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Registration Number: C5553

MIDDLESEA
A MEMBER OF THE **MAPFRE** GROUP

MSI/CF/MSE01213

18 July 2013

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.

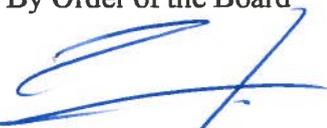
Quote

The Board of Directors of Middlesea Insurance p.l.c., have today the 18 July 2013, considered and approved the unaudited financial statements of the Group for the financial half year ended 30 June 2013. 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.

In line with Company policy, the Board of Directors do not propose 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 2013

Commentary

The Directors present the unaudited consolidated interim results of Middlesea Insurance p.l.c..

The consolidated Middlesea Group result for the first six months of 2013 amounted to a profit before tax of €6.82 million, compared to €7.17 million registered during the comparative period last year. The profit after tax allocated to shareholders amounted to €2.43 million as compared to €2.79 million in 2012. Although the technical performance of the Company's general business was affected by losses, particularly in the motor class of business, which were higher than those registered during the corresponding period last year, the Group registered a satisfactory results, due to the improved performance of MSV Life p.l.c., the life subsidiary, which registered a higher profit.

As reported in the Chairman's Statement in the Financial Statements of 2012, the Company's turnover has been negatively impacted as a result of the termination agreement with a major agent who set up its own insurance company at the beginning of the year. Whilst premium volumes are 11.8% below previous year, the Company has managed to acquire substantial new business to minimize the impact of the lost business. This successful strategy is significant in the light of the fierce competition and severe price undercutting dominating the general business market. MSV Life p.l.c.'s saw its premium written increase by 23.6% contributing to an increased volume of business for the Group.

Financial markets performed well during the first half of the year and had a positive influence on the investment portfolio returns particularly that of MSV Life p.l.c.. The improved sentiment on foreign financial markets coupled by a positive performance by the Malta Stock Exchange contributed to better returns being achieved both compared to forecasts and previous year.

Cost curtailment remains high on the agenda and positive results have been achieved in this area during the period under consideration. The Group continues to enjoy a healthy Solvency position as a result of the positive results attained by it.

Financial highlights for the half year

- **General Business Gross Premium written** decreased by 12.5% from €18.36 million in 2012 to €16.06 million as at 30 June 2013.
- **Long term Gross Premium Written** by the Group increased by 23.3% to €56.11 million compared to €45.50 million in the comparative period in 2012
- **Return from Investments** allocated to the non-technical account for the six months to 30 June 2013 amounted to a gain of €2.95 million compared to €2.28 million in 2012.
- The investment in **MSV Life p.l.c.** contributed a profit of €6.24 million before taxation towards the results of the Group, compared with a profit of €5.67 million last year.
- The Group registered a **Profit after taxation** for the 6 months ended 30 June 2013 of €4.46 million, of which €2.43 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 2012 increased by 3.4% to €1.21 billion over the 31 December 2012 reserves of €1.17 billion. Net of reinsurers' share, technical provisions stand at €1.20 billion, an increase of 3.6% over the 31 December 2012 provisions of €1.15 billion.
- **Total assets** increased by 2.6% and totaled €1.37 billion as at 30 June 2013, as compared to the total assets of €1.34 billion at 31 December 2012.
- **Total Equity** of the Group attributable to shareholders amounted to €68.59 million as at 30 June 2013, up from €67.23 million at 31 December 2012.
- The Group is compliant with the regulatory **solvency requirements** both for the long-term and general business. Middlesea Insurance p.l.c.'s solvency position as at 30 June 2013 on its general business stood at 495% of the minimum solvency requirement (31 December 2012 – 603%).

Outlook

Whilst registering satisfactory results both in the technical and non-technical accounts, the Group moves to the second half with cautious optimism in achieving its targets. Focus will remain on improving return to shareholders through strategies aimed at enhancing technical performance and cost curtailment in the current harsh competitive environment. The Group will continue in its efforts to offer its clients a wider range of products and services tailored for their changing needs in an innovative way in making the customer experience a remarkable one.

In line with Company policy, the Board of Directors do not propose to pay an interim dividend for the half year ended 30 June 2013 (2012 – nil)

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

	Group	
	6 months to 30 June 2013	6 months to 30 June 2012
	€'000	€'000
Balance on the general business technical account	1,009	2,158
Balance on the long term business technical account	3,906	4,000
Total income from insurance activities	4,915	6,158
Other investment income	3,216	2,587
Investment expenses and charges	(269)	(307)
Allocated investment return transferred to the general business technical account	(277)	(466)
Other income	584	652
Administration expenses	(1,346)	(1,457)
Profit for the half year before tax	6,823	7,167
Income tax expense	(2,367)	(2,536)
Profit for the half year	4,456	4,631
Attributable to:		
- shareholders	2,429	2,789
- non-controlling interests	2,027	1,842
	4,456	4,631
Earnings per share attributable to shareholders	2c6	3c0

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

	Group	
	6 months to 30 June 2013	6 months to 30 June 2012
	€'000	€'000
Profit for the half year	4,456	4,631
Other comprehensive income:		
Change in other available-for-sale investments	21	(14)
Increase in value of in-force business	1,292	3,078
Total other comprehensive income, net of tax	1,313	3,064
Total comprehensive income for the half year	5,769	7,695
Attributable to:		
- shareholders	3,096	4,314
- non-controlling interests	2,673	3,381
Total comprehensive income for the half year	5,769	7,695

Condensed Consolidated Balance Sheets

	Group	
	June	December
	2013	2012
	€'000	€'000
ASSETS		
Intangible assets	50,175	48,692
Property, plant and equipment	8,884	8,690
Investment property	81,620	81,147
Investment in associated undertakings	4,932	5,062
Other investments	1,160,075	1,121,111
Deferred income tax	2,247	2,273
Reinsurers' share of technical provisions	17,779	19,223
Deferred acquisition costs	3,008	3,092
Insurance and other receivables	23,386	22,175
Income tax receivables	7,142	6,137
Cash and cash equivalents	11,797	18,970
Total assets	1,371,045	1,336,572
EQUITY		
Capital and reserves attributable to shareholders	68,591	67,240
Non-controlling interests	63,565	64,911
Total equity	132,156	132,151
LIABILITIES		
Deferred income tax	11,209	8,800
Income tax payable	12	11
Provisions for other liabilities and charges	1,203	1,215
Technical provisions:		
- Insurance contracts and investment contracts with DPF	1,152,055	1,111,557
- Investment contracts without DPF	61,721	62,027
Derivative financial instruments	-	15
Borrowings	3,000	8,500
Insurance and other payables	9,689	12,296
Total liabilities	1,238,889	1,204,421
Total equity and liabilities	1,371,045	1,336,572

These condensed financial statements were approved by the Board on 18 July 2013 and were signed on its behalf by:

Martin Galea
Chairman

Lino Spiteri
Director

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 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	1,842	4,631
Other comprehensive income:							
Change in other available-for-sale investments	-	-	(14)	-	(14)	-	(14)
Increase in value of in-force business	-	-	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
Balance as at 1 January 2013	19,320	688	22,910	24,322	67,240	64,911	132,151
Comprehensive income							
Profit for the half year	-	-	-	2,429	2,429	2027	4,456
Other comprehensive income:							
Change in other available-for-sale investments	-	-	21	-	21	-	21
Increase in value of in-force business	-	-	646	-	646	646	1,292
Total other comprehensive income, net of tax	-	-	667	-	667	646	1,313
Total comprehensive income	-	-	667	2,429	3,096	2,673	5,769
Transactions with owners							
Dividends for 2012	-	-	-	(1,745)	(1,745)	(4,019)	(5,764)
Total transactions with owners	-	-	-	(1,745)	(1,745)	(4,019)	(5,764)
Balance as at 30 June 2013	19,320	688	23,577	25,006	68,591	63,565	132,156

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

	Group	
	6 months to 30 June 2013	6 months to 30 June 2012
	€'000	€'000
Net cash generated from operating activities	22,293	15,944
Net cash used in investing activities	(18,202)	(13,533)
Net cash used in financing activities	(11,264)	(1,463)
Net movement in cash and cash equivalents	(7,173)	948
Cash and cash equivalents at beginning of year	18,970	7,380
Cash and cash equivalents at end of half year	11,797	8,328

Notes to the Condensed Financial Statements
For the half year ended 30 June 2013

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 18 July 2013 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 2012. 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 2012.

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. Whilst the Malta segment is involved in general business and long term business, the Gibraltar and London segments are general business segments that are in run-off.

	Gross written premiums		Profit/(loss) before taxation	
	6 months to 30 June 2013	6 months to 30 June 2012	6 months to 30 June 2013	6 months to 30 June 2012
	€'000	€'000	€'000	€'000
Malta	72,165	63,858	6,534	6,924
Gibraltar - discontinued	-	-	176	537
London - discontinued	-	-	113	(294)
	72,165	63,858	6,823	7,167

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 2013, 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

Lino Spiteri
Director

Alfredo Munoz Perez
President & CEO