



**MAPFRE, SA**

A REPORT FROM THE BOARD OF DIRECTORS  
ON THE DELEGATION OF AUTHORITY TO  
ISSUE BONDS, DEBENTURES OR OTHER  
FIXED-INCOME SECURITIES

Madrid, 6 February 2008

## I. BACKGROUND

This Report has been produced to justify a proposed resolution under the provisions of the general regime regarding the issue of debentures (Article 282 *et seq* of the Companies Act and Article 310 *et seq* of the Mercantile Registry Regulations) to delegate specific authority to the Board of Directors to issue simple bonds and debentures that are convertible into newly-issued shares or exchangeable for shares in circulation of the Company, and warrants or other instruments that directly or indirectly give a right to subscribe or acquire shares of the Company either newly issued or already in circulation.

## II. JUSTIFICATION FOR THIS PROPOSAL

The Board of Directors deems it appropriate to have the said authority available to act in the capital markets and obtain finance by way of the issue of fixed-income securities in the most agile and efficient manner possible and to the extent that this method for capturing resources may be deemed convenient bearing in mind market conditions, the strategic objectives of the Company and its need for financing. In this context it is deemed necessary for the management body to have the necessary capacity to take decisions it deems to be in the interest of the Company, and to execute the same in a flexible manner and to adapt to formal requirements and time limits that may be imposed by the financial markets.

The proposal gives to the Board of Directors authority to issue fixed-income securities, both simple, convertible and/or exchangeable, and warrants or other instruments that may give a right to subscribe or acquire shares of the Company either newly-issued or already in circulation.

The resolution that is submitted for the approval of the Shareholders in General Meeting lays down a maximum quantitative issue ceiling for any securities issued under the authority from the Shareholders in General Meeting that amounts to THREE THOUSAND MILLION euros. The time limit over which the Board of Directors may make use, on any one or more occasions, of the authorization is five years.

Also, the resolution that is submitted to the Shareholders in General Meeting for their approval sets out the basis and method of conversion and/or exchange of debentures or bonds into shares, and how to exercise warrants but the Board of Directors has delegated authority, should it resolve to make use of the authorisation from the Shareholders in General Meeting, to develop and specify the said basis and methods for each issue.

On the other hand, the resolution that is proposed also considers, in the event that the issue aims to include convertible debentures and/or warrants over newly-issued shares, authorisation for the Board of Directors to enable it to

decide on the exclusion of shareholders', convertible debenture, warrant and other similar security holders' privileges in rights issues whenever this may be necessary or appropriate to attract financial resources in domestic and international markets or whenever it would be in the company's interest to do so.

The suspension, whether total or partial, of privileges in rights issues is structured as authority from the Shareholders in General Meeting for the Board of Directors and, as a result, its use will depend on the Board of Directors' opinion in view of the circumstances in each case and all legally applicable requirements. If, in the exercise of the said authority, the Board of Directors should decide to exclude privileges in any specific capital increase, it is required, when an increase is decided on, to provide a detailed report of its reasons in the corporate benefit to justify the making of such a decision. This report must be implemented with another report that will have to be made by an external auditor on the terms provided for in Article 159.2 of the Re-Stated Wording of the Companies Act. According to this Article, both reports must be made available to the shareholders and submitted to the first General Meeting held following the decision to increase the capital.

### **III. PROPOSED RESOLUTIONS**

- To delegate to the Board of Directors specific authority to issue bonds, debentures or other fixed-income securities (hereinafter, the securities) on the following conditions:
  - The securities may be bonds or simple debentures, convertible into shares that are newly-issued or exchangeable for Company shares in circulation, and in warrants or other instruments that, directly or indirectly, may give a right to subscribe or acquire Company shares, either newly-issued or already in circulation.
  - The Board of Directors shall have the broadest powers to issue securities and to set their nature and the terms and conditions of each issue, in particular, for the purposes of information only and not by way of limitation, the following:
    - to determine the nominal value, kind of issue, premiums and exercise price, issue currency, representative form, interest rate and redemption terms;
    - to set anti-dilution clauses, subordination clauses, guarantees, *in rem* or personal, performance terms regarding duties under the issue, obtaining guarantees from third parties;
    - to, whenever necessary, set internal regulations for syndicates of debenture holders and to appoint a syndicate coordinator; in the event an issue is convertible or exchangeable, and the issuer reserves the right to at any time elect to convert or exchange the

securities by way of the allotment of shares in a new issue, of shares already in circulation or, a combination of both;

- to apply for the listing of the securities on any stock exchange, organised or not, domestic or foreign; to decide to exclude, completely or in part, privileges of shareholder's and holder's of debentures, warrants or other similar securities, in rights issues whenever the Company's interests so require;
  - to increase the share capital in such amount as may be necessary to meet conversion applications and/or the exercise of subscription rights for shares to the extent that the amount of such increases together with the amount of any other items decided on under the authority granted by the Shareholders in General Meeting does not exceed half of the share capital; to amend the Article in the Bylaws relating to the amount of the share capital.
- In the event of the issue of convertible or exchangeable debentures or bonds, the following criteria shall be applicable for the purpose of determining the basis and types of conversion or exchange: the conversion or exchange shall be of a fixed nature, fixed-income securities shall be valued at their nominal value and shares at their fixed rate of exchange as determined by the Board of Directors or, at a rate determined on the basis of the listed value of the Company shares on the Stock Exchange on the date/s or periods of time set as a reference and established in the said Board resolution; in any case, the price of the shares shall not be less than the highest of (i) the arithmetical average of the prices at the close of the Company shares on the Automated Securities Trading Market over the period of time set by the Board of Directors that shall not be more than three months nor less than fifteen days prior to the date on which the meeting of the Board of Directors when the issue of the securities is approved, is held and (ii) the closing price of the shares on the same Automated Securities Trading Market on the day prior to the date on which the Board of Directors' meeting is held when, in the exercise of these delegated powers, the issue of the securities is approved.

Within the limits laid down in the previous paragraph, the Board of Directors shall have the broadest powers to further and specify the basis and types of conversion and exchange.

- An issue may be made on any one or more occasions, at any time, within the maximum time limit of five years to start from the date on which this resolution is passed.
- The total maximum amount of the issues provided for under this delegation of authority is THREE THOUSAND MILLION euros or the equivalent thereof in another currency.