Notes to the consolidated financial statements financial year 2006

Consolidated annual report 2006

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 MAPFRE, S.A. and forms part of the MAPFRE GROUP, consisting of CARTERA MAPFRE S.L. Sociedad Unipersonal, MAPFRE, S.A. and several companies engaged in insurance, financial, securities, property and services activities.

The controlling Company has its headquarters located in Madrid, having also four branch offices and ten representative offices, with direct presence in sixteen 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 21 February 2007. 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 annual 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.

Rules and interpretations that have been approved by the European Commission but that were not been enforced as at the closing date of financial year 2006 have not been adopted, in particular as regards IFRS 7 relating to the information and breakdowns of financial instruments, and the amendments to IFRS 4 corresponding to insurance contracts, which have been introduced by Regulation 108/2006 of the Commission. These variations do not have any impact on the Group´s financial situation and consolidated results.

REPORTING BY SEGMENTS

The controlling Company voluntarily includes in its annual accounts financial information by segments for both business activities and geographical areas.

The main segments per business line are Reinsurance Life and Reinsurance Non Life. The geographical segments are: Spain, other EU countries, America, and rest of the world.

ERRORS

No errors have been detected in the consolidated financial statements of 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.

In the preparation of the consolidated financial statements, the international standards that, having been approved by the European Commission, were in force as at the year's balance sheet date, have been applied.

CHANGES IN THE CONSOLIDATION PERIMETER

Appendix 1 identifies the companies that were incorporated into and changes occurred in the consolidation perimeter in 2005 and 2006, together with details on their equity and results. In addition, Appendix 1 provides a detail of other changes occurred in the consolidation perimeter.

The overall effect of these changes on the consolidatable Group's equity, financial situation and results in 2005 and 2006 with respect to the preceding year is described in the relevant notes of the consolidated report.

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 assumptions used in the actuarial calculation of liabilities and post-employment remuneration related commitments.
- The useful life of intangible assets and of elements of property, plant and equipment.
- 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, with the value of the shareholding including 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 whether 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 2006 and 2005.

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

The functional and presentation currency of the MAPFRE GROUP 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 using the exchange rate at the balance sheet date.

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 "Forex 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 using the exchange rate at the balance sheet date.

Adjustments to the opening balance

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

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

4. Earnings per share and dividends

4.1 EARNINGS PER SHARE

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

	2006	2005
Net earnings attributable to the controlling Company's shareholders (EUR 000s)	77,172	32,269
Weighted average number of ordinary shares in issue (thousands)	72,231	70,529
Basic earnings per share (Euros)	1.07	0.46

The weighted average number of ordinary shares in issue in 2005 was affected by the capital increase carried out in August 2005.

4.2 DIVIDENDS

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

Concept	2006		2005	
	Total	Amount per share	Total	Amount per share
Interim dividend	31,781,669.92	0.44	25,280,873.80	0.35
Comp dividend	2,889,242.72	0.04	5,056,174.76	0.07
TOTAL	**34,670,912.64**	**0.48**	**30,337,048.56**	**0.42**

(Amounts in Euros)

The dividend for financial year 2006 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 in the Company's bylaws.

The Board of Directors has prepared the cash statement for the distribution in financial years 2006 and 2005, respectively, as follows:

Concept	Date of interim dividends 01/12/ 2006	Date of interim dividends 01/12/ 2005
CASH AVAILABLE ON THE DATE OF THE RESOLUTION	17,269	25,783
INCREASES IN CASH FORECAST WITHIN ONE YEAR		
(+) From expected current collection transactions	345,000	355,000
(+) From expected financial transactions		60,000
DECREASES IN CASH FORECAST WITHIN ONE YEAR		
(-) From expected current collection transactions	(160,000)	(163,000)
(-) From expected financial transactions	(180,000)	(250,000)
CASH AVAILABLE WITHIN ONE YEAR	22,269	27,783

5. Accounting policies

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

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 on the acquisition date, except for acquisitions made prior to 1 January 2004, where it corresponds to the goodwill, net of amortisation, recorded pursuant to the Spanish regulations applying on the said date. 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 measured at cost. If their useful life is finite they are amortised depending upon it and, if they have an indefinite useful life, they are tested for impairment 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 depreciation 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.

The elements of property, plant and equipment, and investment property are depreciated 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	Anual 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 balance sheet 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 LEASES

Operational leases

Leases where the lessor retains a significant part of the risks and benefits inherent in the ownership are classified as operational leases. Payments in the concept of operational leases (net of any incentive received from the lessor) are debited to the consolidated statement account on a straight-line basis during the period of the lease.

5.4 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 debt securities not falling under the "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.

Measurement

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 measured 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 delivery, which are measured 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".

5.5 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.

5.6 CREDITS AND RECEIVABLES

Valuation of these assets is generally made at the amortised cost, calculated in accordance with 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.

5.7 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.

5.8 ACCRUAL ADJUSTMENTS

The heading "Accrual adjustments" of the assets side basically includes fees and other acquisition expenses corresponding to accrued premiums subject to allocation to the period between the balance sheet 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.

5.9 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.

5.10 REINSURANCE OPERATIONS

a) 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.

b) Technical provisions

ACCEPTED REINSURANCE

Provision for unearned premiums

Accepted reinsurance transactions are accounted for on the basis of the accounts received from ceding companies. When, 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 are 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, provisions of non closed accounts are cancelled, allocating the corresponding provisions for unearned premiums according to 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 measurement 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.

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.

d) 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 according to the company's own experience.

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

5.11 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.

5.12 DEBT

The measurement 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.

5.13 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.

5.14 REMUNERATION TO STAFF

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

a) Short term remuneration

This is recorded according to 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

These are post-employment benefit plans other than defined contribution plans

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

The obligation on defined 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.

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 as regards a given number of employees, or when there is an offer to encourage the voluntary termination of labour contracts.

d) Other long term benefits

The accounting record of other long term benefits other than those described in the preceding paragraphs follows the above mentioned principles, except for the cost of past service, which is recognised immediately.

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

5.16 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 have been allocated to the following segments, depending upon the business line having originated them:
- Accepted reinsurance Life.
- Accepted reinsurance Non Life.

5.17 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 "Forex 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.

5.18 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.

Likewise, long term deferred assets and liabilities have been measured according to the rates that will be applicable in the financial years when the assets are expected to be realised or the liabilities expected to be paid.

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, but to equity, with the valuation changes being recorded in the said assets, net of the tax effect.

6. Breakdown of the consolidated report

6.1 INTANGIBLE ASSETS

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

FINANCIAL YEAR 2006

Items	Opening balance 2006	Adjustments to Opening balancel	Changes in perimeter	Aditions or appropriations	Disposals, cancellations or reductions	Closing balance 2006
GOODWILL	1,646				(1,646)	
OTHER INTANGIBLE ASSETS						
Computer applications	1,820	(37)		1,227	(2)	3,008
Others						
COST	**3,466**	**(37)**		**1,227**	**(2)**	**3,008**
ACCUMULATED AMORTISATION						
OTHER INTANGIBLE ASSETS						
Computer applications	(965)	13		(228)	2	(1,178)
Others						
ACCUMULATED AMORTISATION	**(965)**	**13**		**(228)**	**2**	**(1,178)**
IMPAIRMENT						
GOODWILL						
OTHER INTANGIBLE ASSETS						
Computer applications						
Others						
IMPAIRMENT						
SUB-TOTAL OTHER INTANGIBLE ASSETS	855	(24)		999		1,830
TOTAL INTANGIBLE ASSETS, NET	**2,501**	**(24)**		**999**	**(1,646)**	**1,830**

(Amounts in EUR thousands)

FINANCIAL YEAR 2005

Items	Opening balance 2005	Adjustments to Opening balance	Changes in perimeter	Aditions 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 INTANGIBLE ASSETS	590	19		282	(36)	855
TOTAL INTANGIBLE ASSETS, NET	**2,236**	**19**		**282**	**(36)**	**2,501**

(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, since the said assets are expected to contribute to obtaining future revenues for the Group, indefinitely:

Elements	Book value	
	31/12/2005	31/12/2004
Computer applications	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 2006

Concept	Cash generating unit	Balance 31/12/05	Impairment in year 2006		Balance 31/12/06
			Adjustments to Opening balance	Impairment in the year	
a) Goodwill on consolidation I.G.					
MAPFRE HOLDINGS INC..	MAPFRE REINSURANCE CO.	1,646	–	(1,646)	–

(Amounts in EUR thousands)

FINANCIAL YEAR 2005

Concept	Cash generating unit	Balance 31/12/04	Deterioro año 2005		Balance 31/12/05
			Adjustments to Opening balance	Impairment in the year	
a) Goodwill on consolidation I.G.					
MAPFRE RE HOLDINGS INC.	MAPFRE REINSURANCE CO.	1,646	–	–	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 5.18% in 2006 and 4.57% in 2005.

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.

The impairment loss of 1.65 million Euros represents the recognition of the difference between the carrying amount and the recoverable amount of the cash generating unit Mapfre Holdings Inc., as estimated in the assessment of the recoverable amount made on the basis of fair value. The loss was mainly due to the discontinuation of activity by MAPFRE RE HOLDINGS.

6.2 PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENT PROPERTY

Property, plant and equipment

The following tables detail the movement of this heading in the 2006 and 2005 financial years.

FINANCIAL YEAR 2006

Items	Opening balance 2006	Adjustments to Opening balance	Changes in Perimeter	Additions or appropriations	Disposals, cancellations or reductions	Closing balance 2006	Market value
COST							
PROPERTY FOR OWN USE	36,954	(161)				36,793	42,107
Land and natural resources	18,554	(16)				18,538	18,538
Buildings and other structures	18,400	(145)				18,255	23,569
OTHER TANGIBLE ASSETS	5,963	(259)		714	(171)	6,247	1,854
Transport elements	726	(33)		184	(169)	708	311
Furniture and fittings	3,319	(171)		196	(1)	3,343	934
Other tangible fixed assets	1,902	(55)		313	(1)	2,159	572
Advances and fixed assets in progress	16			21		37	37
TOTAL COST	**42,917**	**(420)**		**714**	**(171)**	**43,040**	**43,961**
ACCUMULATED DEPRECIATION							
PROPERTY FOR OWN USE	(1,770)			(350)		(2,120)	
OTHER TANGIBLE FIXED ASSETS	(4,162)	190		(463)	95	(4,340)	
TOTAL ACCUMULATED DEPRECIATION	**(5,932)**	**190**		**(813)**	**95**	**(6,460)**	
IMPAIRMENT							
PROPERTY FOR OWN USE							
Land and natural resources							
Buildings and other structures							
OTHER TANGIBLE ASSETS							
Transport elements							
Furniture and fittings							
Other tangible fixed assets							
Advances and fixed assets in progress							
TOTAL IMPAIRMENT							
TOTAL PROPERTY FOR OWN USE	**35,184**	**(161)**		**(350)**		**34,673**	**42,107**
TOTAL OTHER TANGIBLE FIXED ASSETS	**1,801**	**(69)**		**251**	**(76)**	**1,907**	**1,854**

Amounts in EUR thousands

FINANCIAL YEAR 2005							
Items	**Opening balance 2006**	**Adjustments to Opening balance**	**Changes in Perimeter**	**Additions or appropriations**	**Disposals, cancellations or reductions**	**Closing balance 2006**	**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 TANGIBLE 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 DEPRECIATION							
PROPERTY FOR OWN USE	(1,263)	(142)		(365)		(1,770)	
OTHER TANGIBLE FIXED ASSETS	(3,731)	(492)		(474)	535	(4,162)	
TOTAL ACCUMULATED DEPRECIATION	**(4,994)**	**(634)**		**(839)**	**535**	**(5,932)**	
IMPAIRMENT							
PROPERTY FOR OWN USE	–	–	–	–	–	–	
Land and natural resources	–	–	–	–	–	–	
Buildings and other structures	–	–	–	–	–	–	
OTHER TANGIBLE ASSETS	–	–	–	–	–	–	
Transport elements	–	–	–	–	–	–	
Furniture and fittings	–	–	–	–	–	–	
Other tangible fixed assets	–	–	–	–	–	–	
Advances and fixed assets in progress	–	–	–	–	–	–	
TOTAL IMPAIRMENT		**–**	**–**	**–**	**–**	**–**	
TOTAL PROPERTY FOR OWN USE	**32,573**	**276**		**(365)**		**35,184**	**38,243**
TOTAL OTHER TANGIBLE FIXED ASSETS	**1,742**	**12**		**189**	**(142)**	**1,801**	**1,992**

Amounts in EUR thousands

Additional information

The fully depreciated cost of property, plant and equipment as at 31 December 2006 and 31 December 2005 amounts to EUR 1.02 million and EUR 1.56 million, respectively.

Investment property

The following tables detail the movement of this heading in financial years 2006 and 2005:

FINANCIAL YEAR 2006

Items	Opening balance 2006	Adjustments to opening balance	Changes in perimeter	Additions or appropriations	Disposals cancellations or reductions	Transfer	Closing balance 2006	Market value
COST								
INVESTMENT PROPERTY	46,290	(4,470)			(159)		41,661	36,814
Land and natural resources	11,234	(1,298)					9,936	9,985
Buildings and other structures	35,056	(3,172)			(159)		31,725	26,829
OTHER INVESTMENT PROPERTY								
ADVANCES AND TANGIBLE INVESTMENTS IN PROGRESS								
TOTAL COST	**46,290**	**(4,470)**			**(159)**		**41,661**	**36,814**
ACCUMULATED DEPRECIATION								
INVESTMENT PROPERTY	(6,489)	130		(209)	159		(6,409)	
OTHER PROPERTY INVESTMENTS								
TOTAL ACCUMULATED DEPRECIATION	**(6,489)**	**130**		**(209)**	**159**		**(6,409)**	
IMPAIRMENT								
INVESTMENT PROPERTY	(76)	7					(69)	
Land and natural resources	(42)	4					(38)	
Buildings and other structures	(34)	3					(31)	
OTHER INVESTMENT PROPERTY								
TOTAL IMPAIRMENT	**(76)**	**7**					**(69)**	
TOTAL INVESTMENT PROPERTY	**39,725**	**(4,333)**		**(209)**			**35,183**	**36,814**

Amounts in EUR thousands

FINANCIAL YEAR 2005

Items	Opening balance 2006	Adjustments to opening balance	Changes in perimeter	Additions or appropriations	Disposals cancellations or reductions	Transfer	Closing balance 2006	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 DEPRECIATION								
INVESTMENT PROPERTY	(5,389)	(1,222)		(232)	(354)		(6,489)	
OTHER PROPERTY INVESTMENTS								
TOTAL ACCUMULATED DEPRECIATION	**(5,389)**	**(1,222)**		**(232)**	**(354)**		**(6,489)**	
IMPAIRMENT								
INVESTMENT PROPERTY	(35)	(10)		(33)	2		(76)	
Land and natural resources	(21)	(6)					(42)	
Buildings and other structures	(14)	(4)			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, during 2005.

The market value of investment property is in line with the appraisal value determined by the Directorate General of Insurance and Pension Funds or an authorised independent appraiser.

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 2006	Operations 2005	Equity 2006	Equity 2005	Total 2006	Total 2005
Revenues from investment property						
From leases	2.383	2.522	149	154	2.532	2.676
Gains on disposals	–	–	–	–	–	–
TOTAL REVENUES FROM INVESTMENT PROPERTY	**2.383**	**2.522**	**149**	**154**	**2.532**	**2.676**
Expenses from investment property						
Direct operating expenses	(660)	(1.141)	(66)	(259)	(726)	(1.400)
Losses on disposals	(317)	–		–	(317)	
TOTAL EXPENSES FROM INVESTMENT PROPERTY	**(977)**	**(1.141)**	**(66)**	**(259)**	**(1.043)**	**(1.400)**

Amounts in EUR thousands

6.3 LEASES

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

FINANCIAL YEAR 2006

Asset type	Net book value	Duration of contract	Years elapsed
Property Belgium	5,017	9	4
Property Chile	29,228	1	Annual rollover
Properties Colombia	938	13	Annual rollover
TOTAL	**35,183**		

Amounts in EUR thousands

FINANCIAL YEAR 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

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 2006	Minimum collections 2005
Below one year	3,234	3,431
Over one year but below five years	14,678	16,694
More than five years	101	422
Total	**18,013**	**20,547**

Amounts in EUR thousands

6.4 FINANCIAL INVESTMENTS

As at 31 December 2006 and 2005, the breakdown of financial investments is as follows:

Concept	Book value	
	Year 2006	Year 2005
PORTFOLIO HELD TO MATURITY		
Fixed income		
Other investments	121,682	181,809
TOTAL PORTFOLIO HELD TO MATURITY	**121,682**	**181,809**
PORTFOLIO AVAILABLE FOR SALE		
Equities	123,942	51,831
Fixed income	1,101,187	1,013,442
Investment funds	30,326	16,512
Others	52	–
TOTAL PORTFOLIO AVAILABLE FOR SALE	**1,255,507**	**1,081,785**
TRADING PORTFOLIO		
Other investments		
Equities	93	
Fixed income		
Investment funds	48,909	35,193
Others	15,356	16,350
TOTAL TRADING PORTFOLIO	**64,358**	**51,543**

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 December 2006 and 2005:

31/12/2006					
Concept	Book value (amortised cost)	Fair value	Revenues from interest	Impairment	
				Recorded loss	Gains on
Fixed income					
Other investmentsy	121,682	121,682	6,768	–	–
TOTAL PORTFOLIO HELD TO MATURITY	**121,682**	**121,682**	**6,768**	**–**	**–**

Amounts in EUR thousands

31/12/2005					
Concept	Book value (amortised cost)	Fair value	Revenues from interest	Impairment	
				Recorded loss	Gains on
Fixed income	–	–	–	–	–
Other investmentsy	181,809	181,809	3,974	–	–
TOTAL PORTFOLIO HELD TO MATURITY	**181,809**	**181,809**	**3,974**	**–**	**–**

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 December 2006 and 2005:

31/12/2006			
Concept	Book value (Fair value)	Impairment	
		Recorded loss	Gains on reversal
Equities	123,942	–	–
Fixed income	1,101,187	–	–
Investment funds	30,326	–	–
Others	52	–	–
TOTAL PORTFOLIO AVAILABLE FOR SALE	**1,255,507**	**–**	**–**

Amounts in EUR thousands

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

Valuation adjustments in the portfolio investments amount to EUR 32.84 million and EUR 27.46 million as at 31 December 2006 and 2005, 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 2006 and 2005, amount to EUR 0.83 million and EUR 14.69 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 6.14 "Revenues and expenses from investments".

d) Other investments

The breakdown of "Other investments" for years 2006 and 2005 is shown in the following tables:

FINANCIAL YEAR 2006

	Book value	Provision	Net balance	Market value
Group companies	86		86	86
Other investments	388		388	388
TOTAL	**474**		**474**	**474**

Amounts in EUR thousands

FINANCIAL YEAR 2005

	Book value	Provision	Net balance	Market value
Group companies	177		177	164
Other investments	350		350	350
TOTAL	**527**		**527**	**514**

Amounts in EUR thousands

6.5 CREDITS AND RECEIVABLES

The following tables show the composition of credits and receivables as at 31 December 2006 and 2005; they also show the impairment losses and gains on reversal of impairment recorded in the last two financial years:

Concept	Balance as at 1/12/2006					
	Gross import	Provision for impairment (-)	Net balance in balance sheet	Recorded losses	Gains on reversal	Guarantees received
Receivables on reinsurance transactions	148,501	(1,248)	147,253	(6)	9	–
Tax credits	3,517		3,517			
Corporate and other credits	15,370		15,370			
TOTAL CREDITS	**167,388**	**(1,248)**	**166,140**	**(6)**	**9**	

Amounts in EUR thousands

Concept	Balance as at 1/12/2005					
	Gross import	Provision for impairment (-)	Net balance in balance sheet	Recorded losses	Gains on reversal	Guarantees received
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

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

6.6 IMPAIRMENT OF ASSETS

The following tables detail the asset impairment over the last two years.

FINANCIAL YEAR 2006								
Impairment in:	**Opening balance**	**Adjustmentns to opening balance**	**Changes in perimeter**	**Recording in results**		**Direct recording in equity**		**Closing balance**
				Allowance	**Reducción**	**Allowance**	**Reduction**	
INTANGIBLE ASSETS								
I Goodwill								
II Other intangible assets								
PROPERTY, PLANT AND EQUIPMENT								
I Property for own use								
II Other property elements								
INVESTMENTS								
I Investment property	(76)	7						(69)
II Financial investments								
– Portfolio held to maturity								
– Portfolio available for sale								
– Trading portfolio								
III. Investments recorded by the equity method								
IV Deposits established for accepted reinsurance								
V Other investments								
CREDITS & RECEIVABLES								
I. Credits from direct insurance and coinsurance transactions								
II. Credits from reinsurance transactions	(1,252)	1		(6)	9			(1,248)
III. Tax credits								
IV. Corporate and other credits								
V. Shareholders, called capital								
OTHER ASSETS								
TOTAL IMPAIRMENT	**(1,328)**	**8**		**(6)**	**9**			**(1,317)**

Amounts in EUR thousands

FINANCIAL YEAR 2005

Impairment in:	Opening balance	Adjustmentns to opening balance	Changes in perimeter	Recording in results		Direct recording in equity		Closing balance
				Allowance	Reducción	Allowance	Reduction	
INTANGIBLE ASSETS								
I Goodwill								
II Other intangible assets								
PROPERTY, PLANT AND EQUIPMENT								
I Property for own use								
II Other property elements								
INVESTMENTS								
I Investment property	(35)	(10)		(33)	(2)			(69)
II Financial investments								
– Portfolio held to maturity								
– Portfolio available for sale								
– Trading portfolio								
III. Investments recorded by the equity method								
IV Deposits established for accepted reinsurance								
V Other investments								
CREDITS & RECEIVABLES								
I. Credits from direct insurance and coinsurance transactions								
II. Credits from reinsurance transactions	(1,101)			(151)				(1,252)
III. Tax credits								
IV. Corporate and other credits								
V. Shareholders, called capital								
OTHER ASSETS								
TOTAL IMPAIRMENT	**(1,136)**	**(10)**		**(184)**	**2**			**(1,328)**

Amounts in EUR thousands

6.7 CASH AND BANKS

During 2005, disposals were made of 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 sale were as follows:

Concept	100%
ASSETS	
Investments	14,441
Credits and receivables	6
Cash and banks	1,201
Accrual adjustments	201
TOTAL ASSETS	**15,849**
LIABILITIES	
Debts	3,947
TOTAL LIABILITIES	
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.

6.8 NON CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The main types of non-current assets held for sale as at 31 December 2006 and 31 December 2005 are shown in the following table:

	31/12/2006	31/12/2005
ASSETS		
Property, plant and equipment	148	672
TOTAL FIXED ASSETS HELD FOR SALE	**148**	**672**

Amounts in EUR thousands

The assets included in the preceding table corresponding to financial years 2006 and 2005 are presented under the activity segments of Reinsurance Life for the last two years.

The reason for these assets being classified as non-current assets held for sale as at 31 December 2006 and 31 December 2005 is that the expected returns have not been obtained.

The sale of the non-current assets held for sale corresponding to 2006 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.

6.9 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 2006 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 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 were 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 23.89 million in 2006 and EUR 16.13 million in 2005. 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.

The same restriction applies to the legal reserves established by subsidiaries in their balance sheets.

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.

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.

Management of capital

MAPFRE has in place an internal capitalisation and dividend policy aimed at providing its Units, reasonably and objectively, with the required capitals to cover the assumed risks. Both the estimation of risks and the allocation of capital to each one of the units are detailed in note 7 of the "RISK MANAGEMENT" report.

On the other hand, the items forming part of the Group's uncommitted equity are in line with the requirements presently in force.

The amount of the Group's solvency margin in financial years 2006 and 2005 is EUR 605.92 million and EUR 608.72 million, respectively. Both figures exceed the required minimum (i.e. EUR 201.25 million and EUR 198.11 million respectively) by three times in financial year 2006 and by 3.07 times in 2005.

6.10 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 2006

Concepts	Accepted reinsurance	Retroceded reinsurance
1. Provisions for unearned premiums and for risks in progress		
1.1. Provision for unearned premiums	807,143	283,289
1.2. Provision for risks in progress	126	
2. Provisions for life insurance		
2.1. Provisions for unearned premiums and risks in progress		
2.1.1. Provision for unearned premiums	69,711	7,793
2.1.2. Provision for risks in progress		
2.2. Mathematical reserves	55,494	
3. Provisions for claims		
3.1. Pending settlement or payment	723,767	234,155
TOTAL	**1,656,241**	**525,237**

Amounts in EUR thousands

FINANCIAL YEAR 2005		
CONCEPTOS	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	
3. Provisions for claims		
3.1. Pending settlement or payment	807,755	309,690
TOTAL	**1,581,969**	**542,825**

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 2006							
Concept	Opening balance	Ajustments to opening balance	Changes in perimeter	Allocations	Aplications	Variation	Closing balances
I. Provision for unearned premiums/ risks in progress	**653,227**	**3,201**		**807,269**	**(656,428)**	**150,841**	**807,269**
1. Provision for unearned premiums	649,302	3,201		807,143	(652,503)	154,640	807,143
2. Provision for risks in progress	3,925	–		126	(3,925)	(3,799)	126
II. Provisions for life insurance	**120,987**	**(6,887)**		**125,205**	**(114,100)**	**(11,105)**	**125,205**
1. Provision for unearned premiums	59,847	(45)		69,711	(59,802)	9,909	69,711
2. Provision for risks in progress	–						
3. Mathematical reserve	61,140	(6,842)		55,494	(54,298)	1,196	55,494
II. Provisions for profit sharing							
III. Provision for claims	**807,755**	**(14,454)**		**723,767**	**(793,301)**	**69,534**	**723,767**
IV. Other technical provisions							
TOTAL	**1,581,969**	**(18,140)**		**1,656,241**	**(1,563,829)**	**92,412**	**1,656,241**

Amounts in EUR thousands

FINANCIAL YEAR 2005							
Concept	Opening balance	Ajustments to opening balance	Changes in perimeter	Allocations	Aplications	Variation	Closing balances
I. Provision for unearned premiums/ risks in progress	**524,556**	**2,167**	**–**	**653,227**	**(526,723)**	**126,504**	**653,227**
1. Provision for unearned premiums	524,173	2,167	–	649,302	(526,340)	122,962	649,302
2. Provision for risks in progress	383	–	–	3,925	(383)	3,542	3,925
II. Provisions for life insurance	**92,584**	**9,162**	**–**	**120,987**	**(102,376)**	**18,611**	**120,987**
1. Provision for unearned premiums	46,397	(21)	–	59,847	(46,376)	13,471	59,847
2. Provision for risks in progress	–	–	–	–	–	–	–
3. Mathematical reserve	46,187	9,183	–	61,140	(56,000)	5,140	61,140
II. Provisions for profit sharing	**–**	**–**	**–**	**–**	**–**	**–**	**–**
III. Provision for claims	**475,663**	**5,939**	**6,000**	**1,005,920**	**(673,767)**	**332,153**	**807,755**
IV. Other technical provisions	**–**	**–**		**–**	**–**	**–**	**–**
TOTAL	**1,092,803**	**17,268**	**(6,000)**	**1,780,134**	**(1,302,866)**	**477,268**	**1,581,969**

Amounts in EUR thousands

Accepted reinsurance

FINANCIAL YEAR 2006							
Concept	**Opening balance**	**Ajustments to opening balance**	**Changes in perimeter**	**Allocations**	**Aplications**	**Variation**	**Closing balances**
Provision for unearned premiums	226,944			283,289	(226,944)	52,404	283,289
Provisions for Life Insurance	6,191	(20)		7,813	(6,191)	1,622	7,793
Provision for claims	309,690			234,155	(309,690)	(75,535)	234,155
Other technical provisions							
TOTAL	**542,825**	**(20)**		**525,257**	**(542,825)**	**(21,509)**	**525,237**

Amounts in EUR thousands

FINANCIAL YEAR 2005							
Concept	**Opening balance**	**Ajustments to opening balance**	**Changes in perimeter**	**Allocations**	**Aplications**	**Variation**	**Closing balances**
Provision for unearned premiums	164,531	373	–	226,944	(164,904)	62,040	226,944
Provisions for Life Insurance	6,331	5	–	6,162	(6,307)	(145)	6,191
Provision for claims	125,466	1,756	–	309,690	(127,222)	182,468	309,690
Other technical provisions	–	–	–	–	–	–	–
TOTAL	**296,328**	**2,134**	**–**	**542,796**	**(298,433)**	**244,363**	**542,825**

Amounts in EUR thousands

Mathematical reserves

FINANCIAL YEAR 2006	
Concepts	**Accepted reinsurance**
Mathematical reserve at beginning of year	61,140
Adjustments to opening balance	(6,842)
Incorporation to perimeter (balance of reserve on incorporation date)	
Premiums	
Technical interest	
Attribution of profit sharing	
Payments/collections of claims	
Losses recognised on provision adequacy test	
Tacit accounting adjustments	
Others	1,196
Exit from perimeter (balance of reserve on exit date)	
Mathematical reserve at year end	55,494

Amounts in EUR thousands

FINANCIAL YEAR 2005	
Concepts	Accepted reinsurance
Mathematical reserve at beginning of year	46,187
Adjustments to opening balance	9,183
Incorporation to perimeter (balance of reserve on incorporation date)	
Premiums	
Technical interest	
Attribution of profit sharing	(1,128)
Payments/collections of claims	6,268
Losses recognised on provision adequacy test	
Tacit accounting adjustments	
Others	
Exit from perimeter (balance of reserve on exit date)	
Mathematical reserve at year end	61,140

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.

Pursuant to the studies carried out for accepted reinsurance, the degree of sufficiency of such provisions is adequate

6.11 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 2006

Item	Opening balance	Adjusts to opening balance	Appropriations		Cancellations		Closing balance	Amount of recognised reimbursements	Maximun reversal period
			Allocated provisions	Increased valu on discount	Applied provisions	Reversed provisions			
Provision for taxes	323	(33)	17				307		
Provisions for staff incentives	458		516		(458)		516		
Other provisions	6,014		1,142		(9)		7,147	6,481	
Total book value	**6,795**	**(33)**	**1,675**		**(467)**		**7,970**		

Amounts in EUR thousands

FINANCIAL YEAR 2005

Item	Opening balance	Adjusts to opening balance	Appropriations		Cancellations		Closing balance	Amount of recognised reimbursements	Maximun reversal period
			Allocated provisions	Increased valu on discount	Applied provisions	Reversed provisions			
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	5,689	–
Total book value	**6,273**	**(596)**	**1,685**		**(567)**		**6,795**		

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 6.18.

6.12 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 ranging between 2% and 2.5% and the average rollover period is generally annual. Liquidation of the said interest is made quarterly.

6.13 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.

6.14 GUARANTEES UNDERTAKEN TO THIRD PARTIES

The controlling Company has delivered letters of credit, as a guarantee of premium and outstanding claim reserves to official bodies, amounting to EUR 12.59 million in 2006 and EUR 121.32 million in 2006 and 2005, respectively. Fixed income securities of the portfolio available for sale, amounting to EUR 207.94 million in 2006 and EUR 144.4 million in 2005, have been pledged in favour of ceding companies as guarantee for the above mentioned letters of credit.

6.15 REVENUES AND EXPENSES FROM INVESTMENTS

The detail of revenues and expenses from investments for financial years 2006 and 2005 is shown below:

Concept	Revenues from investments of				Total	
	Operations		Equity			
	2006	2005	2006	2005	2006	2005
REVENUES FROM INTEREST, DIVIDENDS AND SIMILAR						
Investment property	2,383	2,522	149	154	2,532	2,676
– Rentals	2,383	2,522	149	154	2,532	2,676
– Others		–		–		–
Revenues from the portfolio held to maturity	6,227	3,581	541	393	6,768	3,974
– Fixed income		–		–		–
– Other investments	6,227	3,581	541	393	6,768	3,974
Revenues from the portfolio available for sale	42,418	39,451	5,706	6,306	48,124	45,757
Revenues from the trading portfolio	2,357	1,570	202	177	2,559	1,747
Dividends from Group companies		–		–		–
Other financial returns	8,201	6,036	3,263	2,570	11,464	8,606
TOTAL REVENUESS	**61,586**	**53,160**	**9,861**	**9,600**	**71,447**	**62,760**
REALISED AND UNREALISED GAINS						
Realised gains::	4,723	13,084	819	2,036	5,542	15,120
Investment property		–		–		–
Financial investments portfolio held to maturity		–		–		–
Financial investments portfolio available for sale	4,702	13,070	815	2,022	5,517	15,092
Financial investments trading portfolio	21	14	4	14	25	28
Others		–		–		–
Unrealised gains:		661		–		661
Increase of fair value in the trading portfolio		420		–		420
Others		241		–		241
TOTAL GAINS	**4,723**	**13,745**	**819**	**2,036**	**5,542**	**15,781**
TOTAL REVENUES FROM INVESTMENTS	**66,309**	**66,905**	**10,680**	**11,636**	**76,989**	**78,541**

Amounts in EUR thousands

Concept	Revenues from investments of				Total	
	Operations		Equity			
	2006	2005	2006	2005	2006	2005
EXPENSES FROM INTEREST, DIVIDENDS AND SIMILAR						
Investment property	977	1,141	66	259	1,043	1,400
– Rentals	660	–	66	–	726	–
– Others	317	1,141		259	317	1,400
Expenses from the portfolio held to maturity		–		–		–
– Fixed income						
– Other investments						
Expenses from the portfolio available for sale	4,867	4,786	544	584	5,411	5,370
Expenses from the trading portfolio		–		–		–
Other financial expenses	3,825	3,614	6,201	2,959	10,026	6,573
TOTAL EXPENSES	**9,669**	**9,541**	**6,811**	**3,802**	**16,480**	**13,343**
REALISED AND UNREALISED LOSSES						
Realised losses:	**4,296**	**508**	**772**	**196**	**5,068**	**704**
Investment property		–		–		–
Financial investments portfolio held to maturity		217		35		252
Financial investments portfolio available for sale	4,219	251	465	153	4,684	404
Financial investments trading portfolio	43	40	1	8	44	48
Others	34	–	306	–	340	–
Unrealised losses:				**(25)**		**(25)**
Decrease of fair value in the trading portfolio		–		–		–
Others		–		(25)		(25)
TOTAL LOSSES	**4,296**	**508**	**772**	**171**	**5,068**	**679**
TOTAL EXPENSES FROM INVESTMENTS	**13,965**	**10,049**	**7,583**	**3,973**	**21,548**	**14,022**

Amounts in EUR thousands

6.16 OPERATING EXPENSES

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

Concept	Reinsurance	
	2006	2005
I. Acquisition expenses	384,445	341,645
II. Administration expenses	9,054	9,268
III. Fees and participation retroceded reinsurance	(95,413)	(89,281)
IV. Operating expenses from other activities	–	–
TOTAL NET OPERATING EXPENSES	**298,086**	**261,632**

Amounts in EUR thousands

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

Concept	Reinsurance	
	2006	2005
Staff expenses	20,227	18,186
Allocations to amortisation	1,174	1,241
TOTAL	**21,401**	**19,427**

Amounts in EUR thousands

6.17 RESULTS FROM RETROCEDED REINSURANCE

The result from retroceded reinsurance transactions in financial years 2006 and 2005 is shown below.

Concept	Non life		Life		Total	
	2006	2005	2006	2005	2006	2005
Premiums (-)	(441,863)	(410,851)	(11,485)	(13,055)	(453,348)	(423,906)
Variation in the provision for unearned premiums and for risks in progress	52,404	62,072	1,622	(146)	54,026	61,926
Claims paid (+) and variation in the provision for claims	216,881	343,580	7,067	7,656	223,948	351,236
Variation in the mathematical reserve						
Variation in other technical provisions						
Participation of reinsurance in fees and expenses(+)	94,903	88,461	510	727	95,413	89,188
Others						
RESULT OF RETROCEDED REINSURANCE	**(77,675)**	**83,262**	**(2,286)**	**(4,818)**	**(79,961)**	**78,444**

Amounts in EUR thousands

6.18 FISCAL SITUATION

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

Elements of expense from income tax and reconciliation of the accounting result with the tax cost of ongoing concerns

A detail is provided below, for financial years closed as at 31 December 2006 and 2005, of the main elements of expense from income tax of ongoing concerns and the reconciliation between the expense from income tax and the product of multiplying the accounting result by the applicable tax rate.

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

Concept	Financial Year 2006	Financial Year 2005
Result before taxes, ongoing concerns	115,769	63,271
35% of result before taxes, ongoing concerns	(40,519)	(22,144)
Tax effect of permanent differences	5,497	1,305
Tax effect from tax rates different from 35%	116	(1,302)
Expense/Revenue from current tax originating in the year		(19,517)
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.	(3,689)	(2,624)
TOTAL	**(38,595)**	**(22,141)**

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 2006 and 2005 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 2006

Concepts	Opening balance financial year 2006	adjust to opening balance	Changes in perimeter	From Results	From Equity	Canc.	Closing balance financial year 2006
Valuation difference in financial investments	592	(62)			(530)		
Embedded derivatives							
Valuation difference in mathematical reserves							
Valuation difference in death provisions							
Tax credits on negative tax bases	6,810	(710)		(3,267)	137		2,833
Tax credits (Deductions pending and others, etc)							
Others	5,141	2,299		(741)			6,836
TOTAL DEFERRED TAX ASSETS	**12,543**	**1,527**		**(4,008)**	**(393)**		**9,669**

Amounts in EUR thousands

FINANCIAL YEAR 2005

Concepts	Opening balance financial year 2006	adjust to opening balance	Changes in perimeter	From Results	From Equity	Canc.	Closing balance financial year 2006
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

The breakdown of the heading "Others", in its most significant amounts of the last two financial years, is as follows:

Financial year 2006	
– Foreign taxes	EUR 3.957 thousands
– Prepaid taxes from pension related commitments	EUR 2.140 thousands
Financial year 2005	
– Foreign taxes	EUR 2.006 thousands
– Prepaid taxes from pension related commitments	EUR 2.479 thousands

The variation in the valuation of deferred tax assets arising from changes in the tax rate during financial year 2006 has amounted to EUR 0.11 million.

Deferred tax assets of the fully consolidated companies, as a consequence of negative tax bases pending application and of the temporary differences accumulated as at 31 December 2006 and 2005 amount to EUR 9.85 million and EUR 17.49 million, respectively. Of the total amount of deferred tax assets, EUR 9.67 million have been recorded in the balance sheet and in the equity or results accounts as at 31 December 2006, and EUR 12.54 million as at 31 December 2005.

The Company reckons that there will be future tax profits against which to offset the deferred tax assets recorded in financial years 2006 and 2005. The said expectation 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 2006 and 2005.

FINANCIAL YEAR 2006

Concepts	Opening balance financial year 2006	adjust to opening balance	Changes in perimeter	From		Canc.	Closing balance financial year 2006
				Results	Equity		
Valuation difference in financial investments	9,941	(244)		(38)	(268)	(72)	9,319
Embedded derivatives	23			(9)			14
Stabilisation and catastrophic provision (elimination)	6,706			10,415			17,121
Others	3,479	(330)		(1,876)	(280)		993
TTOTAL DEFERRED TAX LIABILITIES	**20,149**	**(574)**		**8,492**	**(548)**	**(72)**	**27,447**

Amounts in EUR thousands

FINANCIAL YEAR 2005

Concepts	Opening balance financial year 2006	adjust to opening balance	Changes in perimeter	From		Canc.	Closing balance financial year 2006
				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
TTOTAL DEFERRED TAX LIABILITIES	**32,732**	**(51)**	**(3,872)**	**(8,869)**	**(548)**		**19,392**

Amounts in EUR thousands

The breakdown of the heading "Others" in the last two years is as follows:

Financial year 2006

– Elimination of losses in investments available for sale for EUR 348 thousands.
– Elimination of exchange differences in monetary items for EUR 198 thousands.
– Elimination of forex translation differences for EUR 96 thousands.
– Tax liabilities of subsidiaries for EUR 351 thousands.

Financial year 2005

– Elimination of forex translation differences for EUR 245 thousands.
– Tax liabilities of subsidiaries for EUR 3,234 thousands.

The variations in the measurement of deferred tax liabilities arising from changes in the tax rate during financial year 2006 have amounted to EUR 2.26 million.

All the deferred tax liabilities of fully consolidated companies as a result of taxable temporary differences accumulated as at 31 December 2006 and 31 December 2005 have been recognised in the balance sheet 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 2006

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	–	–	–
1999	2019	1,171	7,815	2,736	–
2000	2020		278	97	–
2003	2008	–	61	–	21
2004	2009	–	154	–	54
2005	2010	7,459	289	–	101
TOTAL		**9,586**	**8,597**	**2,833**	**176**

Amounts in EUR thousands

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

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 2006 and 2005 is as follows:

DETAIL OF TAX INCENTIVES - FINANCIAL YEAR 2006

Type	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	2006	8			10 YEARS

Amounts in EUR thousands

DETAIL OF TAX INCENTIVES - FINANCIAL YEAR 2006

Type	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 YEARS

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 allocated 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.

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 2006, the fully consolidated Spanish companies have open to inspection all the taxes to which they are subject for financial years 2002 to 2006.

Some Group companies have been subject to inspection proceedings that ended in assessments signed in disagreement. These assessments have been appealed against and at the closing date of both financial years they are pending resolution. In the opinion of the Group's advisers, the likelihood of significant fiscal liabilities arising in this concept is remote.

6.19 REMUNERATION TO STAFF AND RELATED LIABILITIES

Staff expenses

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

Concept	Amount	
	2006	2005
Short term remuneration	18,360	16,919
Wages and salaries	14,601	13,991
Social security	1,929	1,755
Other remuneration	1,830	1,373
Post-employment benefits	793	1,267
Defined contribution commitments	159	115
Defined benefit commitments	634	1,152
Other long term benefits	–	–
Termination benefits	1,074	–
Total	**20,227**	**18,186**

Amounts in EUR thousands

Post-employment benefits

The defined benefit plans in force are measured pursuant to the provisions detailed in the accounting policies, and in Spain they are those where the benefit is determined according to 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, all plans are instrumented through insurance policies.

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 payments 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 0.01 million and EUR 0.09 million as at 31 December 2006 and 2005, respectively.

The following tables show the components of the net amount of expenses and revenues recognised in the consolidated income statement and the amounts recognised in the consolidated balance sheet for the respective defined benefit plans and their movement throughout the year, as well as the most significant actuarial assumptions used in determining the present value of the obligations.

Amounts recognised in the balance sheet

In Spain, the liabilities in relation to defined benefit plans amount to EUR 5.92 million as at 31 December 2006, there being no recognised assets for these plans since they have been fully externalised by means of a policy written with MAPFRE VIDA, a related company, with the fair value of the reimbursement rights on the said dates amounting to EUR 5.69 million.

On the other hand, there are liabilities in relation to pension commitments that are externalised with earmarked insurance policies with a value of EUR 0.42 million as at 31 December 2006, and with their reimbursement rights having a fair value of EUR 0.66 million.

The reconciliation in 2006 of the present value of the obligation arising from defined benefit plans is detailed below.

Concept	Amount
Present value of obligation as at 1.1.2006	**6,419**
Cost of services in the year under review	761
Interest cost	224
Contributions made by plan members	
Actuarial losses and gains	(98)
Changes from variations in exchange rates	
Benefits paid	(48)
Cost of past services	
Reductions	(19)
Present value of obligation as at 31.12.2006	**7,239**

Amounts in EUR thousands

The following table details the reconciliation in 2006 of the opening and closing balance of assets earmarked to the plan.

Concept	Amount
Value of reimbursement right as at 1.1.2006	**5,689**
Expected return from plan assets	231
Actuarial losses and gains	20
Changes from variations in the Exchange rate	
Contributions made by employer	589
Contributions made by plan members	
Benefits paid	(48)
Business combinations	
Liquidations	
Value of reimbursement right as at 31.12.2006	**6,481**

Amounts in EUR thousands

Amounts recognised in the consolidated income statement

The following table details the amounts recognised in the consolidated income statement of financial year 2005.

Concept	Year 2005
Cost of services in the current year	762
Interest cost of obligations (externalised and non externalised)	160
Cost of past services recognised in the year	–
Other concepts	230
TOTAL EXPENSE RECOGNISED IN THE INCOME STATEMENT	**1,152**

Amounts in EUR thousands

Concept	Year 2006
Cost of services in the current year	761
Interest cost	224
Expected return from plan assets	
Return expected from any right to reimbursement recognised as an asset	(231)
Actuarial losses and gains	(78)
Cost of past services	
Effect of any reduction or liquidation	
Other concepts	(42)
TOTAL EXPENSE RECOGNISED IN THE INCOME STATEMENT	**634**

Amounts in EUR thousands

The amount included under "Other concepts" basically relates to actuarial losses and gains recognised in the year or arising from reductions and liquidations.

Returns

The real return of the plan assets, as well as any right to reimbursement recognised as an asset pursuant to the provisions of IAS 19.104[a], has amounted to EUR 0.26 million in 2006.

Assumptions

The most significant actuarial assumptions used in Spain and at the balance sheet date of financial years 2006 and 2005 are as follows:

Concept	2006	2005
DEMOGRAPHICAL ASSUMPTIONS		
Mortality tables	GKM/F–95	GKM/F–95
Survival tables	PERMI/F–2000	PERMI/F–2000
FINANCIAL ASSUMPTIONS		
Discount rate	3–3.91%	3–3.76%
Average annual salary increase	3%	5%
Average annual CPI	3–5%	3%
Expected return from plan assets/reimbursement rights	3.54%	3.54%

Estimates

The entity's best estimate of the contributions to the plan in 2007 has been made according to the staff existing at the Group as at 31 December 2006 and amounts to EUR 0.61 million.

Staff numbers

The following table shows the average number of employees by geographical segment in the last two financial years

FINANCIAL YEAR 2006	
Concepto	**Total**
SPAIN	119
OTHER EUROPEAN UNION COUNTRIES	28
AMERICA	95
REST OF THE WORLD	8
AVERAGE TOTAL NUMBER OF EMPLOYEES	**250**

FINANCIAL YEAR 2005

Concepto	Total
SPAIN	111
OTHER EUROPEAN UNION COUNTRIES	39
AMERICA	93
REST OF THE WORLD	8
AVERAGE TOTAL NUMBER OF EMPLOYEES	**251**

6.20 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 81.65 million and EUR 54.31 million in the 2006 and 2005 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 82.50 million and EUR 59.44 million in the 2006 and 2005 financial years, respectively.

The reconciliation of the forex translation differences recognised in equity at the beginning and the end of the year, in 2006 and 2005, is shown below.

Items	Amount	
	2006	2005
Forex translation differences at beginning of year	23,414	(8,881)
Net exchange differences on translation of financial statements	(9,359)	32,295
Forex translation differences at year end	14,055	23,414

Amounts in EUR thousands

As at 31 December 2006 and 2005, 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	Forex translation differences					
			Positive		Negative		Net	
			2006	2005	2006	2005	2006	2005
Inversiones Ibéricas	Chile	Chilean Peso	1,201	4,840			1,201	4,840
Mapfre Chile Reas	Chile	Chilean Peso	1,501	7,168			1,501	7,168
Inversiones Mapfre Re	Colombia	Colombian Peso	566	667			566	667
Mapfre Re Holding	USA	Dólar USA		7,970	(4,626)		(4,626)	7,970
Ciar	Bélgica	Euro				(138)		(138)
Mapfre RE	España	Euro	15,413	2,907			15,413	2,907
TOTAL			18,681	23,552	(4,626)	(138)	14,055	23,144

Amounts in EUR thousands

The result recognised directly in equity arising from the revaluation of non-monetary items in the last two years is shown below.

EXCHANGE DIFFERENCES ACCOUNTED FOR DIRECTLY IN EQUITY								
		Forex translation differences						
Company	Geographical area	Positive		Negative		Net		
		2006	2005	2006	2005	2006	2005
MAPFRE HOLDINGS	USA	–	439	–	–	–	439
MAPFRE RE	ESPAÑA	–	17	(304)	–	(304)	17
TOTAL			**456**	**(304)**	**–**	**(304)**	**456**

Amounts in EUR thousands

6.21 CONTINGENT ASSETS AND LIABILITIES

At the closing of financial years 2006 and 2005 and until the preparation of the financial statements, there is no evidence of the existence of contingent assets and liabilities for significant amounts.

6.22 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	
	2006	2005	2006	2005
Received/provided services and other expenses/revenues	2,160	5,530	1,247	1,611
Expenses/revenues from investment property		–		–
Expenses/revenues from investments and financial accounts	7,440	25	324	14,594
Dividends received			3,517	9,169
TOTAL	**9,600**	**5,555**	**5,088**	**25,374**

Amounts in EUR thousands

The amounts recorded as a consequence of transactions carried out during the year with higher consolidatable groups are shown below.

Concept	Expenses	
	2006	2005
Expenses and revenues from investment property		–
Expenses and revenues from investments and financial accounts		–
External services and other non technical expenses/revenues	3,650	9,710
Dividends paid	32,378	26,664
TOTAL	**36,028**	**36,374**

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	
	2006	2005	2006	2005
Premiums ceded/accepted	29,205	35,943	29,344	37,084
Claims	40,839	42,539	41,220	42,637
Variation in technical provisions	74	1,896		–
Fees	1,747	4,733	1,190	4,367
Other technical expenses and revenues			–	1,449
TOTAL	**71,865**	**85,111**	**71,754**	**85,537**

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	
	2006	2005	2006	2005
Premiums	583,175	557,006	(37,400)	(35,101)
Claims	(432,674)	(249,730)	59,521	27,961
Fees	(163,200)	(153,557)	5,449	2,391
TOTAL	**(12,699)**	**153,719**	**27,570**	**(4,749)**

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 balances			
	Accepted reinsurance		Ceded reinsurance		Accepted reinsurance		Ceded reinsurance	
	2006	2005	2006	2005	2006	2005	2006	2005
Credits and debts	(498)	(1,661)	470	(360)	41,227	37,800	(232)	3,324
Deposits	(2,067)	(1,788)	2,080	1,673	178,779	171,723	(569)	(320)
Technical provisions	8,837	108,715	(9,030)	(108,562)	(656,446)	(615,166)	14,842	62,657
TOTAL	**(6,272)**	**105,266**	**(6,480)**	**(107,249)**	**(436,440)**	**(405,643)**	**14,041**	**65,661**

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	
	2006	2005
Short term remuneration		
Salaries	670.91	590.07
Fixed allowances	204.6	200.71
Attendance fees	44.64	42.50
Life insurance	19.23	28.11
Other concepts	43.10	28.69
Post-employment		
Defined contribution	27.63	26.25
Defined benefits	453.36	365.42
Other long term benefits	–	–
Total	**1,463.47**	**1,281.75**

Amounts in EUR thousands

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 2005 and to EUR 20,460 in 2006.

In addition, they benefit from a Life insurance policy with an insured capital of EUR 150,253.03 and enjoy some of he 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 and in 2006 to EUR 2,625.

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 the Group for its senior managerial staff, whether or not they are directors. Executive directors, however, are not entitled to the remuneration established for external directors.

6.23 GRANTS

An official grant was received amounting to EUR 26 thousands and EUR 31 thousands in financial years 2006 and 2005, respectively.

Concept	2006	2005
As at 1 January	0	0
Received during the year	26	31
Transferred to the income statement	26	31
As at 31 December	0	0

Amounts in EUR thousands

There is no failure in complying with the conditions or contingencies related to these grants.

7. Risk management

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 twenty-three 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, exchange rate, 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 the MAPFRE Group is based on Units and Operating Companies having a high degree of autonomy in their management. MAPFRE's governance and management bodies 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 investment in equities 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.

Operating Units have a Risk Coordinator, reporting to the Administration Management, for the implementation of risk policies and management in each unit. These activities are coordinated through a Monitoring Committee for the implementation of the Risk Quantification Models, which meets monthly. The degree of progress in projects and other significant aspects are reported to MAPFRE's Senior Management through the Audit Committee.

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 Group's Investment General Management

Estimation of Risks and Capitals

MAPFRE has in place an internal capitalisation and dividend policy aimed at providing the Units, rationally and objectively, with the required capital to meet the risks they have assumed. Risk estimation is made by means of a standard fixed factors model that quantifies financial risks, credit risks and insurance activity risks. This benchmark will be subsequently replaced with that of each Unit's own model. In addition, the level of capital allocated to each Unit will never be lower than the legally required minimum from time to time plus a margin of 10%.

Allocated capital is fixed pursuant to an estimation based on the budgets for the following year and is revised at least once a year, depending upon the evolution of risks.

Certain units require a capitalisation level higher than that arising from the above described general rule, either because they operate in other countries with different legal requirements, or because they require a financial solvency rating inherent in higher capitalisation levels. In these cases, MAPFRE's Management Committee determines the capitalisation level on a case by case basis, or grants additional guarantees that strengthen the capitalisation levels paying attention to each unit's peculiarities.

Operational Risk

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

The proposed Risk Management System is based on a dinamic analysis by processes, in such a way that the managers of each area or department carry out an annual identification and assesment of the potential risk 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.

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

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 according to 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 the Group with its extensive experience in the catastrophic risk market.

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

Strategic and Corporate Governance Risks

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

INSURANCE RISK

Sensitivity to insurance risk

The sensitivity to insurance risk measures the impact on economic capital of upward and downward fluctuations of the conditioning factors for the said risk (number of insured risks, value of average premium, frequency and cost of claims). A measure of sensitivity to the Non Life insurance risk is the impact that the variation of a percentage point in the combined ratio would have on the results of the year and, consequently, on equity. This information is detailed in the following table, together with the volatility index of the said ratio, calculated according to its standard deviation in a five-year time horizon.

Concept	Impact on results of a 1% variation in the combined ratio non life		Index of volatility of the combined ratio	
	2006	2005	2006	2005
TOTAL	5,574	5,364	3.8%	8.4%

Amounts in EUR thousands

Concentration of insurance risk

MAPFRE has carried out a policy of insurance risk diversification operating in virtually all insurance lines in Spain and extending its scope of action to the international markets, mainly in Latin American countries.

The Group has in place internal control mechanisms or procedures allowing it to identify all types of concentration of the insurance risk.

It is usual practice to use reinsurance contracts as an element that mitigates the insurance risk arising from concentration or accumulation of guarantees exceeding the maximum acceptance levels.

A) PREMIUM AMOUNTS PER RISKS

The following tables show the revenues arising from written premiums classified according to the business risk in the last two financial years:

FINANCIAL YEAR 2006

Concepto	Accepted reinsurance		
		Non life	
	Life	Catastrophe risk	Other risks
Written premiums accepted reinsurance	101,020	187,184	1,149,430

Amounts in EUR thousands

FINANCIAL YEAR 2005

Concepto	Accepted reinsurance		
		Non life	
	Life	Catastrophe risk	Other risks
Written premiums accepted reinsurance	95,733	154,983	1,086,753

Amounts in EUR thousands

B) AMOUNTS OF PREMIUMS PER GEOGRAPHICAL AREAS

The following tables show the revenues arising from written premiums corresponding to accepted reinsurance per geographical areas in the last two financial years.

FINANCIAL YEAR 2006

Ordinary revenues	Reinsurance	
	Life	Non life
SPAIN	34,174	548,184
OTHER EUROPEAN UNION COUNTRIES	10,460	349,861
AMERICA	50,572	324,705
REST OF THE WORLD	5,814	113,864
TOTAL	**101,020**	**1,336,614**

Amounts in EUR thousands

FINANCIAL YEAR 2005

Ordinary revenues	Reinsurance	
	Life	Non life
SPAIN	36,027	498,733
OTHER EUROPEAN UNION COUNTRIES	8,528	311,609
AMERICA	43,497	334,475
REST OF THE WORLD	7,681	96,919
TOTAL	**95,733**	**1,241,736**

Amounts in EUR thousands

C) AMOUNTS OF PREMIUMS PER CURRENCY

Moneda	2006	2005
VENEZUELAN BOLIVAR	48,874	38,191
AUSTRALIAN DOLLAR	16,417	16,448
CANADIAN DOLLAR	7,447	6,331
US DOLAR	219,402	223,338
EURO	834,189	761,217
SWISS FRANC	16,352	18,205
STERLING POUND	36,533	33,114
TURKISH LIRA	14,563	12,621
ARGENTINEAN PESO	18,557	16,068
COLOMBIAN PESO	36,503	37,731
CHILEAN PESO	43,251	44,623
MEXICAN PESO	35,218	29,675
JAPANESE YEN	21,878	20,425
REST	88,478	85,813
TOTAL	**1,437,662**	**1,337,469**

Amounts in EUR thousands

Credit risk

The following table shows the maximum level of exposure to credit risk and reinsurers' credit rating in the last two financial years

Concept	Book value					
	Companies					
	Group		Non group		Total	
	2006	2005	2006	2005	2006	2005
Participation of reinsurance in technical provisions	18,707	57,192	506,530	485,633	525,237	542,825
Credits from reinsurance operations	478	4,164	22,632	6,209	23,110	10,373
TOTAL DEBTOR POSITIONS	**19,185**	**61,356**	**529,162**		**548,347**	**553,198**
Deposits received from ceded and retroceded reinsurance	627	320	142,736	134,504	143,363	134,824
Debs from reinsurance operations	774	974	48,111	37,779	48,885	38,753
TOTAL CREDITOR POSITIONS	**1,401**	**1,294**	**190,847**	**172,282**	**192,248**	**173,577**
TOTAL NET POSITION	**17,784**	**60,061**	**338,315**	**319,559**	**356,099**	**379,621**

Amounts in EUR thousands

Reinsurers' credit rating	Book value					
	Companies					
	Group		Non group		Total	
	2006	2005	2006	2005	2006	2005
AAA			20,258	39,652	20,258	39,652
AA	4,287	52,314	104,689	91,178	108,976	143,492
A			184,397	153,860	184,397	153,860
BBB			7,476	33,028	7,476	33,028
BB OR LOWER			21,495	122	21,495	122
WITHOUT CREDIT RATING	13,497	7,747	–	1,719	13,497	9,467
TOTAL	**17,784**	**60,061**	**338,315**	**319,559**	**356,099**	**379,621**

Amounts in EUR thousands

The balances corresponding to credits from reinsurance transactions amount to EUR 147.25 million and EUR 146.41 million as at 31 December 2006 and 2005, respectively. The impairment related loss estimate is recorded in the income statement in accordance with the rules laid down in accounting policy 5.5.

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

Credit rating of issuers	Book value	
	Portfolio available for sale	
	2006	2005
AAA	487,119	424,838
AA	395,196	369,871
A	180,438	174,303
BBB	7,947	3,698
BB or lower	22	28
Without credit rating	30,465	40,704
TOTAL	**1,101,187**	**1,013,442**

Amounts in EUR thousands

Liquidity Risk

As regards the liquidity risk, MAPFRE's policy is based on maintaining cash balances sufficient to cover any contingency arising from its obligations vis-à-vis insured parties. Thus, as at 31 December 2006, the cash and cash equivalent balance amounted to EUR 44.71 million (EUR 59.13 million in the preceding year), equivalent to 3% of total financial investments and cash. On the other hand, as regards life and savings insurance, the investment policy preferably applied consists of matching the maturities of investments with obligations entered into in insurance contracts, in order to mitigate the risk exposure. In addition, most fixed-income investments are traded in organised markets, this providing a large capacity of action in view of potential liquidity strains.

Assets with maturities exceeding one year are detailed in the section "Interest rate risks".

Market risk

MAPFRE's General Investment Management carries out a periodical analysis of sensitivity of financial risk. Among others, the most usual indicators are the modified duration, for fixed-income securities, and the Value at Risk, for equities.

INTEREST RATE RISK

The following table details the significant information for the last two years regarding the level of exposure to the interest rate risk of financial assets and liabilities:

Portfolio	Fair value (fixed interest rate)		Cash flow (variable interest rate)		Not exposed to risk		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
HELD FOR SALE	1,050,174	172,732	51,274	–	154,059	9,077	1,255,507	181,809
TRADING	10,660	926,403	652	87,267	53,046	68,115	64,358	1,081,785
HELD TO MATURITY	113,008	13,052	–	–	8,674	38,491	121,682	51,543
TOTAL	**1,173,842**	**1,112,187**	**51,926**	**87,267**	**215,779**	**115,683**	**1,441,547**	**1,315,137**

Amounts in EUR thousands

The following tables show, for financial years 2006 and 2005, the maturities, average interest rate and modified duration of financial investments:

31 DECEMBER 2006

Concept	Closing balance	Maturity 1 Year	2 Year	3 Year	4 Year	5 Year	Beyond or undated	Interest rate	Modified duration
PORTFOLIO HELD TO MATURITY									
Fixed Income									
Other investments	121,682	109,591	9,054	3,037				3.82	
TOTAL PORTFOLIO HELD TO MATURITY	**121,682**	**109,591**	**9,054**	**3,037**				**3.82**	
PORTFOLIO AVAILABLE FOR SALE									
Fixed Income	1,101,187	195,745	246,400	150,630	83,552	65,452	359,408	4.27	3.39
Other investments	154,320	154,111		209				3.99	
TOTAL PORTFOLIO AVAILABLE FOR SALE	**1,255,507**	**349,856**	**246,400**	**150,839**	**83,552**	**65,452**	**359,408**	**4.23**	
TRADING PORTFOLIO									
Term currency contracts									
Swaps									
Options									
Futures									
Others derivatives									
Fixed income									
Others	64,358	51,640		5,236	7,482			4,75	
TOTAL TRADING PORTFOLIO	**64,358**	**51,640**		**5,236**	**7,482**			**4,75**	

Amounts in EUR thousands

31 DECEMBER 2005

Concept	Closing balance	Maturity 1 Year	2 Year	3 Year	4 Year	5 Year	Beyond or undated	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

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.

FOREIGN EXCHANGE RISK

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

Currency	Book value							
	Portfolio held to maturity		Portfolio available for sale		Trading portfolio		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
EURO	43,956	84,308	797,365	624,251	44,108	31,479	885,429	740,038
US DOLLAR	55,101	79,083	318,795	333,179	3,068	2,836	376,964	415,098
MEXICAN PESO		–	3,161	86		–	3,161	86
BRAZILIAN REAL		–		–		–		–
CHILEAN PESO	9,631	9,077	58,494	61,319	11,312	13,052	79,167	83,448
VENEZUELAN BOLIVAR		–		–		–		–
ARGENTINEAN PESO		–		–		–		–
COLOMBIAN PESO		–	338	1,969		–	338	1,969
POUND STERLING	3,556	2,072	18,262	17,194	5,870	4,176	27,688	23,442
CANADIAN DOLLAR	657	–	21,578	20,719		–	22,235	20,719
PHILIPPINES PESO	465	–		–		–	465	–
PERUVIAN SOL		–		–		–		–
OTHER CURRENCIES	8,316	7,269	37,514	23,068		–	46,100	30,337
TOTAL	**121,682**	**181,809**	**1,255,507**	**1,081,785**	**64,358**	**51,543**	**1,441,547**	**1,315,137**

Amounts in EUR thousands

Currency	Technical provisions					
	Direct and accepted insurance (1)		Ceded and retroceded insurance (2)		Net total (1)-(2)	
	2006	2005	2006	2005	2006	2005
EURO	1,047,738	867,222	449,200	464,337	598,539	402,885
US DOLLAR	274,005	356,828	52,879	56,513	221,127	300,315
MEXICAN PESO	22,986	29,462	3,460	2,836	19,526	26,626
BRAZILIAN REAL	1,777	1,548	157	203	1,620	1,345
CHILEAN PESO	42,289	92,249	4,684	2,542	37,604	89,707
VENEZUELAN BOLIVAR	24,477	16,177	792	586	23,685	15,591
ARGENTINEAN PESO	11,144	9,406	262	435	10,882	8,971
COLOMBIAN PESO	36,622	34,874	1,763	2,296	34,859	32,578
POUND STERLING	37,847	31,850	4,720	5,403	33,127	26,447
CANADIAN DOLLAR	3,982	4,375	305	807	3,677	3,568
PHILIPPINES PESO	3,118	2,374	335	204	2,784	2,170
PERUVIAN SOL	44	44	8	3	35	41
OTHER CURRENCIES	150,211	135,560	6,672	6,660	143,539	128,900
TOTAL	**1,656,241**	**1,581,969**	**525,237**	**542,825**	**1,131,004**	**1,039,144**

Amounts in EUR thousands

PROPERTY RISK

MAPFRE has property assets representing approximately 3.88% of total investments and cash, of which approximately 1.93% corresponds to own offices. The said assets meet the double function of being an administration and sales support, as well as generating financial revenues and diversifying investments. This policy on tangible investments has allowed MAPFRE to realise gains in property when market circumstances make it advisable and, in addition, to count on unrealised gains that might be used to neutralise adverse risk situations for the Group in the future. Their detail is shown below:

Concept	Book value		Market value	
	2006	2005	2006	2005
Investment property	35,183	39,725	36,814	40,670
Property for own use	34,673	35,184	40,904	38,243
TOTAL	**69,856**	**74,909**	**77,718**	**78,913**

Amounts in EUR thousands

Therefore, unrealised property gains would offset a fall in the price of properties equivalent to approximately 10% of their market value.

IMPLEMENTATION OF OWN CAPITAL MODELS

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

This model forms part of an overall project consisting of implementing stochastic models at the MAPFRE Group, 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 10,000 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 99.6% 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.

8. Other information

8.1 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 Martínez	Ing Groep	15,432	–
Mr. Pedro José de Macedo Coutinho	Munchener Ruck	225	–
Mr. J.Donald Duello	Shelter Mutual Insurance Company	–	Chairman
	Shelter General Insurance Company	–	Chairman
	Shelter Life Insurance	–	Chairman
	Shelter Reinsurance Company	–	Chairman
	MAERP	–	Director
Mr. Rolf Mehr	Vaudoise Assurances Holding	–	General Manager
Mr. George Andrew Prescott	Ecclesiastical Insurance Office Plc	–	Deputy Group Chief Executive
Mr. Domingo Sugranyes Bickel	Münchener Ruck	67	–
	Aegon NV	320	–
	Axa	142	–
	Fortis	400	–
	ING	440	–
Societa Cattolica di Assicurazione	Cattolica Group – Italy	–	Direttore Centrale

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

Director	MAPFRE GROUP	
	Entities where they form part of the board of directors	Number of shares in MAPFRE S.A..
Mr. Ángel Alonso Batres	MAPFRE SEGUROS GENERALES; MAPFRE EMPRESAS; MAPFRE AGROPECUARIA; MAPFRE CONSULTORES; MAPFRE AMERICA; MAPFRE AMERICA VIDA; MAPFRE ASISTENCIA; MAPFRE–CAJA MADRID HOLDING	39,450
Mr. Ricardo Blanco Martínez	MAPFRE GUANARTEME; MAPFRE EMPRESAS; MAPFRE SEGUROS GENERALES; MAPFRE CAUCIÓN Y CRÉDITO	140,535
Mr. Lorenzo Garagorri Olavarrieta	–	25,000
Mr. Andrés Jiménez Herradón	MAPFRE S.A.; MAPFRE AMERICA; MAPFRE AMERICA VIDA, MAPFRE INTERNACIONAL	11,850
Mr. Pedro José de Macedo Conuntinho	MAPFRE EMPRESAS; C.I.A.R; MAPFRE RE HOLDINGS; REINSURANCE MANAGEMENT INC; MAPFRE SEGUROS GERAIS	7,500
Mr. Juan Antonio Pardo Ortiz	MAPFRE ASISTENCIA; VIAJES MAPFRE	50,000
Mr. Agustín Rodríguez García	MAPFRE S.A.	2,000
Mr. Francisco Ruiz Risueño	MAPFRE, S.A.; MAPFRE VIDA	50
Mr. Matías Salva Bennasar	MAPFRE S.A.; MAPFRE SEGUROS GENERALES; MAPFRE GUANARTEME; MAPFRE EMPRESAS	194,030
Mr. Domingo Sugranyes Bickel	CARTERA MAPFRE S.L.; MAPFRE S.A.; MAPFRE–CAJA MADRID HOLDING; MAPFRE CAJA SALUD; MAPFRE AMERICA; MAPFRE AMERICA VIDA; MAPFRE ASISTENCIA; MAPFRE INMUEBLES; MAPFRE ASIAN; MAPFRE QUAVITAE; MAPFRE INVERSIÓN DOS	50,000

8.2 FEES ACCRUED BY EXTERNAL AUDITORS

The fees accrued in favour of external Auditors for their account auditing services amount to EUR 272,642 (EUR 236,805 in 2005). There is also an additional amount of EUR 84,423 for services related to account audits (EUR 195,412 in 2005) and EUR 17,000 (EUR 150,913 in 2005) for other complementary services provided by them, which figures are not considered to jeopardise the independence of auditors

8.3 ENVIRONMENTAL ISSUES

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

9 Aditional note for english translation

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

SUBSIDIARIES AND ASSOCIATED COMPANIES			2006 (apendix 1)	
Name	Country	Tax rate	Activity	Holder
COMPAGNIE INTENATIONALE D'ASSURANCES ET DE REASSURANCES (CIAR)	45 , Rue de Treves Bruselas (Belgica)	34%	Insurance and Reinsurances	Mapfre Re Maplux Re
INVERSIONES IBÉRICAS LTDA	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	17%	Financial and Property	Mapfre Re
MAPRE CHILE REASEGUROS S.A.	Avda Apoquindo 4499-8º Santiago de Chile (Chile)	17%	Reinsurance	Mapfre Re
INVERSIONES MAPFRE RE	Calle 72 10-07 oficina 502, Bogota (Colombia)	35%	Securities and Property. Investment and Management	Mapfre Re Inv.Ibéricas
MAPFRE RE HOLDINGS INC .	100 Campus Drive Florham Park New Jersey 07932-1006 (USA)	35%	Holding	Mapfre Re
F. ALCORTA S.A.	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%	Property (in liquidation)	Mapfre Re
ITSEMAP SERVICIOS TECNOLOGICOS MAPFRE S.A.	Barbara de Braganza 14 Madrid (España)	35%	Consultancy	Mapfre Re
MAPFRE RE ASSESORIA LTDA	Rua Sao Carlos Do Pinhal 696 3º Andar Sao Paulo (Brasil)	15%	Consultancy	Mapfre Re Itsemap Brasil
MAPFRE MANDATOS Y SERVICIOS S.A.	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%	Services	Mapfre Re Caja Re Arg.
MAPFRE COMPAÑÍA DE SERVICIOS GENERALES S.A.	Junior Tarata 16 piso B-Lima (Perú)	30%	Consultancy	Mapfre Re Inv.Ibéricas
MAPFRE INTERNET S.A.	Ctra de Pozuelo a Majadahonda nº 52 Madrid (España)	35%	IT Services	Mapfre Re
MAPFRE INFORMATICA A.I.E.	Ctra de Pozuelo a Majadahonda nº 52 Madrid (España)	35%	IT Services	Mapfre Re
VENEASISTENCIA C.A.	Avda. Libertador Penthouse A y B Caracas (Venezuela)	34%	Travel Assistance	Mapfre Re Hold
MAPFRE REINSURANCE CORPORATION	100 Campus Drive Florham Park New Jersey 07932-1006 (USA)	35%	Insurance and Reinsurance	Mapfre Re Hold
REINSURANCE MANAGEMENT INC.	100 Campus Drive Florham Park New Jersey 07932-1006 (USA)	35%	Insurance and Reinsurance	Mapfre Re Hold
ITSEMAP BRASIL SERVICIOS TECNOLÓGICOS MAPFRE LTDA	Rua Sao Carlos Do Pinhal 696 3º Andar Sao Paulo (Brasil)	15%	Consultancy	Itsemap S.T.M. M.R. Assesor
ITSEMAP CHILE SERVICIOS TECNOLÓGICOS MAPFRE LTDA	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	17%	Consultancy	Itsemap S.T.M Inv. Ibéricas
CAJA REASEGURADORA DE CHILE	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	17%	Reinsurance	Inv. M. Chile Re
MAPFRE CHILE SEGUROS, S.A.	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	17%	Holding	Inv. M. Chile Re
INMOBILIARIA COSTA DE MONTEMAR, S.A.	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	17%	Property	Inv. Ibéricas
INMOBILIARIA TIRILLUCA, S.A.	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	17%	Property	Inv. Ibéricas
ADMINISTRADORA DE PROPIEDADES	Napoleon 3096 Santiago de Chile (Chile)	17%	Property	Inv. Ibéricas
COMERCIAL TURISMO, S.A.	Napoleon 3096 Santiago de Chile (Chile)	17%	Property	Inv. Ibéricas
C R ARGENTINA	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%	Services, Advisory Services	Inv. Ibéricas

Amounts in EUR thousands

Holding %	Details end financial				Consolidation method or procedure
	Assets	Equity	Revenues	Result in the year	
99.9900% 0.0100%	20,905	9,725	2,419	503	A
99.9986%	22,819	22,083	865	309	A
99.9986%	100,257	41,560	6,965	896	A
94.9000% 5.0999%	1,115	1,107	193	45	A
100.0000%	61,419	38,487	496	2,381	A
99.9000%	9	9	0	0	C
39.9752%	6,152	2,747	6,022	348	B
99.9998% 0.0001%	19	11	58	(11)	C
99.0000% 0.9999%	178	64	573	(14)	C
98.0000% 1.0000%	12	12	0	(27)	C
1.0000%	24,886	23,838	7,702	181	C
1.0000%	15,479	1,000	44,835	0	C
0.0020%	1,715	730	1,240	381	C
100.0000%	61,357	37,808	496	2,381	A
100.0000%	1	1	0	0	A
99.9792% 0.0208%	965	585	1,783	32	C
75.0000% 25.0000%	34	34	0	0	C
99.8467%	94,187	27,305	4,564	1,581	A
0.0042%	81,077	15,835	167,605	7,519	C
31.4400%	17,713	17,685	816	40	B
43.7500%	9,082	9,061	30	(93)	B
31.2900%	440	20	977	55	B
31.2000%	87	(60)	244	(22)	B
99.9000%	113	101	1	(2)	A

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

SUBSIDIARIES AND ASSOCIATED COMPANIES			2005 (apendix 1)	
Name	Country	Tax rate	Activity	Holder
COMPAGNIE INTENATIONALE D'ASSURANCES ET DE REASSURANCES (CIAR)	45, Rue de Treves Bruselas (Belgica)	34%	Insurance and Reinsurances	Mapfre Re Maplux Re
INVERSIONES IBÉRICAS	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	17%	Financial and Property	Mapfre Re
MAPRE CHILE REASEGUROS S.A.	Avda Apoquindo 4499-8º Santiago de Chile (Chile)	17%	Reinsurance	Mapfre Re
INVERSIONES MAPFRE RE	Calle 72 10-07 oficina 502, Bogota (Colombia)	35%	Securities and Property. Investment and Management	Mapfre Re Inv.Ibéricas
MAPFRE RE HOLDINGS INC .	100 Campus Drive Florham Park New Jersey 07932-1006 (USA)	35%	Holding	Mapfre Re
F. ALCORTA S.A.	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%	Property (in liquidation)	Mapfre Re
ITSEMAP SERVICIOS TECNOLOGICOS MAPFRE S.A.	Barbara de Braganza 14 Madrid (España)	35%	Consultancy	Mapfre Re
MAPFRE RE ASSESORIA LTDA	Rua Sao Carlos Do Pinhal 696 3º Andar Sao Paulo (Brasil)	15%	Consultancy	Mapfre Re Itsemap Brasil
MAPFRE MANDATOS Y SERVICIOS S.A.	Avda Figueroa Alcorta 3102,Buenos Aires (Argentina)	35%	Services	Mapfre Re Caja Re Arg.
MAPFRE COMPAÑÍA DE SERVICIOS GENERALES S.A.	Junior Tarata 16 piso B- Lima (Perú)	30%	Consultancy	Mapfre Re Inv.Ibéricas
MAPFRE INTERNET S.A.	Ctra de Pozuelo a Majadahonda s/n Madrid (España)	35%	IT Services	Mapfre Re
MAPFRE INFORMATICA A.I.E.	Ctra de Pozuelo a Majadahonda s/n Madrid (España)	35%	IT Services	Mapfre Re
VENEASISTENCIA C.A.	Avda. Libertador Penthouse A y B Caracas (Venezuela)	34%	Travel Assistance	Mapfre Re Hold
MAPFRE REINSURANCE CORPORATION	100 Campus Drive Florham Park New Jersey 07932-1006 (USA)	35%	Insurance and Reinsurance	Mapfre Re Hold
REINSURANCE CORPORATION	100 Campus Drive Florham Park New Jersey 07932-1006 (USA)	35%	Insurance and Reinsurance	Mapfre Re Hold
ITSEMAP BRASIL SERVICIOS TECNOLÓGICOS MAPFRE LTDA	Rua Sao Carlos Do Pinhal 696 3º Andar Sao Paulo (Brasil)	15%	Consultancy	Itsemap S.T.M. M.R. Assesor
ITSEMAP CHILE SERVICIOS TECNOLÓGICOS MAPFRE LTDA	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	17%	Consultancy	Itsemap S.T.M Inv. Ibéricas
CAJA REASEGURADORA DE CHILE	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	17%	Reinsurance	Inv. M. Chile Re
MAPFRE CHILE SEGUROS, S.A.	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	17%	Holding	Inv. M. Chile Re
INMOBILIARIA COSTA DE MONTEMAR, S.A.	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	17%	Property	Inv. Ibéricas
INMOBILIARIA TIRILLUCA, S.A.	Ava. Apoquindo 4499-8º Santiago de Chile (Chile)	17%	Property	Inv. Ibéricas
ADMINISTRADORA DE PROPIEDADES	Napoleon 3096 Santiago de Chile (Chile)	17%	Property	Inv. Ibéricas
COMERCIAL TURISMO, S.A.	Napoleon 3096 Santiago de Chile (Chile)	17%	Property	Inv. Ibéricas
CAJA RE ARGENTINA	Bouchard 547 piso 14 Buenos Aires (Argentina)	35%	Services, Advisory Services	Inv. Ibéricas

Amounts in EUR thousands

Holding %	Details end financial Assets	Equity	Revenues	Result in the year	Consolidation method or procedure
74.9300% 25.0607%	25,160	9,725	2,483	1,335	A
99.9986%	27,805	27,311	1,231	520	A
99.9986%	106,247	43,447	6,728	667	A
94.9000% 5.0999%	3,012	3,001	359	(79)	A
100.0000%	324,524	134,840	55,898	(1,603)	A
99.9000%	10	10	0	(1)	C
39.9752%	4,745	2,399	5,406	284	B
99.9998% 0.0001%	27	22	43	9	C
99.0000% 0.9999%	127	92	606	(11)	C
98.0000% 1.0000%	46	42	85	(40)	C
1.0000%	3,549	2,639	6,052	80	C
1.0000%	10,397	1,000	34,083	0	C
0.0020%	855	464	731	29	C
100.0000%	324,480	134,859	55,898	(1,603)	A
100.0000%	1	1	0	0	A
99.9792% 0.0208%	686	558	1,621	81	C
75.0000% 25.0000%	38	38	0	0	C
97.6769%	97,704	29,894	4,433	839	A
0.0042%	250,786	36,986	58,057	116	C
31.4400%	21,284	20,495	6,212	547	C
43.7500%	10,051	10,047	32	(169)	B
31.2900%	594	(39)	1,149	6	B
31.2000%	137	(42)	348	(45)	B
99.9000%	127	116	2	(6)	A

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