance and pension operations in 2005 to 7,257.5 million euros.

Total financial revenue of companies operating mainly in Spain rose to 1,380.3 million euros, an increase of 5.6 percent. Of this, 1,144.2 million euros corresponds to interest, dividends and similar funds (1,034.2 million euros in 2004).

The remaining revenue, which grew 49.3 percent in 2005, came mainly from companies involved in businesses other than insurance.

International

The premiums written and accepted by Units and Companies whose activity is mainly international are as follows:

	2005	2004	% Var. 05/04	Market share non-life ⁽¹⁾
Americas unit				
Argentina	202.6	167.0	21.3%	8.0%
Brazil	651.0	375.1	73.6%	5.2%
Chile	143.6	111.7	28.6%	11.0%
Colombia	86.3	64.1	34.7%	4.2%
El Salvador	28.4	28.1	1.1%	14.1%
Mexico	250.8	241.9	3.7%	3.6%
Paraguay	8.6	7.3	17.4%	12.7%
Peru	52.4	45.7	14.7%	6.3%
Puerto Rico and Florida ⁽²⁾	272.2	247.6	9.9%	11.6%
Dominican Republic	1.8	–	–	–
Uruguay	10.0	8.1	23.0%	5.7%
Venezuela ⁽³⁾	255.4	198.6	28.6%	9.5%
Other countries				
Portugal	96.3	78.6	22.5%	
Philippines	12.9	10.0	29.0%	
SUB-TOTAL DIRECT INSURANCE	2,072.3	1,583.8	30.8%	
ACCEPTED REINSURANCE	1,337.4	1,132.6	18.1%	
ASSISTANCE	254.8	191.2	33.3%	
TOTAL AGGREGATE PREMIUMS	3,664.5	2,907.7	26.0%	
Elimination of intra-group operations	(516.2)	(541.5)		
TOTAL CONSOLIDATED PREMIUMS	3,148.3	2,366.2	33.1%	

Figures in millions of euros

(1) Figures come from latest data available in each market, except Paraguay, Puerto Rico and Venezuela, whose market shares are at the close of 2004.

(2) Non-life market share refers exclusively to Puerto Rico.

(3) Total market share (Life and non-Life).

RESULTS

Consolidated pre-tax profits totaled 872 million euros (847.3 million euros in 2004), an increase of 2.9 percent; net profit was 638 million euros, of which 252.6 corresponded to outside partners from the various consolidated entities.

In general, most Units and Companies show significant increases in profits with respect to 2004, with MAPFRE AMÉRICA worthy of special mention. An increase in catastrophe claims had a negative impact on the earnings of MAPFRE RE. Still, it posted net profits of 32.3 million euros thanks to solid growth in its non-catastrophe business.

Applying the criteria established in the General Accounting Plan and the Accounting Plan for Insurance Companies (from now on GC/PCEA), consolidated, after-tax profits would have totaled approximately 605 million euros, an increase of 10 percent with respect to 2004.

INVESTMENTS AND LIQUID FUNDS

As of Dec. 31, 2005 the book value of investments and liquid assets was 25,408.8 million euros, an increase of 12.4 percent over the previous year. The following table shows their breakdown and percentage distribution:

	2005	% of total	2004	% of total
Risk-free investments	1,724.2	6.8%	1,815.1	8.0%
Cash	1,424.5	5.6%	1,453.9	6.4%
Unit-linked investments	299.7	1.2%	361.1	1.6%
Real estate investments	1,365.3	5.4%	1,201.3	5.3%
Buildings for own use	739.8	2.9%	634.5	2.8%
Other real estate investments	625.5	2.5%	566.7	2.5%
Financial investments	21,949.0	86.4%	19,226.9	85.1%
Shares	551.5	2.2%	510.3	2.3%
Fixed income	19,834.5	78.1%	16,576.3	73.3%
Mutual funds	1,161.6	4.6%	1,016.1	4.5%
Other financial investments	401.4	1.6%	1,124.2	5.0%
Other investments	370.3	1.5%	358.0	1.6%
Investments in associated companies	224.4	0.9%	182.8	0.8%
Accepted reinsurance deposits	34.5	0.1%	103.6	0.5%
Other investments	111.4	0.4%	71.6	0.3%
TOTAL	25,408.8	100%	22,601.3	100%

Figures in million euros

The value of real estate investments shown in the previous table does not include unrealised gains, which amounted to 722.7 million euros at the close of the year, according to independent surveyors.

NET WORTH

Consolidated net worth increased to 4,466.4 million euros, compared to 3,696.3 million euros at the end of 2004. It benefited from Units' earnings, a rise in the value of investments and coverage derivatives and from the rise in the dollar and Latin American currencies against the euro. Of this amount, 1,916.6 million euros correspond to stakes of minority shareholders in subsidiary companies, and 2,549.8 million euros to MAPFRE MUTUALIDAD, the parent company of SISTEMA MAPFRE.