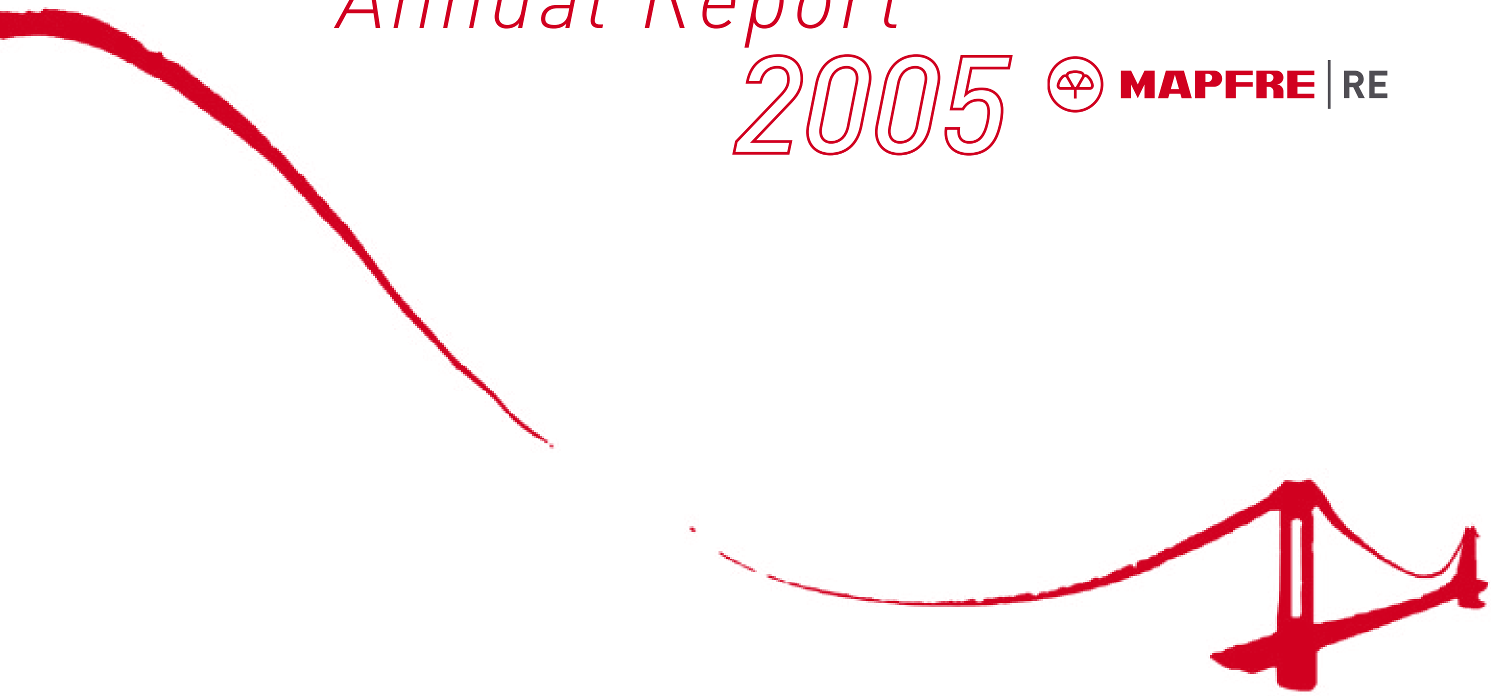
Annual Report 2005

MAPFRE RE



Contents

GOVERNANCE BODIES

GOVERNANCE BODIES(*)

Board of Directors	Management Commitee	Compilance Commitee
Executive Chairman Mr. Andrés Jiménez	CHAIRMAN	
Vice Chairman Mr. Matías Salvá	VICE CHAIRMAN	CHAIRMAN
Members		
Mr. Ángel Alonso	MEMBER	
Mr. Ricardo Blanco		
Mr. Primitivo de Vega		
Mr. J. Donald Duello (Shelter Mutual Insurance Company)		
Mr. Lorenzo Garagorri		
Mr. Rolf Mehr (Vaudoise Assurances Holding)		
Mr. Juan Antonio Pardo		
Mr. George A. Prescott (Ecclesiastical Insurance Office)	MEMBER	
Mr. Gregorio Robles		MEMBER
Mr. Agustín Rodríguez	MEMBER	MEMBER
Mr. Francisco Ruiz		MEMBER
Società Cattolica di Assicurazione, represented by Mr. Ezio Paolo Reggia		
Mr. Domingo Sugranyes	MEMBER	
Managing Director & General Manager Mr. Pedro de Macedo	MEMBER	
Secretary Mr. Claudio Ramos	SECRETARY	

* Including the appointments and reappointments that are submitted to the General Shareholders Meeting

CONSOLIDATED MANAGEMENT REPORT

REINSURANCE IN 2005

Two thousand and five has been the year with the greatest frequency and intensity of catastrophic events in the history of reinsurance.

The Erwin storm in Scandinavia at the beginning of the year, the storms and floodings that affected Central Europe during the summer and, very specially, hurricanes Katrina, Rita and Wilma occurred during the second half of the year, which affected the South and Southeast of the U.S. and different areas of the Caribbean and Mexico, as well as other major occurrences, such as the loss suffered by the Windsor building in Madrid, have had a negative impact on reinsurance operators' results.

The fact should be noted that Hurricane Katrina has become the greatest loss assumed by the insurance and reinsurance markets, giving rise to losses that considerably exceed the initial estimates made by insurance and reinsurance companies. The indications coming from simulation and accumulation control models have been surpassed by reality, which will lead to reviewing, in many cases, the assumptions on which these tools are based.

All these factors have contributed to a reduction in results expected by reinsurers. In some cases, these results may turn out to be significant losses that will compel to resorting to capital increases in order to restore shareholders' equity.

As it happened in 2001 after the W.T.C. catastrophe, an inflow has taken place of new capital destined, on the one hand, to the creation of new reinsurance entities and, on the other, to capital increases in existing companies, mainly in the Bermudas market. This situation does not contribute to maintaining reinsurance prices, since, although certain isolated correcting measures have been applied in the markets affected by catastrophes, no homogenous conduct has been seen in the other markets.

Contrary to the upward cycle of prices that began after the occurrence of the W.T.C. loss in 2001, rates in 2005 have remained at reasonable technical levels in most markets, but symptoms have emerged that might give rise to somewhat deteriorated conditions in 2006. Markets and businesses unaffected by catastrophes maintain acceptable technical results, with the support of certain improvements in financial returns thanks to the evolution of interest rates and stock markets.

After the reporting season of the last quarter of 2005, rating agencies have kept the entire sector under scrutiny with a negative outlook, and a new and strong pressure stage is likely to begin for reinsurers to be able to maintain their present rating levels. Agencies have issued new criteria that will be applied during 2006, which will undoubtedly contribute to maintaining adequate capitalisation levels and will impel the sector to improve the management of written risks.

EVOLUTION OF BUSINESS IN 2005

MAPFRE RE has closed the 2005 financial year with an outstanding increase in revenues and positive results, which, seen within the general context of the reinsurance industry, may be considered as satisfactory, more so taking into account the incidence of the major occurrences having affected the reinsurance industry throughout the year, giving rise to heavy losses that, in some specific cases, have partly consumed shareholders' equity. MAPFRE RE has maintained its commitment to the markets, supported by its financial ratings, which has allowed continuing its consolidation process in its business while enhancing its future prospects.

MAIN ACTIVITIES

- The capital increase approved by the Board of Directors held on 1 December 2004, amounting to EUR 50 million, was carried out at the end of March. This figure, contributed by shareholders, strengthens the company's equity and is justified by growth in revenues and results.
- Rating agencies have renewed the rating to MAPFRE RE in 2005, with AM Best granting it an A+ rating, with positive outlook, and Standard & Poor's an AA- rating, with stable outlook; both ratings are among the highest in the international reinsurance market.
- In September, MAPFRE RE was registered with the Insurance Department of the State of New York (USA) as qualified reinsurer. The said qualification is supported by the creation of a Reinsurance Master Trust in the State of New York. Throughout the same year and in 2006 the relevant qualifications will be obtained in the other states. This new platform allows promoting MAPFRE RE's activities in this major market.
- In May, MAPFRE RE transferred to MAPFRE Seguros Generales its shareholding in the company MAPLUX Re, with the latter entering the consolidation perimeter of the buying entity.
- During the year, the adaptation processes have been carried out of the accounting statements to the International Financial Reporting Standards (IFRS). The new reporting format will be used from now on for the presentation of MAPFRE RE's consolidated accounts, in line with the parent company, CORPORACIÓN MAPFRE.

- With the cooperation of E&Y consultants, MAPFRE RE has developed an advanced capital model, the first one prepared within SISTEMA MAPFRE. This model is expected to become an efficient management tool for underwriting and to allow better and more efficient application of capital in accordance with risks assumed.
- The new "Condor" computer management programme, after completion of the works of adaptation to the platform of SISTEMA MAPFRE, will become operational progressively in 2006.
- During the year, the entity's risk map has been completed. Studies are being carried out on its conclusions for better identification, knowledge and reduction of the said risks.
- Development actions have been intensified this year in Far East countries, particularly including China and Australia. In Brazil, the enforcement of new rules will allow our entity to perform direct activities together with the companies of that major market.

- Specific actions have been developed in order to boost our activities in the Life and Accidents line, with very promising results. Likewise, close technical cooperation continues to develop satisfactorily with MAPFRE Agropecuaria and MAPFRE Caja Salud.
- MAPFRE RE, with the cooperation of ITSEMAP, has continued providing technical services in relation to risk inspection and training to ceding companies in Europe, Latin America and Asia. In addition, "TREBOL", the quarterly magazine, continues spreading articles and interviews of a technical nature, establishing an important link with professionals in the insurance sector all over the world.
- New staff has joined the company in the year, both at its headquarters and offices abroad, this falling within the process of renovation of structures and enhancement of the entity's capacity looking forward.
- During 2005, several training courses have been taught internally, both on reinsurance techniques and on the use of available computer tools, which will redound to better productivity and enhanced staff qualification.

INFORMATION ON SUBSIDIARIES

MAPFRE REINSURANCE CORPORATION

Premiums written by this subsidiary amounted to EUR 83.7 million, entailing a slight decrease of 4.1% compared to the previous year. Pre-tax results register a loss of EUR 3.7 million, due to major catastrophic occurrences in the last months of the year, which affected the Southeast of the United States. The entity's shareholders funds amount to EUR 134.8 million, namely, they register an increase of 16.9% over the previous year.

Concepts	2005
Shareholders equity	134.8
Earned premiums, gross	83.7
Pre-tax result	-3.7

CAJA REASEGURADORA DE CHILE AND INVERSIONES IBÉRICAS

Both companies have contributed a pre-tax result of EUR 1.0 million. The said companies' combined shareholders equity amounts to EUR 70.8 million.

EVENTS AFTER THE BALANCE SHEET DATE

On 10 February 2006, Mr. Primitivo Julio de Vega Zamora, Chairman of MAPFRE ASISTENCIA, Director of MAPFRE MUTUALIDAD and member of the Management Committee of SISTEMA MAPFRE, has passed away. The Board of MAPFRE RE wishes to state its deep regret for this loss and the Company's gratitude for his extensive and efficient cooperation.

No other event after the balance sheet date has occurred worth noting, or which may alter the forecasts made for financial year 2006.

OUTLOOK

- During the recent renewals campaign, continuity has been seen in the rates of those businesses not directly affected by the recent catastrophes, a slight increase in the areas affected by medium catastrophic losses, and a major increase in the contracts and territories affected by the hurricanes occurred in the US Southeast, mainly in the property lines, such as power. Also, an increase has taken place in retentions by insurance companies, supported by greater capitalisation.
- Overall, there are sufficient conditions that allow continuing to develop the company's business plan, obtain growing results and provide shareholders with adequate returns.
- The application of the new accounting rules will require special attention during 2006 for the correct interpretation of the information generated by the market on these new bases and its comparison with the previous year.
- The new business platform established for the US market is expected to have the envisaged results and to contribute to the company's development.

PROPOSAL OF RESOLUTIONS

CORPORATE MANAGEMENT

- Approval of the Individual and Consolidated Annual Accounts for 2005.
- Approval of the Board of Directors' Management during financial year 2005.
- Approval of the following proposal of distribution of the available net profit:

DISTRIBUTION OF RESULTS

Distribution basis	Euros
Result of the year	77.672.311,99
Result from previous years pending application	27.279.552,53
Total	**104.951.864,52**

Distribution	Euros
Legal reserve	7.767.231,19
Dividend	30.337.048,56
Donation to FUNDACIÓN MAPFRE	840.000,00
Remainder	66.007.584,77
Total	**104.951.864,52**

GOVERNANCE BODIES

- Mr. Domingo Sugranyes Bickel has fulfilled his complete mandate as Director. His reappointment for a new four year mandate is proposed.

OTHER PROPOSALS

- Extension of the appointment of Ernst & Young, S.L. as auditing firm of the company's accounts for a period of one year.
- Donation to FUNDACIÓN MAPFRE amounting to EUR 840,000 in accordance with the proposed distribution of profits for the year.
- Authorisation to the Board of Directors in order that, pursuant to the provisions of article 13 of the Corporations Act, it may, during a period of five years from the date of this resolution, increase the share capital one or several times, up to the maximum figure legally allowed.
- Delegation of powers for the fulfilment and raising to public status of the resolutions adopted by the Shareholders Meeting.
- Vote of thanks to all staff for their loyal cooperation during the year.

ECONOMIC AND STATISTICAL INFORMATION

Income statement under IFRS	2005	2004	% Var. 05/04
ACCEPTED REINSURANCE			
Accepted premiums	**1,337.4**	**1,132.6**	**18%**
Premiums earned in the year	1,197.4	941.1	27%
Claims (including claim related expenses)	-916.9	-507.4	81%
Operating expenses and other technical expenses	-350.8	-296.5	18%
RESULT OF ACCEPTED REINSURANCE	**-70.3**	**137.1**	**-151%**
RETROCEDED REINSURANCE			
Premiums and variation in provision for unearned premiums	-362.0	-301.8	20%
Claims paid and variation in provision for claims	351.2	124.8	181%
Commissions and participations	89.2	83.6	7%
RESULT OF RETROCEDED REINSURANCE	**78.4**	**-93.4**	**184%**
Other technical revenues and expenses	-1.2	-1.1	7%
RESULT OF THE TECHNICAL ACCOUNT LIFE AND NON LIFE	**7.0**	**42.6**	**-84%**
Net revenues from investments	59.4	32.6	82%
Unrealised investment gains and losses	0.0	0.0	
Other non technical revenues and expenses	-3.3	-3.4	-2%
Results of minority shareholdings	0.2	0.1	200%
RESULT OF THE LIFE AND NON LIFE BUSINESS	**63.3**	**72.0**	**-12%**
RESULT FROM OTHER ACTIVITIES	**0.0**	**0.0**	
RESULT BEFORE TAXES AND MINORITY INTERESTS	**63.3**	**72.0**	**-12%**
Corporation tax	-22.1	-26.4	-16%
Result after tax on discontinued operations	-8.9	0.0	n.a.
RESULT AFTER TAX	**32.2**	**45.6**	**-29%**
Minority shareholders	0.0	0.0	0%
RESULT AFTER TAX AND MINORITY INTERESTS	**32.3**	**45.6**	**-29%**

Amounts in EUR millions

Ratios	2005	2004
NON LIFE Business		
Claims in accepted reinsurance	77.6%	51.7%
Expenses in accepted reinsurance	30.0%	31.4%
Combined ratio net of retroceded reinsurance	99.0%	92.5%
LIFE Business		
Net operating expenses / Provisions for life insurance	**12.9%**	**12.9%**

Composition of the accepted premiums	2005	2004	% Var. 05/04
Non Life	1,241.7	1,060.2	17.1%
Life	95.7	72.4	32.2%
TOTAL	**1,337.5**	**1,132.6**	**18.1%**

Amounts in EUR millions

Basic balance sheet magnitudes (IFRS)	2005	2004	% Var. 05/04
Financial investments and cash	1,374.3	1,096.1	25.4%
Total assets	2,545.2	1,916.7	32.8%
Equity	622.7	537.1	15.9%
ROE	**5.2%**	**8.5%**	**-38.7%**

Amounts in EUR millions

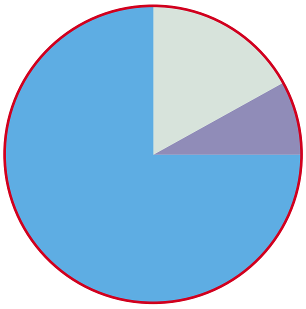
Solvency and coverage data	2005	2004	% Var. 05/04
Technical provisions to be covered	1,487.4	1,047.0	42.1%
Excess of qualifying assets over provisions	447.0	358.0	24.9%
Minimum amount of solvency margin (consolidated)	198.1	178.0	11.3%
Solvency margin (consolidated)	608.7	502.6	21.1%
Times required minimum	3.1	2.8	8.8%

Amounts in EUR millions

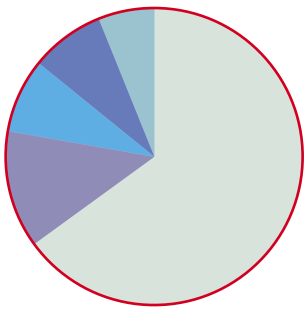
Other information	2005	2004	% Var. 05/04
Employees	251	258	-2,7%
% commissions on written premiums, accepted reinsurance	24,5%	23,7%	3,4%
% internal management expenses of accepted premiums	2,3%	2,6%	-11,5%
Contracts in force at year end (thousands, incl. facultative business)	20,9	19,9	5,1%

Amounts in EUR millions

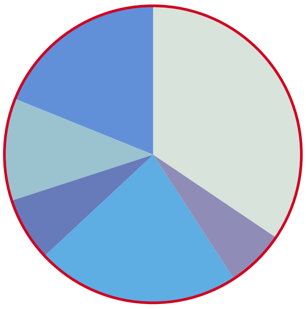
PORTFOLIO MIX PER TYPE OF BUSINESS



PORTFOLIO MIX PER LINE



PORTFOLIO MIX PER GEOGRAPHICAL AREA



ADDITIONAL NOTES

ENVIRONMENT

MAPFRE RE, as an entity belonging to SISTEMA MAPFRE, assumes the latter's commitment to environment, consisting of integrating environmental criteria into the development of its activity, and of the control and reduction of its potential impact on it, this being in any case moderate due to the nature of the said activities. Along this line, MAPFRE, in addition to assuming the environmental commitments established in the UN Global Compact, is a member of the United Environmental Program Financial Initiative (UNEP), established for financial and insurance companies, which is promoted by the UN Program for Environment.

MAPFRE maintains a coordinated policy of Environmental care for the entire SISTEMA MAPFRE, to which effect a specific Department has been created, which forms part of the said SISTEMA's Directorate of Safety and Environment. This new Department has carried out a complete assessment of the environmental situation at the various MAPFRE entities and installations, which has given rise to adopting MAPFRE's Environmental Policy and to draft an Action Plan. This Plan includes specific actions essentially focusing on making an efficient use of resources in order to achieve savings in water, energy and paper, while ensuring compliance of the legislation and improvement of environmental risk.

STAFF

The structure of staff rendering their services to the company is as follows:

Category	2005	2004
Managerial	66	66
Clerical	98	107
Marketing	18	16
Others	69	69
TOTAL	**251**	**258**

INVESTMENTS

As regards financial investments, MAPFRE RE's policy to mitigate its exposure to this type of risks is based on a prudent investment policy, with most of the portfolio consisting of fixed income securities.

With respect to credit risk, MAPFRE RE's policy is based on prudence (issuer's solvency) and diversification. Thus, its fixed income portfolio consists mostly of securities with high credit ratings.

Diversification criteria are applied, for both fixed income and equity investments, by activity sectors and maximum risk limits per issuer.

CONSOLIDATED ANNUAL ACCOUNTS

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2005 AND 2004

Assets	Notes	2005	2004
A) INTANGIBLE ASSETS	**6.1**	**2,501**	**2,236**
I. Goodwill		1,646	1,646
II. Other intangible assets		855	590
B) PROPERTY, PLANT AND EQUIPMENT	**6.2**	**36,985**	**37,015**
I. Property for own use		35,184	35,273
II. Other tangible assets		1,801	1,742
C) INVESTMENTS	**6.2, 6.3**	**1,614,226**	**1,330,010**
I. Investment property		39,725	40,521
II. Financial investments		1,315,137	1,056,954
1. Portfolio held to maturity		181,809	206,712
2. Portfolio available for sale		1,081,785	800,878
3. Trading portfolio		51,543	49,364
III. Investments recorded by the equity method		13,351	10,462
IV. Deposits established on accepted reinsurance		245,486	221,731
V. Other investments		527	342
D) INVESTMENTS ON ACCOUNT OF LIFE POLICY HOLDERS BEARING THE INVESTMENT RISK			
E) INVENTORIES			
F) PARTICIPATION OF REINSURANCE IN TECHNICAL PROVISIONS	**6.8**	**542,825**	**296,328**
G) DEFERRED TAX ASSETS	**6.16**	**12,543**	**8,486**
H) CREDITS AND RECEIVABLES	**6.4**	**166,943**	**116,081**
I. Receivables on direct insurance and coinsurance transactions			
II. Receivables on reinsurance transactions		146,413	107,448
III. Tax credits		9,303	4,644
IV. Corporate and other credits		11,227	3,989
V. Shareholders, called capital			
I) CASH AND BANKS	**6.5**	**59,127**	**39,102**
J) ACCRUAL ADJUSTMENTS	**5.7**	**109,168**	**86,741**
K) OTHER ASSETS		**199**	**312**
L) NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	**6.6**	**672**	**423**
TOTAL ASSETS		**2,545,189**	**1,916,734**

Amounts in EUR thousands

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2005 AND 2004

Liabilities and equity	Notes	2005	2004
A) EQUITY		**622,700**	**537,122**
I. Paid-up capital	6.7	223,916	202,770
II. Reserves	6.7	295,790	245,288
III. Treasury stock			
IV. Valuation adjustment reserves	6.7	36,376	50,894
V. Translation differences	6.18	23,414	(8,881)
VI. Retained earnings		43,151	46,949
1. Results from previous years pending application		36,163	19,021
2. Result of the year attributable to the controlling Company	4.1	32,269	45,588
3. Interim dividend	4.2	(25,281)	(17,660)
Equity attributed to the controlling Company's shareholders		**622,647**	**537,020**
Minority interests		**53**	**102**
B) SUBORDINATED LIABILITIES			
C) TECHNICAL PROVISIONS	**6.8**	**1,581,969**	**1,092,803**
I. Provisions for unearned premiums and for risks in progress		653,227	524,556
II. Provision for life insurance		120,987	92,584
III. Provision for claims		807,755	475,663
IV. Other technical provisions			
D) TECHNICAL PROVISIONS RELATING TO LIFE INSURANCE WHEN POLICY HOLDERS BEAR THE INVESTMENT RISK			
E) PROVISIONS FOR RISKS AND EXPENSES	**6.9**	**6,795**	**6,273**
F) DEPOSITS RECEIVED ON CEDED AND RETROCEDED REINSURANCE	**6.10**	**134,824**	**113,666**
G) DEFERRED TAX LIABILITIES	**6.16**	**19,392**	**32,732**
H) DEBT	**6.11**	**116,112**	**89,754**
I. Issuance of debentures and other negotiable securities			
II. Due to credit institutions			
III. Other financial liabilities			
IV. Due on direct insurance and coinsurance operations		345	186
V. Due on reinsurance operations		96,512	77,147
VI. Tax payable		1,351	1,353
VII. Other debts		17,904	11,068
I) ACCRUAL ADJUSTMENTS	**5.7**	**63,397**	**44,384**
TOTAL LIABILITIES AND EQUITY		**2,545,189**	**1,916,734**

Amounts in EUR thousands

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

Concept	Notes	2005	2004
I. REVENUES			
1. Premiums in the year, net	5.14	835,437	639,270
a) Written premiums from direct insurance		(46)	(5)
b) Premiums from accepted reinsurance		1,337,469	1,132,602
c) Premiums from ceded insurance	6.15	(423,906)	(360,508)
d) Variation in provisions for premiums earnd and risks in progress, net		(78,080)	(132,819)
2. Profit sharing in companies recorded by the equity method		219	112
3. Income from investments	6.13	78,541	48,279
a) From operations		66,905	40,398
b) From equity		11,636	7,881
4. Unrealised gains in investments on account of life policyholders bearing the investment risk			
5. Other technical revenues		207	161
6. Other non technical revenues		1,624	251
7. Positive translation differences	6.18	54,308	49,080
8. Reversal of the asset impairment provision		29	
TOTAL REVENUES		**970,365**	**737,153**
II. EXPENSES			
1. Claims in the year, net	5.16	(564,526)	(382,618)
a) Claims paid		(419,885)	(319,150)
Direct insurance		(23)	(1,157)
Accepted reinsurance		(593,818)	(450,503)
Ceded reinsurance	6.15	173,956	132,510
b) Variation in the provision for claims, net		(143,685)	(62,445)
c) Claim related expenses		(956)	(1,023)
2. Variation in other technical provisions, net		(1,128)	(5,012)
3. Sharing in profits and premium returns			
4. Net operating expenses	6.14	(261,632)	(207,955)
5. Sharing in losses of companies recorded by the equity method			(39)
6. Expenses from investments	6.13	(14,022)	(11,084)
a) From operations		(10,049)	(6,572)
b) From equity and financial accounts		(3,973)	(4,512)
7. Unrealised losses in investments on account of policy holders bearing the investment risk			
8. Other technical expenses		(1,368)	(1,205)
9. Other non technical expenses		(4,979)	(3,643)
10. Negative translation differences	6.18	(59,439)	(53,643)
TOTAL EXPENSES		**(907,094)**	**(665,199)**
III. PROFIT BEFORE TAX FROM ONGOING OPERATIONS		**63,271**	**71,954**
IV. TAX ON PROFIT FROM ONGOING OPERATIONS	**6.16**	**(22,141)**	**(26,369)**
V. PROFIT AFTER TAX FROM DISCONTINUED OPERATIONS		**(8,887)**	
VI. PROFIT FOR THE YEAR		**32,243**	**45,585**
1. Attributable to minority shareholders		26	3
2. Attributable to the controlling company		32,269	45,588

Amounts in EUR thousands

Basic and diluted earnings per share (Euros)	4.1.	0.46	0.78

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

	Equity attributed to the controlling company's shareholders							
Concept	**Capital paid-up**	**Reserves**	**Treasury stock**	**Valuation adjustment reserves**	**Translation differences**	**Retained earnings**	**Minority interests**	**Total equity**
BALANCE AS AT 1 JANUARY 2004	138,738	153,206		43,752	0	33,613	127	369,436
I. Changes in accounting policies								0
II. Correction of errors								0
BALANCE AS AT 1 JANUARY 2004 RESTATED	138,738	153,206	0	43,752	0	33,613	127	369,436
VARIATIONS IN 2004								
I. Result recognised directly in equity								
1. From revaluation of tangible and intangible fixed assets								
2. From investments available for sale				10,528				10,528
3. From cash flow hedges								
4. From translation differences		0			(8,881)			(8,881)
5. From other results recognised directly in equity								
TOTAL RESULTS RECOGNISED DIRECTLY IN EQUITY	0	0	0	10,528	(8,881)	0	0	1,647
II. Other results for 2004						45,588		45,588
III. Distribution of 2003 results		8,669				(14,592)		(5,923)
IV. Interim dividends for 2004						(17,660)		(17,660)
V. Capital increase	64,032	85,928						149,960
VI. Called capital pending payment								
VII. Capital decrease								
VIII. Other increases		0		55		0		55
IX. Other decreases		(2,515)		(3,441)		0	(25)	(5,981)
X. Translation differences								
TOTAL VARIATIONS IN 2004	64,032	92,082	0	(3,386)	0	13,336	(25)	166,039
BALANCE AS AT 31 DECEMBER 2004	202,770	245,288	0	50,894	(8,881)	46,949	102	537,122
I. Changes in accounting policies								0
II. Correction of errors								0

Amounts in EUR thousands

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Concept	Equity attributed to the controlling company's shareholders						Minority interests	Total equity
	Capital paid-up	Reserves	Treasury stock	Valuation adjustment reserves	Translation differences	Retained earnings		
BALANCE AS AT 1 JANUARY 2005 RESTATED	**202,770**	**245,288**	**0**	**50,894**	**(8,881)**	**46,949**	**102**	**537,122**
VARIATIONS IN 2005								
I. Result recognised directly in equity								
1. From revaluation of tangible and intangible fixed assets								
2. From investments available for sale				(3,988)				(3,988)
3. From cash flow hedges								
4. From translation differences					32,295			32,295
5. From other results recognised directly in equity								
TOTAL RESULTS RECOGNISED DIRECTLY IN EQUITY	**0**	**0**	**0**	**(3,988)**	**32,295**	**0**	**0**	**28,307**
II. Other results for 2005						32,269		32,269
III. Distribution of 2004 results		3,291				(10,786)		(7,495)
IV. Interim dividends for 2005						(25,281)		(25,281)
V. Capital increase	21,146	28,854		(331)				49,669
VI. Called capital pending payment								
VII. Capital decrease								
VIII. Other increases		18,357			-			18,357
IX. Other decreases				(10,199)			(49)	(10,248)
X. Translation differences								
TOTAL VARIATIONS IN 2005	**21,146**	**50,502**	**0**	**(10,530)**	**0**	**(3,798)**	**(49)**	**57,271**
BALANCE AS AT 31 DECEMBER 2005	**223,916**	**295,790**	**0**	**36,376**	**23,414**	**43,151**	**53**	**622,700**

Amounts in EUR thousands

CONSOLIDATED CASH FLOW STATEMENT FOR YEARS ENDED 31 DECEMBER 2005 AND 2004

Concepts	2005	2004
Premiums collected		
Payment of claims		
Collections from reinsurance transactions	376.483	375.154
Payment on reinsurance transactions	(154.917)	(132.951)
Payment of commissions	(13.628)	(13.613)
Collections from clients, other activities		
Payments to suppliers, other activities		
Other operating cash inflows	2.077	
Other operating cash outflows	(36.905)	(28.886)
Payments or collections from the corporation tax	(24.951)	(14.904)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**148.159**	**184.800**
Purchases of intangible fixed assets	(328)	
Purchases of property, plant and equipment	(167)	
Acquisition of investments and payment of capital increases	(283.574)	(347.990)
Cash generated by companies incorporated into the consolidation perimeter		
Cash corresponding companies no longer included in the consolidation perimeter	(1.202)	
Sales of intangible fixed assets		
Sales of property, plant and equipment	8.412	
Sales of investments	73.995	
Interest collected	54.258	36.490
Interest paid		
Collections from dividends	510	4.960
Collections from other financial instruments	986	
Payments for other financial instruments	(1.012)	
NET CASH FLOWS FROM INVESTMENT ACTIVITIES	**(148.122)**	**(306.540)**
Dividends and donations paid	(32.476)	(26.840)
Collections on capital increases	50.000	166.740
Payments on return of shareholders' contributions		
Collections from issuance of debentures		
Payments on interest and redemption of debentures		
Payments on interest and repayment of other long term borrowings		
Collections from other long term borrowings		
NET CASH FLOWS FROM FINANCING ACTIVITIES	**17.524**	**139.900**
NET INCREASE/(DECREASE) IN CASH FLOW	**17.561**	**18.160**
Translation differences in cash flow and cash balances	**2.464**	**3.850**
OPENING CASH BALANCE	**39.102**	**17.092**
CLOSING CASH BALANCE	**59.127**	**39.102**

Amounts in EUR thousands

FINANCIAL INFORMATION BY SEGMENTS - CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2005 AND 2004

Assets	Reinsurance life		Reinsurance non life		Total	
	2005	2004	2005	2004	2005	2004
A) INTANGIBLE ASSETS	**54**	**73**	**2,447**	**2,163**	**2,501**	**2,236**
I. Goodwill			1,646	1,646	1,646	1,646
II. Other intangible assets	54	73	801	517	855	590
B) PROPERTY, PLANT AND EQUIPMENT	**3,648**	**4,572**	**33,337**	**32,443**	**36,985**	**37,015**
I. Property for own use	3,396	4,357	31,788	30,916	35,184	35,273
II. Other tangible fixed assets	252	215	1,549	1,527	1,801	1,742
C) INVESTMENTS	**216,787**	**153,804**	**1,397,439**	**1,176,206**	**1,614,226**	**1,330,010**
I. Investment property	33,492	5,005	6,233	35,516	39,725	40,521
II. Financial investments	150,415	129,410	1,164,722	927,544	1,315,137	1,056,954
1. Portfolio held to maturity	21,203	25,532	160,606	181,180	181,809	206,712
2. Portfolio available for sale	113,422	97,781	968,363	703,097	1,081,785	800,878
3. Trading portfolio	15,790	6,097	35,753	43,267	51,543	49,364
III. Investments recorded by the equity method	12,571	1,292	780	9,170	13,351	10,462
IV. Deposits established for accepted reinsurance	20,309	18,055	225,177	203,676	245,486	221,731
V. Other investments		42	527	300	527	342
D) INVESTMENTS ON ACCOUNT OF LIFE POLICY HOLDERS BEARING THE INVESTMENT RISK						
E) INVENTORIES						
F) PARTICIPATION OF REINSURANCE IN TECHNICAL PROVISIONS	**7,967**	**8,699**	**534,858**	**287,629**	**542,825**	**296,328**
G) DEFERRED TAX ASSETS	**90**	**1,048**	**12,453**	**7,438**	**12,543**	**8,486**
H) CREDITS AND RECEIVABLES	**8,811**	**14,338**	**158,132**	**101,743**	**166,943**	**116,081**
I. Receivables on direct insurance and coinsurance transactions						
II. Receivables on reinsurance transactions	7,350	13,271	139,063	94,177	146,413	107,448
III. Tax credits	311	293	8,992	4,351	9,303	4,644
IV. Corporate and other credits	1,150	774	10,077	3,215	11,227	3,989
V. Shareholders, called capital					0	0
I) CASH AND BANKS	**3,008**	**4,830**	**56,119**	**34,272**	**59,127**	**39,102**
J) ACCRUAL ADJUSTMENTS	**1,658**	**1,916**	**107,510**	**84,825**	**109,168**	**86,741**
K) OTHER ASSETS	**2**	**39**	**197**	**273**	**199**	**312**
L) NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	**672**			**423**	**672**	**423**
TOTAL ASSETS BY SEGMENTS	**242,697**	**189,319**	**2,302,492**	**1,727,415**	**2,545,189**	**1,916,734**

Amounts in EUR thousands

FINANCIAL INFORMATION BY SEGMENTS - CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2005 AND 2004

Liabilities and equity	Reinsurance life		Reinsurance non life		Total	
	2005	2004	2005	2004	2005	2004
A) EQUITY	**87,375**	**60,261**	**535,325**	**476,861**	**622,700**	**537,122**
I. Paid-up capital	15,927	25,045	207,989	177,725	223,916	202,770
II. Reserves	61,323	30,771	234,467	214,517	295,790	245,288
III. Treasury stock						
IV. Valuation adjustment reserves	3,762	6,286	32,614	44,608	36,376	50,894
V. Translation differences	12,008	(1,635)	11,406	(7,246)	23,414	(8,881)
VI. Retained earnings	(5,698)	(219)	48,849	47,168	43,151	46,949
Equity attributed to the controlling Company's shareholders	**87,322**	**60,248**	**535,325**	**476,772**	**622,647**	**537,020**
Minority interests	**53**	**13**		**89**	**53**	**102**
B) SUBORDINATED LIABILITIES						
C) TECHNICAL PROVISIONS	**139,795**	**107,210**	**1,442,174**	**985,593**	**1,581,969**	**1,092,803**
I. Provisions for unearned premiums and for risks in progress			653,227	524,556	653,227	524,556
II. Provision for life insurance	120,987	92,584			120,987	92,584
III. Provision for claims	18,808	14,626	788,947	461,037	807,755	475,663
IV. Other technical provisions						
D) TECHNICAL PROVISIONS FOR LIFE INSURANCE WHERE POLICYHOLDERS BEARING THE INVESTMENT RISK						
E) PROVISIONS FOR RISKS AND EXPENSES	**460**	**775**	**6,335**	**5,498**	**6,795**	**6,273**
F) DEPOSITS RECEIVED ON CEDED AND RETROCEDED REINSURANCE	**6,429**	**5,894**	**128,395**	**107,772**	**134,824**	**113,666**
G) DEFERRED TAX LIABILITIES	**1,370**	**4,043**	**18,022**	**28,689**	**19,392**	**32,732**
H) DEBT	**7,268**	**11,086**	**108,844**	**78,668**	**116,112**	**89,754**
I. Issuance of debentures and other negotiable securities						
II. Due to credit institutions						
III. Other financial liabilities						
IV. Due on direct insurance and coinsurance operations		23	345	163	345	186
V. Due on reinsurance operations	4,409	9,529	92,103	67,618	96,512	77,147
VI. Tax payable	77	167	1,274	1,186	1,351	1,353
VII. Other debts	2,782	1,367	15,122	9,701	17,904	11,068
I) ACCRUAL ADJUSTMENTS		**50**	**63,397**	**44,334**	**63,397**	**44,384**
TOTAL LIABILITIES AND EQUITY BY SEGMENTS	**242,697**	**189,319**	**2,302,492**	**1,727,415**	**2,545,189**	**1,916,734**

Amounts in EUR thousands

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

Liabilities and equity	Reinsurance life		Reinsurance non life		Total	
	2005	2004	2005	2004	2005	2004
I. REVENUES						
1. Premiums in the year, net	69,141	47,698	766,296	591,572	835,437	639,270
a) Written premiums direct insurance			(46)	(5)	(46)	(5)
b) Premiums from accepted reinsurance	95,733	72,403	1,241,736	1,060,199	1,337,469	1,132,602
c) Premiums from ceded reinsurance	(13,055)	(10,712)	(410,851)	(349,796)	(423,906)	(360,508)
d) Variation in provisions for unearned premiums and risks in progress, net	(13,537)	(13,993)	(64,543)	(118,826)	(78,080)	(132,819)
2. Profit sharing in companies recorded by the equity method	108	112	111	0	219	112
3. Income from investments	11,435	7,804	67,106	40,475	78,541	48,279
a) From operations	9,452	6,740	57,453	33,658	66,905	40,398
b) From equity	1,983	1,064	9,653	6,817	11,636	7,881
4. Unrealised gains in investments on account of life policy holders bearing the investment risk						
5. Other technical revenues			207	161	207	161
6. Other non technical revenues	1,193	32	431	219	1,624	251
7. Positive translation differences	3,870	4,659	50,438	44,421	54,308	49,080
8. Reversal of the asset impairment provision	29				29	
TOTAL REVENUES	**85,776**	**60,305**	**884,589**	**676,848**	**970,365**	**737,153**
II. EXPENSES						
1. Claims in the year, net	(46,261)	(36,653)	(518,265)	(345,965)	(564,526)	(382,618)
a) Claims paid	(41,457)	(28,184)	(378,428)	(290,966)	(419,885)	(319,150)
Direct insurance		0	(23)	(1,157)	(23)	(1,157)
Accepted reinsurance	(49,818)	(32,915)	(544,000)	(417,588)	(593,818)	(450,503)
Ceded reinsurance	8,361	4,731	165,595	127,779	173,956	132,510
b) Variation in the provision for claims, net	(4,770)	(8,459)	(138,915)	(53,986)	(143,685)	(62,445)
c) Claim related expenses	(34)	(10)	(922)	(1,013)	(956)	(1,023)
2. Variation in other technical provisions, net	(1,128)	(5,012)			(1,128)	(5,012)
3. Profit sharing and premium returns						
4. Net operating expenses	(16,207)	(11,451)	(245,425)	(196,504)	(261,632)	(207,955)
5. Participation in losses of companies recorded by the equity method		(16)		(23)	0	(39)
6. Expenses from investments	(2,326)	(1,425)	(11,696)	(9,659)	(14,022)	(11,084)
a) From operations	(1,516)	(1,158)	(8,533)	(5,414)	(10,049)	(6,572)
b) From equity and financial accounts	(810)	(267)	(3,163)	(4,245)	(3,973)	(4,512)
7. Unrealised gains in investments on account of life policyholders bearing the investment risk						
8. Other technical expenses	(839)	(1,205)	(529)		(1,368)	(1,205)
9. Other non technical expenses	(1,546)	(315)	(3,433)	(3,328)	(4,979)	(3,643)
10. Negative translation differences	(7,558)	(3,999)	(51,881)	(49,644)	(59,439)	(53,643)
TOTAL EXPENSES	**(75,865)**	**(60,076)**	**(831,229)**	**(605,123)**	**(907,094)**	**(665,199)**
III. PROFIT BEFORE TAX	**9,911**	**229**	**53,360**	**71,725**	**63,271**	**71,954**
IV. TAX ON PROFITS	**(5,933)**	**(1,720)**	**(16,208)**	**(24,649)**	**(22,141)**	**(26,369)**
V. RESULT AFTER TAX DISCONTINUED OPERATIONS			**(8,887)**		**(8,887)**	
V. RESULT FOR THE YEAR	**3,978**	**(1,491)**	**28,265**	**47,076**	**32,243**	**45,585**
1. Attributable to minority shareholders	26	3			26	3
2. Attributable to the controlling company	4,004	(1,488)	28,265	47,076	32,269	45,588

Amounts in EUR thousands

FINANCIAL INFORMATION BY SEGMENTS - BREAKDOWN BY GEOGRAPHICAL SEGMENT

1. CONSOLIDATED ASSETS AS AT 31 DECEMBER 2005 AND 2004

Geographical segment	2005	2004
I. SPAIN	820,411	637,440
II. OTHER EUROPEAN UNION COUNTRIES	654,273	472,341
III. AMERICA	883,430	672,122
IV. REST OF THE WORLD	187,075	134,831
TOTAL ASSETS	**2,545,189**	**1,916,734**

Amounts in EUR thousands

2. CONSOLIDATED ORDINARY REVENUES FOR YEARS ENDED 31 DECEMBER 2005 AND 2004

Geographical segment	2005	2004
I. SPAIN	534,760	538,739
II. OTHER EUROPEAN UNION COUNTRIES	320,091	242,393
III. AMERICA	377,972	276,756
IV. REST OF THE WORLD	104,600	74,709
TOTAL ORDINARY REVENUES	**1,337,423**	**1,132,597**

Amounts in EUR thousands

3. ACQUISITIONS OF FIXED ASSETS AND INVESTMENTS IN YEARS ENDED 31 DECEMBER 2005 AND 2004

Geographical segment	2005	2004
I. SPAIN	46,393	73,061
II. OTHER EUROPEAN UNION COUNTRIES	103,410	131,255
III. AMERICA	113,063	69,987
IV. REST OF THE WORLD	18,106	1,034
TOTAL ACQUISITIONS IN THE YEAR	**280,972**	**275,337**

Amounts in EUR thousands

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FINANCIAL YEAR 2005

1 GENERAL INFORMATION ON THE COMPANY AND ITS ACTIVITY

MAPFRE RE, Compañía de Reaseguros S.A. (hereinafter, the controlling Company) is a reinsurance company, parent to a number of subsidiaries engaged in reinsurance activities.

The controlling Company is, in turn, subsidiary of CORPORACIÓN MAPFRE, S.A. and forms part of SISTEMA MAPFRE, consisting of MAPFRE MUTUALIDAD and several companies engaged in insurance, financial, securities, property and services activities.

The controlling Company has its headquarters located in Madrid, having also two branch offices and ten representative offices, with direct presence in fifteen countries. Its geographical scope includes Spain, European Union countries and third countries, mainly in Latin America, and its activity embraces all reinsurance business types and lines.

The controlling Company was incorporated in Spain, its registered office being in Madrid, Paseo de Recoletos no. 25.

The consolidated annual accounts have been issued by the Board of Directors on 16 February 2006. They are expected to be approved by the General Shareholders Meeting. The Spanish regulations envisage the possibility of modifying the annual accounts in the event they were not approved by the said governance body, albeit such a situation has never arisen in the life of the controlling Company.

2 BASES OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Group has decided to capitalise the interest costs directly attributable to the acquisition of qualifying assets, which therefore become part of the costs of the said assets.

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

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

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

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

RECONCILIATION AS AT 1 JANUARY 2004

						Breakdown of net amount				
Concept	**Note**	**Gross amunt**	**Taxes**	**Net amount**	**Capital**	**Reserves/ Valuation adjustments**	**Result controlling Company**	**Other controlling Company**	**Minority interests**	**Total equity**
Pursuant to PG/PGCEA					138,738		29,054	157,765	127	325,684
Amortisation of start-up expenses	a	(822)	288	(534)	-	(534)	-	-	-	(534)
Elimination of goodwill amortisation	b	-	-	-	-	-	-	-	-	-
Difference in investment valuations	c	17,286	(5,379)	11,547		11,547	-	-		11,547
Embedded derivatives		-	-	-	-	-	-	-	-	-
Elimination of the stabilisation and catastrophe provisions	d	42,723	(14,277)	28,446	-	28,446	-	-	-	28,446
Difference in mathematical reserves valuations (adjustment of tables)	e	-	-	-	-	-	-	-	-	-
Prepaid taxes	f	4,348		4,348	-	4,348	-	-	-	4,348
Deferred income		-	-	-	-	-	-	-	-	-
Others		(55)	-	(55)	-	(55)	-	-	-	(55)
Pursuant to IFRS					**138,738**	**43,752**	**29,054**	**157,765**	**127**	**369,436**

Amounts in EUR thousands

RECONCILIATION AS AT 31 DECEMBER 2004

Concept	Note	Gross amount	Taxes	Net amount	Capital	Breakdown of net amount: Reserves/ Valuation adjust-ments	Result controlling Company	Translation differences	Other equity accounts	Minority interests	Total equity
Pursuant to PG/PGCEA					**202,770**		**41,380**	**(9,402)**	**242,911**	**102,**	**477,761**
Amortisation of start-up expenses	a	(1,935)	678	(1,257)	-	(1,526)	269	-	-	-	(1,257)
Elimination of goodwill amortisation	b	113	-	113	-	-	113	-	-	-	113
Difference in investment valuations	c	32,966	(11,137)	21,829	-	22,075	(246)	-	-	-	21,829
Embedded derivatives		-	-		-	-	-	-	-	-	-
Elimination of the stabilisation and catastrophe provisions	d	57,936	(19,708)	38,228	-	28,446	9,782	-	-	-	38,228
Difference in mathematical reserves valuations (adjustment of tables)	e	(4,780)	-	(4,780)	-	-	(4,780)	-	-	-	(4,780)
Prepaid taxes		-	5,317	5,317	-	1,899	(320)	-	3,738	-	5,317
Deferred income		-	-	-	-	-	-	-	-	-	-
Others		161	(250)	(89)	-		(610)	521	-	-	(89)
Pursuant to IFRS					**202,770**	**50,894**	**45,588**	**(8,881)**	**246,649**	**102**	**537,122**

Amounts in EUR thousands

The reconciliation of profits and losses presented under the Accountancy Plan for Insurance Entities (PGCEA) and those presented under IFRS as at 31 December 2004 is as follows:

Concept	Note	Gross amount	Tax	Minority interests	Result controlling Company
Pursuant to PGC/PGCEA		**62,145**	**(20,768)**	**3**	**41,380**
Amortisation of start-up expenses	a	413	(144)	-	269
Elimination of amortisation/impairment of goodwill	b	113	-	-	113
Difference in valuation of investments		(379)	133	-	(246)
Embedded derivatives		-	-	-	-
Elimination of the stabilisation and catastrophe provisions	d	15,213	(5,431)	-	9,782
Difference in valuation of mathematical reserves (adjust. tables)	e	(4,780)	-	-	(4,780)
Prepaid taxes		-	(320)	-	(320)
Deferred income		-	-	-	-
Others		(771)	161	-	(610)
Pursuant to IFRS		**71,954**	**(26,369)**	**3**	**45,588**

Amounts in EUR thousands

a) Under IFRS, incorporation, start-up and capital increase expenses must be recorded as expense in the year, and capital increase expenses must be deducted from equity, therefore, the restated book value of the said expenses, which amounted to EUR 0.53 million as at 01.01.04 under the former PGCEA criteria, has been cancelled, net of the tax effect, against equity. The amounts corresponding both to the capitalisation of these expenses during the present year, and the allocation to results for the amortisation carried out under PGCEA rules, amounting to EUR 1.53 million and EUR 0.27 million, have been cancelled, net of the tax effect, against equity and results, respectively, for the said financial year.

b) Under IFRS, goodwill is not amortised on a regular basis, opposite to the provisions of the Spanish accounting regulations. The amount corresponding to allocation to results in the year through amortisation raises the net result for the year by EUR 0.11 million.

Likewise, the IFRS require carrying out a test, on an annual basis, in order to verify whether losses have occurred due to impairment of goodwill. The said impairment test has not given rise to any impairment loss in the year.

c) Under the Spanish accounting regulations, financial assets available for sale are stated at cost, while under IFRS the mentioned assets must be recorded at fair value. The difference between both valuations, net of the tax effect has been included on the revaluation reserve, amounts to EUR 11.55 million and EUR 21.83 million as at 01.01.04 and 31.12.04, respectively.

d) IFRS do not allow recognising as a liability, in an insurer's financial statements, a provision for any future claims if these claims arise from insurance contracts not existing on the date of presentation of the financial statements. The stabilisation and catastrophe provisions recorded pursuant to the Spanish accounting regulations amount to EUR 28.45 million as at 01.01.04 and have been eliminated against equity, net of the tax effect. The amounts allocated and applied during 2004 have been eliminated net of the tax effect against the result for the said financial year, with the said elimination amounting to EUR 9.78 million.

e) Pursuant to the local regulations in force in Spain and other countries where the Group operates, there is a transitional period to adapt to the new mortality tables in the event that the survival and mortality tables used in the calculation of mathematical reserves are older than 20 years. IFRS do not contemplate transitional adaptation periods, buy lay down the obligation of assessing, on each one of the dates of presentation of financial information, whether liabilities arising from insurance contracts recognised in the financial statements are sufficient to honour future obligations. The deficit arising from the assessment of the adequacy of mathematical reserves, net of the tax effect, amounts to EUR 4.78 million as at 31.12.04.

f) Pursuant to Spanish accounting regulations, prepaid taxes may be recorded only when their recovery is clearly ensured, this being considered not to be likely when it may take place after the lapse of 10 years or in the case of entities usually registering losses. IFRS provide for prepaid taxes to be recognised to the extent the entity is likely to count on future tax gains against which to offset temporary differences. In addition, IFRS lay down other possible events.

As at 01.01.04, prepaid taxes recognised under IFRS and not recognised under the Spanish accounting regulations amount to EUR 4.35 million and have been recorded against equity. The amount of prepaid taxes recognised during 2004 is EUR 0.58 million, having been recorded against results for the year.

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

INFORMATION BY SEGMENTS

The controlling Company voluntarily includes financial information by segments, both per segment of activity and geographical segment, in its annual accounts. The main segments per business line are Reinsurance Life and Reinsurance Non Life. The geographical segments are: Spain, other European Union countries, America, and rest of the world.

ERRORS

No error has been detected in the financial statements for previous years.

COMPARISON OF INFORMATION

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

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

CHANGES IN THE CONSOLIDATION PERIMETER

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

The overall effect of these changes on the consolidated Group's equity, financial situation and results in financial years 2004 and 2005 with respect to the preceding year is described in the notes to the relevant financial statements.

CHANGE IN THE CONSOLIDATION METHODS OR PROCEDURES

During 2005, the following companies have become no longer subsidiaries or associated undertakings of the Group, due to the reasons stated below:

a) Sale to third parties:
MAPLUX REINSURANCE COMPANY

b) Winding-up:
MAPFRE MANAGEMENT SERVICES U.K. COMPANY LIMITED

ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

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

3 CONSOLIDATION

3.1 SUBSIDIARIES AND ASSOCIATED UNDERTAKINGS

Subsidiaries and associated undertakings included in the consolidation are detailed in the table of shareholdings forming an integral part of these notes to the financial statements as Appendix 1.

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

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

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

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

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

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

Excluded from being considered as subsidiaries and associated undertakings are the investments made in investment funds and similar undertakings.

The financial statements of subsidiaries and associated undertakings used for the consolidation are those relating to the financial years closed as at 31 December 2004 and 2005.

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

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

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

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

Adjustments to the opening balance

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

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

4 PROFITS PER SHARE AND DIVIDENDS

4.1 PROFITS PER SHARE

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

	2005	2004
Net profit attributable to the controlling Company's shareholders (EUR 000s)	32,269	45,588
Weighted average number of ordinary shares in issue (thousands)	70,526	58,332
Basic profits per share (Euros)	0.46	0.78

The weighted average number of ordinary shares in issue in financial years 2005 and 2004 is affected by the capital increases carried out in August 2005 and June 2004.

4.2 DIVIDENDS

The following table details the controlling Company's dividends in the last two financial years:

Concept	2005		2004	
	Total	Amount per share	Total	Amount per share
Interim dividend	25,280,873.80	0.35	17,660,641.95	0.27
Comp. dividend	5,056,174.76	0.07	7,195,076.35	0.11
TOTAL	**30,337,048.56**	**0.42**	**24,855,718.30**	**0.38**

Amounts in Euros

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

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

5 ACCOUNTING POLICIES

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

5.1. INTANGIBLE ASSETS

Goodwill

GOODWILL ON CONSOLIDATION

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

IMPAIRMENT OF GOODWILL

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

Other intangible assets

- Intangible assets arising from an independent acquisition

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

5.2 PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENT PROPERTY

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

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

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

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

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

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

5.3 FINANCIAL INVESTMENTS

Recognition

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

Classification

Financial investments are classified into the following portfolios:

- Portfolio held to maturity

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

- Portfolio available for sale

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

- Trading portfolio

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

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

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

Valuation

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

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

a) Financial investments included in the "Portfolio Held to Maturity" not earmarked for hedging purposes, which are valued at their amortised cost using the effective interest rate method.

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

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

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

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

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

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

5.4 IMPAIRMENT OF ASSETS

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

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

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

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

5.5 CREDITS AND RECEIVABLES

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

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

5.6 CASH AND BANKS

Cash and Banks consists of cash and cash equivalents.

Cash is formed by cash and sight deposits with banks.

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

5.7 ACCRUAL ADJUSTMENTS

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

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

5.8 NON-CURRENT ASSETS HELD FOR SALE AND RELATED LIABILITIES

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

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

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

5.9 TECHNICAL PROVISIONS

A) Accepted reinsurance

PROVISION FOR UNEARNED PREMIUMS

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

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

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

PROVISION FOR RISKS IN PROGRESS

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

PROVISION FOR OUTSTANDING CLAIMS

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

B) Retroceded reinsurance

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

C) Liabilities adequacy test

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

5.10 PROVISIONS FOR RISKS AND EXPENSES

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

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

5.11 DEBT

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

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

5.12 GENERAL CRITERION ON REVENUES AND EXPENSES

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

5.13 REMUNERATION TO STAFF

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

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

b) Post-employment remuneration
It essentially consists of defined benefit plans and defined contribution plans.

DEFINED BENEFIT PLANS
The liability recognised in the balance sheet in relation to defined benefit pension plans is equal to the present value of the defined benefit obligation on the balance sheet date, deducting, if applicable, the fair value of the assets earmarked to the plan.

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

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

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

OTHER POST-EMPLOYMENT OBLIGATIONS

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

c) Termination payments

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

5.14 PREMIUMS

Accepted and retroceded reinsurance

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

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

5.15 REVENUES AND EXPENSES FROM INVESTMENTS

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

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

a) Trading portfolio

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

b) Portfolio held to maturity

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

c) Portfolio available for sale

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

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

5.16 CLAIMS

Claims corresponding to accepted reinsurance are accounted for on the basis of the accounts received from ceding companies, and on the basis of information gathered as a function of the company's own experience.

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

5.17 RECLASSIFICATION OF EXPENSES BY FINAL NATURE AND ALLOCATION TO ACTIVITY SEGMENTS

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

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

The established destinations are as follows:

- Expenses to be allocated to benefits
- Expenses to be allocated to investments
- Other technical expenses
- Other non technical expenses
- Acquisition expenses
- Administration expenses

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

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

- Accepted reinsurance Life
- Accepted reinsurance Non Life

5.18 TRANSACTIONS AND BALANCES IN FOREIGN CURRENCIES

Except for reinsurance transactions, transactions in foreign currencies are translated into Euros at the exchange rate prevailing on the transaction date.

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

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

5.19 INCOME TAX

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

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

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

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

6 BREAKDOWN OF FINANCIAL STATEMENTS

6.1 INTANGIBLE ASSETS

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

FINANCIAL YEAR 2005

Items	Opening balance 2005	Adjustments to Opening balance	Changes in perimeter	Additions or appropriations	Disposals, cancellations or reductions	Closing balance 2005
GOODWILL	1,646	-	-	-	-	1,646
OTHER INTANGIBLE ASSETS						
Computer applications	1,294	31	-	531	(36)	1,820
Others	-	-	-	-	-	-
COST	**2,940**	**31**	**-**	**531**	**(36)**	**3,466**
ACCUMULATED AMORTISATION						
OTHER INTANGIBLE ASSETS						
Computer applications	(704)	(12)	-	(249)	-	(965)
Others						
ACCUMULATED AMORTISATION	**(704)**	**(12)**	**-**	**(249)**	**-**	**(965)**
IMPAIRMENT						
GOODWILL						
OTHER INTANGIBLE ASSETS						
Computer applications						
Others						
IMPAIRMENT						
SUB-TOTAL OTHER INTANGILBE ASSETS	590	19	-	282	(36)	855
TOTAL INTANGIBLE ASSETS, NET	**2,236**	**19**	**-**	**282**	**(36)**	**2,501**

Amounts in EUR thousands

FINANCIAL YEAR 2004						
Items	**Opening balance 2005**	**Adjustments to Opening balance**	**Changes in perimeter**	**Additions or appropriations**	**Disposals, cancellations or reductions**	**Closing balance 2005**
GOODWILL	3,037	1	-	-	(1,392)	1,646
OTHER INTANGIBLE ASSETS						
Computer applications	1,269	-	-	487	(462)	1,294
Others	-	-	-	-	-	-
COST	**4,306**	**1**	**-**	**487**	**(1,854)**	**2,940**
ACCUMULATED AMORTISATION						
OTHER INTANGIBLE ASSETS						
Computer applications	(910)	-	-	(225)	431	(704)
Others	-	-	-	-	-	-
ACCUMULATED AMORTISATION	**(910)**	**-**	**-**	**(225)**	**431**	**(704)**
IMPAIRMENT						
GOODWILL	-	-	-	-	-	-
OTHER INTANGIBLE ASSETS						
Computer applications	-	-	-	-	-	-
Others	-	-	-	-	-	-
IMPAIRMENT						
SUB-TOTAL OTHER INTANGILBE ASSETS	359	-	-	262	(31)	590
TOTAL INTANGIBLE ASSETS, NET	**3,396**	**1**	**-**	**262**	**(1,423)**	**2,236**

Amounts in EUR thousands

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

Group of elements	Useful life (Years)	Amortisation rate (annual)
Computer applications	4	25%

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

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

Element	Book value	
	31/12/2005	31/12/2004
Goodwill on consolidation	1,646	1,646

Amounts in EUR thousands

Cash generating units

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

FINANCIAL YEAR 2005

Concept	Cash generating unit	Balance 31/12/04	Impairment year 2005		Balance 31/12/05
			Adjustments to Opening balance	Impairment in the year	
A)Goodwill on consolidation I.G.		**1,646**			**1,646**
MAPFRE HOLDINGS INC.	MAPFRE REINSURANCE CO.	1,646	-	-	1,646
TOTAL A		**1,646**	**-**	**-**	**1,646**

Amounts in EUR thousadns

FINANCIAL YEAR 2004

Concept	Cash generating unit	Balance 31/12/04	Impairment year 2005		Balance 31/12/05
			Adjustments to Opening balance	Impairment in the year	
A)Goodwill on consolidation I.G.		2,981	2	(1,337)	1,646
MAPFRE HOLDINGS INC.	MAPFRE REINSURANCE CO.	1,646	-	-	1,646
CIAR	CIAR	1,043	-	(1,043)	-
CAJA RE	CAJA RE	239	2	(241)	-
INVERSIONES MAPFRE RE	INVERSIONES MAPFRE RE	53	-	(53)	-
B) Goodwill from associated undertakings		57		(57)	
INVERSIONES IBERÍCAS	INMOBILIARIA ALCÁNTARA	57	-	(57)	-
Total goodwill from associated undertakings		-	-	-	-
TOTAL (A+B)		**3,038**	**2**	**(1,394)**	**1,646**

Amounts in EUR thousands

The book value, net of any impairment, of each of the above described goodwill items is, in all cases, equal to or lower than the amount recoverable from the cash generating unit to which they are allocated, which has been determined according to its use value, calculated on the basis of cash flow projections.

The discount rate applied to the said projections is based on the interest rates of the geographical market where each cash generating unit operates, to which a risk premium has been added depending upon the unit's type of activity. The risk free interest rate used in the projections is 4.57%.

Projections corresponding to the first three years take into account growth rates of the flows based on historical experience, while for the following years constant flows are considered.

6.2 PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENT PROPERTY

Property, plant and equipment

The following tables detail the movement of this heading in the 2005 and 2004 financial years.

FINANCIAL YEAR 2005

Items	Opening balance 2005	Adjustments to Opening balance	Changes in Perimeter	Additions or appropriations	Disposals, cancellations or reductions	Closing balance 2005	Market value
COST							
PROPERTY FOR OWN USE	36,536	418				36,954	38,243
Land and natural resources	18,523	31				18,554	18,554
Buildings and other structures	18,013	387				18,400	19,689
OTHER TANTIBLE ASSETS	5,473	504		663	(677)	5,963	1,992
Transport elements	636	59		150	(119)	726	396
Furniture and fittings	3,243	367		244	(535)	3,319	896
Other tangible fixed assets	1,594	78		253	(23)	1,902	684
Advances and fixed assets in progress				16		16	16
TOTAL COST	**42,009**	**922**		**663**	**(677)**	**42,917**	**40,235**
ACCUMULATED AMORTISATION							
PROPERTY FOE OWN USE	(1,263)	(142)		(365)		(1,770)	
OTHER TANGIBLE FIXED ASSETS	(3,731)	(492)		(474)	535	(4,162)	
TOTAL ACCUMULATED AMORTISATION	**(4,994)**	**(634)**		**(839)**	**535**	**(5,932)**	
IMPAIRMENT							
PROPERTY FOR OWN USE							
Land and natural resources							
Buildings and other structures							
OTHER TANTIBLE ASSETS							
Transport elements							
Furniture and fittings							
Other tangible fixed assets							
Advances and fixed assets in progress							
TOTAL IMPAIRMENT							
TOTAL PROPERTY FOR OWN USE	**35,273**	**276**		**(365)**		**35,184**	**38,243**
TOTAL OTHER TANGIBLE FIXED ASSETS	**1,742**	**12**		**189**	**(142)**	**1,801**	**1,992**

Amounts in EUR thousands

FINANCIAL YEAR 2004

Items	Opening balance 2004	Adjustments to Opening balance	Changes in Perimeter	Additions or appropriations	Disposals, cancellations or reductions	Closing balance 2004	Market value
COST							
PROPERTY FOR OWN USE	35,735	-	-	960	(159)	36,536	35,273
Land and natural resources	18,416	-	-	107	-	18,523	18,523
Buildings and other structures	17,319	-	-	853	(159)	18,013	16,750
OTHER TANTIBLE ASSETS	5,392	(131)	-	634	(422)	5,473	1,742
Transport elements	652	(22)	-	215	(209)	636	113
Furniture and fittings	3,142	(67)	-	175	(7)	3,243	1,301
Other tangible fixed assets	1,598	(42)	-	244	(206)	1,594	328
Advances and fixed assets in progress	-	-	-	-	-	-	-
TOTAL COST	**41,127**	**(131)**	**-**	**1,594**	**(581)**	**42,009**	**35,969**
ACCUMULATED AMORTISATION							
PROPERTY FOR OWN USE	(976)	-	-	(351)	64	(1,263)	-
OTHER TANGIBLE FIXED ASSETS	(3,491)	50	-	(399)	109	(3,731)	-
TOTAL ACCUMULATED AMORTISATION	**(4,467)**	**50**	**-**	**(750)**	**173**	**(4,994)**	**-**
IMPAIRMENT							
PROPERTY FOR OWN USE	-	-	-	-	-	-	-
Land and natural resources	-	-	-	-	-	-	-
Buildings and other structures	-	-	-	-	-	-	-
OTHER TANTIBLE ASSETS	-	-	-	-	-	-	-
Transport elements	-	-	-	-	-	-	-
Furniture and fittings	-	-	-	-	-	-	-
Other tangible fixed assets	-	-	-	-	-	-	-
Advances and fixed assets in progress	-	-	-	-	-	-	-
TOTAL IMPAIRMENT		-	-	-	-	-	-
TOTAL PROPERTY FOR OWN USE	34,759	-	-	(351)	(95)	35,273	35,273
TOTAL OTHER TANGIBLE FIXED ASSETS	**1,900**	**(81)**	**-**	**235**	**(312)**	**1,742**	**1,742**

Amounts in EUR thousands

Additional information

The fully depreciated cost of property, plant and equipment as at 31 December 2005 and 31 December 2004 amounts to EUR 1.56 million and EUR 1.27 million, respectively.

Investment property

The following tables detail the movement of this heading in financial years 2005 and 2004:

FINANCIAL YEAR 2005

Items	Opening balance 2005	Adjustments to Opening balance	Changes in Perimeter	Additions or appropriations	Disposals, cancellations or reductions	Transfers	Closing balance 2005	Market value
COST								
INVESTMENT PROPERTY	44,859	10,524			(9,155)		46,290	40,670
Land and natural resources	12,142	3,402	-	-	(4,310)	-	11,234	11,190
Buildings and other structures	32,717	7,122	-	62	(4,845)	-	35,056	29,480
OTHER INVESTMENT PROPERTY	1,086				(1,086)			
ADVANCES AND TANGIBLE INVESTMENTS IN PROGRESS								
TOTAL COST	**45,945**	**10,524**		**62**	**(10,241)**		**46,290**	**40,670**
ACCUMULATED AMORTISATION								
INVESTMENT PROPERTY	(5,389)	(1,222)		(232)	354		(6,489)	
OTHER PROPERTY INVESTMENTS								
TOTAL ACCUMULATED AMORTISATION	**(5,389)**	**(1,222)**		**(232)**	**354**		**(6,489)**	
IMPAIRMENT								
INVESTMENT PROPERTY	(35)	(10)		(33)	2		(76)	
Land and natural resources	(21)	(6)	-	(15)	-	-	(42)	
Buildings and other structures	(14)	(4)	-	(18)	2	-	(34)	
OTHER INVESTMENT PROPERTY								
TOTAL IMPAIRMENT	**(35)**	**(10)**		**(33)**	**2**		**(76)**	
TOTAL INVESTMENT PROPERTY	**40,521**	**9,292**		**(203)**	**(9,885)**		**39,725**	**40,670**

Amounts in EUR thousands

The amounts shown under "Disposals" basically relate to realisations made by INVERSIONES IBERICAS, a subsidiary of MAPFRE RE.

FINANCIAL YEAR 2004

Items	Opening balance 2004	Adjustments to Opening balance	Changes in Perimeter	Additions or appropriations	Disposals, cancellations or reductions	Transfers	Closing balance 2004	Market value
COST								
INVESTMENT PROPERTY	46,858	278	-	159	(642)	(1,794)	44,859	39,353
Land and natural resources	12,634	25	-	-	(517)	-	12,142	12,020
Buildings and other structures	34,224	253	-	159	(125)	(1,794)	32,717	27,333
OTHER INVESTMENT PROPERTY	-	-	-	1,086	-	-	1,086	1,086
ADVANCES AND TANGIBLE INVESTMENTS IN PROGRESS	59	(59)	-	-	-	-	-	-
TOTAL COST	**46,917**	**219**	**-**	**1,245**	**(642)**	**(1,794)**	**45,945**	**40,439**
ACCUMULATED AMORTISATION								
INVESTMENT PROPERTY	(4,936)	(372)	-	(336)	-	255	(5,389)	
OTHER PROPERTY INVESTMENTS	-	-	-	-	-	-	-	-
TOTAL ACCUMULATED AMORTISATION	**(4,936)**	**(372)**	**-**	**(336)**	**-**	**255**	**(5,389)**	
IMPAIRMENT								
INVESTMENT PROPERTY	(197)	13	-	(6)	-	155	(35)	
Land and natural resources	(14)	(1)	-	-	-	-	(15)	
Buildings and other structures	(183)	14	-	(6)	-	155	(20)	
OTHER INVESTMENT PROPERTY	-	-	-	-	-	-	-	
TOTAL IMPAIRMENT(197)	**13**	**-**	**(6)**	**-**	**155**	**(35)**		
TOTAL INVESTMENT PROPERTY	41,784	(140)	-	903	(642)	(1,384)	40,521	40,439

Amounts in EUR thousands

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

The following tables provide a detail by activity segment of investment property impairment in financial years 2005 and 2004:

FINANCIAL YEAR 2005	
Investment property	**Reinsurance non life**
OPENING BALANCE	**(35)**
Land and natural resources	(21)
Buildings and other structures	(14)
OTHER INVESTMENT PROPERTY	
ADJUSTMENTS TO OPENING BALANCE	**(10)**
Land and natural resources	(6)
Buildings and other structures	(4)
OTHER INVESTMENT PROPERTY	
IMPAIRMENT RECORDED IN FINANCIAL YEAR	**(33)**
Land and natural resources	(15)
Buildings and other structures	(18)
OTHER INVESTMENT PROPERTY	
REVERSALS IN FINANCIAL YEAR	**2**
Land and natural resources	
Buildings and other structures	2
OTHER INVESTMENT PROPERTY	
CLOSING BALANCE	**(76)**

Amounts in EUR thousands

FINANCIAL YEAR 2004	
Investment property	**Reinsurance non life**
OPENING BALANCE	**(197)**
Land and natural resources	(14)
Buildings and other structures	(183)
OTHER INVESTMENT PROPERTY	
ADJUSTMENTS TO OPENING BALANCE	**13**
Land and natural resources	(1)
Buildings and other structures	14
OTHER INVESTMENT PROPERTY	
IMPAIRMENT RECORDED IN FINANCIAL YEAR	**(6)**
Land and natural resources	
Buildings and other structures	(6)
OTHER INVESTMENT PROPERTY	
REVERSALS IN FINANCIAL YEAR	**155**
Land and natural resources	
Buildings and other structures	155
OTHER INVESTMENT PROPERTY	
CLOSING BALANCE	**(35)**

Amounts in EUR thousands

The impairment loss in the year is recorded under "Allocation to the asset impairment provision" and the reversal under "Reversal of the asset impairment provision".

Revenues and expenses from leases arising from investment property in financial years 2005 and 2004 are detailed in the following table.

Concept	Investments from					
	Operations		Equity		Total	
	2005	2004	2005	2004	2005	2004
Revenues from investment property						
From leases	2,522	1,082	154	155	2,676	1,237
Gains on disposals	-	-	-	-	-	-
TOTAL REVENUES FROM INVESTMENT PROPERTY	2,522	1,082	154	155	2,676	1,237
Expenses from investment property						
Direct operating expenses	(1,141)	(322)	(259)	(10)	(1,400)	(332)
Losses on disposals	-	-	-	-	-	-
TOTAL EXPENSES FROM INVESTMENT PROPERTY	**(1,141)**	**(322)**	**(259)**	**(10)**	**(1,400)**	**(332)**

Amounts in EUR thousands

The Group has leased the following elements by means of operational lease contracts:

2005

Asset type	Net book value	Duration of contract	Years elapsed
Property Belgium	5,165	7	5
Property Chile	33,492	1	Annual rollover
Properties Colombia	1,068	1	Annual rollover
TOTAL	**39,725**		

Amounts in EUR thousands

2004

Asset type	Net book value	Duration of contract	Years elapsed
Property Belgium	5,310	7	4
Property Chile	34,074	1	Annual rollover
Properties Colombia	1,137	1	Annual rollover
TOTAL	**40,521**		

Amounts in EUR thousands

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

	Minimum collections 2005	Minimum collections 2004
Below one year	3,431	3,006
Over one year but below five years	16,694	15,354
More than five years	422	547
TOTAL	**20,547**	**18,907**

Amounts in EUR thousands

6.3 FINANCIAL INVESTMENTS

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

Concept	Book value	
	Year 2005	Year 2004
PORTFOLIO HELD TO MATURITY		
Fixed income	-	-
Other investments	181,809	206,712
TOTAL PORTFOLIO HELD TO MATURITY	**181,809**	**206,712**
PORTFOLIO AVAILABLE FOR SALE		
Equities	51,831	70,648
Fixed income	1,013,442	724,871
Investment funds	16,512	-
Others	-	5,359
TOTAL PORTFOLIO AVAILABLE FOR SALE	**1,081,785**	**800,878**
TRADING PORTFOLIO	**-**	**-**
Derivatives (non hedging purposes):	-	-
Term currency contracts	-	-
Swaps	-	-
Options	-	-
Futures	-	-
Other derivatives	-	-
Equities	-	-
Fixed income	-	-
Investment funds	35,193	34,265
Others	16,350	15,099
TOTAL TRADING PORTFOLIO	**51,543**	**49,364**

Amounts in EUR thousands

A) Portfolio held to maturity

A breakdown is given below of investments earmarked to the portfolio held to maturity, as at 31.12.2005 and 31.12.2004.

31/12//2005

Concept	Book value (amortised cost)	Fair value	Revenues from interest	Impairment	
				Recorded loss	Gains on reversal
Fixed income	-	-	-	-	-
Other investments	181,809	181,809	3,974	-	-
TOTAL PORTFOLIO HELD TO MATURITY	**181,809**	**181,809**	**3,974**	**-**	**-**

Amounts in EUR thousands

31/12//2004					
Concept	Book value (amortised cost)	Fair value	Revenues from interest	Impairment	
				Recorded loss	Gains on reversal
Fixed income	-	-	-	-	-
Other investments	206,712	206,712	4,665	-	-
TOTAL PORTFOLIO HELD TO MATURITY	**206,712**	**206,712**	**4,665**	**-**	**-**

Amounts in EUR thousands

B) Portfolio available for sale

A breakdown is given below of investments earmarked to the portfolio available for sale, as at 31.12.2005 and 31.12.2004.

31/12/2005			
Concept	Book value (Fair value)	Impairment	
		Recorded loss	Gains on reversal
Equities	51,831	-	-
Fixed income	1,013,442	-	-
Investment funds	16,512	-	-
Others	-	-	-
TOTAL PORTFOLIO AVAILABLE FOR SALE	**1,081,785**	**-**	**-**

Amounts in EUR thousands

31/12/2004			
Concept	Book value (Fair value)	Impairment	
		Recorded loss	Gains on reversal
Equities	70,648	-	-
Fixed income	724,871	(40)	-
Investment funds	-	-	-
Others	5,359	-	-
TOTAL PORTFOLIO AVAILABLE FOR SALE	**800,878**	**(40)**	**-**

Amounts in EUR thousands

Valuation adjustments in the portfolio investments amount to EUR 27.46 million and EUR 32.97 million as at 31 December 2005 and 2004, respectively, which have been recorded in equity net of the tax effect.

Transfers to the income statement of valuation adjustments of portfolio investments in previous financial years, carried out during financial years 2005 and 2004, amount to EUR 14.69 million and EUR 0.34 million, both net, respectively.

C) Trading portfolio

Capital gains and losses of the trading portfolio are recorded in the income statement. The relevant information is included in Note 6.13 "Revenues and expenses from investments".

Interest rate risk

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

31/12/2005				
Concept	Amount of assets exposed to interest rate risk in:			
	Fair value (Fixed interest rate)	Cash flow (Variable interest rate)	Not exposed to risk	Total
PORTFOLIO HELD TO MATURITY	172,732	-	9,077	181,809
PORTFOLIO AVAILABLE FOR SALE	926,403	87,267	68,115	1,081,785
TRADING PORTFOLIO	13,052	-	38,491	51,543
TOTAL	**1,112,187**	**87,267**	**115,683**	**1,315,137**

Amounts in EUR thousands

31/12/2004				
Concept	Amount of assets exposed to interest rate risk in:			
	Fair value (Fixed interest rate)	Cash flow (Variable interest rate)	Not exposed to risk	Total
PORTFOLIO HELD TO MATURITY	200,553	-	6,159	206,712
PORTFOLIO AVAILABLE FOR SALE	727,201	3,345	70,332	800,878
TRADING PORTFOLIO	11,456	-	37,908	49,364
TOTAL	**939,210**	**3,345**	**114,399**	**1,056,954**

Amounts in EUR thousands

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

31/12/2005									
		MATURITY IN:							
Concept	Closing balance	1 Year	2 Years	3 Years	4 Years	5 Years	Beyond or without maturity	Interest rate	Modified duration
PORTFOLIO HELD TO MATURITY									
Fixed Income	-	-	-	-	-	-	-	-	-
Other investments	181,809	161,697	6,897	9,824	3,391	-	-	2.54%	-
TOTAL PORTFOLIO HELD TO MATURITY	**181,809**	**161,697**	**6,897**	**9,824**	**3,391**	**-**	**-**	**2.54%**	**-**
PORTFOLIO AVAILABLE FOR SALE									
Fixed Income	1,013,442	91,287	123,348	92,559	77,774	118,933	509,541	3.79%	3.95%
Other investments	68,343	68,165	-	178	-	-	-	18.53%	-
TOTAL PORTFOLIO AVAILABLE FOR SALE	**1,081,785**	**159,452**	**123,348**	**92,737**	**77,774**	**118,933**	**509,541**	**4.72%**	**-**
TRADING PORTFOLIO									
Term currency contracts	-	-	-	-	-	-	-	-	-
Swaps	-	-	-	-	-	-	-	-	-
Options	-	-	-	-	-	-	-	-	-
Futures	-	-	-	-	-	-	-	-	-
Others derivatives	-	-	-	-	-	-	-	-	-
Fixed income	-	-	-	-	-	-	-	-	-
Others	51,543	39,932	8,658			2,953	-	5%	-
TOTAL TRADING PORTFOLIO	**51,543**	**39,932**	**8,658**			**2,953**	**-**	**-**	**-**

Amounts in EUR thousands

31/12/2004										
Concept	Closing balance	MATURITY IN:						Interest rate	Modified duration
		1 Year	2 Years	3 Years	4 Years	5 Years	Beyond or without maturity		
PORTFOLIO HELD TO MATURITY									
Fixed Income	-	-	-	-	-	-	-	-	-
Other investments	206,712	184,011	6,714	5,092	7,739	3,019	137	2.26%	-
TOTAL PORTFOLIO HELD TO MATURITY	**206,712**	**184,011**	**6,714**	**5,092**	**7,739**	**3,019**	**137**	**2.26%**	**-**
PORTFOLIO AVAILABLE FOR SALE									
Fixed Income	724,871	54,172	37,773	49,341	50,694	72,075	460,816	4.67%	5.01%
Other investments	76,007	74,562	-	232	-	-	1,213	3.24%	-
TOTAL PORTFOLIO AVAILABLE FOR SALE	**800,878**	**128,734**	**37,773**	**49,573**	**50,694**	**72,075**	**462,029**	**4.53%**	**-**
TRADING PORTFOLIO									
Term currency contracts	-	-	-	-	-	-	-	-	-
Swaps	-	-	-	-	-	-	-	-	-
Options	-	-	-	-	-	-	-	-	-
Futures	-	-	-	-	-	-	-	-	-
Others derivatives	-	-	-	-	-	-	-	-	-
Fixed income	-	-	-	-	-	-	-	-	-
Others	49,364	32,223	14,185	-	-	-	2,956	2.76%	-
TOTAL TRADING PORTFOLIO	**49,364**	**32,223**	**14,185**	**-**	**-**	**-**	**2,956**	**-**	**-**

Amounts in EUR thousands

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

Credit risk

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

Credit rating of issuers	Portfolio available for sale	
	2005	2004
AAA	424,838	341,102
AA	369,871	256,826
A	174,303	101,151
BBB	3,698	10,840
BB or lower	28	26
Without credit rating	40,704	14,926
TOTAL	**1,013,442**	**724,871**

Amounts in EUR thousands

Currency risk

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

Moneda	Book value							
	Portfolio held to maturity		Portfolio available for sale		Trading portfolio		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
EURO	84,308	166,227	624,251	452,650	31,479	36,735	740,038	655,612
US DOLLAR	79,083	30,783	333,179	259,559	2,836	670	415,098	291,012
MEXICAN PESO	-	-	86	754	-	-	86	754
BRAZILIAN REAL	-	-	-	-	-	-	-	-
CHILEAN PESO	9,077	6,159	61,319	49,090	13,052	11,227	83,448	66,476
VENEZUELAN BOLIVAR	-	-	-	-	-	-	-	-
ARGENTINEAN PESO	-	-	-	-	-	-	-	-
COLOMBIAN PESO	-	-	1,969	983	-	-	1,969	983
POUND STERLING	2,072	496	17,194	12,265	4,176	732	23,442	13,493
CANADIAN DOLLAR	-	494	20,719	15,368	-	-	20,719	15,862
PHILIPPINES PESO	-	-	-	-	-	-	-	-
PERUVIAN SOL	-	-	-	-	-	-	-	-
OTHER CURRENCIES	7,269	2,553	23,068	10,209	-	-	30,337	12,762
TOTAL	**181,809**	**206,712**	**1,081,785**	**800,878**	**51,543**	**49,364**	**1,315,137**	**1,056,954**

Amounts in EUR thousands

Other investments

The detail of "Other investments" for years 2004 and 2005 is shown below:

FINANCIAL YEAR 2005	Book value	Provision	Net balance	Market value
Group entities	177	-	177	164
Other investments	350	-	350	350
TOTAL	**527**	**-**	**527**	**514**

Amounts in EUR thousands

FINANCIAL YEAR 2004	Book value	Provision	Net balance	Market value
Group entities	38	-	38	38
Other investments	304	-	304	304
TOTAL	**342**	**-**	**342**	**342**

Amounts in EUR thousands

6.4 CREDITS AND RECEIVABLES

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

Concept	Balance as at 31/12/2005				
	Gross amount	Provision for Impairment (-)	Net balance in balance sheet	Impairment	
				Recorded losses	Gains on reversal
Receivables on reinsurance transactions	147,665	(1,252)	146,413	(151)	-
Tax credits	9,303	-	9,303	-	-
Corporate and other credits	11,227	-	11,227	-	-
TOTAL CREDITS	**168,195**	**(1,252)**	**166,943**	**(151)**	**-**

Amounts in EUR thousands

Concept	Balance as at 31/12/2004				
	Gross amount	Provision for Impairment (-)	Net balance in balance sheet	Impairment	
				Recorded losses	Gains on reversal
Receivables on reinsurance transactions	108,549	(1,101)	107,448	-	118
Tax credits	2,369	-	2,369	-	-
Corporate and other credits	6,264	-	6,264	-	-
TOTAL CREDITS	**117,182**	**(1,101)**	**116,081**	**-**	**118**

Amounts in EUR thousands

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

6.5 CASH AND BANKS

During financial year 2005, expenditure has been made in investments in Group companies, amounting to EUR 2.97 million, arising from the sale of Maplux Reinsurance Company.

The fair values of the identifiable assets and liabilities of Maplux Reinsurance Company on the date of acquisition were as follows:

Concept	100%
ASSETS	
Intangible assets	-
Property, plant and equipment	-
Investments	14,441
Credits and receivables	6
Cash and banks	1,201
Accrual adjustments	201
TOTAL ASSETS	**15,849**
LIABILITIES	
Technical provisions	-
Debts	3,947
TOTAL LIABILITIES	**3,947**
Fair value of net assets	11,902
Total realisation	**2,971**

Amounts in EUR thousands

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

6.6 NON CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The main types of non-current assets held for sale as at 31 December 2005 and 31 December 2004 are shown in the following table:

Assets	31/12/2005	31/12/2004
Intangible assets	-	-
Property, plant and equipment	672	423
Receivables	-	-
Cash and banks	-	-
Investment property	-	-
TOTAL FIXED ASSETS HELD FOR SALE	672	423

Amounts in EUR thousands

The assets included in the preceding table corresponding to financial years 2005 and 2004 are presented under the activity segments of Reinsurance Life for 2005 and Non Life for year 2004.

The reason for these assets being classified as non-current assets held for sale as at 31 December 2005 and 31 December 2004 is that the expected returns have not been obtained.

The sale of the non-current assets held for sale corresponding to 2005 is expected to take place within 12 months, with no losses expected to be incurred in the said disposal.

Discontinued operations

During April 2005, the sale of MAPLUX REINSURANCE COMPANY to MAPFRE SEGUROS GENERALES took place. MAPLUX REINSURANCE COMPANY formed part of the non life reinsurance segment, and of the European geographical segment. The sale price amounted to EUR 2.97 million and was received fully in cash. The result of this transaction amounted to a loss of EUR 8.9 million.

6.7 EQUITY

Share capital

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

The controlling Company's share capital as at 31 December 2005 is represented by 72,231,068 registered shares of a single class, with a nominal value of EUR 3.10 each, fully subscribed and paid-up. All the shares confer the same political and economic rights.

On 12 February 2004, the General Shareholders Meeting approved a capital increase with share premium amounting to a total of EUR 149,960,541.72, carried out by issuing 20,655,722 new shares with a nominal value of EUR 3.10 each and a share premium of EUR 4.16. This capital increase was totally subscribed and paid-up during the 2004 financial year.

The said capital increase gave rise to expenses amounting to EUR 1.53 million, which have been deducted from equity, net of the tax effect, for an amount of EUR 0.99 million in the account "Valuation adjustment reserves".

On 4 March 2004, the Company's General Shareholders Meeting authorised the Board of Directors in order that the latter may, pursuant to the provisions of article 153 of the Consolidated Corporations Act, during a period of five years following the date of the resolution, carry out one or several share capital increases for a maximum amount of EUR 69,368,797.65, by means of monetary contributions.

On 1 December 2004, the Board of Directors approved a capital increase by the issuance of 6,821,283 new ordinary, registered shares, with a nominal value of EUR 3.10 each. These shares were issued at 236.45%, namely, at EUR 7.33 per share, of which EUR 3.10 represent the nominal value and EUR 4.23 the share premium. The capital increase was fully subscribed and paid-up during the 2005 financial year.

The said capital increase gave rise to expenses amounting to EUR 0.5 million, which have been deducted from equity, net of the tax effect, for an amount of EUR 0.33 million in the account "Valuation adjustment reserves".

Restrictions on the availability of reserves

The "Reserves" item includes the legal reserve, amounting to EUR 16.13 million in 2005 and EUR 12.27 million in 2004. This reserve may not be distributed among shareholders, except in the event of winding-up of the controlling Company, and may be used only to offset eventual losses.

Valuation adjustment reserves

The "Valuation adjustment reserve" includes the equity reserves arising from fair value adjustments of the different assets and liabilities that, pursuant to IFRS, must be directly recorded in the equity accounts, as well as all IFRS valuation adjustments on the date of transition.

There are no other restrictions on the availability of reserves for significant amounts.

From the amount of the "Valuation adjustment reserve" as at the balance sheet date, capital increase expenses have been deducted amounting to EUR 1.21 million in financial year 2005 and EUR 1.53 million in financial year 2004.

6.8 TECHNICAL PROVISIONS

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

FINANCIAL YEAR 2005		
Concepts	**Accepted reinsurance**	**Retroceded reinsurance**
1 - Provisions for unearned premiums and for risks in progress		
1.1 Provision for unearned premiums	649,302	226,944
1.2 Provision for risks in progress	3,925	-
2 - Provisions for life insurance		
2.1 Provisions for unearned premiums and risks in progress		
2.1.1 Provision for unearned premiums	59,847	6,191
2.1.2 Provision for risks in progress	-	-
2.2 Mathematical reserves	61,140	-
2.3 Provisions for profit sharing	-	-
2.4 Provisions for claims	-	-
2.4.1 Pending settlement or payment	18,808	1,776
3 - Provisions for claims		
3.1 Pending settlement or payment	788,947	307,914
TOTAL	**1,581,969**	**542,825**

Amounts in EUR thousands

FINANCIAL YEAR 2004		
Concepts	**Accepted reinsurance**	**Retroceded reinsurance**
1 - Provisions for unearned premiums and for risks in progress		
1.1 Provision for unearned premiums	524,173	164,531
1.2 Provision for risks in progress	383	-
2 - Provisions for life insurance		
2.1 Provisions for unearned premiums and risks in progress		
2.1.1 Provision for unearned premiums	46,397	6,331
2.1.2 Provision for risks in progress	-	-
2.2 Mathematical reserves	46,187	-
2.3 Provisions for profit sharing	-	-
2.4 Provisions for claims	-	-
2.4.1 Pending settlement or payment	14,626	2,615
3 - Provisions for claims		
3.1 Pending settlement or payment	461,037	122,851
TOTAL	**1,092,803**	**296,328**

Amounts in EUR thousands

The following tables show the movements of each one of the technical provisions recorded in the balance sheet in the last two financial years.

Accepted reinsurance

FINANCIAL YEAR 2005						
Concept	**Opening balance Initial**	**Adjustments to opening balance**	**Changes in perimeter**	**Allocations**	**Application**	**Closing balance**
LIFE						
Provision for unearned premiums	46,397	(21)	-	59,847	(46,376)	59,847
Provisions for risks in progress	-	-	-	-	-	
Provision for claims	14,626	(1,360)	-	52,588	(47,046)	18,808
Provision for profit sharing	-	-	-			
TOTAL LIFE	**61,023**	**(1,381)**	**-**	**112,435**	**(93,422)**	**78,655**
NON LIFE						
Provision for unearned premiums	524,173	2,167	-	649,302	(526,340)	649,302
Provisions for risks in progress	383	-	-	3,925	(383)	3925
Provision for claims	461,037	7,299	(6,000)	953,332	(626,721)	788,947
Other technical provisions	-	-	-	-	-	
TOTAL NON LIFE	**985,593**	**9,466**	**(6,000)**	**1,606,559**	**(1,153,444)**	**1,442,174**

Amounts in EUR thousands

FINANCIAL YEAR 2004						
Concept	**Opening balance Initial**	**Adjustments to opening balance**	**Changes in perimeter**	**Allocations**	**Application**	**Closing balance**
LIFE						
Provision for unearned premiums	27,551	(540)	-	46,937	(27,551)	46,397
Provisions for risks in progress	-	-	-	-	-	-
Provision for claims	4,014	(2,600)	-	42,540	(29,328)	14,626
Provision for profit sharing	-	-	-	-	-	-
TOTAL LIFE	**31,565**	**(3,140)**	**-**	**88,477**	**(56,879)**	**61,023**
NON LIFE						
Provision for unearned premiums	352,902	(915)	-	524,173	(351,987)	524,173
Provisions for risks in progress	142	-	-	383	(142)	383
Provision for claims	421,202	(2,860)	-	505,114	(462,419)	461,037-
Other technical provisions	-	-	-	-	-	-
TOTAL NON LIFE	**774,246**	**(3,775)**	**-**	**1,029,670**	**(814,548)**	**985,593**

Amounts in EUR thousands

Retroceded reinsurance

FINANCIAL YEAR 2005						
Concept	Opening balance Initial	Adjustments to opening balance	Changes in perimeter	Allocations	Application	Closing balance
LIFE						
Provision for unearned premiums	6,331	5		6,162	(6,307)	6,191
Provision for claims	2,615	(134)		7,426	(8,131)	1,776
TOTAL LIFE	**8,946**	**(129)**		**13,588**	**(14,438)**	**7,967**
NON LIFE						
Provision for unearned premiums	164,531	373		226,944	(164,904)	226,944
Provision for claims	122,851	1,890		435,656	(252,483)	307,914
Other technical provisions	-	-		-	-	-
TOTAL NON LIFE	**287,382**	**2,263**		**662,600**	**(417,387)**	**534,858**

Amounts in EUR thousands

FINANCIAL YEAR 2004						
Concept	Opening balance Initial	Adjustments to opening balance	Changes in perimeter	Allocations	Application	Closing balance
LIFE						
Provision for unearned premiums	1,629	(66)-	-	6,307	(1,539)	6,331
Provision for claims	458	261	-	6,652	(4,756)	2,615
TOTAL LIFE	**2,087**	**195**	**-**	**12,959**	**(6,295)**	**8,946**
NON LIFE						
Provision for unearned premiums	110,535	(230)	-	164,531	(110,305)	164,531
Provision for claims	132,674	(1,389)	-	164,255	(172,689)	122,851
Other technical provisions	-	-	-	-	-	-
TOTAL NON LIFE	**243,209**	**(1,619)**	**-**	**328,786**	**(282,994)**	**287,382**

Amounts in EUR thousands

Mathematical reserves

FINANCIAL YEAR 2005	
Concepts	Accepted reinsurance
Mathematical reserve at beginning of year	46,187
Adjustments to opening balance	9,813
Incorporation to perimeter (balance of reserve on incorporation date)	-
Premiums	-
Technical interest	-
Attribution of profit sharing	-
Payments/collections of claims	(1,128)
Losses recognised on provision adequacy test	6,268
Tacit accounting adjustments	-
Others	-
Exit from perimeter (balance of reserve on exit date)	-
Mathematical reserve at year end	61,140

Amounts in EUR thousands

FINANCIAL YEAR 2004	
Concepts	**Accepted reinsurance**
Mathematical reserve at beginning of year	40,991
Adjustments to opening balance	-
Incorporation to perimeter (balance of reserve on incorporation date)	-
Premiums	-
Technical interest	-
Attribution of profit sharing	-
Payments/collections of claims	(432)
Losses recognised on provision adequacy test	4,781
Tacit accounting adjustments	-
Others	-
Exit from perimeter (balance of reserve on exit date)	-
Mathematical reserve at year end	46,187

Amounts in EUR thousands

Evolution of claims per year of occurrence

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

6.9 PROVISIONS FOR RISKS AND EXPENSES

Provisions

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

FINANCIAL YEAR 2005							
			Appropriations		Cancellations		
Item	Opening balance	Adjusts. To opening balance	Allocated provisions	Increased value on discount	Applied provisions	Reversed provisions	Closing Balance
Provision for taxes	221	37	129	-	(64)	-	323
Provisions for staff incentives	492	-	458	-	(492)	-	458
Other provisions	5,560	(633)	1,098	-	(11)	-	6,014
TOTAL BOOK VALUE	**6,273**	**(596)**	**1,685**	**-**	**(567)**	**-**	**6,795**

Amounts in EUR thousands

FINANCIAL YEAR 2004							
			Appropriations		Cancellations		
Item	Opening balance	Adjusts. To opening balance	Allocated provisions	Increased value on discount	Applied provisions	Reversed provisions	Closing Balance
Provision for taxes	161	(6)	121	-	(55)	-	221
Provisions for staff incentives	569	-	492	-	(569)	-	492
Other provisions	7,956	-	1,204	-	(1,092)	(2,508)	5,560
TOTAL BOOK VALUE	**8,686**	**(6)**	**1,817**	**-**	**(1,716)**	**(2,508)**	**6,273**

Amounts in EUR thousands

The heading "Other provisions" includes the pension related commitments of the Lisbon office, as well as obligations externalised with related parties, as detailed in note 6.17.

6.10 DEPOSITS RECEIVED ON CEDED AND RETROCEDED REINSURANCE

Deposits on ceded and retroceded reinsurance represent guarantees given to reinsurers depending upon the reinsurance coverage contracts entered into according to usual business practices. The said deposits accrue interest to be paid averaging 2.61% and the average rollover period is generally annual. Liquidation of the said interest is made quarterly.

6.11 DEBTS

The balances included in the heading of debt do not accrue any interest to be paid and, generally, their liquidation is carried out in the following financial year.

6.12 GUARANTEES UNDERTAKEN TO THIRD PARTIES

There are at the controlling Company and its subsidiary Mapfre Reinsurance Corporation (USA) guarantees given to third parties, instrumented by way of letters of credit, amounting to EUR 121.32 million in 2005 and EUR 20.92 million in 2004. In addition, the controlling Company holds fixed income securities in the portfolio available for sale amounting to EUR 144.4 million in 2005 and EUR 15.78 million in 2004, as guarantee for the above mentioned letters of credit, as guarantee to official bodies and pledged in favour of ceding companies as guarantee for premiums and outstanding claims.

6.13. REVENUES AND EXPENSES FROM INVESTMENTS

The following tables, detail revenues and expenses from investments for the years 2005 and 2004.

Concept	Revenues from investments of				Total	
	Operations		Equity			
	2005	2004	2005	2004	2005	2004
REVENUES FROM INTEREST, DIVIDENDS AND SIMILAR						
Investment property	2.522	1.082	154	155	2.676	1.237
Revenues from portfolio held to maturity	3,581	4,231	393	434	3,974	4,665
Revenues from portfolio available for sale	39,451	26,847	6,306	3,417	45,757	30,264
Revenues from the trading portfolio	1,570	1,494	177	165	1,747	1,659
Dividends from Group companies	-	-	-	-	-	-
Other financial returns	6,036	6,117	2,570	4,066	8,606	10,183
TOTAL REVENUES	**53,160**	**39,771**	**9,600**	**8,237**	**62,760**	**48,008**
REALISED AND UNREALISED LOSSES						
Net realised gains:	13,084	626	2,036	23	15,120	649
Investment property	-	-	-	-	-	-
Revenues from portfolio held to maturity	-	-	-	-	-	-
Revenues from portfolio available for sale	13,070	512	2,022	21	15,092	533
Revenues from the trading portfolio	14	114	14	2	28	116
Others	-	-	-	-	-	-
Net unrealised gains	661	-	-	-	661	-
Increase of fair value trading portfolio	420	-	-	-	420	-
Reversal of impairment portfolio held to maturity	-	-	-	-	-	-
Reversal of impairment vailable-for-sale portfolio	-	-	-	-	-	-
Reversal of impairment trading portfolio	-	-	-	(379)	-	(379)
Others	241	-	-	-	241	-
TOTAL PROFITS	**13,745**	**626**	**2,036**	**(356)**	**15,781**	**270**
TOTAL INCOME FROM INVESTMENTS	**66,905**	**40,397**	**11,636**	**7,881**	**78,541**	**48,278**

Amounts in EUR thousands

Concept	Expenses from investments of Operations 2005	Operations 2004	Equity 2005	Equity 2004	Total 2005	Total 2004
FINANCIAL EXPENSES						
Investment property	1,141	322	259	10	1,400	332
Expenses from portfolio held to maturity	-	353	-	-	-	353
Expenses from portfolio available for sale	4,786	2,073	584	198	5,370	2,271
Expenses from trading portfolio	-	-		-		-
Other financial expenses	3,614	3,621	2,959	4,275	6,573	7,896
TOTAL EXPENSES	**9,541**	**6,369**	**3,802**	**4,483**	**13,343**	**10,852**
REALISED AND UNREALISED LOSSES						
Net realised losses:	508	163	196	29	704	192
Investment property	-	-	-	-	-	-
Financial investments portfolio held to maturity	217	-	35	-	252	-
Financial investments portfolio available for sale	251	163	153	29	404	192
Financial investments trading portfolio	40	-	8	-	48	-
Others	-	-	-	-	-	-
Net unrealised losses:	-	40	(25)	-	(25)	40
Decrease in fair value of trading portfolio	-	-	-	-	-	-
Impairment portfolio held to maturity	-	-	-	-	-	-
Impairment portfolio available for sale	-	40	-	-	-	40
Impairment trading portfolio	-	-	-	-	-	-
Others	-	-	(25)	-	(25)	-
TOTAL LOSSES	**508**	**203**	**171**	**29**	**679**	**232**
TOTAL EXPENSES FROM INVESTMENTS	**10,049**	**6,572**	**3,973**	**4,512**	**14,022**	**11,084**

Amounts in EUR thousands

6.14 OPERATING EXPENSES

A breakdown of net operating expenses for the last two financial years is shown below:

FINANCIAL YEAR 2005

Concepts	Reinsurance
I. Acquisition expenses	341,645
II. Administration expenses	9,268
III. Fees and participation retroceded reinsurance	(89,281)
IV. Operating expenses from other activities	-
TOTAL NET OPERATING EXPENSES	**261,632**

Amounts in EUR thousands

FINANCIAL YEAR 2004	
Concepts	**Reinsurance**
I. Acquisition expenses	282,220
II. Administration expenses	9,335
III. Fees and participation retroceded reinsurance	(83,600)
IV. Operating expenses from other activities	-
TOTAL NET OPERATING EXPENSES	**207,955**

Amounts in EUR thousands

The following table shows the staff expenses and allocations to amortisation in the last two years.

Concept	Amount	
	2005	2004
Staff expenses	18,186	18,436
Allocations to amortisation	1,241	1,111
TOTAL	**19,427**	**19,547**

Amounts in EUR thousands

6.15 RESULTS FROM RETROCEDED REINSURANCE

The result from retroceded reinsurance transactions in financial years 2005 and 2004 is shown below.

Concept	Non life		Life		Total	
	2005	2004	2005	2004	2005	2004
Premiums (-)	(410,851)	(349,796)	(13,055)	(10,712)	(423,906)	(360,508)
Variation in the provision for unearned premiums and for risks in progress	62,072	53,998	(146)	4,702	61,926	58,700
Claims paid (+)	165,595	127,779	8,361	4,731	173,956	132,510
Variation in the provision for claims	177,985	(9,849)	(705)	2,153	177,280	(7,696)
Variation in the mathematical reserve	-	-	-	-	-	-
Variation in other technical provisions	-	-	-		-	-
Participation of reinsurance in fees and expenses(+)	88,461	82,356	727	1,243	89,188	83,599
Others		-	-			-
RESULT OF RETROCEDED REINSURANCE	**83,262**	**(95,312)**	**(4,818)**	**2,117**	**78,444**	**(93,395)**

Amounts in EUR thousands

6.16 FISCAL SITUATION

From the 2002 financial year, MAPFRE RE forms part of the companies being included, to the Corporation Tax effect, under Fiscal Group number 9/85, the said group being formed by CORPORACIÓN MAPFRE and its subsidiaries meeting the requirements to be subject to the said tax regime.

Elements of expense from income tax of ongoing concerns

A detail is provided below, for financial years closed as at 31 December 2005 and 2004, of the main elements of expense from income tax of ongoing concerns and the reconciliation between expenses / revenues from income tax and the product of multiplying the accounting result by the applicable tax rate.

The Group has made the reconciliation by adding reconciliations made separately using the national rates of each country.

Concept	Financial year 2005	Financial year 2004
Result before taxes, ongoing concerns	63,271	71,954
35% of result before taxes, ongoing concerns	(22,144)	(25,184)
Tax effect of permanent differences	1,305	942
Tax effect from tax rates different from 35%	1,322	(1,644)
Expense/Revenue from current tax originating in the year	(19,517)	(25,886)
Expense/Revenue from current tax originating in previous years	-	-
Profits from previous periods not recognised previously due to the use of negative tax bases, deductions pending application or temporary differences.	-	-
TOTAL	**(19,517)**	**(25,886)**
Expense/Revenue from generation of temporary differences	-	(350)
Expense/Revenue from reversal of temporary differences	-	161
Profit from the use of negative tax bases, and deductions pending application or temporary differences from previous periods, not recognised previously	-	(349)
EXPENSE FROM DEFERRED TAXES	**-**	**(538)**
ELIMINATIONS ON CONSOLIDATION	**(2,624)**	**55**
TOTAL TAX FROM CONTINUED OPERATIONS	**(22,141)**	**(26,369)**

Amounts in EUR thousands

The amounts relating to expenses or revenues from current taxes correspond to amounts to be paid to or recovered from the Treasury, corresponding to the tax result for the period.

The amounts of deferred expenses or revenues correspond to amounts to be paid to or recovered from the Treasury in future financial years.

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

FINANCIAL YEAR 2005

Concepts	Opening Balance Financial year 2005	Adjusts. To opening Balance	Changes in perimeter	From: Results	From: Equity	Canc.	Closing Balance Financial year 2005
Valuation difference in financial investments	-	-		-	592		592
Embedded derivatives	-	-		-	-		-
Valuation difference in mathematical reserves	-	-		-	-		-
Valuation difference in death provisions	-	-		-	-		-
Tax credits on negative tax bases	3,439	532		2,839	-		6,810
Tax credits (Deductions pending and others, etc)				-	-		-
Others	5,047	(69)		(15)	178		5,141
TOTAL DEFERRED TAX ASSETS	**8,486**	**463**		**2,824**	**770**		**12,543**

Amounts in EUR thousands

FINANCIAL YEAR 2004							
Concepts	Opening Balance Financial year 2004	Adjusts. To opening Balance	Changes in perimeter	From		Canc.	Closing Balance Financial year 2004
				Results	Equity		
Valuation difference in financial investments	-	-		-		-	-
Embedded derivatives	-	-		-		-	-
Valuation difference in mathematical reserves	-	-		-		-	-
Valuation difference in death provisions		-		-		-	-
Tax credits on negative tax bases	4,129	(341)		(349)		-	3,439
Tax credits (Deductions pending and others, etc)	-	-		-		-	-
Others	3,666	449		932		-	5,047
TOTAL DEFERRED TAX ASSETS	**7,795**	**108**		**583**		**-**	**8,486**

Amounts in EUR thousands

Deferred tax assets of fully consolidated companies, as a consequence of negative tax bases pending application and of the temporary differences accumulated as at 31 December 2005 and 2004 amount to EUR 17.49 million and EUR 12.36 million, respectively. Of these amounts, EUR 12.54 million have been recorded in the balance sheet and in the equity or results accounts as at 31 December 2005, and EUR 8.49 million as at 31 December 2004.

The Company reckons that there will be future tax profits against which to offset the deferred tax assets recorded in financial years 2005 and 2004. The said forecast is based on projections made, based on the past historical experience and drafted according to reasonable assumptions, deriving from past occurrences.

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

Concepts	Opening Balance Financial year 2005	Adjusts. To opening Balance	Changes in perimeter	From		Canc.	Closing Balance Financial year 2005
				Results	Equity		
Valuation difference in financial investments	11,124	(343)	(125)	147	(875)		9,941
Embedded derivatives	-	-	-	23	-	-	23
Stabilisation and catastrophic provision (elimination)	19,708	-	(3,747)	(10,012)	-	-	5,949
Others	1,900	292	-	973	327	-	3,479
TOTAL DEFERRED TAX LIABILITIES	**32,732**	**(51)**	**(3,872)**	**(8,869)**	**(548)**	**-**	**19,392**

Amounts in EUR thousands

Concepts	Opening Balance Financial year 2005	Adjusts. To opening Balance	Changes in perimeter	From		Canc.	Closing Balance Financial year 2005
				Results	Equity		
Valuation difference in financial investments	5,755	(16)	-	(133)	5,531	-	11,124
Embedded derivatives	-	-	-	-	-	-	-
Stabilisation and catastrophic provision (elimination)	14,277	-	-	5,431	-	-	19,708
Others	1,300	(108)		413	282	-	1,900
TOTAL DEFERRED TAX LIABILITIES	**21,332**	**(124)**	**-**	**5,711**	**5,813**	**-**	**32,732**

Amounts in EUR thousands

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

Negative tax bases

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

FINANCIAL YEAR 2005

Financial year of generation	Deadline for application	Amounts of negative tax bases		Deferred tax asset	
		Applied in the year	Pending application	Recorded	Not recorded
1998	2015	-	956	351	605
1999	2015	-	9,574	3,511	6,063
2000	2015	-	291	109	182
2005	2015	-	7,741	2,839	4,902
TOTAL		**-**	**18,562**	**6,810**	**11,752**

Amounts in EUR thousands

FINANCIAL YEAR 2004

Financial year of generation	Deadline for application	Amounts of negative tax bases		Deferred tax asset	
		Applied in the year	Pending application	Recorded	Not recorded
1998	2015	(1,361)	950	304	646
1999	2015	-	9,512	3,041	6,471
2000	2015	-	294	94	200
TOTAL		**(1,361)**	**10,756**	**3,439**	**7,317**

Amounts in EUR thousands

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

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

DETAIL OF TAX INCENTIVES - FINANCIAL YEAR 2005

TYPE	Detail of tax incentives - financial year 2005				
	Financial year to which they relate	Amount applied in the financial year	Amount pending application	Amount not recorded	Period for allocation
Tax relief on investments	-	-	-	-	-
Creation of employment	-	-	-	-	-
Others	2005	12	-	-	10 años

Amounts in EUR thousands

DETAIL OF TAX INCENTIVES - FINANCIAL YEAR 2004

TYPE	Detail of tax incentives - financial year 2005				
	Financial year to which they relate	Amount applied in the financial year	Amount pending application	Amount not recorded	Period for allocation
Tax relief on investments	-	-	-	-	-
Creation of employment	-	-	-	-	-
Others	2004	12	-	-	10 años

Amounts in EUR thousands

For the consolidation of the entitlement to the deductions applied by consolidated Spanish companies, the equity elements earmarked to them must remain in operation within their assets, generally, during a period of five years or during their useful life, should this be shorter.

In financial year 2003, the controlling Company assigned income amounting to EUR 1.09 million from the sale of shares in ITSEMAP, Servicios Tecnológicos MAPFRE, to deduction on reinvestment of extraordinary profits as laid down in article 42 of Royal Decree-Act 4/2004, generating a deduction in the Corporation Tax base for 2003 of EUR 0.18 million. The assets were the reinvestment was carried out shall remain in the company's ownership until financial year 2008.

Likewise, in financial year 2002, the controlling Company assigned income amounting to EUR 6.35 million to deduction on reinvestment of extraordinary profits as laid down in the Third Transitional Provision of Act 24/2001, on Fiscal, Administration and Labour Related measures, generating a deduction in the Corporation Tax base for 2001 of EUR 1.08 million. The assets were the reinvestment was carried out shall remain in the company's ownership until financial year 2007.

On 31 January 2003, a capital increase was carried out at the controlling Company, to which CORPORACIÓN MAPFRE contributed the building of Paseo de Recoletos no. 25 in Madrid. This was a non monetary contribution that was made under the special Regime provided for in Chapter VII of title VIII of Royal Decree-Act 4/2004, approving the consolidated text of the Corporation Tax Act.

As a result of the said transaction, the controlling Company incorporated into its assets the mentioned building, which was purchased by CORPORACIÓN MAPFRE, S.A. on 27 December 2000, on the occasion of the overall assignment of assets and liabilities of INCALBARSA, S.A., a transaction that in turn was made subject to the special Regime of Chapter VII of the said Royal Decree Act.

The said property was recorded for the amount of EUR 30,000,000.81, with a depreciation being allowed in years 2003 and 2004 amounting to EUR 0.56 million. The said property was accounted for at CORPORACIÓN MAPFRE in the amount of EUR 11,868,822.10 and the accumulated depreciation up to the contribution date amounted to EUR 1,567,104.37.

In accordance with the legislation in force, the tax returns filed for the different taxes may not be considered as definitive until they have been inspected by the tax authorities or until the prescription period of four years has elapsed.

As at 31 December 2005, the Spanish fully consolidated companies have open to inspection all the taxes to which they are subject for financial years 2001 to 2004. In the opinion of the company's advisers, the likelihood of fiscal liabilities affecting significantly consolidated companies' financial position as at 31 December 2005 is remote.

6.17 REMUNERATION TO STAFF AND RELATED LIABILITIES

1. Staff expenses

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

Concept	Amount	
	2005	2004
Short term remuneration	16,919	17,084
Wages and salaries	13,991	12,871
Social security	1,755	3,878
Other remuneration	1,373	335
Post-employment benefits	1,267	1,352
Defined contribution commitments	115	125
Defined benefit commitments	1,152	1,227
Total	**18,186**	**18,436**

Amounts in EUR thousands

2. Post-employment benefits

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

On the other hand, in order to honour the pension related commitments undertaken in relation to the Lisbon office, pursuant to the actuarial studies carried out, the controlling Company has allocated a provision covering the risks of retirement termination and retirement and widowhood complements. The method to estimate and calculate the provisions has consisted of projecting salaries to the retirement date and determining the present value of the part already accrued for rendered services, using the individual capitalisation system, for amounts of EUR 0.09 million and EUR 0.71 million as at 31 December 2005 and 2004, respectively.

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

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

In Spain, the liabilities in relation to defined benefit plans amount to EUR 5.92 million and EUR 4.84 million as at 31 December 2005 and 2004, respectively, having been fully externalised by means of a policy written with MAPFRE VIDA, a related company, with the fair value of the redemption rights on the said dates amounting to EUR 5.69 million and EUR 5.0 million, respectively.

On the other hand, there are liabilities in relation to pension commitments that are externalised with earmarked insurance policies with a value of EUR 0.41 million and EUR 0.34 million as at 31 December 2005 and 2004, respectively, and with their redemption rights having fair values of EUR 0.61 million and EUR 0.34 million, respectively.

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

Concept	Amount	
	2005	2004
Cost of services in the year under review	762	981
Cost on interest of the obligations	160	
Cost of past services recognised in the year		
Other concepts	230	246
Total expense recognised in the income statement	**1,152**	**1,277**

Amounts in EUR thousands

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

3. Staff numbers

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

FINANCIAL YEAR 2005

Concept	Professional category				Total
	Management	Administrative staff	Marketing	Others	
SPAIN	39	47	1	24	111
OTHER EUROPEAN UNION COUNTRIES	6	19	5	9	39
AMERICA	18	32	12	31	93
REST OF THE WORLD	3	-	-	5	8
AVERAGE TOTAL NUMBER OF EMPLOYEES	**66**	**98**	**18**	**69**	**251**

FINANCIAL YEAR 2004

Concept	Professional category				Total
	Management	Administrative staff	Marketing	Others	
SPAIN	37	45	-	26	108
OTHER EUROPEAN UNION COUNTRIES	5	20	5	8	38
AMERICA	22	41	8	34	105
REST OF THE WORLD	2	1	3	1	7
AVERAGE TOTAL NUMBER OF EMPLOYEES	**66**	**107**	**16**	**69**	**258**

6.18 NET RESULTS ON EXCHANGE DIFFERENCES

Positive exchange differences other than those arising from financial instruments measured at fair value, allocated to the income statement, amount to EUR 54.31 million and EUR 49.08 million in the 2005 and 2004 financial years, respectively.

Negative exchange differences other than those arising from financial instruments measured at fair value, allocated to the income statement, amount to EUR 59.44 million and EUR 53.64 million in the 2005 and 2004 financial years, respectively.

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

Items	Amount	
	2005	2004
Translation differences at beginning of year	(8,881)	-
Net exchange differences on translation of financial statements	32,295	(8,881)
Translation differences at year end	23,414	(8,881)

Amounts in EUR thousands

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

FULLY CONSOLIDATED COMPANIES

Company	Country	Currency	Translation differences					
			Positive		Negative		Net	
			2005	2004	2005	2004	2005	2004
Inversiones Ibéricas	Chile	Chilean Peso	4,840	-		(781)	4,840	(781)
Caja Reas. Chile	Chile	Chilean Peso	-	-		(43)	-	(43)
Mapfre Chile Reas	Chile	Chilean Peso	7,168	-		(811)	7,168	(811)
Inversiones Mapfre Re	Colombia	Colombian Peso	667	183		-	667	183
Mapfre Re Holding	USA	US Dollar	7,970	-		(10,881)	7,970	(10,881)
Ciar	Belgium	Euro	-	-	(138)	-	(138)	-
Mapfre Re	Spain	Euro	2,907	3,452		-	2,907	3,452
TOTAL			**23,552**	**3,635**	**(138)**	**(12,516)**	**23,414**	**(8,881)**

Amounts in EUR thousands

6.19 TRANSACTIONS WITH RELATED PARTIES

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

Transactions with group companies

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

Concept	Expenses		Revenues	
	2005	2004	2005	2004
Received/provided services and other expenses/revenues	5,530	1,025	1,611	6,793
Expenses/revenues from investment property				
Expenses/revenues from investments and financial accounts	25	11,173	14,594	85
Dividends received			9,169	5,250
TOTAL	**5,555**	**12,198**	**25,374**	**12,128**

Amounts in EUR thousands

Details of the registred amounts with upper group of consolidation as a consequence of transactions are shown below.

Concept	Expenses	
	2005	2004
Expenses and revenues from investment property		
Expenses and revenues from investments and financial accounts		
External services and other non technical expenses/revenues	9,710	1,215
Dividends paid	26,664	21,847
TOTAL	**36,374**	**23,062**

Amounts in EUR thousands

Reinsurance and coinsurance transactions

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

Concept	Expenses		Revenues	
	2005	2004	2005	2004
Premiums ceded/accepted	35,943	34,479	37,084	32,567
Claims	42,539	23,882	42,637	23,523
Variation in technical provisions	1,896			2,945
Fees	4,733	5,582	4,367	5,597
Other technical expenses and revenues		1,931	1,449	1,239
TOTAL	**85,111**	**65,874**	**85,537**	**65,871**

Amounts in EUR thousands

Reinsurance transactions carried out with companies of the higher consolidatable Groups are shown below.

Concept	Revenues/(Expenses)			
	Accepted reinsurance		Ceded reinsurance	
	2005	2004	2005	2004
Premiums	557,006	500,494	(35,101)	(22,174)
Claims	(249,730)	(190,354)	27,961	3,174
Fees	(153,557)	(150,181)	2,391	3,948
TOTAL	**153,719**	**159,959**	**(4,749)**	**(15,052)**

Amounts in EUR thousands

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

Concept	Eliminated balances				Non eliminated			
	Accepted reinsurance		Ceded reinsurance		Accepted reinsurance		Ceded reinsurance	
	2005	2004	2005	2004	2005	2004	2005	2004
Credits and debts	(1,661)	(1,596)	(360)	847	37,800	22,392	3,324	(1,019)
Deposits	(1,788)	(1,893)	1,673	1,683	171,723	155,469	(320)	(528)
Technical provisions	108,715	27,633	(108,562)	(30,494)	(615,166)	(368,222)	62,657	9,053
TOTAL	**105,266**	**24,144**	**(107,249)**	**(27,964)**	**(405,643)**	**(190,361)**	**65,661**	**7,506**

Amounts in EUR thousands

Remuneration of key managerial staff

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

Concept	Amount	
	2005	2004
Short term remuneration		
Salaries	590.07	519.14
Fixed allowances	200.71	69.94
Attendance fees	42.50	67.40
Life insurance	28.11	26.65
Other concepts	28.69	216.11
Post-employment		
Defined contribution	26.25	24.00
Defined benefits	365.42	638.07
TOTAL	**1,281.75**	**1,561.31**

Amounts in EUR thousands

In 2004, external directors' basic remuneration consisted of an allowance for their attendance to meetings, which amounted to EUR 1,987.

In 2005, external directors' basic remuneration consists of a fixed annual allowance for their belonging to the Board of Directors, which amounted to EUR 20,000.

In addition, they have a Life Insurance policy for the event of death in both financial years, with an insured capital of EUR 150,253.03, and enjoy some of the benefits extended to staff, such as medical insurance.

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

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

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

6.20 EVENTS AFTER THE BALANCE SHEET DATE

On 10 February 2006, the death has occurred of Mr. Primitivo Julio de Vega Zamora, Chairman of MAPFRE ASISTENCIA and member of the Board of Directors of MAPFRE RE since 1994. The Board of MAPFRE RE wishes to state its deep regret for this loss and the Company's gratitude for his extensive and efficient cooperation.

7 OTHER INFORMATION

7.1 RISK MANAGEMENT POLICIES AND HEDGING ACTIVITIES

Risk types and methodology

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

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

Centralisation of the Risk Management System

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

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

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

Operational Risks

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

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

Financial Risks

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

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

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

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

Insurance Activity Risks

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

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

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

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

Strategic and Corporate Governance Risks

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

Implementation of own capital models

During 2005, MAPFRE RE has implemented its own capital model, which, by means of a stochastic process, determines the required solvency level as a function of the risks assumed by the entity.

This model forms part of an overall project consisting of implementing stochastic models at SISTEMA MAPFRE, in order to comply with the future Solvency II European regulations. This pilot project will act as test for its latter extension to the other group entities.

The Capital model is based on the stochastic generation of projections of the company's income statement from the simulation of 5,000 different scenarios, applied taking into account the peculiarities of the premium portfolio and the investment mix and other assets mix within the entity; these scenarios are obtained by combining various financial and reinsurance business assumptions. From that basis, the distribution of probability of results is determined, as well as the required economic capital in order to ensure the entity's solvency with a 99.5% range of reliability in a time horizon of one year. Interim results obtained confirm the level of excellence in the entity's capitalisation, and at present they are being compared to other solvency estimation methods.

7.2 OTHER DETAILS RELATING TO THE BOARD OF DIRECTORS

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

Director	Company	Number of shares / stocks	Office/ Position
Mr. Ricardo Blanco	Aegon, NV	6,124	---
	Ing Groep	2,140	---
Mr. Pedro José de Macedo	Munchener Rueck	225	---
Mr. J.Donald Duello	Shelter Mutual Insurance Company	---	Chairman & CEO
	Shelter General Insurance Company	---	Chairman & CEO
	Shelter Life Insurance	---	Chairman & CEO
	Shelter Reinsurance Company	---	Chairman & CEO
	MAERP	--	Director
Mr. Rolf Mehr	Vaudoise Assurances Holding	---	General Manager
Mr. George Andrew Prescott	Eclesiastical Insurance Opple Plc	---	Group Executive Director
Mr. Domingo Sugranyes	Münchener Ruck	67	---
	Aegon NV	320	---
	Axa	142	---
	Fortis	200	---
	ING	190	---

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

Director	Sistema MAPFRE	
	Entities where they form part of the board of directors	Number of shares in corporación mapfre
Mr. Ángel Alonso	MAPFRE SEGUROS GENERALES; MAPFRE EMPRESAS; MAPFRE AGROPECUARIA; MAPFRE CONSULTORES; MAPFRE AMERICA; MAPFRE AMERICA VIDA; MAPFRE ASISTENCIA; MAPFRE SERVICIOS DE CAUCION Y CREDITO	6,000
Mr. Ricardo Blanco	CORPORACIÓN MAPFRE; MAPFRE GUANARTEME; MAPFRE EMPRESAS; MAPFRE SEGUROS GENERALES	28,107
Mr. Primitivo de Vega	MAPFRE ASISTENCIA; VIAJES MAPFRE; MAPFRE ASISTENCIA ORO; MELIATOUR; MAPFRE QUAVITAE; MAPFRE MUTUALIDAD; ALLMAP ASSIST; BENELUX ASSIST; FRANCE ASSIST; JMDS; EUROSOS ASSISTANCE; IRELAND ASSIST; NSA; IBERO ASSISTENCIA; ABRAXA INSURANCE ADMINISTRATION SERVICES; ABRAXAS SOFTWARE LIMITED; ABRAXAS UK; TUR ASSIST; IBEROASISTENCIA; ASISTENCIA BOLIVIANA; BRASIL ASSISTENCIA; SUR ASISTENCIA; PERÚ ASISTENCIA; COSTA RICA SERVICIOS DE ASISTENCIA; PANAMÁ ASISTENCIA; ANDI ASISTENCIA; ECUASISTENCIA; VENEASISTENCIA; CARIBE ASISTENCIA; VIAJES MAPFRE REPÚBLICA DOMINICANA; FEDERAL ASSIST COMPANY; BRICKELL FINANCIAL SERVICES MOTOR CLUB; AFRIQUE ASSISTANCE; ROAD CHINA ASSISTANCE	7,500
Mr. Lorenzo Garragorri	---	5,000
Mr. Andrés Jiménez	MAPFRE MUTUALIDAD; MAPFRE AMERICA; MAPFRE AMERICA VIDA	2,370
Mr. Pedro José de Macedo	MAPFRE EMPRESAS; C.I.A.R; MAPFRE RE HOLDINGS	1,500
Mr. Juan Antonio Pardo	MAPFRE ASISTENCIA; VIAJES MAPFRE	10,000
Mr. Agustín Rodríguez	MAPFRE MUTUALIDAD	400
Mr. Francisco Ruiz	MAPFRE MUTUALIDAD; CORPORACIÓN MAPFRE; MAPFRE VIDA	10
Mr. Matías Salva	MAPFRE MUTUALIDAD; MAPFRE SEGUROS GENERALES; MAPFRE GUANARTEME; MAPFRE EMPRESAS	38,806
Mr. Domingo Sugranyes	MAPFRE MUTUALIDAD; CORPORACIÓN MAPFRE; MAPFRE-CAJA MADRID HOLDING; MAPFRE CAJA SALUD; MAPFRE AMERICA; MAPFRE AMERICA VIDA; MAPFRE ASISTENCIA; MAPFRE INMUEBLES; MAPFRE ASIAN; MAPFRE QUAVITAE; MAPFRE INVERSIÓN DOS	7,500

7.3 FEES ACCRUED BY EXTERNAL AUDITORS

The fees accrued in favour of external Auditors for their account auditing services amount to EUR 236,805 (EUR 150,410 in 2004). There is also an additional amount of EUR 195,412 for services related to account audits (EUR 119,278 in 2004) and EUR 150,913 (EUR 125,000 in 2004) for other complementary services provided by them, which figures are not considered to jeopardise the independence of auditors.

7.4 ENVIRONMENTAL ISSUES

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

8 ADDITIONAL NOTE FOR ENGLISH TRANSLATION

These financial statements are presented by applying the International Financial Reporting Standards adopted by the European Union (I.F.R.S.). Consequently, certain practices applied by the company maynot conform to generally accepted principles in other countries.

SUBSIDIARIES AND ASSOCIATED UNDERTAKINGS 2005 (APPENDIX 1)

Name	County	Effective tax rate
COMPAGNIE INTENATIONA LE D'ASSURAN-CES ET DE REASSURANCES (CIAR)	45 , Rue de Treves Bruselas(Belgium)	34%
INVERSIONES IBÉRICAS	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	17%
MAPFRE CHILE REASEGUROS S.A.	Avda Apoquindo 4499-8º Santiago de Chile (Chile)	17%
INVERSIONES MAPFRE RE	Calle 72 10-07 oficina 502 Bogota (Colombia)	35%
MAPFRE RE HOLDINGS INC .	100 Campus Drive Florham Park New Jersey 07932-1006 (USA)	35%
F. ALCORTA S.A.	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%
ITSEMAP SERVICIOS TECNOLOGICOS MAPFRE S.A.	Barbara de Braganza 14 Madrid (Spain)	35%
MAPFRE RE ASSESORIA LTDA	Rua São Carlos Do Pinhal 696 3º Andar São Paulo (Brazil)	15%
MAPFRE MANDATOS Y SERVICIOS S.A.	Avda Figueroa Alcorta 3102,Buenos Aires (Argentina)	35%
MAPFRE COMPAÑÍA DE SERVICIOS GENERALES S.A.	Junior Tarata 16 piso B- Lima (Perú)	30%
MAPFRE INTERNET S.A.	Ctra de Pozuelo a Majadahonda s/n Madrid (Spain)	35%
MAPFRE INFORMATICA A.I.E.	Ctra de Pozuelo a Majadahonda s/n Madrid (Spain)	35%
VENEASISTENCIA C.A.	Avda. Libertador Penthouse A y B Caracas (Venezuela)	34%
MAPFRE REINSURANCE CORPORATION	100 Campus Drive Florham Park New Jersey 07932-1006 (USA)	35%
REINSURANCE CORPORATION	100 Campus Drive Florham Park New Jersey 07932-1006 (USA)	35%
ITSEMAP BRASIL SERVICIOS TECNOLÓGICOS MAPFRE LTDA	Rua São Carlos Do Pinhal 696 3º Andar São Paulo (Brazil)	15%
ITSEMAP CHILE SERVICIOS TECNOLÓGICOS MAPFRE LTDA	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	17%
CAJA REASEGURADORA DE CHILE	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	17%
MAPFRE CHILE SEGUROS, S.A.	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	17%
INMOBILIARIA COSTA DE MONTEMAR, S.A.	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	17%
INMOBILIARIA TIRILLUCA, S.A.	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	17%
ADMINISTRADORA DE PROPIEDADES	Napoleon 3096 Santiago de Chile (Chile)	17%
COMERCIAL TURISMO, S.A.	Napoleon 3096 Santiago de Chile (Chile)	17%
CAJA RE ARGENTINA	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%

Amounts in EUR thousands

Consolidation method or procedure

A Fully consolidated subsidiaries

B Associated and investee undertakings consolidated by the equity method

C Associated and investee undertakings excluded from consolidation

Activity	Holder	Holding %	Assets	Equity	Revenues	Result In the year	Consolidation Method or procedure
			Details end financial year 2005				
Insurance and Reinsurance	Mapfre Re Maplux Re	74.9300% 25.0607%	25,160	9,725	2,483	1,335	A
Financial and Property	Mapfre Re	99.9986%	27,805	27,311	1,231	520	A
Reinsurance	Mapfre Re	99.9986%	106,247	43,447	6,728	667	A
Securities and Property Investments and Management	Mapfre Re Inv. Ibéricas	94.9000% 5.0999%	3,012	3,001	359	-79	A
Holding	Mapfre Re	100.0000%	324,524	134,840	55.898	-1,603	A
Property (in liquidation)	Mapfre Re	99.9000%	10	10	0	-1	C
Consultancy	Mapfre Re	39.9752%	4,745	2,399	5,406	284	B
Consultancy	Mapfre Re Itsemap Brasil	99.9998% 0.0001%	27	22	43	9	C
Services	Mapfre Re Caja Re Arg.	99.0000% 0.9999%	127	92	606	-11	C
Consultancy	Mapfre Re Inv.Ibéricas	98.0000% 1.0000%	46	42	85	-40	C
IT Services	Mapfre Re	1.0000%	3,549	2,639	6,052	80	C
IT Services	Mapfre Re	1.0000%	10,397	1,000	34,083	0	C
Travel Assistance	Mapfre Re Hold	0.0020%	855	464	731	29	C
Insurance and Reinsurance	Mapfre Re Hold	100.0000%	324,480	134,859	55,898	-1,603	A
Insurance and Reinsurance	Mapfre Re Hold	100.0000%	1	1	0	0	A
Consultancy	Itsemap S.T.M. M.R. Assesor	99.9792% 0.0208%	686	558	1,621	81	C
Consultancy	Itsemap S.T.M Inv. Ibéricas	75.0000% 25.0000%	38	38	0	0	C
Reinsurance	Inv. M. Chile Re	97.6769%	97,704	29,894	4,433	839	A
Holding	Inv. M. Chile Re	0.0042%	250,786	36,986	58,057	116	C
Property	Inv. Ibéricas	31.4400%	21,284	20,495	6,212	547	C
Property	Inv. Ibéricas	43.7500%	10,051	10,047	32	-169	B
Property	Inv. Ibéricas	31.2900%	594	-39	1,149	6	B
Property	Inv. Ibéricas	31.2000%	137	-42	348	-45	B
Services, Advisory Services	Inv. Ibéricas	99.9000%	127	116	2	-6	A

SUBSIDIARIES AND ASSOCIATED UNDERTAKINGS 2004 (APPENDIX 1)

Name	County	Effective tax rate
COMPAGNIE INTENATIONALE D'ASSURANCES ET DE REASSURANCES (CIAR)	45 , Rue de Treves Bruselas (Belgium)	34%
INVERSIONES IBÉRICAS	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	17%
MAPRE CHILE REASEGUROS S.A.	Avda Apoquindo 4499-8º Santiago de Chile (Chile)	17%
INVERSIONES MAPFRE RE	Calle 72 10-07 oficina 502 , Bogota (Colombia)	35%
MAPLUX REINSURANCE COMPANY	"E Building" Immeuble C6,Parc d´Activite Syrdall L-5365 Munsbach (Luxemburgo)	30%
MAPFRE RE MANAGEMENT SERVICES U.K. LTD. CO.	Philpot Lane 2-3 Londres (Reino Unido)	33%
MAPFRE RE HOLDINGS INC .	100 Campus Drive Florham Park New Jersey 07932-1006 (USA)	35%
F. ALCORTA S.A.	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%
ITSEMAP SERVICIOS TECNOLOGICOS MAPFRE S.A.	Barbara de Braganza 14 Madrid (Spain)	35%
MAPFRE RE ASSESORIA LTDA	Rua São Carlos Do Pinhal 696 3º Andar São Paulo (Brazil)	15%
MAPFRE MANDATOS Y SERVICIOS S.A.	Avda Figueroa Alcorta 3102,Buenos Aires (Argentina)	35%
MAPFRE COMPAÑÍA DE SERVICIOS GENERALES S.A.	Junior Tarata 16 piso B- Lima (Peru)	30%
MAPFRE INTERNET S.A.	Ctra de Pozuelo a Majadahonda s/n Madrid (Spain)	35%
MAPFRE INFORMATICA A.I.E.	Ctra de Pozuelo a Majadahonda s/n Madrid (Spain)	35%
VENEASISTENCIA C.A.	Avda. Libertador Penthouse A y B Caracas (Venezuela)	34%
MAPFRE REINSURANCE CORPORATION	100 Campus Drive Florham Park New Jersey 07932-1006 (USA)	35%
REINSURANCE CORPORATION	100 Campus Drive Florham Park New Jersey 07932-1006 (USA)	35%
ITSEMAP BRASIL SERVICIOS TECNOLÓGICOS MAPFRE LTDA	Rua São Carlos Do Pinhal 696 3º Andar São Paulo (Brazil)	15%
ITSEMAP CHILE SERVICIOS TECNOLÓGICOS MAPFRE LTDA	Ava. Apoquindo 4499-8º Santiago de Chile	17%
CAJA REASEGURADORA DE CHILE	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	17%
MAPFRE CHILE SEGUROS, S.A.	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	17%
INMOBILIARIA COSTA DE MONTEMAR, S.A.	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	17%
INMOBILIARIA TIRILLUCA, S.A.	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	17%
ADMINISTRADORA DE PROPIEDADES	Napoleon 3096 Santiago de Chile (Chile)	17%
COMERCIAL TURISMO, S.A.	Napoleon 3096 Santiago de Chile (Chile)	17%
CAJA RE ARGENTINA	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%

Amounts in EUR millions

Consolidation method or procedure

A Fully consolidated subsidiaries

B Associated and investee undertakings consolidated by the equity method

C Associated and investee undertakings excluded from consolidation

Activity	Holder	Holding %	Assets	Equity	Revenues	Result In the year	Consolidation Method or procedure
			Details end financial year 2004				
Insurance and Reinsurance	Mapfre Re	74.9300%	28,486	8,872	2,410	586	A
	Maplux Re	25.0607%					
Financial and Property	Mapfre Re	99.9986%	30,813	28,878	1,068	-520	A
Reinsurance	Mapfre Re	99.9986%	83,849	34,007	5,926	-4,115	A
Securities and Property.	Mapfre Re	94.9000%	2,653	2,586	412	-60	A
Investments and Management	Inv.Ibéricas	5.0999%					
Reinsurance	Mapfre Re	99.9630%	21,597	11,704	2,823	-1,614	A
Property services (in liquidation)	Mapfre Re	100.0000%	-	-	-	114	A
Holding	Mapfre Re	100.0000%	211,275	119,222	62,151	627	A
Property (in liquidation)	Mapfre Re	99.9000%	10	10	-	247	A
Consultancy	Mapfre Re	39.9752%	3,535	2,115	4,356	279	B
Consultancy	Mapfre Re	99.9998%	10	10	-	-7	C
	Itsemap Brasil	0.0001%					
Services	Mapfre Re	99.0000%	132	92	541	-20	C
	Caja Re Arg.	0.9999%					
Consultancy	Mapfre Re	98.0000%	81	74	100	1	C
	Inv.Ibéricas	1.0000%					
IT Services	Mapfre Re	1.0000%	3,393	2,498	4,829	151	C
IT Services	Mapfre Re	1.0000%	5,738	1,000	21,730	-	C
Travel Assistance	Mapfre Re Hold	0.0020%					C
Insurance and Reinsurance	Mapfre Re Hold	100.0000%	211,233	119,244	62,151	627	A
Insurance and Reinsurance	Mapfre Re Hold	100.0000%	1	1	0	0	A
Consultancy	Itsemap S.T.M.	99.9792%	464	356	1,042	55	C
	M.R. Assesor	0.0208%					
Consultancy	Itsemap S.T.M	75.0000%	30	31	-	-	C
	Inv. Ibéricas	25.0000%					
Reinsurance	Inv. M. Chile Re	97.6769%	77,302	23,877	3,723	1,415	A
Holding	Inv. M. Chile Re	0.0042%	131,760	32,303	38,953	-1,094	C
Property	Inv. Ibéricas	31.4400%	17,882	15,726	2,154	-195	C
Property	Inv. Ibéricas	43.7500%	7,788	7,962	26	-66	B
Property	Inv. Ibéricas	31.2900%	513	(36,)	925	41	B
Property	Inv. Ibéricas	31.2000%	100	(13,)	297	-33	B
Services, Advisory Services	Inv. Ibéricas	99.9000%	113	111		-5	A

Audit Report

ERNST & YOUNG

Torre Picasso
Plaza Pablo Ruiz Picasso, 1
28020 Madrid

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AUDIT REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

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

To the Shareholders of
MAPFRE RE, Compañía de Reaseguros, S.A.

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

2. The accompanying 2005 consolidated annual accounts are the first ones which the Group has prepared by applying the international financial reporting standards adopted by the European Union (IFRS-EU), which in general require that comparative information be included in the financial statements presented. Thus, in accordance with mercantile law, for comparative purposes the Parent Company's directors have included for each of the captions included in the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and the notes to the consolidated financial statements, in addition to the figures of 2005, those of 2004, which have been obtained by applying IFRS-EU in effect at December 31, 2005. Consequently, the 2004 figures differ from those set forth in the approved consolidated 2004 annual accounts which were prepared in keeping with the accounting principles and criteria in effect at the time. The principal differences arising as a result of applying IFRS-EU to consolidated equity at January 1 and December 31, 2004 and 2004 consolidated income statement of the Group are set forth in Note 2 to the accompanying consolidated financial statements. Our opinion refers only to the consolidated annual accounts for 2005. On February 25, 2005 we issued our audit report on the 2004 consolidated annual accounts prepared in conformity with accounting principles and criteria in effect said year, in which we expressed an unqualified opinion.

3. The Parent Company and some of its subsidiaries have performed significant transactions with other MAPFRE SYSTEM companies. Information about these transactions is given in the Note 6.19 to the accompanying consolidated financial statements.

Ernst & Young, S.L.
Domicilio Social: Plaza Pablo Ruiz Picasso, 1. 28020 Madrid.
Inscrita en el Registro Mercantil de Madrid al Tomo 12749, Libro 0,
Folio 215, Sección 8ª, Hoja M-23123, Inscripción 116. C.I.F. B-78970506

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

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

ERNST & YOUNG, S.L.

(Signed in original issued in Spanish language)

Javier Pancorbo Castro

February 27, 2006

INDIVIDUAL MANAGEMENT REPORT

EVOLUTION OF BUSINESS

- MAPFRE RE has closed 2005 with a significant increase in revenues and positive results that, viewed in the general context of the reinsurance sector, may be considered as satisfactory, particularly taking into account the impact of major occurrences that have affected the reinsurance industry throughout the year. MAPFRE RE has kept its commitment to the markets supported by its financial ratings, which has enabled the company to continue its consolidation process in the activity, while extending its perspectives for the future.

INCOME STATEMENT

- Earned **premiums** amount to EUR 1,290.8 million, representing an increase of 20.0% with respect to those recorded in the previous year. Net earned premiums amounted to EUR 866.9 million, namely, they represent a 22.8% increase with respect to 2004.
- The **combined ratio**[1] of the total life and non life business stood at 97.9%, higher than the one recorded in the previous year of 90.0%. The increase is a reflection of the incidence of mayor catastrophic losses.
- **Claims** to net earned premiums rise to 66.6%, or 9.4% more than the previous year's figure, due to the impact of major catastrophic losses.
- **Commissions and other acquisition expenses** represented 28.4% of net earned premiums, slightly below the percentage of 29.6% of the previous year. **Management expenses** stand at 2.9% of net earned premiums, lower than the previous year's figure of 3.2%.
- **Underwriting results** amount to EUR 41.1 million, which compares to the previous year's figure of EUR 37.1 million.
- **Net financial revenues** amount to EUR 73.3 million, remarkably exceeding those recorded in the previous year, which amounted to EUR 18.2 million.
- The **Income Statement** shows a result of EUR 114.6 million before taxes and minority interests, and a net profit of EUR 77.7 million after taxes and minority interests. These figures represent increases of 108.0% and 101.3%, respectively, compared to the previous year.

BALANCE SHEET

- **Shareholders' equity** recorded a significant growth of 21.0% with respect to the previous year, amounting to EUR 540.3 million, due to the capital increase with share premium carried out in the year, for EUR 50 million, and to the results obtained in the year.
- Net **technical provisions** reach the figure of EUR 945.2 million, representing 109.0% of retained premiums and exceeding by 28.4% those established in the previous year.
- **Investments** total EUR 1,485.4 million, of which EUR 30.6 million in property, plant and equipment, EUR 1,281.5 million in financial investments, and EUR 173.3 million in investments in group companies.

(1) The combined ratio stated by Corporación MAPFRE relates only to the Non-Life business.

- **Cash and banks and other liquid assets** amount to EUR 39.7 million.

- **Total consolidated assets** amount to EUR 2,300.7 million, compared to EUR 1,699.3 million in the preceding year, representing an increase of 35.4%.

MAIN ACTIVITIES

- The capital increase approved by the Board of Directors held on 1 December 2004, amounting to EUR 50 million, was carried out at the end of March. This figure, contributed by shareholders, strengthens the company's equity and is justified by growth in revenues and results.

- Rating agencies have renewed the rating to MAPFRE RE in 2005, with AM Best granting it an A+ rating, with positive outlook, and Standard & Poor's an AA- rating, with stable outlook; both ratings are among the highest in the international reinsurance market.

- In September, MAPFRE RE was registered with the Insurance Department of the State of New York (USA) as qualified reinsurer. The said qualification is supported by the creation of a Reinsurance Master Trust in the State of New York. Throughout the same year and in 2006 the relevant qualifications will be obtained in the other states. This new platform allows promoting MAPFRE RE's activities in this major market.

- In May, MAPFRE RE transferred to MAPFRE Seguros Generales its shareholding in the company MAPLUX Re, with the latter entering the consolidation perimeter of the buying entity.

- During the year, the adaptation processes have been carried out of the accounting statements to the International Financial Reporting Standards (IFRS). The new reporting format will be used from now on for the presentation of MAPFRE RE's consolidated accounts, in line with the parent company, CORPORACIÓN MAPFRE.

- With the cooperation of E&Y consultants, MAPFRE RE has developed an advanced capital model, the first one prepared within SISTEMA MAPFRE. This model is expected to become an efficient management tool for underwriting and to allow better and more efficient application of capital in accordance with risks assumed.

- The new "Condor" computer management programme, after completion of the works of adaptation to the platform of SISTEMA MAPFRE, will become operational progressively in 2006.

- During the year, the entity's risk map has been completed. Studies are being carried out on its conclusions for better identification, knowledge and reduction of the said risks.

- Development actions have been intensified this year in Far East countries, particularly including China and Australia. In Brazil, the enforcement of new rules will allow our entity to perform direct activities together with the companies of that major market.

- Specific actions have been developed in order to foster our activities in the Life and Accidents line, with very promising results. Likewise, close technical cooperation continues to develop satisfactorily with MAPFRE Agropecuaria and MAPFRE Caja Salud.

- MAPFRE RE, with the cooperation of ITSEMAP, has continued providing technical services in relation to risk inspection and training to ceding companies in Europe, Latin America and Asia. In addition, "TREBOL", the quarterly magazine, continues spreading articles and interviews of a technical nature, establishing an important link with professionals in the insurance sector all over the world.

- New staff has joined the company in the year, both at its headquarters and offices abroad, this falling within the process of renovation of structures and enhancement of the entity's capacity looking forward.
- During 2005, several training courses have been taught internally, both on reinsurance techniques and on the use of available computer tools, which will redound to better productivity and enhanced staff qualification.

EVENTS AFTER THE BALANCE SHEET DATE

On 10 February 2006, Mr. Primitivo Julio de Vega Zamora, Chairman of MAPFRE ASISTENCIA, Director of MAPFRE MUTUALIDAD and member of the Management Committee of SISTEMA MAPFRE, has passed away. The Board of MAPFRE RE wishes to state its deep regret for this loss and the Company's gratitude for his extensive and efficient cooperation.

No other event after the balance sheet date has occurred worth noting, or which may alter the forecasts made for financial year 2006.

OUTLOOK

- During the recent renewals campaign, continuity has been seen in the rates of those businesses not directly affected by the recent catastrophes, a slight increase in the areas affected by medium catastrophic losses, and a major increase in the contracts and territories affected by the hurricanes occurred in the US Southeast, mainly in the property lines, such as power. Also, an increase has taken place in retentions by insurance companies, supported by greater capitalisation.
- Overall, there are sufficient conditions that allow continuing to develop the company's business plan, obtain growing results and provide shareholders with adequate returns.
- The application of the new accounting rules will require special attention during 2006 for the correct interpretation of the information generated by the market on these new bases and its comparison with the previous year.
- The new business platform established for the US market is expected to have the envisaged results and to contribute to the company's development.

ECONOMIC AND STATISTICAL INFORMATION

SUMMARISED BALANCE SHEETS

Assets	2005	2004	2003	Liabilities	2005	2004	2003
Intangible assets and start-up expenses	2.6	2.4	1.2	Capital and reserves	462.6	406.8	259.3
				Net result for the year	77.7	38.6	20.4
				Deferred revenues	2.4	2.4	2.4
Investments	1,485.4	1,203.4	865.5				
Reinsurance share in technical provisions	538.4	302.4	237.7	Technical provisions	1,483.6	1,038.6	794.2
				Provisions for risks and expenses	0.6	1.2	2.6
Credits and receivables	109.9	74.6	71.3	Deposits received from ceded reinsurance	135.1	113.9	89.4
Other assets	41.0	21.0	13.0	Other liabilities	76.1	54.2	54.9
Accrual adjustments	123.4	95.5	60.4	Accrual adjustments	62.6	43.6	25.9
TOTAL ASSETS	2,300.7	1,699.3	1,249.1	TOTAL LIABILITIES	2,300.7	1,699.3	1,249.1

Amounts in EUR millions

INCOME STATEMENT

Concept	2005	2004	2003
Gross written premiums	1,290.9	1,075.0	821.9
Net written premiums	866.9	706.0	528.0
Net earned premiums	785.29	579.7	455.6
Net claim incurred	(493.9)	(348.7)	(285.8)
Net commissions	(225.5)	(171.5)	(140.2)
Management expenses	(24.8)	(22.4)	(21.3)
Underwriting result	**41.1**	**37.1**	**8.3**
Net revenues from investments	73.3	18.2	19.7
Extraordinary results	0.2	(0.2)	0.4
Pre-tax result	114.6	55.1	28.4
NET RESULT	77.7	38.6	20.4

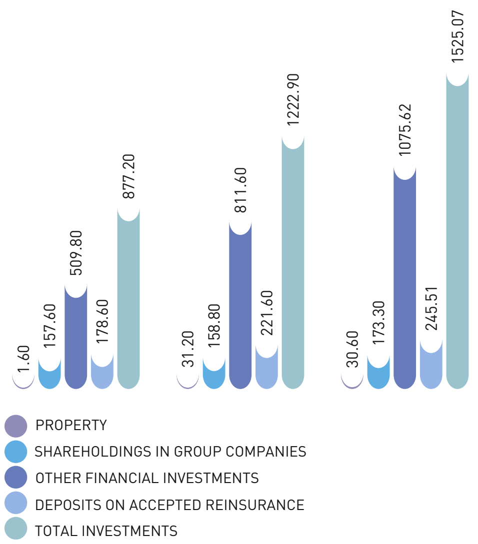
Amounts in EUR millions. The underwriting result includes the variation in the stabilisation provision.

ASSETS

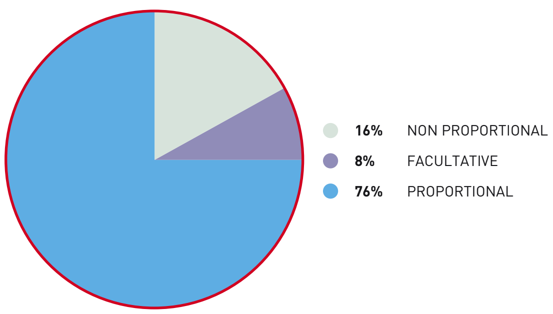
Concept	2005	2004	2003
Tangible investments	30.6	30.9	31.2
Shareholdings in group companies	173.3	158.8	157.6
Other financial investments	1,035.9	792.1	498.0
Deposits on accepted reinsurance	245.5	221.6	178.6
Cash and banks	39.7	19.5	11.8
TOTAL INVESTMENTS AND CASH AND BANKS	1,525.0	1,222.9	877.2

Amounts in EUR millions

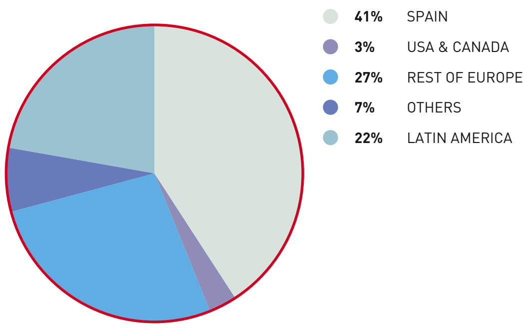
ASSETS



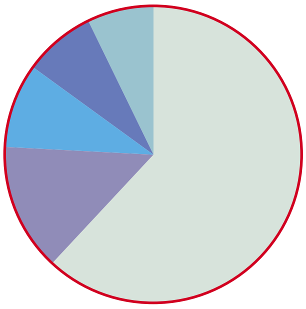
PORTFOLIO MIX PER TYPE OF BUSINESS



PORTFOLIO MIX PER GEOGRAPHICAL AREA



PORTFOLIO MIX PER LINE



OTHER RELEVANT DETAILS	2005	2004	2003
% retention	67.2	65.	64.2
% reserves to net premiums	109.3	104.3	105.4
% claims to net allocated premiums (1)	66.6	57.2	57.9
% commission expenses to net allocated premiums	28.4	29.6	30.8
% management expenses to net allocated premiums	2.9	3.2	4.0
% combined ratio	97.9	90.0	92.7
% Return on equity (R.O.E.)	**14.8**	**9.5**	**7.3**

1) Claims. before stabilisation provision

ADDITIONAL NOTES

ENVIRONMENT

MAPFRE RE, as an entity belonging to SISTEMA MAPFRE, assumes the latter's commitment to environment, consisting of integrating environmental criteria into the development of its activity, and of the control and reduction of its potential impact on it, this being in any case moderate due to the nature of the said activities. Along this line, MAPFRE, in addition to assuming the environmental commitments established in the UN Global Compact, is a member of the United Environmental Program Financial Initiative (UNEP), established for financial and insurance companies, which is promoted by the UN Program for Environment.

MAPFRE maintains a coordinated policy of Environmental care for the entire SISTEMA MAPFRE, to which effect a specific Department has been created, which forms part of the said SISTEMA's Directorate of Safety and Environment. This new Department has carried out a complete assessment of the environmental situation at the various MAPFRE entities and installations, which has given rise to adopting MAPFRE's Environmental Policy and to draft an Action Plan. This Plan includes specific actions essentially focusing on making an efficient use of resources in order to achieve savings in water, energy and paper, while ensuring compliance of the legislation and improvement of environmental risk.

STAFF

The structure of staff rendering their services to the company in Spain is as follows:

Category	2005	2004
Managers	39	37
Administrative staff	47	45
Marketing	-	-
Others	25	26
Total	**111**	**108**

INVESTMENTS

As regards financial investments, MAPFRE RE's policy to mitigate its exposure to this type of risks is based on a prudent investment policy, with most of the portfolio consisting of fixed income securities.

With respect to credit risk, MAPFRE RE's policy is based on prudence (issuer's solvency) and diversification. Thus, its fixed income portfolio consists mostly of securities with high credit ratings.

Diversification criteria are applied, for both fixed income and equity investments, by activity sectors and maximum risk limits per issuer.

INDIVIDUAL ANNUAL ACCOUNTS

BALANCE SHEET AS AT 31 DECEMBER 2005 AND 2004

Assets	2005		2004	
A, SHAREHOLDERS, UNCALLED CAPITAL				
B, INTANGIBLE ASSETS, START-UP EXPENSES AND DEFERRED EXPENSES		**2,618**		**2,397**
B I, Start-up expenses		1,808		1,879
Capital increase expenses	1,808		1,879	
B II, Intangible fixed assets		759		462
Other intangible fixed assets	1,589		1,089	
Accumulated amortisation (to be deducted)	(830)		(627)	
B III, Deferred expenses		51		56
Other expenses	51		56	
C, INVESTMENTS		**1,485,377**		**1,203,435**
C I, Investment property		30,607		30,930
Land and buildings	31,801		31,801	
Accumulated amortisation (to be deducted)	(1,194)		(871)	
C II, Financial investments in Group cos. and associated undertakings		173,328		158,809
Shareholdings in Group companies	177,245		177,515	
Shareholdings in associated undertakings	840		630	
Provisions (to be deducted)	(4,757)		(19,336)	
C III, Other financial investments		1,035,928		792,131
Financial investments in capital	43,100		61,331	
Fixed income securities	769,934		503,782	
Index-linked securities	12,940		15,185	
Units held in investment funds	38,493		20,414	
Deposits with credit institutions	171,397		191,366	
Other financial investments	64		53	
C IV, Deposits established on accepted reinsurance		245,514		221,565
D, INVESTMENTS ON ACCOUNT OF POLICYHOLDERS				
D,(bis) PARTICIPATION OF REINSURANCE IN TECHNICAL PROVISIONS		**538,402**		**302,448**
Provisions for unearned premiums	228,285		167,382	
Provisions for life insurance	6,162		6,307	
Provisions for claims	303,955		128,759	
E, CREDITS AND RECEIVABLES		**109,882**		**74,574**
EII, Receivables from reinsurance transactions		103,109		70,815
Group companies and associated undertakings	48,946		36,950	
Others	54,163		33,865	
E V, Tax, corporate and other credits		7,940		4,787
Others	7,940		4,787	
E VI Provisions (to be deducted)		(1,167)		(1,028)
F, OTHER ASSETS		**41,045**		**20,993**
F I, Property, plant and equipment		1,332		1,231
Property, plant and equipment	3,459		3,069	
Accumulated amortisation (to be deducted)	(2,127)		(1,838)	
F II, Cash and banks, cheques and cash on hand		3,690		19,472
F IV, Other assets		23		290
Group companies and associated undertakings	23		290	
G, ACCRUAL ADJUSTMENTS		**123,365**		**95,454**
Interest accrued but not yet due	18,997		12,790	
Commissions and other acquisition expenses	104,368		82,664	
TOTAL (A+B+C+D+E+F+G)		**2,300,689**		**1,699,301**

Amounts in EUR thousands

BALANCE SHEET AS AT 31 DECEMBER 2005 AND 2004

Liabilities	2005		2004	
A, CAPITAL AND RESERVES		**540,277**		**445,381**
A I, Share capital		223,916		202,770
A II, Share premium		220,565		191,711
A IV, Reserves		16,125		12,269
Legal reserve	16,125		12,269	
A VI, Results from previous years pending application		27,280		17,736
Brought-forward	27,280		17,736	
A VII, Result for the year		52,391		20,895
Profit and loss	77,672		38,555	
Interim dividend (to be deducted)	(25,281)		(17,660)	
A, (bis) DEFERRED INCOME		**2,364**		**2,364**
Positive differences in derivative instruments	2,364		2,364	
B, SUBORDINATED LIABILITIES				
C, TECHNICAL PROVISIONS		**1,483,626**		**1,038,572**
Provisions for unearned premiums and for risks in progress	642,743		513,771	
Provisions for life insurance	59,790		46,397	
Provisions for claims	764,094		432,800	
Stabilisation provisions	16,999		45,604	
D, PROVISIONS ON ACCOUNT OF POLICYHOLDERS				
E, PROVISIONS FOR RISKS AND EXPENSES		**553**		**1,208**
Provisions for pensions and similar obligations	86		705	
Other Provisions	467		503	
F, DEPOSITS RECEIVED ON CEDED REINSURANCE		**135,135**		**113,879**
G, DEBT	**76,119**		**54,252**	
G II, Due on reinsurance transactions		59,325		46,873
G VIII Other debts		16,794		7,379
Due to group companies and associated undertakings	12,054		4,515	
Tax, corporate and other debts	4,740		2,864	
H, ACCRUAL ADJUSTMENTS		**62,615**		**43,645**
TOTAL (A+B+C+D+E+F+G+H)		**2,300,689**		**1,699,301**

Amounts in EUR thousands

INCOME STATEMENT AS AT 31 DECEMBER 2005 AND 2004

I. Technical account-non life insurance	2005		2004	
I.1. Premiums in the year (net of reinsurance)		**716,161**		**532,082**
Earned premiums:		1,195,066		1,002,605
Accepted reinsurance	1,195,066		1,002,605	
Premiums from retroceded reinsurance (-)		(410,836)		(358,269)
Variation in prov. for unearned premiums and risks in progress (R,AC)		(128,972)		(167,844)
Variation in prov. for unearned premiums and risks in progress (R,RT)		60,903		55,590
I.2. Revenues from investments		**93,879**		**68,428**
Revenues from financial investments		81,791		68,298
Revenues from financial investments	76,668		62,858	
Other financial revenues	5,123		5,440	
Gains from realised investments		12,088		130
From financial investments	12,088		130	
I.3. Other technical revenues				
I.4. Claims in the year, net of reinsurance.		**(477,712)**		**(295,981)**
Claims and expenses paid :		(326,087)		(268,195)
Accepted reinsurance	(500,416)		(393,066)	
Ceded reinsurance	174,329		124,871	
Variation in provision for claims (+ or -)		(151,334)		(27,505)
Accepted reinsurance	(327,235)		(29,511)	
Ceded reinsurance	175,901		2,006	
Claim related expenses		(291)		(281)
I.7. Net operating expenses		**(230,691)**		**(180,195)**
Acquisition expenses		(315,232)		(258,065)
Administration expenses		(5,535)		(6,076)
Commissions and partic. of retroceded reinsurance		90,076		83,946
I.8. Variation in stabilisation provision		**28,605**		**(17,531)**
I.9. Other technical expenses		**(138)**		**118**
Variation in provisions for insolvencies	(138)		118	
I.10. Expenses from investments		**(57,142)**		**(49,855)**
Investment management expenses		(56,537)		(49,414)
Expenses from investments and financial accounts	(56,537)		(49,414)	
Value adjustments in investments		(289)		(288)
Amortisation of investment property	(289)		(288)	
Losses from investments		(316)		(153)
From financial investments	(316)		(153)	
I.11. Sub total (Result from the technical account - Non Life insurance)		**72,962**		**57,066**

Amounts in EUR thousands

INCOME STATEMENT AS AT 31 DECEMBER 2005 AND 2004				
II, TECHNICAL ACCOUNT-LIFE INSURANCE	**2005**		**2004**	
II.1. Premiums in the year (net of reinsurance)		**69,127**		**47,610**
Earned premiums:		95,709		72,397
Accepted reinsurance	95,709		72,397	
Premiums from retroceded reinsurance (-)		(13,043)		(10,709)
Variation in prov. for unearned premiums and risks in progress (R,AC)		(13,393)		(18,846)
Variation in prov. for unearned premiums and risks in progress (R,RT)		(146)		4,768
II.2. Revenues from investments		**7,693**		**6,288**
Revenues from financial investments		6,698		6,278
Revenues from financial investments	6,180		5,887	
Other financial revenues	518		391	
Gains from realised investments		995		10
From financial investments	995		10	
II.3. Unrealised gains from investments				
II.4. Other technical revenues				
II.5. Claims in the year, net of reinsurance.		**(45,169)**		**(35,520)**
Claims and expenses paid :		(40,371)		(27,242)
Accepted reinsurance	(48,502)		(31,928)	
Ceded reinsurance (-)	8,131		4,686	
Variation in provision for claims (+ ó -)		(4,764)		(8,268)
Accepted reinsurance	(4,059)		(10,612)	
Ceded reinsurance	(705)		2,344	
Claim related expenses		(34)		(10)
II.8. Net operating expenses		**(14,703)**		**(10,280)**
Acquisition expenses		(14,801)		(10,860)
Administration expenses		(629)		(663)
Commissions and participac. of retroceded reinsurance		727		1,243
II.10. Expenses from investments		**(8,071)**		**(3,823)**
Investment management expenses		(8,008)		(3,778)
Expenses from investments and financial accounts	(8,008)		(3,778)	
b) Value adjustments in investments		(34)		(35)
Amortisation of investment property	(34)		(35)	
c) Losses from investments		(29)		(10)
From financial investments	(29)		(10)	
II.12. Sub total (Result from the technical account - Life insurance)		**8,877**		**4,275**

Amounts in EUR thousands

INCOME STATEMENT AS AT 31 DECEMBER 2005 AND 2004

III, Non technical account	2005		2004	
III.1. Result of technical account - Non Life insurance		**72,962**		**57,066**
III.2. Result of technical account - Life insurance		**8,877**		**4,275**
III 3. Revenues from investments		**41,125**		**13,676**
Revenues from financial investments		23,526		13,566
Financial revenues from group cos. and assoc. undertakings	9,169		5,217	
Revenues from financial investments	11,888		5,879	
Other financial revenues	2,469		2,470	
Adjustments in investment valuations		14,611		
Gains from realised investments		2,988		110
III 4. Expenses from investments		**(5,073)**		**(16,744)**
Investment management expenses		(4,985)		(5,521)
Expenses from investments and financial accounts	(4,985)		(5,521)	
Value adjustments in investments		(32)		(11,195)
From provisions for financial investments	(32)		(11,195)	
Losses from investments		(56)		(28)
III 5. Other revenues		**37**		**31**
III 6. Other expenses		**(3,590)**		**(3,027)**
III 7. Extraordinary revenues		**302**		**71**
III 8. Extraordinary expenses		**(56)**		**(293)**
III 9. Tax on profits		**(36,912)**		**(16,500)**
III 10. Result for the year		**77,672**		**38,555**

Amounts in EUR thousands

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Design: Tau
Print: Monterreina

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