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28 February 2012

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., has today, the 28 February 2012, approved the audited financial statements for the financial year ended 31 December 2011. The Board resolved that these audited financial statements be submitted for the approval of the Shareholders at the forthcoming Annual General Meeting (AGM) scheduled for Friday 20 April 2012. A preliminary statement of the annual results is being attached herewith in terms of the Listing Rules. Shareholders on the Company's register at the Central Securities Depository of the Malta Stock Exchange as at close of business on Tuesday 20 March 2012 (the record date), will receive notice of the AGM together with a copy of the Annual Report and Financial Statements for the year ended 31 December 2011. The Audited Financial Statements will be available for viewing on the Company's website at www.middlesea.com as from the 1 March 2012.

The Board of Directors recommends, for the approval of the AGM, the payment of a final net dividend of €598,000 (2010 – nil) equivalent to a gross dividend of €0.010 per share (2010 – nil). The final dividend, if approved at the AGM, will be paid on the 20 May 2012 to the Shareholders on the Company's share register at the Central Securities Depository of the Malta Stock Exchange at the close of business as at the 23 April 2012.

Unquote

By Order of the Board



Carlo Farrugia
Company Secretary



Financial Highlights as at the 31 December 2011

In April 2011 the Board was notified that an agreement had been reached between Mapfre Internacional (Mapfre) and Munich Re whereby Mapfre was to acquire the 19.9% shareholding previously held by Munich Re. Regulatory approval was sought following which, in accordance to the Listing Rules, Mapfre was required to make a Mandatory Bid for the acquisition of the remaining shares. Bank of Valletta p.l.c. declared that it had agreed with Mapfre that it was not going to tender its shares under the Bid Offer and that it had indicated its intention to maintain its shareholding in the Company. Following regulatory approval that was obtained on 29 July 2011, Mapfre completed the purchase of the shares from Munich Re and acquired control of the Company, having increased its shareholding to 50.98%. In line with regulatory requirements, Mapfre then proceeded with the Mandatory Bid. Following closure of the Bid on 26 September 2011, Mapfre increased its shareholding to 54.56%, Bank of Valletta p.l.c. maintained its holding of 31.08%, and the aggregate holding of the other individual shareholders reduced to 14.36%.

Consequent to the above and an agreement entered into between Mapfre and Bank of Valletta, on 29 July 2011, Middlesea Insurance p.l.c. acquired *de-facto* control over MSV Life p.l.c. ("MSV"), the group company specialising in life business. MSV was previously recognised as an associated undertaking, and on consolidation was accounted for using equity accounting and therefore, measured in the balance sheet at an amount that reflected the share of net assets in the associated undertaking. As from 29 July 2011, MSV was classified as a subsidiary and fully consolidated on a line by line basis. Income, expenses and other movements in reserves are reflected accordingly for the period between 29 July 2011 and 31 December 2011.

Financial highlights of the results for the year ended 31 December 2011 include the following:-

- Total Group profit before tax (including MSV as a subsidiary) for the year amounted to €3.1 million – as compared to a profit during the previous year of €6.4 million.
- The operations of the standalone Company registered improved technical results which were however negatively impacted by a lower investment income, and lower dividends from Group companies, the latter amounting to €0.7 million compared to €6.8 million in 2010. The profit before tax generated by MSI for FY 2011, amounted to €1.8 million, compared to a profit of €8.9 million in FY 2010.
- The Group's results include the share of MSV's results as an associate (up to 29 July 2011) amounting to €1.6 million (2010: €3.9 million) and consolidated results before tax of €0.4 million (2010: nil). MSV reported a decrease in turnover as a result of lower single premium business due to an effort to write more regular premium and protection business and prevailing market conditions. Although capital markets were exceptionally volatile during 2011, MSV has delivered a strong performance focusing on capital generation and the management of liquidity.



- Group investment income (excluding income from associates and including MSV's investment income as from 29 July 2011 amounted to €4.7 million compared to €2.3 million in 2010, Company €1.4 million (2010: €8.8 million).
- Total Group capital and reserves attributable to shareholders (excluding non controlling interests) at 31 December 2011 was €56.5 million, compared to €54.9 million as at 31 December 2010.

Financial Year 2011 continued to be a stabilisation year for the Company and the Group. With Mapfre acquiring control of the Company, the Group is seeking to draw upon Mapfre's experience in the global insurance market in offering a more focused service aimed at enhancing the solid reputation the Company has with its customers, through new and innovative products coupled with a strong brand. Focus was set on local operations, in order to consolidate and improve upon the Middlesea's leadership position in the Maltese market, and, as reported last year, MSI ceased writing business in the geographical territory of Gibraltar as from 1 January 2011 and re-focused its operations exclusively on the local market. Excluding results of Gibraltar, Local Operations delivered a strong pure technical result of €3.0 million compared to €2.2 million during the previous year.

During the year the Company consolidated its strong balance sheet, increasing its Shareholders' equity to € 55.7 million, and improving its regulatory solvency position as at 31 December 2011 to 386%, when compared to the minimum regulatory requirement of 150%.

During the Annual General Meeting held on 3 May 2011, the shareholders approved the offsetting of all the accumulated losses against the issued share capital and share premium account of the company in order to restore the Company's potential to declare dividends. The Board of Directors is recommending the payment of a total gross Dividend amounting to €920,000, in line with its commitment to restore sustainable dividends at the earliest opportunity.

By Order of the Board



Condensed Profit and Loss Accounts
Non - technical accounts for the year ended
31 December

	Group		Company	
	2011 €'000	2010 €'000	2011 €'000	2010 €'000
Balance on the general business technical account	2,422	2,870	2,422	2,870
Balance on the long term business technical account	843	710	611	710
	3,265	3,580	3,033	3,580
Share of profit of associated undertaking	1,644	3,920	-	-
	4,909	7,500	3,033	3,580
Total income from insurance activities	4,909	7,500	3,033	3,580
Other investment income	2,037	3,035	2,247	9,530
Investment expenses and charges	(1,123)	(1,021)	(966)	(1,021)
Allocated investment return transferred to the general business technical account	(793)	(1,667)	(793)	(1,667)
Other income	856	1,252	-	-
Administrative expenses	(2,776)	(2,658)	(1,767)	(1,565)
	3,110	6,441	1,754	8,857
Profit for the financial year before tax	3,110	6,441	1,754	8,857
Tax expense	(1,063)	(1,090)	(711)	(1,118)
	2,047	5,351	1,043	7,739
Profit for the financial year	2,047	5,351	1,043	7,739
Attributable to:				
- shareholders	1,929	5,351	1,043	7,739
- non-controlling interests	118	-	-	-
	2,047	5,351	1,043	7,739
Earnings per share attributable to shareholders	2.1c	5.8c		



Condensed Statements of Comprehensive Income
for the year ended 31 December

	Group		Company	
	2011 €'000	2010 €'000	2011 €'000	2010 €'000
Profit for the financial year	2,047	5,351	1,043	7,739
Other comprehensive income:				
Fair value gain on investment in associated undertakings	-	-	529	2,016
Change in other available-for-sale investments	20	31	23	-
Share of increase in value of in-force business of subsidiary undertaking	1,434	-	-	-
Share of (decrease)/increase in value of in-force business of associated undertaking	(1,100)	903	-	-
Total other comprehensive income, net of tax	354	934	552	2,016
Total comprehensive income for the year	2,401	6,285	1,595	9,755
Attributable to				
- shareholders	1,566	6,285	-	-
- non-controlling interests	835	-	-	-
Total comprehensive income for the year	2,401	6,285		



Condensed Consolidated Balance Sheets

	Group		Company	
	2011 €'000	2010 €'000	2011 €'000	2010 €'000
At 31 December				
ASSETS				
Intangible assets	44,725	468	498	457
Property, plant and equipment	4,787	1,874	1,579	1,393
Investment property	66,537	7,406	8,111	7,831
Investment in subsidiary undertakings	-	-	57,214	1,212
Investment in associated undertakings	5,208	53,009	147	55,473
Other investments	1,056,563	40,976	25,634	40,348
Deferred income tax	2,351	2,620	1,113	1,113
Reinsurers' share of technical provisions	16,436	15,357	16,208	15,357
Deferred acquisition costs	2,898	2,960	2,898	2,960
Insurance and other receivables	21,835	10,303	9,306	10,056
Income tax receivable	4,725	331	416	290
Cash and cash equivalents	7,380	2,734	952	1,875
Total assets	1,233,445	138,038	124,076	138,365
EQUITY				
Capital and reserves attributable to shareholders	56,515	54,949	55,737	54,142
Non-controlling interests	55,825	-	-	-
Total equity	112,340	54,949	55,737	54,142
LIABILITIES				
Deferred income tax	8,200	766	927	748
Provisions for other liabilities and charges	1,199	833	1,199	833
Technical provisions				
- Insurance contracts and investment contract with DPF	1,029,254	55,531	54,813	55,531
- Investment contracts without DPF	60,338	-	-	-
Derivative financial instruments	189	-	-	-
Borrowings	8,500	13,285	2,500	13,285
Insurance and other payables	13,425	12,674	8,900	13,826
Total liabilities	1,121,105	83,089	68,339	84,223
Total equity and liabilities	1,233,445	138,038	124,076	138,365

These condensed financial statements were approved by the Board on 28 February 2012 and were signed on its behalf by:

Joseph F.X. Zahra
Chairman

Alfredo Muñoz Perez
President & CEO



Group Statements of Changes in Equity for the year ended 31 December	Attributable to shareholders				Total €'000	Non- controlling interests €'000	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	-	48,664
Comprehensive income							
Profit for the financial year	-	-	-	5,351	5,351	-	5,351
Other comprehensive income:							
Change in other available-for-sale investments	-	-	31	-	31	-	31
Share of increase in value of in-force business of associated undertaking	-	-	903	-	903	-	903
Total other comprehensive income, net of tax	-	-	934	-	934	-	934
Total comprehensive income	-	-	934	5,351	6,285	-	6,285
Balance as at 31 December 2010	55,200	2,221	21,302	(23,774)	54,949	-	54,949
Balance as at 1 January 2011	55,200	2,221	21,302	(23,774)	54,949	-	54,949
Comprehensive income							
Profit for the financial year	-	-	-	1,929	1,929	118	2,047
Other comprehensive income:							
Change in other available-for-sale investments	-	-	20	-	20	-	20
Share of increase in value of in-force business of subsidiary undertaking	-	-	717	-	717	717	1,434
Share of decrease in value of in-force business of associated undertaking	-	-	(1,100)	-	(1,100)	-	(1,100)
Total other comprehensive income, net of tax	-	-	(363)	-	(363)	717	354
Total comprehensive income	-	-	(363)	1,929	1,566	835	2,401
Transactions with owners							
Reduction in capital against accumulated losses	(35,880)	(1,533)	-	37,413	-	-	-
Non-controlling interest arising on business combination	-	-	-	-	-	54,990	54,990
Total transactions with owners	(35,880)	(1,533)	-	37,413	-	54,990	54,990
Balance as at 31 December 2011	19,320	688	20,939	15,568	56,515	55,825	112,340



Company Statements of Changes in Equity for the year ended 31 December	Share capital €'000	Share premium account €'000	Other reserves €'000	Profit & loss account €'000	Total €'000
Balance as at 1 January 2010	55,200	2,221	32,118	(45,152)	44,387
Comprehensive income					
Profit for the financial year	-	-	-	7,739	7,739
Other comprehensive income:					
Fair value gain on investment in associated undertaking	-	-	2,016	-	2,016
Total other comprehensive income, net of tax	-	-	2,016	-	2,016
Total comprehensive income	-	-	2,016	7,739	9,755
Balance as at 31 December 2010	55,200	2,221	34,134	(37,413)	54,142
Balance as at 1 January 2011	55,200	2,221	34,134	(37,413)	54,142
Comprehensive income					
Profit for the financial year	-	-	-	1,043	1,043
Other comprehensive income:					
Change in other available-for-sale investments	-	-	23	-	23
Fair value gain on investment in associated undertaking	-	-	529	-	529
Total other comprehensive income, net of tax	-	-	552	-	552
Total comprehensive income	-	-	552	1,043	1,595
Transactions with owners					
Reduction in capital against accumulated losses	(35,880)	(1,533)	-	37,413	-
Total transactions with owners of the company, recognised directly in equity	(35,880)	(1,533)	-	37,413	-
Balance as at 31 December 2011	19,320	688	34,686	1,043	55,737

Middlesea Insurance p.l.c.
Preliminary Statement of Annual Results
31 December 2011

**Condensed consolidated statements of cash flows
for the year ended 31 December**

	Group		Company	
	2011	2010	2011	2010
	€'000	€'000	€'000	€'000
Net cash generated from/(used in) operating activities	17,684	2,997	(3,260)	3,397
Net cash (used in)/generated from investing activities	(16,582)	7,513	13,122	6,898
Net cash used in financing activities	(10,785)	(11,500)	(10,785)	(11,500)
Net movement in cash and cash equivalents	(9,683)	(990)	(923)	(1,205)
Cash and cash equivalents at beginning of year	2,734	3,724	1,875	3,080
Recognition of subsidiary undertakings	14,329	-	-	-
Cash and cash equivalents at end of year	7,380	2,734	952	1,875