



Middlesea Insurance p.l.c.

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Registration Number: C5553

MSI/CF/MSE00911

5 August 2011

The following is a Company Announcement issued by Middlesea Insurance p.l.c., pursuant to the Listing Rules of the Malta Financial Services Authority.

Quote

The Board of Directors of Middlesea Insurance p.l.c., during the Board meeting held today the 5 August 2011, approved the unaudited financial statements of the Group for the financial half year ended 30 June 2011. A preliminary statement of interim results is being attached herewith in terms of the Listing Rules. The Interim Financial Statements are available for viewing on the Company's website at www.middlesea.com

The Board of Directors do not recommend the payment of an interim dividend.

Unquote

By Order of the Board

Carlo Farrugia
Company Secretary

Review of Group Operations

Half Yearly Financial Statements - 30 June 2011

Commentary

The Directors present the unaudited consolidated interim results of Middlesea Insurance plc. The consolidated Middlesea Group result for the first six months of 2011 amounted to a profit before tax of €1.583 million, compared to €3.405 million registered in the comparative period last year. The movement in profit levels is a result of an improvement in the pure technical insurance operations, which did not compensate for the adverse impact arising from negative results on the investments portfolio and a reduced share of profit from the associated undertaking, MSV Life plc when compared to last year.

In line with the new strategic focus on local operations, the pure insurance business results of the holding company, Middlesea Insurance plc, sustained its improvement, generating a technical result of €1.71 million, an increase of 28.5 % over last year. All business is being generated from Malta following the cessation of underwriting in Gibraltar as from 1 January 2011. Over the first six months of the year, the company registered a 2.3 % increase in local general premiums when compared to previous year. Group Life premiums decreased by €0.72 million, mainly due a timing difference on specific policy accounts. Solvency position improved to 352 % as at 30 June 2011 from 228 % for the previous year comparative.

The continuing downward trend on the Malta Stock Exchange and the overall negative sentiment on the foreign financial markets in the second quarter had an adverse impact on results, with investment returns registering negatively when compared to a favourable return on the investment portfolio in the first six months of 2010.

The share of profits from MSV Life plc reduced from €2.6 million to € 886,000. The positive performance in premium of MSV Life plc was sustained, although the record premium levels registered in 2010 proved difficult to repeat during the first six months of 2011. The premium for the period was €71.8 million, and this was lower by 3.2 % than that registered during the corresponding months in 2010. MSV Life plc consolidated its investment portfolio which currently stands in excess of €1.08 billion. The investment return performance of MSV Life plc was also adversely impacted by the overall negative performance of the local and foreign markets. As at 30 June 2011 total assets of the company stood at €1.153 billion. The subsidiary company, BEE Insurance Management Ltd, contributed €0.02 million to the pre-tax results of the Group, compared to the €0.26 million last year.

Financial highlights for the half year

- **General Business Gross Premium written**, excluding Gibraltar business, which is now in run-off, increased by 2.3% from €16.67 million in 2010 to €17.07 million as at 30 June 2011.
- **Group Life Gross Premium Written** decreased by 40.7% from €1.21 million in 2010 to €0.72 million as at June 2011
- The **Combined Operational Ratio** for General Business, (total technical charges as a percentage of net earned premiums) improved from 97.40% in 2010 to 82.72%.
- **Return from Investments** (including unrealised capital movements) for the six months to 30 June 2011 deteriorated to a loss of €0.38 million, as compared with an income of €0.82 million in 2010.

- The investment in the associate undertaking **MSV Life p.l.c.** contributed a profit of €0.87 million after taxation towards the results of the Group, compared with a profit of €2.61 million last year.
- Include reference to Dividend from Group of Companies – there was a significant change here when compared to last year.
- The Group registered a **Profit after taxation** for the 6 months ended 30 June 2010 of €1.12 million, compared with a profit after taxation €3.22 million for the same period last year.
- **Gross Technical Reserves** at 30 June 2011 decreased to €55.39 million, a decrease of 0.2% over the 31 December 2010 reserves of €55.53 million. Net of reinsurers' share, technical provisions stand at €40.19 million, a marginal increase of 0.1% over the 31 December 2010 provisions of €40.17 million.
- **Total assets** decreased by 6.4% and totalled €129.12 million as at 30 June 2011, as compared to the total assets of €138.03 million at 31 December 2010 following the repayment of certain borrowings during the half year.
- **Total Equity** of the Group amounted to €55.33 million as at 30 June 2011, up from €54.94 million at 31 December 2010.
- The Group is compliant with the regulatory **solvency requirements** both for the long-term and general business.

Outlook

The core insurance operations registered positive results during the first six months of 2011. During the same period, Middlesea Insurance p.l.c., also witnessed an important development in its shareholding structure, attracting the interest of a global insurance company, Mapfre.

As communicated in a number of related Company Announcements, the first issued on the 29 April 2011, on the 29 July 2011 Mapfre Internacional completed the acquisition of the shares previously owned by Munich Re, thereby acquiring a controlling interest in Middlesea Insurance plc. At the time of reporting, in line with the requirements of the Listing Rules, Mapfre Internacional has issued an announcement that it will shortly be making a mandatory offer addressed to all the minority shareholders of the company.

The strategic focus of Middlesea Insurance plc remains that of improving the company's and group's current leading position in the local insurance market through the provision of a range of innovative products and quality service. The first six months of the year have registered improved technical results and reasonable profits. We look forward to the next half of the year with cautious optimism, as we seek to provide improved and sustainable results in a market which is inherently cyclical and which deals with insurable risks.

The Board of Directors do not propose to pay an interim dividend for the half year ended 30 June 2011 (2010 – nil)

Condensed Profit and Loss Accounts
Non - technical accounts
for the half year ended 30 June

	Group	
	6 months to 30 June 2011	6 months to 30 June 2010
	€'000	€'000
Balance on the general business technical account	1,522	913
Balance on the long term business technical account	189	418
	<u>1,711</u>	<u>1,331</u>
Share of profit of associated undertaking	866	2,612
	<u>2,577</u>	<u>3,943</u>
Total income from insurance activities	2,577	3,943
Other investment income	888	1,785
Investment expenses and charges	(1,263)	(960)
Allocated investment return transferred to the general business technical account	104	(673)
Other income	323	1,001
Administration expenses	(1,046)	(1,691)
	<u>1,583</u>	<u>3,405</u>
Profit for the half year before tax	1,583	3,405
Income tax expense	(461)	(190)
	<u>1,122</u>	<u>3,215</u>
Profit for the half year	1,122	3,215
	<u>1,122</u>	<u>3,215</u>
Profit attributable to shareholders	1,122	3,215
	<u>1c2</u>	<u>3c5</u>
Earnings per share attributable to shareholders	1c2	3c5

**Condensed Statements of Comprehensive Income
for the half year ended 30 June**

	Group	
	6 months to 30 June 2011	6 months to 30 June 2010
	€'000	€'000
Profit for the half year	1,122	3,215
Other comprehensive income:		
Change in other available-for-sale investments	-	36
Share of decrease in value of in-force business of associated undertaking	(740)	(496)
Total other comprehensive income, net of tax	(740)	(460)
Total comprehensive income for the half year	382	2,755
Total comprehensive income attributable to shareholders	382	2,755

Condensed Consolidated Balance Sheets

	Group	
	June	December
	2011	2010
	€'000	€'000
ASSETS		
Intangible assets	484	468
Property, plant and equipment	1,877	1,874
Investment property	7,429	7,406
Investment in associated undertakings	53,134	53,009
Other investments	30,575	40,976
Deferred income tax	2,610	2,620
Reinsurers' share of technical provisions	15,196	15,357
Deferred acquisition costs	3,166	2,960
Insurance and other receivables	11,208	10,303
Income tax receivables	160	331
Cash and cash equivalents	3,285	2,734
Total assets	129,124	138,038
EQUITY		
Capital and reserves attributable to shareholders	55,331	54,949
Total equity	55,331	54,949
LIABILITIES		
Deferred income tax	874	766
Provisions for other liabilities and charges	795	833
Technical provisions	55,389	55,531
Borrowings	4,204	13,285
Insurance and other payables	12,530	12,674
Income tax payable	1	-
Total liabilities	73,793	83,089
Total equity and liabilities	129,124	138,038

These condensed financial statements were approved by the Board on 5 August 2011 and were signed on its behalf by:

Joseph F.X. Zahra
Chairman

Roderick E.D. Chalmers
Director

**Statements of Changes in Equity
for the half year ended 30 June**

Group

	Attributable to shareholders				Total €'000
	Share capital €'000	Share premium account €'000	Other reserves €'000	Profit & loss account €'000	
Balance as at 1 January 2010	55,200	2,221	20,368	(29,125)	48,664
Comprehensive income					
Profit for the half year	-	-	-	3,215	3,215
Other comprehensive income:					
Change in other available-for-sale investments	-	-	36	-	36
Share of decrease in value of in-force business of associated undertaking	-	-	(496)	-	(496)
Total other comprehensive income, net of tax	-	-	(460)	-	(460)
Total comprehensive income	-	-	(460)	3,215	2,755
Balance as at 30 June 2010	55,200	2,221	19,908	(25,910)	51,419
Balance as at 1 January 2011	55,200	2,221	21,302	(23,774)	54,949
Comprehensive income					
Profit for the half year	-	-	-	1,122	1,122
Other comprehensive income:					
Share of decrease in value of in-force business of associated undertaking	-	-	(740)	-	(740)
Total other comprehensive income, net of tax	-	-	(740)	-	(740)
Total comprehensive income	-	-	(740)	1,122	382
Transactions with owners					
Capitalisation of losses	(35,880)	(1,533)	-	37,413	-
Total transactions with owners	(35,880)	(1,533)	-	37,413	-
Balance as at 30 June 2011	19,320	688	20,562	14,761	55,331

**Condensed consolidated statements of cash flows
for the half year ended 30 June**

	Group	
	6 months to 30 June 2011	6 months to 30 June 2010
	€'000	€'000
Net cash generated from/(used in) operating activities	128	(6,415)
Net cash generated from investing activities	9,505	7,133
Net cash (used in)/generated from financing activities	(9,082)	25
Net movement in cash and cash equivalents	551	743
Cash and cash equivalents at beginning of year	2,734	3,724
Cash and cash equivalents at end of half year	3,285	4,467

**Notes to the Condensed Financial Statements
For the half year ended 30 June 2011**

1. Middlesea Insurance p.l.c. is authorised by the Malta Financial Services Authority to carry on long term and general business of insurance under the Insurance Business Act, 1998.
2. Basis of preparation

These condensed financial statements are being published in accordance with Chapter 5 of the Listing Rules of the Listing Authority – Malta Financial Services Authority and the Prevention of Financial Markets Abuse Act 2005. These statements have been extracted from the Group's unaudited financial statements as approved by the Board on 5 August 2011 and have been prepared in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim financial reporting (IAS34). They do not include all information required for full annual financial statements, and should be read in conjunction with the financial statements for the year ended 31 December 2010. The accounting policies applied in these condensed financial statements are the same as those applied by the group in its financial statements as at and for the year ended 31 December 2010.

Related party transactions with other members of the Middlesea Group were at a similar level to the comparable period

Segmental information

The Group is organized into three geographic segments: Malta, Gibraltar and London. These segments, which are based on internal management accounts, are all principally involved in the business of general insurance.

	Gross written premiums		Profit/(loss) before taxation	
	6 months to 30 June 2011	6 months to 30 June 2010 restated	6 months to 30 June 2011	6 months to 30 June 2010
	€'000	€'000	€'000	€'000
Malta	17,787	17,881	800	3,064
Gibraltar	41	1,296	337	300
London	3	6	(15)	(149)
	17,831	19,183	1,122	3,215

Statement pursuant to Listing Rule 5.75.3 issued by the Listing Authority

We confirm that to the best of our knowledge:

- the condensed interim financial statements for the Group give a true and fair view of the financial position as at 30 June 2011, financial performance and cash flows for the period then ended, in accordance with accounting standards adopted for use in the EU for interim financial statements (adopted *IAS 34 'Interim Financial Reporting'*) for the Group; and
- the commentary includes a fair review of the information required in terms of Listing rule 5.75.2.

J F X Zahra
Chairman
Review of Group Operations

R.E.D. Chalmers
Director