

MSI/CF/MSE01312

23 July 2012

Company Announcement pursuant to the Listing Rules of the Malta Financial Services Authority

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 23 July 2012, approved the unaudited financial statements of the Group for the financial half year ended 30 June 2012. 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 propose the payment of a dividend.

Unquote

By Order of the Board


Carlo Farrugia
Company Secretary

Review of Group Operations

Half Yearly Financial Statements - 30 June 2012

Commentary

The Directors present the unaudited consolidated interim results of Middlesea Insurance p.l.c.. As reported in the audited financial statements of the Group for the financial year ended 31 December 2011, Middlesea Insurance p.l.c. acquired *de-facto* control over MSV Life p.l.c. (MSV) by virtue of a shareholders' agreement that was signed as a consequence of the changed shareholding in Middlesea Insurance p.l.c. during 2011 which resulted in Mapfre Internacional S.A. acquiring a controlling interest in the Company. The June 2012 results therefore consolidate MSV's results on a line by line basis whereas the 2011 comparative only consolidates the Group's share of the associate's profit after tax.

The consolidated Middlesea Group result for the first six months of 2012 amounted to a profit before tax of €7.17 million, compared to €1.58 million registered during the comparative period last year. The profit after tax allocated to shareholders amounted to €2.79 million as compared to €1.12 million in 2011. The improvement in profit levels is a result of an improvement in the pure technical insurance operations in the Holding Company enhanced further by the positive performance of the Group's investment portfolio.

Financial market movements had a positive influence on the investment portfolio returns particularly that of MSV Life p.l.c.. The downward trend on the Malta Stock Exchange was mitigated by an improved sentiment on foreign financial markets which however showed a downward trend in the last two months as a result of the uncertainties shrouding the Euro Zone economic situation. During the first six months of 2011 negative returns were registered on both the local and foreign markets which impacted negatively the Group results.

Focus remains on the improvement of the result of Middlesea Insurance plc , as stand- alone company, which generated an improved technical result on the same period last year. Satisfactory improvement has been registered both in the technical income and gross premiums written. Solvency position continues to improve as a result of the improved results of the Company and as a result of a better solvency position of MSV.

Improved results attributable to shareholders have also been attained from MSV Life p.l.c.. The current economic environment continues to impinge on MSV Life p.l.c. premium volumes particularly on capital intensive products.

During the first six months of 2012 Middlesea Insurance p.l.c. has launched a number of new products including Assistance, offering Roadside and Home assistance through its associate company Middlesea Assist, Extended Warranty, GAP and Wedding Policies. These came at a time when the Company was changing its corporate identity to embrace its evolution within the Mapfre Group through its rebranding at the start of May 2012.

Financial highlights for the half year

- **General Business Gross Premium written** increased by 7.3% from €17.11 million in 2011 to €18.36 million as at 30 June 2012.
- **Long term Gross Premium Written** by the Group reduced by 36% to €45.50 million compared to €70.68 million in the comparative period in 2011
- The **Combined Operational Ratio** for General Business, (the total technical charges as a percentage of net earned premiums) improved from 82.72% in 2011 to 80.73%.
- **Return from Investments** (which includes unrealised capital movements) allocated to the non-technical account for the six months to 30 June 2012 amounted to a gain of €2.28 million compared to a loss of €0.38 million in 2011.
- The investment in the associate **MSV Life p.l.c.** contributed a profit of €1.84 million after taxation towards the results of the Group, compared with a profit of €0.87 million last year.
- The Group registered a **Profit after taxation** for the 6 months ended 30 June 2012 of €4.63 million, of which €2.79 million attributable to shareholders, compared with a profit after taxation €1.12 million for the same period last year.
- **Gross Technical Reserves** at 30 June 2011 increased by 2.6% to €1.12 billion over the 31 December 2011 reserves of €1.09 billion. Net of reinsurers' share, technical provisions stand at €1.10 billion, an increase of 3.4% over the 31 December 2011 provisions of €1.07 billion.
- **Total assets** increased by 3.1% and totaled €1.27 billion as at 30 June 2012, as compared to the total assets of €1.23 billion at 31 December 2011.
- **Total Equity** of the Group attributable to shareholders amounted to €60.23 million as at 30 June 2012, up from €56.51 million at 31 December 2011.
- The Group is compliant with the regulatory **solvency requirements** both for the long-term and general business.

Outlook

Whilst registering satisfactory results both in the technical and non-technical accounts, the Group looks forward with cautious optimism to the second half of 2012. Focus will remain on improving return to shareholders through enhanced technical performance and cost curtailment in the current bleak economic and financial environment. The Group will continue in its efforts to offer a wider range of products tailored for the changing needs of its wide client base on the strength of its experience in the highly competitive local insurance market.

The Board of Directors do not propose to pay an interim dividend for the half year ended 30 June 2012 (2011 – nil)

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

	Group	
	6 months to 30 June 2012	6 months to 30 June 2011
	€'000	€'000
Balance on the general business technical account	2,158	1,522
Balance on the long term business technical account	4,000	189
	6,158	1,711
Share of profit of associated undertaking	-	866
Total income from insurance activities	6,158	2,577
Other investment income	2,587	888
Investment expenses and charges	(307)	(1,263)
Allocated investment return transferred to the general business technical account	(466)	104
Other income	652	323
Administration expenses	(1,457)	(1,046)
Profit for the half year before tax	7,167	1,583
Income tax expense	(2,536)	(461)
Profit for the half year	4,631	1,122
Attributable to:		
- shareholders	2,789	1,122
- non-controlling interests	1,842	-
	4,631	1,122
Earnings per share attributable to shareholders	3c0	1c2

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

	Group	
	6 months to 30 June 2012 €'000	6 months to 30 June 2011 €'000
Profit for the half year	4,631	1,122
Other comprehensive income:		
Change in other available-for-sale investments	(14)	-
Share of increase/(decrease) in value of in-force business of associated undertaking	3,078	(740)
Total other comprehensive income, net of tax	<u>3,064</u>	<u>(740)</u>
Total comprehensive income for the half year	<u>7,695</u>	<u>382</u>
Attributable to:		
- shareholders	4,314	382
- non-controlling interests	3,381	-
Total comprehensive income attributable to shareholders	<u>7,695</u>	<u>382</u>

Condensed Consolidated Balance Sheets

	Group	
	June	December
	2012	2011
	€'000	€'000
ASSETS		
Intangible assets	47,595	44,725
Property, plant and equipment	4,987	4,787
Investment property	66,606	66,537
Investment in associated undertakings	5,103	5,208
Other investments	1,085,685	1,056,563
Deferred income tax	2,331	2,351
Reinsurers' share of technical provisions	17,955	16,436
Deferred acquisition costs	3,321	2,898
Insurance and other receivables	24,594	21,835
Income tax receivables	5,149	4,725
Cash and cash equivalents	8,328	7,380
Total assets	1,271,654	1,233,445
EQUITY		
Capital and reserves attributable to shareholders	60,231	56,515
Non-controlling interests	58,341	55,825
Total equity	118,572	112,340
LIABILITIES		
Deferred income tax	10,357	8,200
Provisions for other liabilities and charges	1,189	1,199
Technical provisions:		
- Insurance contracts and investment contracts with DPF	1,057,184	1,029,254
- Investment contracts without DPF	60,427	60,338
Derivative financial instruments	-	189
Borrowings	8,500	8,500
Insurance and other payables	15,425	13,425
Total liabilities	1,153,082	1,121,105
Total equity and liabilities	1,271,654	1,233,445

These condensed financial statements were approved by the Board on 23 July 2012 and were signed on its behalf by:

Martin Galea
Chairman

Alfredo Munoz Perez
President & CEO

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

Group

	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 2011	55,200	2,221	21,302	(23,774)	54,949	-	54,949
Comprehensive income							
Profit for the half year	-	-	-	1,122	1,122	-	1,122
Other comprehensive income:							
Change in other available-for-sale investments	-	-	-	-	-	-	-
Share of decrease in value of in-force business of associated undertaking	-	-	(740)	-	(740)	-	(740)
Total other comprehensive income, net of tax	-	-	(740)	-	(740)	-	(740)
Total comprehensive income	-	-	(740)	1,122	382	-	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	-	55,331
Balance as at 1 January 2012	19,320	688	20,939	15,568	56,515	55,825	112,340
Comprehensive income							
Profit for the half year	-	-	-	2,789	2,789	1842	4,631
Other comprehensive income:							
Change in other available-for-sale investments	-	-	(14)	-	(14)	-	(14)
Share of decrease in value of in-force business of associated undertaking	-	-	1,539	-	1,539	1,539	3,078
Total other comprehensive income, net of tax	-	-	1,525	-	1,525	1,539	3,064
Total comprehensive income	-	-	1,525	2,789	4,314	3,381	7,695
Transactions with owners							
Dividends for 2011	-	-	-	(598)	(598)	(865)	(1,463)
Total transactions with owners	-	-	-	(598)	(598)	(865)	(1,463)
Balance as at 30 June 2012	19,320	688	22,464	17,759	60,231	58,341	118,572

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

	Group	
	6 months to 30 June 2012	6 months to 30 June 2011
	€'000	€'000
Net cash generated from operating activities	15,944	128
Net cash (used in)/generated from investing activities	(13,533)	9,505
Net cash used in financing activities	(1,463)	(9,082)
Net movement in cash and cash equivalents	948	551
Cash and cash equivalents at beginning of year	7,380	2,734
Cash and cash equivalents at end of half year	8,328	3,285

Notes to the Condensed Financial Statements
For the half year ended 30 June 2012

1. Middlesea Insurance p.l.c. is authorized 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 23 July 2012 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 2011. 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 2011.

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 2012	6 months to 30 June 2011	6 months to 30 June 2012	6 months to 30 June 2011
	€'000	€'000	€'000	€'000
Malta	63,858	17,787	6,924	1,261
Gibraltar - discontinued	-	41	537	337
London - discontinued	-	3	(294)	(15)
	63,858	17,831	7,167	1,583

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 2012, 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.

Martin Galea
Chairman

Alfredo Munoz Perez
President & CEO