

## PRELIMINARY STATEMENT OF INTERIM RESULTS AS AT 30 JUNE 2012

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### 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 p.l.c., 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
	<b>6,158</b>	1,711
Share of profit of associated undertaking	-	866
	<b>6,158</b>	2,577
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)
	<b>7,167</b>	1,583
<b>Profit for the half year before tax</b>	<b>7,167</b>	1,583
Income tax expense	(2,536)	(461)
	<b>4,631</b>	1,122
<b>Profit for the half year</b>	<b>4,631</b>	1,122
<b>Attributable to:</b>		
- shareholders	2,789	1,122
- non-controlling interests	1,842	-
	<b>4,631</b>	1,122
<b>Earnings per share attributable to shareholders</b>	<b>3c0</b>	1c2

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

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

# MIDDLESEA

A MEMBER OF THE MAPFRE GROUP

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### Condensed Consolidated Balance Sheets

	Group	
	June 2012	December 2011
	€'000	€'000
<b>ASSETS</b>		
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
<b>Total assets</b>	<b>1,271,654</b>	<b>1,233,445</b>
<b>EQUITY</b>		
Capital and reserves attributable to shareholders	60,231	56,515
Non-controlling interests	58,341	55,825
<b>Total equity</b>	<b>118,572</b>	<b>112,340</b>
<b>LIABILITIES</b>		
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
<b>Total liabilities</b>	<b>1,153,082</b>	<b>1,121,105</b>
<b>Total equity and liabilities</b>	<b>1,271,654</b>	<b>1,233,445</b>

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	Group Attributable to shareholders						Non-Controlling interests	Total
	Share capital	Share premium	Other reserves	Profit & loss account	Total			
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	
Balance as at 1 January 2011	55,200	2,221	21,302	(23,774)	54,949	-	54,949	
<b>Comprehensive income</b>								
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)	
<b>Total comprehensive income</b>	-	-	(740)	1,122	382	-	382	
<b>Transactions with owners</b>								
Reduction of capital against accumulated losses	(35,880)	(1,533)	-	37,413	-	-	-	
<b>Total transactions with owners</b>	<b>(35,880)</b>	<b>(1,533)</b>	<b>-</b>	<b>37,413</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Balance as at 30 June 2011</b>	<b>19,320</b>	<b>688</b>	<b>20,562</b>	<b>14,761</b>	<b>55,331</b>	<b>-</b>	<b>55,331</b>	
Balance as at 1 January 2012	19,320	688	20,939	15,568	56,515	55,825	112,340	
<b>Comprehensive income</b>								
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 increase in value of in-force business of subsidiary undertaking	-	-	1,539	-	1,539	1,539	3,078	
Total other comprehensive income, net of tax	-	-	1,525	-	1,525	1,539	3,064	
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>1,525</b>	<b>2,789</b>	<b>4,314</b>	<b>3,381</b>	<b>7,695</b>	
<b>Transactions with owners</b>								
Dividends for 2011	-	-	-	(598)	(598)	(865)	(1,463)	
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(598)</b>	<b>(598)</b>	<b>(865)</b>	<b>(1,463)</b>	
<b>Balance as at 30 June 2012</b>	<b>19,320</b>	<b>688</b>	<b>22,464</b>	<b>17,759</b>	<b>60,231</b>	<b>58,341</b>	<b>118,572</b>	

### 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)
	<b>63,858</b>	<b>17,831</b>	<b>7,167</b>	<b>1,583</b>

### 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