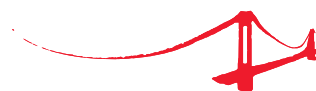


Annual Report 2004

CORPORACIÓN **MAPFRE**



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Governing bodies



Board of Directors

Executive Committee

Audit Committee

Remuneration and Appointments Committee

Compliance Committee

Chairman

Mr. Carlos Álvarez Jiménez

FIRST VICE-CHAIRMAN

FIRST VICE-CHAIRMAN

FIRST VICE-CHAIRMAN

Executive Vice-Chairman

Mr. Domingo Sugranyes Bickel

CHAIRMAN

CHAIRMAN

Second Vice-Chairman

Mr. Francisco Ruiz Risueño

SECOND VICE-CHAIRMAN

SECOND VICE-CHAIRMAN

SECOND VICE-CHAIRMAN

CHAIRMAN

Managing Director

Mr. Ricardo Blanco Martínez

MEMBER

Members

Mr. Víctor Bultó Millet

MEMBER

Mr. Juan Fernández-Layos Rubio

MEMBER

Mr. Rafael Galarraga Solares

MEMBER

Mr. Santiago Gayarre Bermejo

Mr. Dieter Göbel Bruckner

Mr. Luis Hernando de Larramendi Martínez

MEMBER

MEMBER

MEMBER

Mr. Luis Iturbe Sanz de Madrid

MEMBER

Mr. Manuel Jesús Lagares Calvo

CHAIRMAN

MEMBER

Mr. Alberto Manzano Martos

MEMBER

Mr. José Manuel Martínez Martínez

Mr. Antonio Miguel-Romero de Olano

MEMBER

MEMBER

Mr. Filomeno Mira Candel

MEMBER

Mr. Alfonso Rebuelta Badías

MEMBER

MEMBER

MEMBER

MEMBER

Secretary and Member

Mr. José Manuel González Porro

SECRETARY AND MEMBER

SECRETARY AND MEMBER

SECRETARY AND MEMBER

Letter to Shareholders



DEAR SHAREHOLDER:

During fiscal year 2004, we have had very satisfactory results due to the favourable development of the business activities of the companies which are part of CORPORACIÓN MAPFRE:

- Non-life direct insurance premiums in Spain have risen by 33.8%. Without the premiums of MUSINI S.A., which was acquired in 2003, the increase would have been 16.3%.
- Assets managed in Life Insurance, Pension Funds and Investment Funds have increased by 7.4%.
- Despite the appreciation of the Euro against the US Dollar, the insurance subsidiaries of CORPORACIÓN MAPFRE in Latin America have increased their business volumes and their net profits have risen by 28.3%.
- International reinsurance operations carried out by MAPFRE RE have continued their strong growth in terms of volume (more than 30.7%) and in profits (more than 41.2%).
- Net profits have increased by 29.4%.

The following must be noted among the most relevant events for the year:

- MUSINI S.A. which is part of the Commercial Insurance Unit has contributed _357.1 million in industrial insurance premiums which almost doubles our presence in this market. This acquisition has had a positive effect on the group's 2004 accounts, adding _10.9 million to the consolidated profit before tax.
- In April 2004, CORPORACIÓN MAPFRE carried out a _500.5 capital increase in which our majority shareholder MAPFRE MUTUALIDAD took up the part corresponding to its 55.8% holding and the rest was fully placed in the market. Due to this capital increase, the number of CORPORACIÓN MAPFRE's shares increased by 31.6% and the number of shareholders went from 9,919 to 23,689 which highlights the growing interest among investors both in Spain and abroad.
- ROE was 13.3%, exceeding once again the public targets set forth by CORPORACIÓN MAPFRE. Adjusting for the effects of the capital increase, earnings per share have reached 0.81 euros compared to 0.75 euros the previous year. It is especially satisfactory that profit growth has allowed for an increase in earnings per share despite the capital increase.
- Part of the funds obtained from the capital increase has been invested in: a capital increase carried out by MAPFRE RE in order to allow this company to continue to grow in a particularly favourable moment for its development; the acquisition of a majority shareholding in MAPFRE QUAVITAE, which will be controlled by MAPFRE ASISTENCIA and which will be at the core of the expansion of the business activities focussed towards the Elderly; and repaying the short-term debt raised in 2003 in connection with the acquisition of MUSINI, ROAD AMERICA and other MAPFRE ASISTENCIA projects. After these investment, there are still _200 million available for any acquisition opportunities which may arise in the near future and any capital increases which the subsidiaries may require to support the growth of their business activities.

Carlos Álvarez Jiménez
Chairman of the Board
of Directors

Domingo Sugranyes Bickel
Executive Vice-Chairman
Chairman of the Executive
Committee



- The alliance with CAJA MADRID has continued its satisfactory development, as evidenced by significant new production volumes in Life-risk and Non-life insurance, the latter especially in Household insurance. Similarly, there has been a strong increase in the sales of CAJA MADRID banking products through the MAPFRE NETWORK.
- In light of the results, the Board of Directors has proposed to pay out a 0.27 euro dividend per share which is equivalent to a 28.5% increase over the previous year. Of these, 0.15 euros was paid as an interim last November.

For 2005, the companies of CORPORACIÓN MAPFRE have set themselves once again some ambitious growth and profit targets within the framework of the Strategic Plan of SISTEMA MAPFRE, led by MAPFRE MUTUALIDAD, majority shareholder of CORPORACIÓN MAPFRE and parent company of SISTEMA MAPFRE. In this respect, the wide-ranging reform carried out in the operative organisation of SISTEMA MAPFRE and its territorial network in Spain is noteworthy. The latter will be structured around 40 sub-centres and seven regional head offices which would allow for greater decentralisation, the rejuvenation of sales staff and the unification of the MAPFRE NETWORK serving customers.

Abroad, we expect new and important advancements in 2005 for MAPFRE RE, which due to its excellent track record of technical results and its strong ratings, finds itself in an ideal position to increase the volume and profits of its accepted reinsurance business. The growth of its activities justifies the additional _50 million capital increase announced for the first quarter of 2005.

Likewise, we expect our direct insurance business in Latin America to maintain its positive trend in profit growth, supported by an ambitious project aimed at the expansion of tied distribution networks in each country, which includes the opening of more than 300 new offices in 2005 in addition to the 218 opened in 2004.

We also expect MAPFRE ASISTENCIA to continue its successful international development, with a direct presence in 38 countries, including the service company recently created in China. MAPFRE ASISTENCIA will also direct the growing presence of MAPFRE in two new areas of business: travel and tourism, and services and nursing homes for the Elderly.

As in previous years, CORPORACIÓN MAPFRE will continue to analyse all acquisition opportunities that may arise and will bid for those which can add value for shareholders because they are complementary from a business standpoint and meet reasonable profitability requirements. From a geographical point of view, our interest in new acquisitions remains focussed on the Iberian Peninsula and on the markets with the most potential in Latin America. We are also beginning to analyse other emerging markets in the Mediterranean, Eastern Europe and Far East, as we believe that the experience acquired in Latin America can be used to broaden the international



scope of our business activities in the medium and long term. We will expand our presence in the more developed markets of Europe and the United States although not necessarily with large investments but rather through specialized activities with high growth and profitability potential like those carried out by MAPFRE RE and MAPFRE ASISTENCIA.

In order to reach these goals CORPORACIÓN MAPFRE will build on the solid experience of its parent company in Motor Insurance, in which MAPFRE MUTUALIDAD has reached outstanding levels in terms of service effectiveness, cost reduction and technical control of operations.

CORPORACIÓN MAPFRE has made further progress in 2004 in the adoption of the Rules of Good Governance required by legal and regulatory provisions which complement those set forth in the Code of Good Governance adopted by SISTEMA MAPFRE in 2000, which is presently being revised. In this respect, the information on corporate issues made available to the market has been substantially expanded on the mapfre.com Portal as reflected in the Corporate Governance Report contained in this document.

For the first time, the MAPFRE 2004 Annual Reports include information on Corporate Social Responsibility, as well as an annual report on the MAPFRE Foundations which reflect their intense activity in areas such as Road Safety, Safety in the work environment, Medicine and University education in the field of Insurance, Plastic Art and the History of Spain and America. Also included in the report is new information on the environmental and social impact of MAPFRE's business operations. CORPORACION MAPFRE and its subsidiaries adhere to these Corporate Responsibility policies based on a consolidated tradition and the personal commitment of our directors to the model of a humanist company.

We wish to thank all our shareholders for their support over the past year, with a special reference to our capital increase. On behalf of the more than 15,000 people who work for CORPORACIÓN MAPFRE and its subsidiaries, we would like to express our commitment to make every effort to provide another year of good results in 2005 to those who put their trust in this company.

Yours sincerely,



Carlos Álvarez Jiménez
CHAIRMAN OF THE BOARD OF DIRECTORS



Domingo Sugranyes Bickel
EXECUTIVE VICE-CHAIRMAN
CHAIRMAN OF THE EXECUTIVE COMMITTEE







*Relevant events
in the year*

Relevant events in the year

JANUARY

- (15.01.04)* • MAPFRE INVERSIÓN launches a new guaranteed investment fund whose holders will earn the average revaluation of the IBEX 35, Standard & Poor's, FTSE 100 and Eurostoxx 50 indexes.
- (30.01.04)* • MAPFRE SEGUROS GENERALES' Integrated Service Centre obtains the official certificate of quality ISO UNE 9001:2000.

MARCH

- (04.03.04)* • MAPFRE adheres to the United Nations' World Pact (Global Compact) which implies the commitment of all SISTEMA MAPFRE companies to supporting and developing the principles set forth by such pact in the areas of Human Rights, Labour and Environment.
- (06.03.04)* • The Board of Directors of CORPORACIÓN MAPFRE approves a 500 million euro capital increase.
- (06.03.04)* • The Annual General Meetings of MAPFRE MUTUALIDAD and CORPORACIÓN MAPFRE are held, approving their annual accounts for 2004 and the activities of their Boards of Directors.
- (08.03.04)* • The 2004 edition of the Spanish Corporate Reputation Watcher (MERCOS) 2004 once again ranks MAPFRE as the most valued company in the Spanish insurance sector, and 11th overall among Spanish companies, corporate culture and employment quality being the aspects which receive the highest score.
- (17.03.04)* • MAPFRE sets up a 1,000,000 euro scholarship fund through its Foundations for the professional retraining of persons who became disabled due to the March 11 terrorist attacks

APRIL

- (13.04.04)* • The 500 million euro capital increase of CORPORACIÓN MAPFRE is subscribed. With this increase, the consolidated shareholders equity of CORPORACIÓN MAPFRE amounts to 1,589 million euros.
- (15.04.04)* • MAPFRE and SOL MELIA sign an agreement by virtue of which they become joint shareholders in MELIATOUR, a tour operator specialising in holiday packages. The agreement provides that MAPFRE shall have control of the management of said company.

MAY

- (21.05.04)* • Rating agency AM BEST affirms its 'A+' (superior) financial strength rating assigned to MAPFRE MUTUALIDAD and MAPFRE RE reflecting its leading position in Spain and in Latin America, its extremely strong capitalisation and its exceptional results. Similarly, it affirms the 'aa-' rating assigned to the debt securities issued by CORPORACIÓN MAPFRE.

JUNE

- (11.06.04)* • Rating agency STANDARD & POOR'S affirms its financial strength ratings of 'AA' (excellent) assigned to MAPFRE MUTUALIDAD's and 'AA-' (excellent) assigned to MAPFRE RE, as well as the 'AA-' rating assigned to the debt securities issued by CORPORACIÓN MAPFRE. These ratings reflect an extremely strong capitalisation ('AAA'), excellent results, a solid leading position in the Spanish and Latin American markets and very successful group management.
- (21.06.04)* • MAPFRE acquires a majority shareholding in QUAVITAE, the leading Spanish company in the field of comprehensive health and social services for the Elderly. This acquisition implies the development by SISTEMA MAPFRE and the CAJA MADRID Group of a new joint project in the sector of services for the Elderly.
- (24.06.04)* • For a second consecutive year, MAPFRE's website receives the award "Los Favoritos de Expansión" (Expansion's Favourites) as one of the best Spanish internet services.
- (25.06.04)* • MAPFRE ASISTENCIA launches in Europe the Mechanical Warranty for Used Vehicles Insurance.
- (27.06.04)* • MAPFRE INMUEBLES participates in the sixth edition of the Madrid Real Estate Forum ("Salón Inmobiliario de Madrid")

JULY

- (02.07.04)* • Volkswagen of America chooses ROAD AMERICA, a subsidiary of MAPFRE ASISTENCIA, as the provider of its twenty-four hour road assistance service in the United States covering more than 1.2 million vehicles.
- (02.07.04)* • FUNDACIÓN MAPFRE MEDICINA signs an agreement with Fundación Adecco to facilitate the integration in the workplace of disabled persons.
- (05.07.04)* • The employees of MUSINI adhere to the Collective Bargaining Agreement of the MAPFRE Insurance Group effective 1st January 2004, finalising the integration process of MUSINI into MAPFRE.
- (23.07.04)* • MAPFRE SEGUROS GENERALES launches the '365' policy, a Mixed Accident and Temporary Disability insurance product mainly directed at self-employed professionals.

AUGUST

- (24.08.04)* • ROAD CHINA ASSISTANCE is set up as the first company of SISTEMA MAPFRE in the Chinese market. With this new company, MAPFRE is now directly present in 39 countries.

SEPTEMBER

- (05.09.04)* • MAPFRE PRAICO sets up INSTITUTO MAPFRE DE SEGURIDAD VIAL in Puerto Rico, dedicated to research and education in the prevention of road accidents, and holds the First MAPFRE Road Safety Week. Likewise, road education kits are distributed in 2,100 schools in Sao Paulo (Brazil).
- (10.09.04)* • FUNDACIÓN MAPFRE ESTUDIOS adds the Doctorate in Insurance Sciences to its education program.
- (15.09.04)* • MAPFRE VIDA launches TodoVIDA10, a term life insurance product with a wide range of covers designed to protect the household economy.
- (20.09.04)* • The shares of CORPORACIÓN MAPFRE are included in the distinguished FTSE EUROMID European index, which is composed by the most representative listed shares of medium capitalisation of the Euro zone which meet certain capitalisation, liquidity and transparency criteria.
- (20.09.04)* • MAPFRE SEGUROS GENERALES launches an insurance product specifically designed for immigrants and foreigners resident in Spain.
- (23.09.04)* • The Board of Directors of MAPFRE MUTUALIDAD approves a wide range of strategic decisions and appointments which introduce significant changes in the group and managerial structure, effective as of 1st January 2005.

OCTOBER

- (07.10.04)* • MAPFRE RE announces that the combined damages caused by hurricanes Charley, Frances, Ivan and Jeanne are estimated to total 25 million, an amount which will not affect negatively its profit forecast.
- (21.10.04)* • MAPFRE AMÉRICA announces that it intends to participate as a majority shareholder in the incorporation of an insurance company in the Dominican Republic with an investment equivalent to 2,235,000 euros. The new company should begin to operate in 2005
- (25.10.04)* • The III International Conference on 'Motor Vehicles and Urban Planning: The Ideal City' is held, organised by MAPFRE and the Eduardo Barreiros Foundation.
- (28.10.04)* • The Executive Committee of CORPORACIÓN MAPFRE agrees to pay an interim dividend of 0.15 euros gross per share out of the results for fiscal year 2004 with effect from 19th November 2004. This amount is 36% higher than that paid out in November 2003.

NOVEMBER

- (05.11.04)* • MAPFRE enters the Brazilian real estate market along with state-owned company Caixa Económica Federal through the creation of MAPFRE CONSORCIO INMOBILIARIO, whose objective will be to facilitate the purchase of commercial and residential real estate across the country
- (10.11.04)* • MAPFRE ARGENTINA obtains the '2004 Prestige Insurance Award' assigned by the Centre for the Study of Public Opinion and Communication for ranking as the leader among the best companies in the insurance market, taking the first place in product and service quality, financial strength and environmental protection, among other aspects.
- (11.11.04)* • MAPFRE SEGUROS GENERALES is awarded the 'Excellent' trophy for the 2004 Best Supplier, which is assigned each year by Barclays Bank Spain on the International Quality Day

DECEMBER

- (01.12.04)* • The Board of Directors of MAPFRE RE approves a 50 million capital increase to be carried out in the first quarter of 2005 which will enable the Company to continue supporting its business growth and development plans.
- (31.12.04)* • MAPFRE SEGUROS GENERALES reaches two million insured households in Spain.