



*Consolidated
Management Report
2004*

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MARKET ENVIRONMENT

The economic recovery which began in the first half of 2003 was confirmed in 2004.

The favourable development of the key macroeconomic figures derived from a sustained growth in the largest industrial economies, consolidates the expansive phase of the world economy which continues to be led by the United States and the largest Southeast Asian countries.

Examples of this consolidation are: the strong increases in the rates of growth compared to previous years in the United States, European Union, Latin American and Southeast Asian economies, as well as in their respective levels of investment and productivity; tighter of monetary policies and favourable financing conditions; large worldwide trading volumes; price stability; greater business and consumer confidence; the maintenance of expansive tax policies; strong corporate profits in excess of the forecasts at the beginning of the year; higher stock prices and lower volatility in the financial markets.

Although the present situation and the short and medium term outlook point to a widening and consolidation of the expansive phase of the world economy, there exist some uncertainties which stem from a number of persistent imbalances. Growing private and public debt, the strong appreciation of the euro, which is at historical highs against the US dollar, the persistent inequality in the distribution of income especially in Latin American countries, the high oil prices, geopolitical uncertainties and transatlantic tensions continue to pose a threat to the continuance of global growth.



Within this environment of sustained global economic growth, SISTEMA MAPFRE had another outstanding fiscal year in which it obtained the best results in its history



Presentation of Year 2003 Results to the media, held in Board of Directors' room in Recoletos 25

The markets in which the presence of SISTEMA MAPFRE is concentrated (Europe and Latin America), were characterised by the high growth rates in the largest Latin American economies, the strongest in a decade, and favourable trends in the economies of the European Economic and Monetary Union, especially Spain which closed 2004 with a 2.6% increase in GDP, satisfactory employment trends, a recovery of the investment in capital assets, and a positive development in the net total wealth of households which allows for strong and stable private consumption and moderate savings rates. In spite of such a positive evolution of the Eurozone economy, the challenge remains to face the adoption of structural reforms that can inject greater dynamism in the economy of the region, encourage productive investment and improve competitiveness.

With respect to the financial sector, the recovery in the main stock markets was confirmed, leading to increases in the value of the assets under management in pension and mutual funds, spurring record trading volumes in Equities and Corporate Debt and increasing the appeal of equity as an investment alternative. These facts, along with a greater degree of concentration in the sector and the reduction of financial expenses and debt levels in most companies, has increased the solvency and market capitalisation of the main insurance companies worldwide. Notwithstanding the aforementioned, there still remain certain concerns due to the risk of high volatility in results that could derive from the implementation of the new International Financial Reporting Standards (IFRS), and the upwards tendency in the cost of natural disasters for the insurance sector worldwide. Among the latter, it is worth noting this year, due to their economic impact, the hurricanes that have devastated various areas of the Caribbean and the United States, the typhoons which affected Japan, as well as the devastating effect on the population of the tsunami which recently destroyed the coastal zones of Southeast Asia.

Within this environment of sustained global economic growth, SISTEMA MAPFRE had another outstanding fiscal year in which it obtained the best results in its history, exceeding its demanding targets for business volumes and, most importantly, results. The key factors for the business success of MAPFRE continue to be the application of a rigorous underwriting policy, both in direct insurance and reinsurance, a prudent investment policy, with a large proportion of fixed income securities, a wider branch network and a larger number of agents, the overriding focus on the quality of management, on the control of claims and on cost containment. All of the above fits into a framework characterised by a clear focus on customer service.

DEVELOPMENT OF THE INSURANCE MARKETS

Spanish market¹

- According to preliminary estimates, the total volume of Spanish insurance written premiums in fiscal year 2004 amounted to € 44,842 million with the following breakdown by branch of business:

Branch of business	2004	2003	% Var. 04/03
Life	18,706	17,743	5.4
Non-Life	26,136	24,003	8.9
Total Direct Insurance	44,842	41,746	7.4

Figures in million euros

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

- In 2004, Non-life insurance has once again been the main growth driver of the Spanish insurance market, reaching a total Premiums volume of € 26,136 million. In absolute terms, Motor insurance continues to be the largest branch of business by premiums volume, followed by Other Non-life insurance², whose main branches are Burial, Third-party Liability and Accident insurance. The following table provides a breakdown by branch of business of the estimated total volume of Non-life insurance premiums and its variation with respect to the previous year:

	2004	2003	% Var. 04/03
Motor	11,276	10,619	6.2
Health	3,966	3,616	9.7
Multi-peril	4,161	3,733	11.5
Other Non-life	6,733	6,036	11.6
Total Non life	26,136	24,003	8.9

Figures in million euros

¹ The figures for the Spanish market have been obtained from ICEA (Investigación Cooperativa entre Entidades Aseguradoras y Fondos de Pensiones).

² According to ICEA classifications, Other Non-life Insurance includes all Non-life insurance not classified under Motor, Multi-peril or Health insurance.

As in previous years, in 2004 the relative importance of the Motor insurance business has continued to decrease in favour of other branches of business, primarily Multi-peril and Other Non-life, as shown in the following table:

	2004	2003	2002	2001	2000
Motor	43.1%	44.5%	45.7%	46.9%	46.7%
Health	15.2%	15.2%	15.1%	15.7%	16.0%
Multi-peril	15.9%	15.7%	15.1%	14.6%	14.6%
Other Non-life	25.8%	24.6%	24.1%	22.8%	22.7%

On the basis of the trend observed at close of the month of September, it can be said that the technical result has improved across all Non-Life insurance branches the sole exception being Health insurance, which has been affected by an increase in the claims ratio. The following table shows the development of the combined ratio as a percentage of net premiums earned which measures said technical result:

	Total		Motor		Multi-peril		Health		Other Non-life	
	30.09.04	30.09.03	30.09.04	30.09.03	30.09.04	30.09.03	30.09.04	30.09.03	30.09.04	30.09.03
Loss ratio	70.7%	74.1%	72.2%	78.2%	61.3%	65.1%	82.2%	81.1%	69.2%	69.9%
Expense ratio	20.2%	20.8%	17.3%	17.2%	31.6%	32.6%	11.1%	11.8%	22.8%	24.6%
Combined ratio	90.9%	94.9%	89.5%	95.4%	93.0%	97.7%	93.3%	92.9%	92.1%	94.5%

- The volume of savings managed in Life insurance, represented by technical reserves, was € 115,031 million, a 5.2% increase with respect to the previous year.

Lower interest rates are having a direct effect on the level of returns offered by Life insurance savings products, which has decreased significantly with respect to prior years. This has contributed to redirecting part of the demand to other products, such as investment funds, especially guaranteed ones, and pension funds, which have registered higher growth rates than Life insurance.

In 2004, Non-life insurance has once again been the main growth driver of the Spanish insurance market, reaching a total Premiums volume of € 26,136 million



The following table reflects the evolution of assets under management in the various savings products and their respective increases compared to the previous year:

	2004	2003	% Var. 04/03
Life Insurance	115,031	109,355	5.2%
Investment Funds	219,730	196,016	12.1%
Pension Funds	62,843	55,912	12.4%
Total	397,604	361,283	10.1%

Figures in million euros

Latin american markets³

- According to preliminary estimates at the close of the third quarter of 2004, the main Latin American insurance markets recorded the following increases in the volume of written insurance premiums expressed in local currency:

	Non-life	Life	TOTAL
Argentina ⁴	18.6%	30.0%	20.9%
Brazil	11.6%	42.4%	23.5%
Colombia	4.7%	5.1%	4.9%
Chile	4.1%	15.4%	11.8%
Mexico	2.6%	27.4%	12.1%
Peru	(8.9%)	14.1%	(0.6%)
Puerto Rico	n.a.	n.a.	7.0%
Venezuela	n.a.	n.a.	44.6%

³ The figures for the Latin American markets have been obtained from the MAPFRE companies which operate in those markets and from Fundación MAPFRE Estudios.

⁴ The Argentinian market figures correspond to June 2004 which is the close of the fiscal year in this country.

The growth of the Brazilian insurance market has been spurred by economic recovery and sector initiatives directed at expanding its client base

- The development of these markets in 2004 has been the following:
 - The economic recovery has prompted significant increases across all branches of the insurance market in Argentina, among which it is worth noting the 42% increase in Employment Risk insurance, whose premiums are related to employee salaries. Rate increases in Property insurance, which includes the Motor and General insurance branches, together with more rigorous risk selection, improved technical results and good financial yields have allowed this sector to obtain a positive result for the first time in ten years. Life insurance, despite its growth, continues to suffer from the effects of the economic crisis and has recorded losses.

Growth registered in the Chilean market has come mainly from Life insurance, which has continued to develop in line with the country's economy

- The growth of the Brazilian insurance market has been spurred by economic recovery and sector initiatives directed at expanding its client base. The motor sector has grown in line with the increase in number of vehicles and has been characterised by strong price competition and by the increase in the average cost of claims. General insurance has grown less due to a drop in rates and consequently in the volume of premiums in industrial and aviation insurance. In the Life insurance business group risk and individual retirement savings products recorded outstanding growth within a relatively stable rate environment. The claims ratio has risen in Motor insurance and decreased in General and Life Insurance.
- Growth registered in the Chilean market has come mainly from Life insurance, which has continued to develop in line with the country's economy, while Non-Life insurance has been affected by strong price competition in General Insurance, whose premiums have contracted with respect to 2003. In Motor insurance, rates have largely remained stable and premiums have grown above market average due to the raising of the minimum covers of the Compulsory Personal Accident Insurance. The level of market concentration has increased due to a merger and two acquisitions. The claims ratio has remained stable.
- The insurance market in Colombia has been characterised by intense competition which has led to a decrease in rates in the Non-Life branches and has slowed down the level of growth with respect to the previous year. As in 2003, the largest increases have been recorded in Casualty, Burial, Health and Life insurance. Technical results have improved due to a lower incidence of claims caused by theft and other crimes.
- The growth in the volume of premiums in the Mexican insurance market has been concentrated in some Life insurance products distributed through the bank channel. Growth in Non-life insurance has been moderate due to a general decrease in rates because of strong competition among companies especially in the Motor insurance branch, whose premiums have contracted despite the sale of close to 1,000,000 new vehicles. A non-recurrent decrease in the claims ratio has occurred due to the release of part of the unexpired risk reserves as a consequence of the adoption of a new methodology for its calculation.
- The insurance market in Peru has been characterised by intense price competition which has caused a decrease in the volume of written premiums in comparison to the previous year, particularly in General Insurance, while Life insurance has recorded a moderate increase. The already high level of concentration in this market has increased even more this year due to the acquisition of two companies by another two competitors thereby reducing the number

of insurance companies from 14 to 12. The claims ratio has risen in General Insurance and decreased in Motor insurance.

In Venezuela, all branches of the insurance market have significantly grown in comparison to the previous year, Motor insurance being particularly noteworthy among them

- The growth recorded in the Puerto Rican market has been the result of a balanced contribution from the various branches, being particularly strong only in Health insurance because of the introduction of a new insurance for the Elderly. The Non-life branches have experienced an increase in the claims ratio as a consequence of the damages caused by tropical storm "Jeanne" and of the significant reduction in industrial insurance rates.
- In Venezuela, all branches of the insurance market have significantly grown in comparison to the previous year, Motor insurance being particularly noteworthy among them. In the Health sector which comprises 2/5 of the market, an effort has been made by various companies to win business from the public sector. Competition has been intense and has led to a strong decrease in rates, particularly in Motor and General Insurance. The claims ratio has slightly decreased in Motor insurance, has remained stable in General Insurance, and has increased in the Health insurance.

Reinsurance market

Despite major catastrophes in the Caribbean and Asia, the reinsurance market evolved positively during 2004 as a result of the application of more rigorous technical conditions and prices in direct insurance and reinsurance in all markets. Despite the fact that conditions and fees for some risks have been under pressure during 2004, they have remained at satisfactory levels allowing reinsurers, in general, to obtain positive technical results in an environment characterised by low financial returns.

During the third quarter, there has been an unusual and intense series of hurricanes which have affected the U.S. and Japan in densely populated areas and highly insured. These events have been characterised by frequency rather than severity, as they successively hit the same territories, and by the repeated application of direct insurance and reinsurance deductibles. The resulting losses for the reinsurance market have been significant, but in general they have been absorbed by the positive results in the rest of the business.

At the end of December there was a violent earthquake in the Indian Ocean causing a "tsunami" which resulted in an overwhelming number of victims in various countries. The extension of the areas affected and the damages produced make this one of the worst catastrophes in history. Given the low penetration of insurance in these regions, such a major event will cause relatively limited losses for the insurance market.

BUSINESS DEVELOPMENT

Operating revenues

In 2004, the total operating revenues of CORPORACION MAPFRE and its subsidiaries reached € 8,138.1 million, including € 254.2 million of new contributions to pension funds. The breakdown of these revenues by business line was as follows:

TOTAL REVENUES			
	2004	2003	Var. % 04/03
REVENUES FROM CONSOLIDATED SUBSIDIARIES			
COMPANIES OPERATING PRIMARILY IN SPAIN			
Direct insurance premiums: Non-life	2,377.0	1,776.1	33.8%
Direct insurance premiums: Life	1,886.4	1,644.9	14.7%
Income from investments	958.2	834.0	14.9%
Real estate management and development (*)	55.2	49.2	12.2%
Other income (**)	103.5	133.8	(22.6%)
Cumulative Subtotal	5,380.3	4,438.0	21.2%
COMPANIES OPERATING PRIMARILY ABROAD			
Direct insurance premiums: Non-life	1,241.7	1,204.0	3.1%
Direct insurance premiums: Life	64.6	39.8	62.3%
Accepted reinsurance premiums	1,132.6	866.4	30.7%
Assistance premiums and other income	272.4	207.7	31.2%
Income from investments	211.1	243.8	(13.4%)
Other income (**)	7.2	50.8	(85.8%)
Cumulative Subtotal	2,929.6	2,612.5	12.1%
Cumulative income Subtotal	8,309.9	7,050.5	17.9%
Intra-group transactions eliminated upon consolidation	(426.0)	(357.5)	19.2%
Consolidated revenues subtotal	7,883.9	6,693.0	17.8%
Contributions to pensions funds	254.2	223.8	13.6%
Total operating revenues	8,138.1	6,916.8	17.7%

Figures in million euros

(*) Equity-accounted.

(**) Includes income from equity-accounted companies.

Both cumulative and total consolidated revenues increased with respect to the previous year by 17.9% and 17.8% respectively

Both cumulative and total consolidated revenues increased with respect to the previous year, the former by 17.9% (a 2.3% decrease in 2003), and the latter by 17.8% (a 3.6% decrease in 2003). These positive developments were characterised by the following factors:

- Organic growth in premiums volume across most markets and business lines in which the group operates.
- The inclusion of MUSINI and MUSINI VIDA, companies acquired in 2003 and consolidated from the third quarter of that year.
- Transactions related to the externalisation of corporate pension commitments in Spain amounting to € 113.6 million that were not carried out in 2003.

Conversely, as it happened in the previous year, the growth in revenues and premiums volumes in 2004 was adversely affected by the 9% appreciation of the euro against the US dollar.

Spain

The gross premiums written and accepted by the companies operating primarily in Spain evolved as follows:

CONSOLIDATED PREMIUMS AND CONTRIBUTIONS TO PENSION FUNDS			
	2004	2003	Var. % 04/03
LIFE INSURANCE OPERATING UNIT	1,843.1	1,651.4	11.6%
MAPFRE VIDA	1,790.8	1,622.4	10.4%
MUSINI VIDA ¹	52.3	29.0	80.3%
GENERAL INSURANCE OPERATING UNIT	1,021.1	895.9	14.0%
MAPFRE SEGUROS GENERALES ²	818.3	716.0	14.3%
MAPFRE GUANARTEME	202.8	179.9	12.7%
COMMERCIAL INSURANCE OPERATING UNIT	1,081.9	596.6	81.3%
MAPFRE INDUSTRIAL	544.0	444.3	22.4%
MAPFRE CAUCIÓN Y CRÉDITO	118.0	104.6	12.8%
MUSINI, S.A ¹	419.9	47.7	780.3%
MAPFRE CAJA SALUD	317.3	277.1	14.5%
Total	4,263.4	3,421.0	24.6%
Contributions to pension funds	254.2	223.8	13.6%

Figures in million euros

¹ 2003 figures only include the last quarter of that fiscal year.

² For comparative purposes the figures of MAPFRE SEGUROS GENERALES in 2003 include those of its subsidiary MAPFRE FINISTERRE, which it absorbed in the current fiscal year.

In the General Insurance Operating Unit, 2 million insured homes and 4 million outstanding policies marks were exceeded

Premiums growth in the Life Insurance Operating Unit must be considered as very satisfactory given the current low interest rate environment. It is worthwhile to highlight the € 113.6 million income from a new externalisation transaction.

Business growth in the General Insurance Operating Unit came primarily from Multi-peril lines which recorded increases above 15%. In 2004, the 2 million insured homes and 4 million outstanding policies marks were exceeded. It is worth noting that MAPFRE GUANARTEME grew in excess of 10% in Motor Insurance.

The Commercial Insurance Operating Unit –two years after its creation and after the complete integration of MUSINI– stands out as one of the main pillars of business in Spain, with very significant increases in the Civil Liability and Engineering business lines. In fiscal year 2003 only the last quarter premiums of MUSINI S.A. were included.

Lastly, MAPFRE CAJA SALUD, which operates in a highly specialised business line, has achieved premiums growth in line with previous years.

The following table shows a breakdown of written and accepted premiums by line of business in 2003 and 2004, together with their corresponding market shares (provisional in the case of 2004):

WRITTEN AND ACCEPTED PREMIUMS					
	2004	2003	Var. % 04/03	Market Shares	
				2004	2003
Motor (MAPFRE Guanarteme)	145.5	131.7	10.5%	1.3%	1.2%
Health	317.3	277.1	14.5%	8.0%	7.7%
Other Non-Life	1,914.2	1,367.3	40.0%	17.0%	16.6%
Total non-life	2,377.0	1,776.1	33.8%	8.8%	8.6%
Life Risk	213.1	142.5	49.5%		
Life Savings	1,559.7	1,502.4	3.8%		
Life Externalisations	113.6	---	---		
Total life	1,886.4	1,644.9	14.7%	9.9%	9.5%
Total	4,263.4	3,421.0	24.6%	9.3%	8.9%

Figures in million euros

The breakdown of the premiums written and accepted by the most representative subsidiaries through the agents channel and the CAJA MADRID bank channel are shown in the following table:

WRITTEN AND ACCEPTED PREMIUMS			
	2004	2003	Var. % 04/03
AGENTS CHANNEL	3,248.2	2,499.0	30.0%
MAPFRE VIDA ¹	953.4	829.7	14.9%
MAPFRE SEGUROS GENERALES	942.4	838.7	12.4%
MAPFRE INDUSTRIAL	512.0	413.7	23.8%
MAPFRE CAJA SALUD	302.5	265.5	13.9%
MAPFRE CAUCIÓN Y CRÉDITO	118.0	103.7	13.8%
MUSINI S.A.	419.9	47.7	---
CAJA MADRID BANK CHANNEL	901.6	922.0	-2.2%
MAPFRE VIDA ¹	776.1	821.7	-5.5%
MAPFRE SEGUROS GENERALES	78.7	57.2	37.6%
MAPFRE INDUSTRIAL	32.0	30.6	4.6%
MAPFRE CAJA SALUD	14.8	11.6	27.6%
MAPFRE CAUCIÓN Y CRÉDITO	0.0	0.9	--

Figures in million euros

1 Excluding externalisations.

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

MANAGED SAVINGS			
	2004	2003	Var. % 04/03
Technical reserves - Life insurance	12,265.0	11,645.0	5.3%
MAPFRE VIDA	11,679.5	11,126.0	5.0%
Other subsidiaries	585.5	519.0	12.8%
Pension Funds¹	1,103.2	927.4	19.0%
MAPFRE VIDA	1,034.8	853.0	21.3%
Other subsidiaries	68.4	74.4	(8.1%)
Mutual Funds	2,680.1	2,373.8	12.9%
MAPFRE VIDA	2,648.1	2,340.7	13.1%
Other subsidiaries	32.0	33.1	(3.3%)
Total	16,048.3	14,946.2	7.4%

Figures in million euros

1 Pension funds do not include defined benefit funds amounting to € 733.7 and € 704.3 million in 2004 and 2003, respectively.

International

Premiums written by the Units and companies that operate primarily abroad evolved as follows:

CONSOLIDATED PREMIUMS			
	2004	2003	Var. % 04/03
DIRECT INSURANCE			
MAPFRE AMERICA (countries)			
Argentina	161.8	139.2	16.2%
Brazil	259.3	223.5	16.0%
Chile	95.2	79.0	20.5%
Colombia	42.2	37.1	13.7%
El Salvador	28.1	27.9	0.7%
Mexico	249.1	306.8	(18.8%)
Paraguay	7.3	6.9	5.8%
Peru	22.6	21.2	6.6%
Puerto Rico	223.9	200.6	11.6%
Uruguay	8.1	6.9	17.4%
Venezuela	198.6	186.8	6.3%
Subtotal	1,296.2	1,235.9	4.9%
Other countries			
The Philippines	10.1	7.9	27.8%
Total Direct Insurance	1,306.3	1,243.8	5.0%
Accepted reinsurance	1,132.6	866.4	30.7%
Assistance	189.9	131.3	44.6%
Total cumulative premiums	2,628.8	2,241.5	17.3%
Intra-group transactions eliminated upon consolidation	(471.5)	(347.7)	35.6%
Total consolidated premiums	2,157.3	1,893.8	13.9%

Figures in million euros

The Commercial Insurance Operating Unit stands out as one of the main pillars of business in Spain, with more than 1,000 million euros of annual income



The breakdown by business line of the premiums written by the direct insurance companies operating abroad is shown in the following table:

WRITTEN PREMIUMS			
	2004	2003	Var. % 04/03
Motor	619.2	633.6	(2.3%)
Health and accidents	181.8	150.5	20.8%
Other Non-Life	440.7	419.9	5.0%
Total non-life	1,241.7	1,204.0	3.1%
Total life	64.6	39.8	62.3%
Total	1,306.3	1,243.8	5.0%

Figures in million euros

The direct insurance subsidiaries of MAPFRE AMÉRICA wrote in 2004 premiums amounting to € 1,296.2 million, of which € 64.6 million corresponded to Life insurance (€ 39.8 million in 2003) and € 1,231.6 million to Non-Life insurance (€ 1,196.1 million in 2003). Puerto Rico, which began operating in Health insurance in 2004, Argentina and Venezuela achieved outstanding growth rates in Non-Life insurance. The other countries recorded premium volumes slightly above those achieved in 2003, with the exception of Mexico, which shows a decrease mainly due to the cancellation of group contracts in Motor insurance.

MAPFRE is among the leading Non-Life insurance groups in Latin America, where it ranked third in 2003 with a share of approximately 5.8% of the Non-Life premiums of the countries and territories in which it operates. The following table shows a breakdown of the growth of direct insurance premiums in local currency in the various countries and the corresponding market shares:

% GROWTH OF PREMIUMS IN LOCAL CURRENCY			
	2004	2003	Market share non-life¹
Argentina	25.6%	58.3%	7.8%
Brazil	20.3%	19.7%	4.5%
Chile	16.4%	22.0%	10.5%
Colombia	13.0%	26.0%	3.7%
El Salvador	10.0%	(0.6%)	n.a.
Mexico	(7.3%)	14.6%	4.0%
Paraguay	8.2%	26.4%	n.a.
Peru	14.1%	(5.3%)	5.8%
Puerto Rico	40.5%	7.9%	11.6%
Uruguay	27.7%	(37.8%)	5.4%
Venezuela ²	36.0%	29.5%	9.9%

¹ As of September 2004, excluding Argentina whose premiums are as of June 2004.

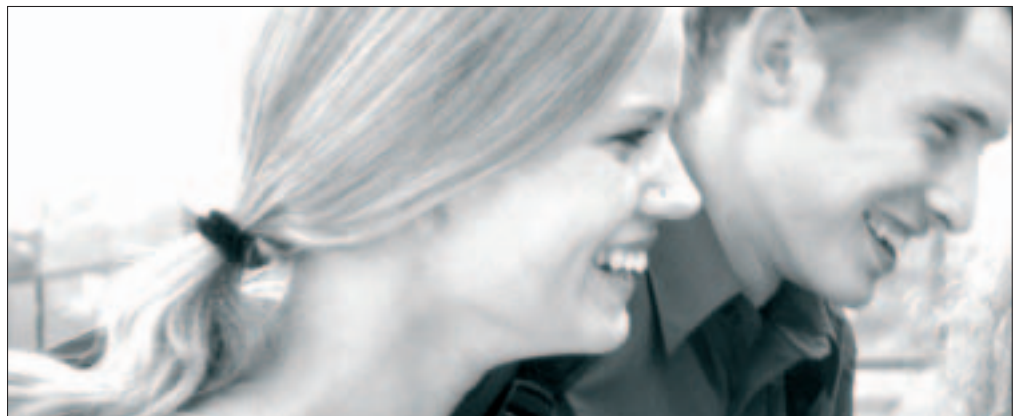
² Total Market share (Life and Non-Life)

In the accepted reinsurance business, MAPFRE RE and its subsidiaries obtained premiums amounting to € 1,132.6 million in 2004 (€ 866.4 million in 2003), a 30.7% increase. Retained premiums were € 772.1 million, equivalent to a 68.2% retention rate (66.9% in 2003). The increase in the capacity to underwrite risks of MAPFRE RE was supported by the € 150 million capital increase carried out in 2004, within the framework of a long-term plan to develop this Unit. By geographical areas, 44% of accepted premiums came from Spain, 27% from the rest of Europe, 17% from Latin America, 7% from North America and the balance from other geographical areas. MAPFRE REINSURANCE CORPORATION (New Jersey) recorded a volume of premiums of € 87.3 million, against € 74.4 million in 2003.

***The increase in the capacity to underwrite risks
of MAPFRE RE was supported by the 150 million capital
increase carried out in 2004***

The total revenues (premiums and revenues from the sale of services) of MAPFRE ASISTENCIA and its subsidiaries reached € 272.4 million, including revenues from equity-accounted subsidiaries, a 31.2% increase over the previous year. The breakdown by geographical area was as follows: 25.9% from Spain, 26.1% from Latin America, 28.4% from other European countries, 13.7% from the United States and 3.1% from other areas.

MAPFRE ASIAN (The Philippines) shows an increase in premiums of 27.8% in euros, and an increase of 43.3% in local currency.



The consolidated Non Life combined ratio of CORPORACIÓN MAPFRE was 94.3% in 2004, against 96.5% in the previous fiscal year

Management ratios

In accordance with internationally accepted practices, the soundness of the Non-Life technical result is measured through the combined ratio, reflecting total claims and expenses as a percentage of net premiums earned. The consolidated Non-Life combined ratio of CORPORACIÓN MAPFRE was 94.3% in 2004, against 96.5% in the previous fiscal year. The evolution of the main management ratios of the Non-Life insurance subsidiaries is shown in the following table, which provides the percentage of total expenses and claims incurred over premiums earned, before reinsurance, and the combined ratios (total expenses and claims incurred over premiums earned, net of reinsurance).

NON-LIFE MANAGEMENT RATIOS

	% Gross expense ratio ¹		% Gross loss ratio ²		% Combined ratio ³	
	2004	2003	2004	2003	2004	2003
COMPANIES OPERATING PRIMARILY IN SPAIN						
MAPFRE SEGUROS GENERALES ⁴	29.0%	30.2%	62.5%	64.0%	93.3%	95.1%
MAPFRE INDUSTRIAL	20.6%	21.1%	59.9%	60.3%	91.1%	93.0%
MAPFRE CAUCIÓN Y CRÉDITO ⁵	22.8%	26.2%	56.0%	60.8%	68.0%	85.3%
MUSINI	6.8%	---	79.6%	---	77.2%	---
MAPFRE CAJA SALUD	16.9%	17.0%	82.5%	80.6%	99.4%	97.6%
MAPFRE-CAJA MADRID HOLDING	22.1%	25.1%	66.8%	65.0%	92.7%	94.7%
COMPANIES OPERATING PRIMARILY ABROAD						
MAPFRE RE	31.5%	31.5%	52.3%	55.2%	91.8%	92.5%
MAPFRE AMÉRICA	29.2%	28.9%	58.7%	59.8%	99.2%	102.2%
MAPFRE ASISTENCIA ⁵	20.0%	17.1%	72.6%	74.5%	92.1%	91.3%
CORPORACIÓN MAPFRE	24.9%	26.5%	63.5%	62.6%	94.3%	96.5%

1 (Acquisition expenses + administration expenses + profit sharing and returns – other technical income + other technical expenses)/Gross premiums earned.

2 (Gross claims incurred + variation of other technical reserves)/Gross premiums earned.

3 (Net claims incurred + variation of other technical reserves + net operating expenses + profit sharing and returns – other technical income + other technical expenses)/Net premiums earned.

4 Excluding its subsidiary MAPFRE INDUSTRIAL.

5 Given the importance of services activities for MAPFRE CAUCIÓN Y CRÉDITO and MAPFRE ASISTENCIA, their expense ratios are adjusted to include the net other non-technical income.

Results

Consolidated result after tax was € 285 million (€ 228.2 million in 2003), a 24.9% increase. Consolidated net result attributable to CORPORACIÓN MAPFRE reached € 182.9 million, a 29.4% increase. Earnings per share reached € 0.81, against € 0.75 in the previous year (adjusted for the impact of the rights issue). It is particularly satisfactory that profit growth allowed an increase in earnings per share, in spite of the capital increase.

Generally speaking, all Units and Subsidiaries of CORPORACIÓN MAPFRE increased considerably their profits with respect to fiscal year 2003. Profit growth at MAPFRE RE, despite the claims caused by the September hurricanes in the Caribbean and Florida, and the achievement of profits in nearly all the countries in which the subsidiaries of MAPFRE AMÉRICA operate must be noted. Profit growth also benefited from the full inclusion of MUSINI and MUSINI VIDA, which contributed a profit before taxes, minority interest and amortisation of goodwill and portfolio acquisition expenses of € 35.9 million in 2004, (€ 9 million in 2003), excluding the € 14.1 million gain obtained by MUSINI from the sale to MAPFRE VIDA of its stake in MUSINI VIDA.

The following table shows the source and composition of the result:

CONSOLIDATED RESULTS			
	2004	2003	Var. % 04/03
FULLY CONSOLIDATED SUBSIDIARIES			
Companies operating primarily in Spain	332.7	262.7	26.6%
Companies operating primarily abroad	148.0	101.4	46.0%
Subtotal	480.7	364.1	32.0%
Equity-accounted subsidiaries	11.6	10.5	10.5%
Holdings, other subsidiaries and consolidation adjustments	(44.0)	(23.7)	85.7%
Result before tax, minority interests and amortisation of goodwill and portfolio acquisition costs	448.3	350.9	27.8%
Amortisation of goodwill and portfolio acquisition costs	(44.9)	(30.3)	48.2%
Result before tax and minority interests	403.4	320.6	25.8%
Tax	(118.4)	(92.4)	28.1%
Result after tax	285.0	228.2	24.9%
Minority interest	(102.0)	(86.9)	17.4%
Net result after tax and minority interests	182.9	141.3	29.4%
Earnings per share (euros)	0.81	0.75	8.0%

Figures in million euros

**Generally speaking, all Units and Subsidiaries
of CORPORACIÓN MAPFRE increased considerably
their profits with respect to fiscal year 2003**

The contribution of the main subsidiaries to the consolidated result varied as follows with respect to 2003:

	Before taxes, minority interests, and amortisation of goodwill and portfolio acquisition costs		After taxes, minority interests, and amortisation of goodwill and portfolio acquisition costs	
	2004	2003	2004	2003
RESULTS OF SUBSIDIARY COMPANIES				
FULLY CONSOLIDATED SUBSIDIARIES				
COMPANIES OPERATING PRIMARILY IN SPAIN				
LIFE INSURANCE UNIT	146.2	123.7	102.8	86.0
MAPFRE VIDA ¹	128.7	117.5	91.4	81.9
MUSINI VIDA ²	17.5	6.2	11.4	4.1
GENERAL INSURANCE UNIT	97.8	84.2	57.0	46.8
MAPFRE SEGUROS GENERALES ³	82.6	66.2	48.0	38.3
MAPFRE GUANARTEME	22.7	21.0	16.6	14.2
COMMERCIAL INSURANCE UNIT	79.4	40.3	56.0	26.1
MAPFRE INDUSTRIAL	34.7	27.6	22.4	17.8
MAPFRE CAUCIÓN Y CRÉDITO	12.2	9.9	7.4	6.1
MUSINI ²	32.5	2.8	26.2	2.2
MAPFRE CAJA SALUD	9.3	14.5	2.0	7.7
COMPANIES OPERATING PRIMARILY ABROAD				
MAPFRE AMÉRICA	75.9	52.0	48.5	37.8
MAPFRE RE	63.7	42.2	41.1	29.1
MAPFRE ASISTENCIA	8.4	7.2	4.6	3.8
EQUITY-ACCOUNTED SUBSIDIARIES⁴				
MAPFRE INMUEBLES	9.4	9.1	5.9	5.8
GESMADRID	5.2	4.7	3.4	3.0
CAJA MADRID PENSIONES	1.6	1.3	1.0	0.8
CAJA MADRID BOLSA	2.0	1.4	1.3	0.9

Figures in million euros

1 Includes the results of MAPFRE INVERSION and MAPFRE VIDA PENSIONES, which are accounted for by the equity method.

2 2003 figures only include the fourth quarter. In 2004, the result of MUSINI includes a € 14.1 million gain from the sale of its stake in MUSINI VIDA to MAPFRE VIDA (€ 10.6 million after taxes).

3 Excluding internal dividends and without its subsidiary MAPFRE INDUSTRIAL, which is shown as part of the Commercial Insurance Operating Unit. For comparative purposes, the figures of MAPFRE SEGUROS GENERALES in 2003 include those of its subsidiary MAPFRE FINISTERRE, which it absorbed in the present fiscal year.

4 Consolidated in proportion to the percentage of ownership in each company.

Investments and liquid assets

The book value of the consolidated investments and liquid assets of CORPORACIÓN MAPFRE as of 31 of December 2004 was € 17,238.5 million, a 10.2% increase with respect to the previous year. The following table shows its breakdown and percentage distribution:

	2004		2003	
	Million euros	% over total	Million euros	% over total
INVESTMENTS AND LIQUID ASSETS				
INVESTMENTS MATCHING LIFE INSURANCE RESERVES				
Fixed-income investments	8,026.3	95.7%	7,531.0	94.4%
Unit-linked investments	361.1	4.3%	446.1	5.6%
Subtotal	8,387.4	100.0%	7,977.1	100.0%
OTHER INVESTMENTS				
Real estate	638.8	7.2%	527.7	6.8%
Fixed-income investments	5,977.7	75.4%	5,475.8	71.1%
Investment funds	759.1	8.5%	699.6	9.1%
Equity investments	283.4	3.2%	175.3	2.3%
Investment in group and associated companies	264.2	3.0%	255.8	3.3%
Cash and banks	856.4	9.6%	502.7	6.5%
Accepted reinsurance deposits	116.5	1.3%	71.3	0.9%
Subtotal	8,896.1	100.0%	7,708.2	100.0%
Total	17,283.5		15,685.3	

Unrealised gains in investments grew significantly in 2004, helped by the low interest rates as of December 2004. Of these, € 847 million corresponded to the portfolio matching Life insurance reserves. The breakdown and evolution of these gains is shown in the following table:

	2004	2003	Var. % 04/03
Tangible Investments	317.0	269.8	17.5%
Financial investments	1,395.5	798.0	74.9%
Total	1,712.5	1,067.8	60.4%

Figures in million euros

Income from investments was € 1,209.7 million in 2004, a 12.7% increase with respect to the previous year. Its breakdown is shown in the following table:

INCOME FROM INVESTMENTS			
	Non Life Account	Life Account	Non Technical Account
From tangible investments	8.8	22.3	6.8
From financial investments	220.7	774.3	63.7
Realised gains	12.7	41.4	9.1
Other ¹	2.2	6.0	41.6
Total	244.4	844.0	121.2

Figures in million euros

1 Includes results from equity-accounted subsidiaries, positive translation results, value adjustments and monetary adjustment.

With respect to the previous year, income from investments evolved as follows:

INCOME FROM INVESTMENTS			
	2004	2003	Var. % 04/03
From tangible investments	38.0	36.3	4.6%
From financial investments	1,058.7	900.2	17.6%
Realised gains	63.2	67.7	(6.7%)
Other ¹	49.8	68.9	(27.7%)
Total	1,209.7	1,073.1	12.7%

Figures in million euros

1 Includes results from equity-accounted subsidiaries, positive translation results, value adjustments and monetary adjustment.

Investment expenses amounted to € 397.5 million, a figure larger than the previous year (€ 350.9 million).

Shareholders' equity and returns

Total consolidated equity reached € 2,402.8 million, against € 1,764.2 million at the end of 2003. Its year-on-year variation sums up the positive impact from the results of subsidiaries and the € 500.5 million capital increase, and the negative impact from the appreciation of the euro. Of the total equity amount detailed above, € 731.4 million corresponded to the holdings of minority shareholders in subsidiaries, and € 1,671.4 million to the shareholders of CORPORACIÓN MAPFRE. Consolidated shareholders' equity per share was € 7.0 at year-end (€ 6.0 as of the end of 2003).

The following table shows the return on average shareholders' equity (ROE) in 2004 of CORPORACIÓN MAPFRE and its main Units and Subsidiaries:

	2004			2003
	Average shareholders' equity	Profit	ROE % ¹	ROE % ¹
CORPORACIÓN MAPFRE	1,379.9	182.9	13.3	13.0
MAPFRE-CAJA MADRID HOLDING	1,113.7	179.3	16.1	14.5
MAPFRE VIDA	422.1	102.8	24.4	22.1
MAPFRE SEGUROS GENERALES ²	201.1	57.0	28.2	23.5
MAPFRE INDUSTRIAL	55.9	22.4	40.0	38.0
MAPFRE CAUCIÓN Y CRÉDITO	20.5	7.4	36.2	32.9
MUSINI S.A.	175.8	26.2	14.9	--
MAPFRE CAJA SALUD	92.1	2.0	2.2	8.8
MAPFRE AMÉRICA	506.8	48.5	9.6	7.3
MAPFRE RE	402.4	41.1	10.2	9.8
MAPFRE ASISTENCIA	66.1	4.6	7.0	6.6

1 Net result after taxes and minority interests/ Average shareholders' equity excluding minority interests.

2 Without its subsidiary MAPFRE INDUSTRIAL.

The consolidated return of CORPORACIÓN MAPFRE in 2004 (profit after taxes), calculated over average equity (ROE), increased from the previous year to 13.3%



MAIN ACTIVITIES

Acquisitions, projects and disposals

Direct investments

In fiscal year 2004 CORPORACIÓN MAPFRE made investments and disinvestments in group and affiliate companies for a net outlay of € 163.9 million, the most significant of which were the following:

- A capital increase carried out by MAPFRE RE to support its business growth was subscribed for (€ 126.5 million) and shares not subscribed for by other shareholders were acquired (€ 16 million). As a result of these investments, CORPORACIÓN MAPFRE raised its stake in MAPFRE RE to 87.9%.

In 2004, CORPORACIÓN MAPFRE acquired 35.3% of Grupo QUAVITAE's share capital

- Two capital increases of € 0.7 and € 6.4 million, respectively, carried out by QUAVITAE were subscribed for and shares corresponding to a 35.3% holding in the capital of this company were acquired (€ 13.5 million). As a consequence of these investments, CORPORACIÓN MAPFRE holds, directly and indirectly, 56.8% of the share capital of this company operating in services and nursing homes for the Elderly, which was renamed MAPFRE QUAVITAE and will become part of the Assistance Operating Unit.
- A 6.7% stake was acquired in MAPFRE ASIAN (€ 0.4 million), raising the shareholding of CORPORACIÓN MAPFRE in this company to 99.9%.
- A 10% stake in the Italian insurance company PROGRESS ASSICURAZIONI, S.p.A. was sold to the Maltese insurance company MIDDLESEA VALLETTA LIFE (€ 1.7 million), thereby reducing the shareholding of CORPORACIÓN MAPFRE in PROGRESS to 39%. Furthermore, CORPORACIÓN MAPFRE subscribed for the part corresponding to its new shareholding in a € 3 million capital increase carried out by PROGRESS (€ 1.2 million).

All investments were financed with the funds obtained from the capital increase CORPORACIÓN MAPFRE carried out in April

Investments made by subsidiaries

- Having obtained the approval from the Spanish General Directorate of Insurance and Pension Funds (DGSFP), MUSINI has transferred its stake in MUSINI VIDA to MAPFRE VIDA for an amount of € 100.2 million. This transaction did not have any impact on the accounts of MAPFRE VIDA, in which MUSINI VIDA is consolidated since 1.10.2003. Subsequently, MUSINI S.A. has carried out a capital reduction of € 121.7 million through the amortisation of treasury stock, previously bought back from MAPFRE-CAJA MADRID HOLDING and third parties, which it financed with its cash surplus and the funds obtained from the sale referred to above. As a result, the stake of MAPFRE-CAJA MADRID HOLDING in MUSINI S.A. increased from 98.07% to 99.93%
- MAPFRE PRAICO (Puerto Rico) acquired from CORPORACIÓN INTERNACIONAL CAJA DE MADRID a 25% stake in MAPFRE LIFE for a price of € 2.7 million. Subsequently, it absorbed CANADA LIFE INSURANCE COMPANY, thereby raising the shareholding of MAPFRE PRAICO in MAPFRE LIFE to 65.4%, the remaining 34.6% being owned by MAPFRE AMÉRICA VIDA, a subsidiary of MAPFRE MUTUALIDAD. MAPFRE PRAICO financed this investment with its equity.

Financing

All aforementioned investments were financed with the funds obtained from the capital increase CORPORACIÓN MAPFRE carried out in April 2004.

As of 31 of December 2004, consolidated debts with financial institutions amounted to € 78 million, against € 160.2 million at the end of the previous year. These resources were complemented by the long-term funding obtained from the € 275 million bond issuance carried out in July 2001.



Investor relations

The Finance and Investors Relations Department of CORPORACION MAPFRE have carried out an intense communication activity with analysts and investors. Every quarter, results have been presented in meetings with analysts in Madrid and London, and by means of conference calls, along with comprehensive complementary information, which was released simultaneously to the public through the CNMV (the Spanish National Securities Market Commission).

With the occasion of the capital increase, a specific series of meetings and presentations to 111 investors in 23 cities and 11 countries was carried out in March and April in order to explain the conditions and objectives of said operation.

Overall, meetings were held during the fiscal year with 67 Spanish institutional investors and investment managers, and 124 institutional investors and investment managers from Belgium, Canada, Denmark, France, Germany, Holland, Ireland, Italy, Japan, Switzerland, United Kingdom, USA and Sweden.

All the public information about CORPORACION MAPFRE and its results is available on the web page of SISTEMA MAPFRE in the section dedicated to investors. In 2004, the contents of this web page were expanded in compliance with Act 26/2003, dated 17 July, Order ECO/3722/ 2003, dated 26 December and CNMV Circular 1/2004, dated 17 March.

Shareholders

At the end of fiscal year 2004, MAPFRE MUTUALIDAD owned 55.7% of the share capital of CORPORACION MAPFRE, 23,014 Spanish shareholders held another 19.5%, and 674 foreign investors held the remaining 24.8%.

The following table shows the approximate breakdown of the shareholders' body by country:

SHAREHOLDERS BODY	%
Spain	75.2
United Kingdom	8.4
France	5.8
United States	3.9
Germany	1.2
Switzerland	0.9
Nordic countries	0.7
Canada	0.2
Belgium	0.1
Unidentified	3.6

At the end of 2004, the Board of Directors represented 55.7% of all outstanding shares.

The company had no stock option plans in force for managers, employees or board members at the end of fiscal year 2004.

At the end of fiscal year 2004, MAPFRE MUTUALIDAD held 55.7% of Corporación's shares, 23,013 Spanish shareholders of 19.5% and 674 foreign shareholders of the remaining 24.8%

Stock market data

The shares of CORPORACION MAPFRE traded for 251 days on the "Mercado Continuo" (the Spanish electronic market), which implies a trading frequency of 100%. A total of 203,445,253 shares changed hands during this fiscal year, compared to 197,672,419 in the previous fiscal year, a 2.9% increase in trading volumes. The actual value of these transactions was 2,083.9 million, against 1,865.3 million in 2003, an 11.7% increase.

In 2004, the price of shares of CORPORACION MAPFRE, adjusted for the effect of the capital increase grew by 0.3% against a 17.4% increase in the IBEX 35 index and 7.9% in the DJ Stoxx Insurance index. Over the last five years, the price of the shares of CORPORACION MAPFRE increased by 107.7% against a 22% decrease in the IBEX 35 and a 52.5% decrease in the DJ Stoxx Insurance. The yield from dividends paid during the year was equal to 2.4% of the average share price. At year end, six Spanish and international brokers had "buy" recommendations on the shares of CORPORACION MAPFRE, against five recommendations to "hold" and one to "sell".

MAPFRE structure 2005

The Board of Directors of MAPFRE MUTUALIDAD, the parent company of SISTEMA MAPFRE, approved in September 2004 a wide range of strategic decisions and appointments, which became effective on 1 January 2005 and represent a new step forward along the lines of the decisions adopted over the last few years to modernise and update the operating structure of SISTEMA MAPFRE. Amongst the measures adopted which affect the Territorial Structure, as well as the Common Services of SISTEMA MAPFRE and various business units, the following are worth noting:

- The necessary decisions have been adopted in order to put the restructuring and unification plan of the MAPFRE NETWORK into effect as of 1 January 2005. Maximum executive responsibility has been taken on by the Managing Director of MAPFRE MUTUALIDAD, Mr. Santiago Gayarre Bermejo, who shall be assisted in this function by a new Deputy General Management Area of MAPFRE MUTUALIDAD, headed by Mr. Juan José López Peña.

In accordance with the Plan approved by the Board in 2003, the geographical presence of the MAPFRE NETWORK has been structured around forty sub-centres which are grouped into seven Regional Head Offices (Madrid, Balearic and Canary Islands, the Northeast, the North, Cataluña, the East, the Centre and Andalusia). Each one of these Regional Head Offices will manage an average of 50 direct offices and 300 delegated offices with more than 600,000 clients and 1,000 million euros in premiums.

The objectives of these measures are to make MAPFRE NETWORK compatible with the current Sistema dimensions in Spain, improve its efficiency and customer service, simplify the distribution structure and maximise the offer in conjunction with the products and services of the various Sistema companies, strengthen the professionalism of the network, substantially expand the number of offices and agents and reaffirm the specialisation principle of the Units and Companies in business management, products, and claims subscription and processing.

- The structure of the Sistema Common Central Services has been redefined by substituting the frame of the Functional Units with a flexible areas structure, each one with a category (General Management, Deputy General Management, Management, etc.) appropriate for their respective functions and powers. Each one of these Areas relies on a member of Sistema's Executive Committee.

The objectives of these measures are to make MAPFRE NETWORK compatible with the current Sistema dimensions in Spain, improve its efficiency and its service customer



- A new SISTEMA MAPFRE Investment General Management has been created which undertakes investment management and planning and is run by Mr. Víctor Bultó Millet, previously Managing Director of MAPFRE VIDA; and a Communication and Social Responsibility General Management headed by Mr. Juan José Almagro García who will take on the coordination and supervision of Sistema's performance in matters within its powers.
- Mr. Antonio Núñez Tovar has taken on the position of Sistema's General Management of Human Resources and the IT area has been restructured to include two general managements: Common Communications and Development headed by Ms. Begoña González Pastor; and Common IT Services headed by Mr. D. Javier González Montero.

A new SISTEMA MAPFRE Investment General Management has been created which undertakes investment management and planning and a Communication and Social Responsibility General Management

- The previous measures have been completed with the designation of: Mr. Antonio Huertas Mejías as General Manager of MAPFRE MUTUALIDAD and Chief Executive Officer of the Motor Operating Unit, substituting Santiago Gayarre Bermejo; Mr. Ignacio Baeza Gómez as Managing Director of MAPFRE VIDA and Vice Chairman of its Executive Committee; Mr. Esteban Pedrayes Larrauri as Managing Director of MAPFRE SEGUROS GENERALES and Vice Chairman of its Executive Committee; Mr. Angel Alonso Batres as First Vice Chairman of MAPFRE SEGUROS GENERALES and MAPFRE AGROPECUARIA maintaining its current position of Chairman of the Executive Committee of MAPFRE SEGUROS GENERALES; Mr. Juan Sáez Ruiz as Chairman of the Executive Committee of MAPFRE AGROPECUARIA; Mr. Agustín Bernal de la Cuesta as Chairman of the MAPFRE direct insurance companies and subsidiaries in Portugal; Mr. Antonio Manuel Cardoso Bello as General Manager of MAPFRE SEGUROS GERAIS; Mr. Guillermo García Castellón as Chairman of the subsidiaries MAPFRE AMÉRICA and MAPFRE AMÉRICA VIDA in Chile; Mr. Jaime Tamayo Ibáñez as Chairman of MAPFRE PRAICO (Puerto Rico) and CEO of MAPFRE USA; and Mr. Raúl Costilla Prieto as General Manager and CEO of MAPFRE PRAICO.

Strategic alliance with CAJA MADRID

The strategic alliance established with CAJA MADRID in 2000, a model of how two major independent financial groups can support each other, to compete more efficiently in the market and offer a better service to their customers, has continued its consolidation throughout 2004.

In this way, over the course of 2004, mutual co-operation of their respective networks in the distribution of insurance and banking products has increased significantly, which has been a singularly positive factor in securing the excellent results achieved in this year.

The volume of insurance premiums contributed by the CAJA MADRID network in 2004 was € 919.8 million and sales of asset and liability banking products contributed by the MAPFRE Agents network amounted to € 1,639 million. These figures demonstrate the level of co-operation achieved by both groups.

Over the course of 2004, mutual co-operation of their respective networks in the distribution of insurance and banking products has increased significantly

Territorial structure

At the end of 2004, the MAPFRE NETWORK consisted of 352 direct offices and 2,289 delegations. Over the course of the year, the network configuration has been adapted to the territorial presence requirements of SISTEMA MAPFRE, which handles the work of a total of 18,332 tied agents and 2,915 brokers. It should be pointed out that in 2004 agency contracts have been extended to 80% of the agents who started working for MAPFRE in 2003.

Over the course of 2004, the promotion, extension and consolidation of the Territorial Structure has continued by means of various initiatives among which the following are worthy of special mention:

- "The New Delegates" programme, attended by 268 agents, with a subsidy investment of € 0.75 million.
- The 'Sistema Mapfre Integrated Agent' programme, involving 367 new agents, in which € 2.08 million have been invested. As at 31 December 2004, 1,357 active agents had gone through the SMIA programme.
- The Customer Care Department: carried out 673 sales campaigns aimed at more than 1.8 million customers; consolidated 9,185,525 contracts corresponding to 6,216,769 customers (of which 16.16% are shared); and produced various reports and analyses to facilitate the sales initiatives of the Network.

Left: New MAPFRE offices in Spain (Alcira).

Right: MAPFRE building in Levante.



During 2004, several initiatives have been taken to prepare the introduction in 2005 of the new territorial structure model, approved by the governing bodies of SISTEMA MAPFRE based on the differentiation between management, which is the responsibility of each Operating Unit, and distribution, which will be carried out jointly through the Common Network with the necessary support of each Operating Unit. Along this line, the following measures have been taken:

In 2004, a renewal of the sales structures and operation of the Network to achieve better dynamism in distribution has been underway

- Renewal of the sales structures and operation of the Network to achieve better dynamism in distribution; preparation for the expansion in 2005 of the number of direct offices to 404; assignment to the sub-centre managers, in their respective territories, of the highest responsibility for meeting the budget of all Operating Units and Companies; and expansion and update of the network, likewise strengthening the role of the Office Director.
- Commencement of operations in four new sub-centres to boost commercial penetration in: North Andalusia (Cordoba and Jaén), Cantabria-Burgos, Southern Galicia (Orense and Pontevedra) and East Catalonia (Lleida and Tarragona) distributing the rest of the Catalan territory between Barcelona (city and part of the province) and Western Catalonia (rest of the province and Girona).
- Greater professionalism and substantial expansion of the network with a net increase of 67 delegate offices, reaching a total of 2,289 at the end of the year.
- Printing and distribution of the "Manual for the Creation and Development of the MAPFRE Delegated Office" which seeks to be a technical support as well as a guide for all employees in charge of the development of the agency network.

From right to left: Santiago Gayarre, José Manuel Martínez and Juan José López Peña in the first meeting of RED MAPFRE management following the territorial restructuring.



Strategic planning

As is the standard practice at MAPFRE, all Operating Units and Companies of CORPORACIÓN MAPFRE and the Common Areas of SISTEMA MAPFRE have updated at the end of 2004 their respective Strategic Plans which set out their goals for the next three years (in this case for the 2005-2007 period) as well as the strategies they expect to adopt in order to achieve them.

The Strategic Plan, enshrined in the SISTEMA MAPFRE Strategic Plan, was approved by the Board of Directors at their February 8th 2005 meeting

These plans are enshrined in the Sistema MAPFRE Strategic Plan which was approved by the Board of Directors at their February 8th 2005 meeting.

During 2004, wideranging work has been carried out to coordinate the configuration of the strategic plans of the various Units and Companies to ensure the greatest possible consistency in their presentation, with respect to both their economic projections and the formulation of their objectives and strategies, thereby simplifying their analysis and follow-up by the highest governing bodies of SISTEMA MAPFRE.

Over fifteen years of experience in using these plans confirm their usefulness as appropriate tools for guiding, planning and coordinating the activities of SISTEMA MAPFRE as a whole.

Management control

In SISTEMA MAPFRE, management control has traditionally been decentralised to the Operating Units and Companies, which autonomously control the development of their respective businesses, albeit under the supervision of the Executive Committee of SISTEMA MAPFRE and the Board of Directors of MAPFRE MUTUALIDAD.

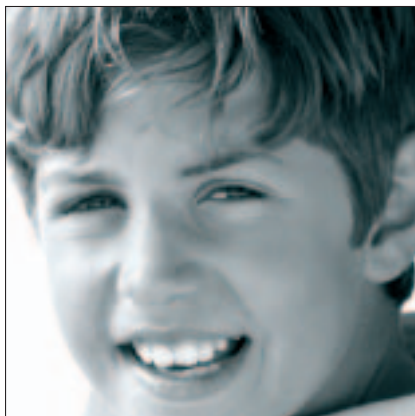
The Financial and Management Control Department of SISTEMA MAPFRE was created in 2002 to refine financial and management control information for SISTEMA MAPFRE as a whole, as well as for its various Units and Companies, to achieve greater consistency in the way it is processed, and to obtain consolidated information for the various holding companies and for SISTEMA MAPFRE as a whole faster and with a greater degree of detail for its governing bodies and for external dissemination.

These objectives have been met fully over the last two years. The FMCD prepares a monthly Financial Report, which contains a wide and consistent set of data on SISTEMA MAPFRE as a whole and on its various Units and Companies which includes revenues, results, balance sheet, management ratios, investments and compliance with the budget and is subject to an ongoing review and enhancement process in order to improve and expand its content.

The monthly Financial Report has a wide distribution among the governing bodies of Sistema and of its various Units and Companies as well as amongst their managers.

In order to promote a wider usage of the information within the organisation, an IT application has been developed in a secure web environment for its administration as well as for the visualisation of reports. This application uses one single database for all the monthly financial information, which allows for great versatility in preparing specific reports, comparative data between years and with the market and budgetary follow-up.

In 2004, special attention has been paid in order to adapt the information to the new territorial structure introduced at the beginning of 2005. In order to accomplish this, a new model has been developed which, using available accounting data for the various companies, generates financial information by geographic segment and branches of business which is extremely useful for the management of the MAPFRE NETWORK at their various levels and for the supervision of their activities by the governing bodies of SISTEMA MAPFRE.



In fiscal year 2004, special attention has been paid in order to adapt the information to the new territorial structure introduced at the beginning of 2005. In order to accomplish this, a new model has been developed which is extremely useful for the management of the MAPFRE NETWORK at their various levels

Also in 2004, the Centre of Expertise for Administrative Projects was created within the FMCD to provide technological support to all companies which have an accounting information system running on SAP platforms. This integration will allow for a better understanding of interactions with the administrative areas of operating companies and will make it possible to develop shared accounting and financial information projects together with the Consolidation and the Management Information and Control Departments.



During 2004, a second release of the risk management software was completed

Risk management

During 2004, work has continued on the definition and implementation of the Risk Management System of SISTEMA MAPFRE (SGR). More extensive information on its main characteristics is provided in the Corporate Governance Report included in this Annual Report. Among the main activities carried out in 2004, the following deserve to be mentioned:

- The completion of the second release of the risk management software.
- The implementation of the operational risks model in six companies (MAPFRE Argentina, MAPFRE Brazil, MAPFRE La Seguridad, MAPFRE Colombia, MAPFRE Puerto Rico y MAPFRE USA).
- Several seminars and courses aimed at introducing the risk management methodology in the various units of SISTEMA MAPFRE.
- The selection of a stochastic model for the assessment of financial and insurance risk and the appointment of an external consulting firm for its implementation in the Reinsurance Operating Unit. The model will be available in the second quarter of 2005 and, in addition to serving as a pilot program for the rest of the entities, it will be compliant with the requirements of the FSA in Great Britain which are applicable to MAPFRE RE's business in that country.

Internal auditing

At the close of the year, the internal auditing structure of CORPORACION MAPFRE consisted of seven Internal Auditing Departments (SAIs) in the General Insurance, Commercial Insurance, Life, America, Reinsurance, Assistance and Health Insurance Operating Units and ten Internal Auditing Units (UAIs) located in the main countries of Latin America and the Philippines, all under the coordination of the General Auditing Department, which reports directly to the Audit Committee of SISTEMA MAPFRE.

Over the course of 2004, a total of 530 audits were carried out, with the following breakdown: 175 in Central Services; 159 in the Territorial Structure; and 45 in subsidiaries. Furthermore, there were 133 special audits and 18 system audits. The reports from the audits, their main conclusions, recommendations and the respective degree of compliance with them were regularly reported to the Audit Committee of CORPORACIÓN MAPFRE.

5,254 hours were devoted to training the internal auditors, both through in-house and external courses, equal to a ratio of 74 hours per auditor per annum.

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The General Auditing Department has reviewed the individual and consolidated Management Reports and Annual Accounts of CORPORACIÓN MAPFRE and has reported on the said documents to the Audit Committee of CORPORACIÓN MAPFRE. The quarterly reports that CORPORACIÓN MAPFRE has submitted to the Spanish National Securities Market Commission (the 'CNMV') and the relevant financial information that have been submitted to the highest governing bodies of SISTEMA MAPFRE have also been reviewed.

It is also worth mentioning that during 2004, the First Systems Auditing Plan has been carried out with the help of PriceWaterhouseCoopers and KPMG. The provisions of the Money Laundering Prevention Regulations have been complied with and the compulsory operations corresponding to the period from January to December 2004 have been reported to the Bank of Spain.

Information technology

As has been pointed out in another section of this report, at the end of 2004, a wide-ranging restructuring was carried out in the Information Technology Department leading to the creation of two Management Areas: Common Services (Technology, Production and Infrastructures), and Coordination and Common Developments.

During 2004, the evolution has continued for the standards and methodology used in the construction of business applications, which have been used in all new developments of the Motor and General Insurance Operating Units and in the TRON 21 project. The latter represents a very significant step forward from a qualitative standpoint, as all Non-life insurance companies in Spain have

begun to use one single database for all business applications and one common administrative support. Subsequently, the necessary adaptations to the specific characteristics of the business activity of each company will be made. The first phase of TRON 21 will begin to run in parallel before the end of 2005 and it is expected to enter into full production in spring 2006. Project TRON 21 is based on the insurance application TRONADOR, developed in its various releases by MAPFRE AMÉRICA and used by all the insurance subsidiaries of SISTEMA MAPFRE in the Americas.

***Project TRON 21 is based on the insurance application
TRONADOR developed in its various releases by MAPFRE
AMÉRICA and used by all the insurance subsidiaries
of SISTEMA MAPFRE in America***

The infrastructure of the EDP centre in Majadahonda has also been updated through the adoption of IBM z/990 central servers that have the capacity to reach 1,938 million instructions per second; the consolidation of UNIX servers in the HP Superdome system has continued, which simplifies the structure and enhances processing power central disk storage; capacity has gone from 42 to 118 Terabytes, by expanding and consolidating storage systems, and two modern robots have been acquired and installed, with adequate capacity to make security copies of data; a backup centre has been arranged for disaster recovery; there has been a notable advancement in server security and in the simplification and improvement of corporate services; MUSINI and MAPFRE FINISTERRE have been integrated into the Majadahonda EDP centre.

In 2004, the old stand-alone terminals in Spain have been replaced entirely by the new Platform for MAPFRE Delegates (PDM), which had more than 2,100 terminals in operation at the end of December 2004. 7 new direct offices, 2 Adjustment and Payment centres and one Multiservicar have been opened in the MAPFRE NETWORK. 300 new workstations have been installed and those used in claims handling and in customer services have continued to be updated with new flat-screen equipment.



*MAPFRE web page wins
'Los Favoritos' prize awarded
by Expansión.*

Within the framework of the SIREN project, the design and production of Commercial Products Catalogue has been completed which serve as a point of support for the implementation of the new structure of the MAPFRE NETWORK

In reference to communications, new improvements have been added to the services for the MAPFRE NETWORK, expanding line capacity in those offices whose activities so required. Furthermore, 1,700 delegated offices have been equipped with new communication lines, within the framework of the new platform of the territorial network (PDM), replacing ISDN lines. These new lines use ADSL technology and significantly improve daily office operations.

In Madrid, a high capacity communications ring has been set up, which connects the main buildings occupied by the headquarters of the various companies. In addition to providing a significant capacity increase, this new service provides greater data communication security among the various central buildings and it is foreseeable that it will also be used for voice communication.

The installation of ISDN lines in direct offices has continued and communication switchboards have been replaced where necessary. This has made it possible to have a direct phone line for every person in nearly all direct offices.

Within the framework of the SIREN Project, which was started last year, a set of basic functions was implemented in May to support sales management, amongst which the Global Customer Position is worthy of special mention. The design and production of Commercial Products Catalogue has been completed which will serve as a point of support for the implementation of the new structure of the MAPFRE NETWORK. A significant advancement has also been made in the design of a Commercial Agenda which allows for the channelling, ordering and administration of sales opportunities and management. It is foreseeable that production will begin in the second quarter of 2005.

In order to support the new structure adopted by the MAPFRE NETWORK, a tool available in the market has been selected and customised, which will make it possible to prepare and monitor sale budgets, taking into account the specific requirements of all the Operating Units which distribute products via the Network.

The infrastructure of the Portals has undergone significant growth with the introduction of an Internet Branch for Corporate Clients, which already offers a wide range of services provided by the various Units and Operating Companies which sell products for this type of clients. Mailboxes and alerts have also been upgraded to improve the level of service provided via the Portal.



Among the projects carried out by the Units and Operating Companies themselves, the following are worthy of special mention:

- The MOTOR INSURANCE OPERATING UNIT has implemented several improvements and updates in its IT systems, among which it is worth noting the creation of a new extranet for intermediaries and providers. All levels of the organisation have been equipped with a new and modern management control tool (SIGAM), which has allowed for the removal of various outdated and inefficient systems. The National Centre for Motor Claims has also been equipped with a new technical infrastructure. Similarly, the centralisation and consolidation of the Claims Processing servers has led to financial as well as operating improvements.

The technological infrastructure which supports Línea MAPFRE Autos has been revamped and extended to the new centre in Ávila, with 60 new operators.

- The GENERAL INSURANCE OPERATING UNIT has developed and implemented PUENTE, a support solution for the business activities related with Brokers; additionally, tariffing and query tools based on mobile devices (PDA) have been developed for the network.
- The LIFE INSURANCE OPERATING UNIT has continued to implement gradually its Technological Evolution Plan as well as the necessary developments for the integration of MUSINI VIDA in the Unit's management procedures.
- The COMMERCIAL INSURANCE OPERATING UNIT has prepared a management information system for its financial and management areas.
- MAPFRE CAJA SALUD has unified its various document management systems and has integrated onto a single platform the IT systems inherited from Caja Madrid IT. The functional analysis for the development of a management information system has been completed.

- The AMERICA OPERATING UNIT has advanced in: its plan to introduce TRONWEB, the currently used version of TRONADOR, in all its subsidiaries; the development and implementation of a common data warehouse to be used as a repository for technical, management and budgetary information; and the implementation of uniform CRM solutions. The plan to undertake the technological revision towards the adoption of TRON21 is underway alongside these projects.
- The ASSISTANCE OPERATING UNIT has implemented the management application AMA in three more subsidiaries and has equipped this application with a Web architecture and new functions. It has also completed the design of a web page for clients and professionals, which will be developed over the next year.



In 2004, special attention has been paid in carrying out an in-depth review of SISTEMA MAPFRE's activities from an environmental point of view



In addition to these projects related to the development of systems, activities have been initiated which aim to improve the awareness and control of IT costs, with the ultimate goal of making consistent comparisons between the Units and Operating Companies of SISTEMA MAPFRE and carrying out benchmarking comparisons with the insurance sector.

Safety and the environment

The Safety and Environment General Management Area of SISTEMA MAPFRE has continued to develop the forecasts of the Framework Safety Plan, which was updated in 2004. During the year, security systems were installed in all the direct offices and part of the delegated ones while also improving burglar security systems. A new optimisation of security services has been carried out to reduce costs.

During the year, a Security Plan for the Information of SISTEMA MAPFRE has been drafted with the help of a distinguished consultancy firm in order to improve on the present security levels and ensure the privacy, confidentiality and availability of Information. This Plan has been approved by the governing bodies of SISTEMA MAPFRE at the end of 2004 and its implementation has begun.

In 2004, special attention has been paid in carrying out an in-depth review of SISTEMA MAPFRE's activities from an environmental point of view, with the aim to propose to the governing bodies of SISTEMA MAPFRE an action plan that would place MAPFRE in a leading position in terms of respect for and protection of the environment.

Communication and image

During 2004, special attention was given to promoting and co-ordinating internal and external communications, with the following achievements being worthy of special mention:

- Relations with and response to the media were improved, with 64 press releases and replies to a total of 533 information queries. At the same time, a press room was created in the MAPFRE Portal, which will be presented to the media in the first quarter of 2005. This tool provides for ongoing contact with the media, facilitating access to an organised file of: the Group's press releases; presentations, relevant information and the most significant conferences; graphic, promotional and advertising material, both corporate and relating to products.

A "Press room" was created in the MAPFRE Portal which will be presented to the media during the first quarter of 2005

- The updating process of MUNDO MAPFRE, the institutional magazine of SISTEMA MAPFRE, to whose editing the main Units, Companies and Foundations of SISTEMA MAPFRE contribute, has continued. There were four editions in 2004 plus a separate special edition devoted to presenting the 2003 results and the 2004 General Meetings, which were distributed in printed format and over the Intranet to all directors and employees of SISTEMA MAPFRE. The average print run was 22,000 copies per edition. Additionally, a process directed at coordinating and improving the internal publications of the various Units and companies has begun, being it worth mentioning the redesign of the magazine MAPFRE FAMILIAR, which is directed at the MAPFRE NETWORK and the design currently underway for inserts with institutional information from each country for EL MUNDO DE MAPFRE publication.



In 2004, a new MAPFRE institutional advertising campaign was designed

- This communication effort has been supplemented by the use of the Internal Portal as a vehicle for distributing important news, with 250 pieces of news being distributed through it. As a result of the success of this channel and of the increasing demand for the publication of news through it, during mid October the space assigned to it in the Internal Portal was doubled making possible the simultaneous distribution of two daily pieces of news when the needs of the organisation so require.

The introduction of the new corporate identity of MAPFRE has continued. At year end, its application to stationery, operating documentation and advertising has practically finalised and it is now planned to be gradually introduced in office and building signs.

A new MAPFRE institutional advertising campaign based on the slogan 'Maybe one day we can insure everything!' was carried out at the beginning of 2004 saw, with extensive broadcasting on national and regional television channels. The effectiveness of this campaign is reflected in the following information from the omnibus survey carried out by ICEA for the insurance sector:

- MAPFRE is the leading company in the insurance sector in terms of 'spontaneous awareness', with 68.6% of those questioned spontaneously mentioning the brand name, more than thirty percentage points ahead of the next insurance company.
- In terms of 'suggested awareness' MAPFRE is known by 98.1% of those questioned.
- During the 2004 advertising campaign, the MAPFRE brand ranked third in terms of public awareness in the financial institutions and insurance companies sector.

During the last quarter of 2004 a competitive process to award MAPFRE's 2005 – 2007 Institutional Advertising Campaign was organised, in which the top advertising agencies and media purchasing centres participated. This new campaign, based on the slogan "The path of your life" has been broadcasted on TV between 14 January and 27 February 2005 and has been strengthened with the insertion of adverts in newspapers and economic publications and with a campaign specifically for the internet in general information portals and online newspapers.

MAPFRE is the leading company in the insurance sector in terms of 'spontaneous awareness'

EXTERNAL AUDITING

Ernst & Young audited the annual accounts of CORPORACIÓN MAPFRE and those of its main consolidated subsidiaries for fiscal year 2004. The External Auditors were paid € 1,732,583 for the services rendered in connection with the audit of such accounts; furthermore, they received payments of € 640,854 for services related with the audit of the annual accounts and of € 208,806 for other complementary services. Neither of the latter two payments is deemed to compromise the independence of the auditors.

ADOPTION OF IFRS

In accordance with European Parliament and Council Regulation (EC)1606/2002 dated 19 July and Act 62/2003 dated 30 December, from 1 January 2005 MAPFRE MUTUALIDAD y CORPORACION MAPFRE must prepare their consolidated annual accounts under International Financial Reporting Standards (IFRS). Therefore, during 2004 the necessary preparatory work for the implementation of said standards was carried out. For this purpose, the governing bodies of SISTEMA MAPFRE have adopted the necessary decisions to determine the criteria to be applied, among which the following must be noted:

- Use of the historical cost model for real estate and investment property valuation.
- No recognition of financial costs related to the acquisition of real estate until it commences operating.
- Adoption of the direct method for the preparation of the Cash Flow Statement.
- Definition of the following primary segments (by branch of business) and secondary segments (geographical):

Primary:	Secondary:
<ul style="list-style-type: none">• Non-Life• Life• Reinsurance• Asset Management and other activities	<ul style="list-style-type: none">• Spain• Other countries of the European Union Countries• America• Other Countries

In the development of the IFRS conversion process, the accounting impacts deriving from their introduction and those related with the various affected processes, among them those related to IT applications, are being analysed. This has implied a significant technological update of the applications used to consolidate the accounts and an increase of available options for users, which guarantee its operation and a better coverage of information needs.

The final accounting impacts, which will depend, among others, on the new standards or final interpretations adopted by the European Union, will be detailed in the 2005 consolidated information.

SUBSEQUENT EVENTS

After the close of fiscal year 2004, CORPORACIÓN MAPFRE acquired shares equivalent to 15.2% of the share capital of MIDDLESEA INSURANCE (Malta) thereby raising its shareholding in this company to 20.7%. This transaction is part of an agreement between the MIDDLESEA GROUP and MAPFRE, by virtue of which MIDDLESEA INSURANCE will acquire the 39% shareholding in PROGRESS ASSICURAZIONI (Italy) owned by CORPORACIÓN MAPFRE. The balance of these two transactions will imply a net outlay of approximately € 5 million for CORPORACIÓN MAPFRE.

TARGETS

Following up from its targets published in previous year, CORPORACIÓN MAPFRE has defined as follows its targets for fiscal year 2005:

- In general terms, to achieve in Non-Life insurance growth rates 20% higher than those obtained by the market.
- Increase funds under management in Life insurance and long-term savings products by 10% more than the growth rate of this business line in Spain.
- Maintain a combined ratio equal to or lower than 97% in the Non-Life insurance and reinsurance business.
- Improve further the expense ratios to premiums (Non-Life insurance) and to funds under management (Life insurance and savings).
- Increase earnings per share.

The favourable performance of the stock exchanges makes its foreseeable to maintain the sales of savings products linked to the equity market



Image of public attendance at CORPORACIÓN MAPFRE and MAPFRE MUTUALIDAD general meetings