



Middle Sea Insurance p.l.c.

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Company Announcement in accordance with Malta Stock Exchange Bye Law 6.06.04

Middle Sea Insurance p.l.c. together with Corporacion Mapfre Compania Internacional de Reaseguros of Spain (Corporacion Mapfre) have agreed to join forces in Mapfre Progress S.p.a (Mapfre Progress), a non-life insurance company based in Sicily and operating in Southern Italy.

Pursuant to the "Heads of Agreement" dated 9th September 1999, and following a detailed due diligence exercise, Middle Sea entered into a "Promise of Sale" Agreement on 8 August 2000 with Corporacion Mapfre to acquire a controlling interest of 51% in Mapfre Progress. The new capital of Mapfre Progress will increase to US\$8.5 million as a result of this acquisition. Mapfre will retain 49% shareholding in Mapfre Progress.

Based on an Extraordinary General Meeting held on the 27th April 2000 and a Board Meeting held yesterday by the existing Board of Mapfre Progress, the appropriate increase and eventual transfer of shares has been contemplated.

Hence, the conclusion of the actual transfer of shares is expected to take place by the end of September 2000 in accordance with the statute of Mapfre Progress and subsequent to the fulfilment of pre-agreed conditions.

The Board of Directors, to be constituted after the share transfer, will be made up of five directors; three to be appointed by Middle Sea Insurance p.l.c and two by Corporacion Mapfre, with the Chairman appointed by Middle Sea. Mr. Stephen Gauci ACII, Chartered Insurance Practitioner who will be appointed General Manager, will be assisted by other management executives from Middle Sea. It is intended that supporting services, including internal audit, management information systems and finance and investments will be supported by the Middle Sea Group.

Mapfre Progress was established in the late seventies with the *sede legale* in Sicily. In 1988 the company became a subsidiary of the Corporacion Mapfre Group. The company employs 27 executives and is licenced by the *Istituto per la Vigilanza Sulla Assicurazioni Private e di Interesse Collettivo* (ISVAP) to write most classes of general business. The present distribution network is made up of 55 agents operating in Puglia, Calabria, Campania and Sicily. According to the Company's balance sheet at 31st December 1999 total assets were US\$40.5million based on generated premium revenue of US\$18.5m.

Middle Sea plans to develop and diversify the company's portfolio as part of its international investment plans within the Euro-Med region and, subject to appropriate licensing, to introduce other Group products in the Italian market.

Middle Sea Group is the leading Maltese life and general insurance group. As at December 1999 the Company's assets amounted to US\$114.7 million with an annual premium income of US\$25 million. Middle Sea holds a 51% shareholding in Middle Sea Valletta Life Assurance Company Ltd which, at 31st December 1999 had total assets of US\$155 million and premium revenue of US\$33 million for the year then ended. Since 1987, Middle Sea has been active in reinsurance through its branch office in London and on 22 March 2000 was issued a licence to operate in Gibraltar.

Mapfre is the leading Spanish life and non-life insurance group, headed by Mapfre Mutualidad. The group had consolidated revenues of US\$4.5 billion in 1999, and consolidated net income of US\$138 million. Mapfre's direct international insurance strategy in the first place is oriented towards Latin America, where it has operations in 12 countries. The group is also internationally active in reinsurance (Mapfre Re) and in travel assistance (Mapfre Asistencia). Corporacion Mapfre is a holding company which regroups Mapfre Mutualidad's subsidiaries.



E.M. Borg
Company Secretary

8 August 2000