

## **RELEVANT FACT**

In compliance with the Securities Market Law, notice is hereby given that today the merger project to integrate MAPFRE – CAJA MADRID HOLDING ENTIDADES ASEGURADORAS S.A. within MAPFRE S.A., has been deposited at the Company Registrar in Madrid, whose text is attached.

This project has been approved, in line with the forecast timetable, within the framework of the operations to reorganise the strategic alliance between the MAPFRE Group and CAJA MADRID and in compliance with the principles announced on 17<sup>th</sup> December 2007. The Boards of CAJA MADRID and MAPFRE, in their meetings held today and yesterday, have approved the terms of the operations to be carried out, in order to achieve the objectives set out in these principles. It is foreseen that a new Regulatory Framework Agreement of the Strategic Alliance will be formalised in the following days, together with the relevant contractual documents, notice of which will be given in due course.

Madrid, 25<sup>th</sup> January 2008

COMISION NACIONAL DE MERCADO DE VALORES,  
PASEO DE LA CASTELLANA N<sup>o</sup>.19, MADRID

## **MERGER PROJECT**

This project is drawn up in accordance with the provisions of Article 234 and subject to the provisions of Article 235 of the Restated Version of the Companies Act (hereinafter, the Companies Act), approved by Royal Legislative Decree 1564/1989 of 22 December.

### **COMPANIES PARTICIPATING IN THE MERGER**

#### Surviving company

MAPFRE S.A., with its registered office at Paseo de Recoletos no. 25, 28004 - Madrid, recorded at the Commercial Registry of Madrid at Volume 307, Page 94, Section 8, Sheet M-6152, 384th Entry, holder of Tax ID Number A-08/055741.

#### Target company

MAPFRE – CAJA MADRID HOLDING DE ENTIDADES ASEGURADORAS S.A. (hereinafter MAPFRE – CAJA MADRID HOLDING), with its registered office at Paseo de Recoletos no. 25, 28004 - Madrid, recorded at the Commercial Registry of Madrid at Tome 464, Folio 161, Page M-8913, 7th Entry, holder of Tax ID Number A-78/919495.

### **REASONS JUSTIFYING THE MERGER**

On 31 March 2000, MAPFRE and CAJA MADRID signed the Framework Agreement governing their strategic business alliance, based, amongst other things, on the integration of the entire CAJA MADRID insurance business into part of the MAPFRE insurance business, with acknowledgement of the latter as the reference institution for the said activity. The agreed integration of the insurance businesses affected the insurance activities in the Life, General Insurance, and Health segments. In accordance with the said Framework Agreement, the integration in question was to be performed by way of the transfer of control of the subsidiaries

affected by the said integration to a holding company where MAPFRE and CAJA MADRID were to participate in shares of 51% and 49% each, respectively.

MAPFRE – CAJA MADRID HOLDING is the holding company through which the integration was carried out in the terms agreed, and the said participations are currently being maintained by its shareholders, MAPFRE S.A. and CORPORACIÓN FINANCIERA CAJA DE MADRID S.A., respectively.

With the aim of strengthening their strategic alliance and adapting it to the new corporate structure of MAPFRE, simplifying and reinforcing the relations of both groups, on 17 December 2007 the Boards of Directors of MAPFRE and CAJA MADRID approved the basis for the re-organization of the said alliance, which envisages the following, amongst other aspects:

- MAPFRE – CAJA MADRID HOLDING will be integrated into MAPFRE S.A., and so the subsidiaries of the said company (MAPFRE VIDA, MAPFRE SEGUROS GENERALES, MAPFRE EMPRESAS, and MAPFRE CAJA SALUD) will become subsidiaries of MAPFRE, S.A..
- CAJA MADRID will receive 15% of the MAPFRE, S.A. share capital, as well as 12.5% of MAPFRE INTERNACIONAL and the shares corresponding to the 30% that MAPFRE currently holds in GESMADRID, CAJA MADRID BOLSA, and CAJA MADRID PENSIONES.
- A new company will be created, called MAPFRE - CAJA MADRID VIDA, which will market Life Insurance via the CAJA MADRID network, to be managed by MAPFRE and in which CAJA MADRID will have a 49% participation.

The parties have agreed that the most suitable formula in order to achieve the said objectives is the performance of the following transactions:

- Transfer by CORPORACION FINANCIERA CAJA DE MADRID S.A. to MAPFRE S.A. of 13.47% of the participation in MAPFRE – CAJA MADRID HOLDING.
- Acquisition by CORPORACION FINANCIERA CAJA DE MADRID S.A. of a 12.5% participation in MAPFRE INTERNACIONAL, a 30% participation in GESMADRID, CAJA MADRID BOLSA, and CAJA MADRID PENSIONES, and a 49% participation in MAPFRE – CAJA MADRID VIDA.
- The integration of MAPFRE – CAJA MADRID HOLDING into MAPFRE S.A. by way of the merger that is the subject of this project, as a result of which CORPORACION FINANCIERA CAJA DE MADRID S.A. will

receive a 15% participation in MAPFRE S.A. in exchange for its remaining 35.53% participation in the target company.

### **TERMS OF THE EXCHANGE**

As at the date this project is executed, the surviving company is the direct holder of 110,152,105 shares in the target company, which represent a participation of 51% of its share capital, which participation shall be increased, prior to the execution of the public merger deed, to 64.47%, in accordance with the aforementioned prior acquisition from CORPORACION FINANCIERA CAJA DE MADRID S.A. of an additional 13.47%, i.e. 29,093,115 shares, all of which shares, pursuant to the provisions of Article 249 of the Companies Act, will be amortized as they may not be exchanged for shares in the surviving company.

The terms of the exchange, bearing in mind that there is only one single recipient for the shares to be issued by MAPFRE S.A., are to be 401,527,793 shares of the surviving company for 76,739,300 shares of the target company.

As a result, MAPFRE S.A. will increase its share capital by 40,152,779.30 euros by way of the issue of 401,527,793 new shares, of the same class and series as before, numbered consecutively from 2,275,324,164 to 2,676,851,956, with a par value of 0.10 euros each one.

The new shares, which shall be subscribed in full by CORPORACION FINANCIERA CAJA DE MADRID S.A. in exchange for its 76,739,300 shares in the target company, will include entitlement to participate in corporate profits, with equal rights with regard to the shares in existence at the surviving company, and so they shall receive any dividends that may be distributed as from the date this merger project is executed.

In the event the surviving company should approve resolutions for the distribution of dividends between the date this merger project is proposed and the date the merger is formalized by way of the execution of the corresponding public deed, the right to receive the dividend corresponding to the new shares shall be made conditional on the successful completion of the merger transaction, and therefore it may not be exercised prior to the last one of the dates set forth above; without prejudice to the right to receive them as soon as the said public deed is executed.

As a result of the share capital increase at the surviving company, Article 5 of its Corporate By-laws shall be amended so as to state as follows:

“The share capital is set at the amount of TWO HUNDRED AND SIXTY-SEVEN MILLION, SIX HUNDRED AND EIGHTY-FIVE THOUSAND, ONE HUNDRED AND NINETY-FIVE

EUROS, SIXTY CENTS, represented by 2,676,851,956 ordinary shares with a par value of 0.10 euros each one, numbered consecutively from 1 to 2,676,851,956, each inclusive, which are fully paid up”.

An application will be made to the Madrid and Barcelona Securities Markets, and to the Spanish Automated Securities Trading System, for authorization for the new shares that have been issued to be listed. Likewise, an application will be made to the *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal* (IBERCLEAR) for it to record the new shares at the Electronic Share Register.

### **EXCHANGE PROCEDURE**

The procedure for exchanging the shares in the target company for shares in the surviving company shall be as follows:

- The share exchange shall be carried out by way of presenting the documents that prove share ownership at the member institution of IBERCLEAR that is designated by the surviving company for these purposes, as from the day after the day the merger deed is recorded at the Commercial Registry of Madrid.
- The said member institution, acting as agent, shall receive the actual share certificates, or any other documents proving ownership of shares in the target company, and shall carry out the rest of the exchange transactions with regard to the assignment of the corresponding newly-issued shares in the surviving company, all of which in accordance with the provisions of Royal Decree 116/1992 of 14 February, on representation of securities by way of book entries and the set-off and settlement of stock-market transactions, and of the Companies Act and any other applicable regulations.
- In the event that not all the shares in the target are presented for exchanging, the corresponding announcements will be published in the manner laid down by law, informing of the time limit allowed for the exchange to take place.
- Where appropriate, the provisions of Article 59 of the Companies Act shall be applied to those shares in the target company which are not presented for exchanging within the time allowed.
- The shares in the target company shall be extinguished as a result of the merger.

## **EFFECTS OF THE MERGER FOR ACCOUNTING PURPOSES**

The transactions of the company being wound up by reason of the merger shall be deemed to be performed by the surviving company for accounting purposes as from 1 January 2008.

## **SPECIAL RIGHTS**

As there are no shares in special classes or securities with special rights in the company to be wound up, it is not necessary to state the possible rights that it would be appropriate to confer within the surviving company to the holders of such shares or securities.

## **PRIVILEGES FOR THE ADMINISTRATORS OR FOR THE INDEPENDENT EXPERT**

No privilege is conferred within the surviving company to any of the administrators of the companies which are merging, nor is any advantage conferred on the independent expert who is to intervene in the merger project.

## **TAX TREATMENT**

This merger shall be governed by the taxation regime laid down at Chapter VIII of Title VII of Royal Legislative Decree 4/2004 of 5 March, approving the Restated Version of the Corporation Tax Act, for which purpose the corresponding communication shall be made to the Ministry of the Economy and Taxation.

## **ADMINISTRATIVE AUTHORIZATIONS**

The proposed merger entails the acquisition on the part of CORPORACION FINANCIERA CAJA DE MADRID S.A. of a significant participation in an insurance institution, and so there is a duty to give prior notice to the Insurance and Pension Funds Directorate-General, pursuant to the provisions of Article 22 of Royal Legislative Decree 6/2004 of 29 October, which approved the Restated Version of the Regulation and Supervision of Private Insurance Act; and therefore the proposed merger is subject to the approval of the said Regulatory Body.

\* \* \* \* \*

Having approved the above Merger Project, contained on six pages of normal paper, numbered from 1 to 6, written on one side only, all of which were signed by the Secretaries and initialled by the Chairmen of the Boards, then each and every member of the Boards of Directors of the participating companies proceeded to sign.

Majadahonda (Madrid), on the twenty-fifth day of January two thousand and eight.