



MAPFRE

Annual Report 2007

1.
CONSOLIDATED FINANCIAL
STATEMENTS AND
MANAGEMENT REPORT





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Governing bodies

GOVERNING BODIES*

BOARD OF DIRECTORS		Executive Committee	Appointments and Remuneration Committee	Audit Committee	Compliance Committee
CHAIRMAN	Mr. José Manuel Martínez Martínez	CHAIRMAN	CHAIRMAN		
FIRST VICE-CHAIRMAN	Mr. Alberto Manzano Martos	FIRST VICE-CHAIRMAN	FIRST VICE-CHAIRMAN		
SECOND VICE-CHAIRMAN	Mr. Francisco Ruiz Risueño	SECOND VICE-CHAIRMAN	SECOND VICE-CHAIRMAN		CHAIRMAN
THIRD VICE-CHAIRMAN	Mr. Filomeno Mira Candel	THIRD VICE-CHAIRMAN			
MEMBERS	Mr. Ignacio Baeza Gómez	MEMBER			
	Mr. Rafael Beca Borrego			MEMBER	
	Mr. Miguel Blesa de la Parra				
	Mr. Rafael Fontoira Suris				MEMBER
	Mr. Santiago Gayarre Bermejo				
	Mr. Luis Hernando de Larramendi Martínez	MEMBER	MEMBER		
	Mr. Sebastián Homet Duprá			MEMBER	
	Mr. Antonio Huertas Mejías	MEMBER			
	Mr. Luis Iturbe Sanz de Madrid			CHAIRMAN	
	Mr. Andrés Jiménez Herradón	MEMBER			
	Mr. Manuel Lagares Calvo			MEMBER	
	Mr. Rafael Márquez Osorio				MEMBER
	Mrs. Francisca Martín Tabernero				MEMBER
	Mr. Antonio Miguel-Romero de Olano			MEMBER	
	Mr. José Antonio Moral Santín				
	Mr. Alfonso Rebuelta Badías		MEMBER		
	Mr. Matías Salvá Bennasar		MEMBER		
	Mr. Esteban Tejera Montalvo	MEMBER			
Mr. Francisco Vallejo Vallejo		MEMBER			
SECRETARY AND MEMBER	Mr. José Manuel González Porro	SECRETARY AND MEMBER	SECRETARY	SECRETARY AND MEMBER	
VICE-SECRETARY	Mr. Angel Dávila Bermejo	VICE-SECRETARY		VICE-SECRETARY	

* Composition of the governing bodies resulting from the proposals submitted to the Annual Shareholders' Meeting relating to the appointment, retirement and re-election of Board members.



Letter to shareholders



JOSÉ MANUEL MARTÍNEZ
CHAIRMAN

Letter to shareholders

Dear Shareholder

The financial year 2007 has been the first during which the Group has carried out its business under its new corporate structure, with all the business activities grouped under MAPFRE S.A. Thus our shareholders are able to participate in the largest Spanish Insurance group and the largest Non-Life insurer in Latin America, which aspires to widen its presence in the future towards other markets with large potential.

As a result, during 2007 a majority stake was purchased in the Turkish insurance company GENEL SIGORTA, thus extending our activities to a market which is close to the European Union and with important development possibilities. A friendly takeover offer was launched to acquire all the issued and outstanding shares of THE COMMERCE GROUP, a group which includes a number of insurance companies specialised in Motor insurance and other Non-Life lines for retail customers, headquartered in Massachusetts and with a strong presence in the north-eastern region of the USA, thus representing an ideal platform for MAPFRE's development in this country. At year end 2007, the Group had a presence in 43 countries, where it operates in Direct Insurance and Assistance activities, while also carrying out Reinsurance activities throughout the world through our subsidiary MAPFRE RE.

During 2007, we have also carried out a number of initiatives to bolster our leadership position, efficiency and results from the Spanish Insurance activities:

- MAPFRE AUTOMÓVILES has absorbed MUTUA VALENCIANA MUTUALISTA, which has added 70 branches to the MAPFRE NETWORK.
- Important agreements have been established with CAJA CASTILLA LA MANCHA, BANKINTER and CAJA DUERO. As a result the Group will develop jointly with these entities the business of their Life Assurance and Pensions subsidiaries, where we have assumed the management and acquired shareholdings of 50%. This raises to 3,442 the number of branches which distribute our Life Assurance and Pensions products.
- Towards the end of the year, an agreement was reached with CAJA MADRID to reorganise and strengthen the important strategic alliance we have with this Savings Bank, and adapting it to our new corporate structure. The terms of this reorganisation were established in January 2008 with the signing of a new Global Agreement regulating this alliance. This implies the integration of MAPFRE-CAJA AMDRID HOLDING within MAPFRE S.A., the holding company which incorporates the insurance activity of the alliance, while CAJA MADRID will in turn hold directly a 15% stake in our Company.

Key figures in 2007

During the financial year 2007, our consolidated shareholders' equity increased 7.6% to €4,331.4 million (€1.90 per share). This positive performance fundamentally reflects the good results generated by our subsidiaries overall, with the following being of noteworthy mention:

- Non-Life direct insurance premiums grew by 9.9% compared to 2006, and consolidated total revenues by 12.3%. It is worth highlighting particularly our position in Spain, where we have a clear leadership position, and where premiums increased by 10.9%, versus the 3% growth of the rest of the sector, as estimated by ICEA. As a result our market share is forecast to increase to 9.9% in Life Assurance and to 17.4% in Non-Life insurance.
- Funds under management from Life Assurance, pension funds and mutual funds, increased by 17.6%.
- The consolidated net result amounted to €731.1 million, 19.8% higher than the previous year; earnings per share increased from €26.8 cents to €32.1 cents.

Our share price

During 2007, the stock market performance of the Insurance sector was affected by the international financial crisis and the difficulties of the mortgage market in the USA. Our share price also had a negative performance, despite the fact that these events have not had a direct impact on MAPFRE, since our Group has no exposure to the asset classes which have caused this crisis.

At the time of writing this Annual Report, our shares are at such low levels (PE 8.2x and market capitalisation which represents 138.7% of the book value) that it allows me to forecast a recovery in the share price, market environment permitting.

Dividends

During 2007, our Group has paid a final dividend for 2006 (€5 cents per share) and an interim dividend against 2007 results (€6 cents per share), making a total of €11 cents per share and representing an increase of 57.1% versus the €7 cents paid in 2006.

The Board of Directors has proposed to the Annual Shareholders' General Meeting a final dividend against 2007 results of €7 cents per share, payable for 4th June 2008 onwards, thus progressively increasing the retribution to shareholders, which forms part of our objectives.

Outlook

In our international activities, once the acquisition of THE COMMERCE GROUP is completed, which is expected to be finalised in mid 2008, our objective is to focus on consolidating and reinforcing our positioning in those markets where we have a presence through organic growth and where applicable, through specific acquisitions to increase our size, where appropriate. As a result, we estimate that our external financing requirements will remain within the limits currently known by the market.

Despite the uncertainty of the economic environment, the Board of Directors and the Senior Management of MAPFRE have commenced 2008 fully confident that the objectives set in terms of growth of the businesses and increases in results, will be achieved. This confidence is based on the capabilities of our organisation, strength of the balance sheet and investments, which are managed with great technical rigour and prudence, as well as the anti-cyclical nature of the insurance business.

The new structure of our alliance with CAJA MADRID, which seeks to boost and strengthen it after almost 10 years of positive and increasing collaboration between both Groups, should permit in 2008 a reorganisation of the corporate structure and operating subsidiaries. This will permit an increase in efficiency and customer focus, together with the

implementation of a new common IT system for the integrated management of the insurance activities.

Following on from this, the Board of Directors has approved the integration of MAPFRE AUTOMÓVILES, MAPFRES SEGUROS GENERALES and MAPFRE CAJA SALUD into one company (MAPFRE FAMILIAR S.A.), which will develop all the Non-Life insurance activities in Spain for retail customers and SME's; and the integration of MAPFRE AGROPECUARIA within MAPFRE EMPRESAS, where a new specific area will be created, in order to continue providing a specialised service to agricultural, livestock and fishery companies.

I would like to conclude this letter by expressing my gratitude to our shareholders, customers, supervisory bodies, and generally all those who have expressed their confidence and support during the previous year; and also all the people that comprise MAPFRE (directors, executives, employees, delegates, agents and associates) – thanks to whose efforts the excellent results we are presenting today were made possible.

Sincerely,



José Manuel Martínez
Chairman

