

MMS/DSD/MSE00920

15 July 2020

The following is a Company Announcement issued by MAPFRE Middlesea plc, pursuant to the Listing Rules of the Listing Authority.

**Quote**

The Board of Directors of MAPFRE Middlesea p.l.c. ('the Company'), have today the 15 July 2020, considered and approved the unaudited financial statements for the financial half year ended 30 June 2020. 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](http://www.middlesea.com).

In line with Company policy, the Board of Directors does not propose the payment of an interim dividend.

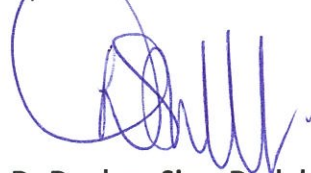
Furthermore, during the said meeting, the Board of Directors also co-opted Mr Jose Maria del Pozo as a non-Executive Director in accordance with the Memorandum and Articles of Association of the Company.

Mr Jose Maria del Pozo occupies the position of EURASIA Regional CFO for the MAPFRE Group and has been a member of the Company's Risk and Compliance Committee since 2018.

There is no other matter concerning Mr del Pozo that requires disclosure in terms of the Listing Rules.

**Unquote**

By Order of the Board



**Dr Daphne Sims Dodebier**  
Company Secretary

## **Review of Group Operations**

### **Half Yearly Financial Statements - 30 June 2020**

#### ***Commentary***

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

The consolidated MAPFRE Middlesea Group registered a profit before tax for the first six months of 2020 of €10.71 million, compared to €9.83 million registered during the comparative period last year. The profit after tax and minority interests, allocated to shareholders, amounted to €4.86 million as compared to €4.31 million in 2019. The increase in profit was derived from improved non-life business results as the long term business registered a worse performance impacted by the economic fallout of the COVID-19 pandemic.

MAPFRE Middlesea p.l.c.'s ('the Company') non-life business saw premium written being dented with the onset of the spread of the pandemic with a marked slowdown in new business and a surge in cancellations as various sectors in the economy grinded to a halt. Net combined ratios improved as the near lock-down saw a significant drop in claim frequency particularly in Motor and Health business which mitigated the spike in travel and business interruption claims as a direct consequence of the COVID-19 pandemic. Both premiums and claim frequency have been observed to be increasing to normal levels as from the month of June. This has helped mitigate rising reinsurance costs resulting from last two year's significant large losses. The profit of the Company, although registering an improved technical result, will remain well below that of 2019 as a result of the cancellation of dividend by MAPFRE MSV Life p.l.c., which in 2019 had paid a net dividend of €17.65 million to the Company. This will also have an impact on the dividend that will be payable by the Company to its shareholders for FY2020.

MAPFRE MSV Life p.l.c. had a very challenging first half year with premium levels materially lower than previous year particularly during the lockdown months. This was compounded by the financial market crisis mid-March which saw the worst downturns since the 2008 financial crisis although financial markets have been rallying since then. These factors caused the With-Profits Fund to shrink by around 3.5% as at June and as high as 10% at the lowest point of the crisis. The annual management charge on assets under management continues to provide stability to the results shielding them from the impact of such fluctuations in the financial markets.

Group's gross premiums written have decreased by 17.1% during the first six months of 2020. Turnover in General Business contracted by 1.6% as the Motor line of business shrank sharply. Life premium written reduced by 20.9% when compared to the previous year as the reinvestment rate was undermined as a consequence of the pandemic.

### **Commentary - continued**

The Group is compliant with the regulatory capital requirements as stipulated by the MFSA which are in line with the Solvency II requirements and continues to maintain its healthy Solvency position as a result of the attained positive results. During the height of the pandemic, and following the cancellation of the dividend payable to its shareholders, the Solvency position of MAPFRE MSV Life p.l.c. dropped significantly but remained marginally above the Solvency II requirements. Upon the finalization of the Solvency position calculation as at June it is expected that the Solvency position would recover to notably above the regulatory requirement. Management entered into the discussions with the MFSA on an action plan as to how to address this circumstance should a re-occurrence of the financial markets downturn materialise.

### **Financial highlights for the half year**

- **General Business Gross Premium written** reduced by 1.63% from €39.08 million in 2019 to €38.44 million as at the 30 June 2020.
- **Long term Gross Premium Written** by the Group registered a drop of 20.87% to €128.11 million compared to €161.90 million in the comparative period in 2019.
- The Group registered a **Profit after taxation** for the 6 months ended 30 June 2020 of €7.16 million, of which €4.86 million attributable to shareholders, compared with a profit after taxation of €6.78 million for the same period last year of which €4.31 million attributable to shareholders.
- **Gross Technical Provisions** at 30 June 2020 reduced by 3.0% to €2.32 billion over the 31 December 2019 reserves of €2.39 billion. Net of reinsurers' share, technical provisions stand at €2.29 billion, and a drop of 3.2% over the 31 December 2019 provisions of €2.36 billion.
- **Total assets** reduced by 2.4% and totaled €2.55 billion as at 30 June 2020, as compared to the total assets of €2.62 billion at 31 December 2019.
- **Total Equity** of the Group attributable to shareholders amounted to €92.81 million as at 30 June 2020, up from €89.51 million at 31 December 2019, as both MAPFRE Middlesea p.l.c. and its subsidiary MAPFRE MSV Life has not paid the dividend for financial year 2019. The net asset value per share stands at €1.01 as at June 2020.
- Both insurance companies in the Group are compliant with the regulatory **solvency requirements** under Solvency II regime as at June 2020.

### **Outlook**

The Group continues monitoring the evolving of the local and global economic scenarios as the spread of the pandemic continues unabated across the globe wary of the impacts should a second wave be experienced locally. Focus remains on the Group's strategic actions to continue delivering improved results to its shareholders whilst improving efficiency and client satisfaction in line with its mission of being the most trusted insurer.

In line with Company policy, the Board of Directors do not propose to pay an interim dividend for the half year ended 30 June 2020 (2019 – nil).

Preliminary Statement of Interim Results 30 June 2020

**Condensed Statement of Profit or Loss  
Non - technical account  
for the half year ended 30 June**

	Group	
	6 months to 30 June 2020	6 months to 30 June 2019
	€'000	€'000
Balance on the general business technical account	4,910	3,236
Balance on the long term business technical account	6,950	7,479
<b>Total income from insurance activities</b>	<b>11,860</b>	<b>10,715</b>
Other investment income	609	781
Investment expenses and charges	(290)	(79)
Allocated investment return transferred to the general business technical account	(148)	(473)
Other income	527	646
Administration expenses	(1,848)	(1,758)
<b>Profit for the half year before tax</b>	<b>10,710</b>	<b>9,832</b>
Income tax expense	(3,552)	(3,045)
<b>Profit for the half year</b>	<b>7,158</b>	<b>6,787</b>
<b>Attributable to:</b>		
- owners of the Company	4,862	4,314
- non-controlling interests	2,296	2,473
	<b>7,158</b>	<b>6,787</b>
<b>Earnings per share attributable to owners of the Company</b>	<b>5c3</b>	<b>4c7</b>

Preliminary Statement of Interim Results 30 June 2020

Condensed Statement of Comprehensive Income  
for the half year ended 30 June

	Group	
	6 months to 30 June 2020 €'000	6 months to 30 June 2019 €'000
Profit for the half year	7,158	6,787
Other comprehensive income:		
<i>Other comprehensive Income to be reclassified to profit and loss in subsequent periods</i>		
Change in other available-for-sale investments	(304)	60
<i>Other comprehensive Income not to be reclassified to profit and loss in subsequent periods</i>		
(Decrease)/increase in value of in-force business	(2,518)	8,348
Total other comprehensive income, net of tax	<u>(2,822)</u>	<u>8,408</u>
Total comprehensive income for the half year	<u>4,336</u>	<u>15,195</u>
Attributable to:		
- owners of the Company	3,299	8,548
- non-controlling interests	1,037	6,647
Total comprehensive income for the half year	<u>4,336</u>	<u>15,195</u>

Preliminary Statement of Interim Results 30 June 2020

Condensed Statement of Financial Position

	Group	
	June 2020 €'000	December 2019 €'000
<b>ASSETS</b>		
Intangible assets	86,929	87,733
Property, plant and equipment	18,059	17,711
Right-of-use assets	718	694
Investment property	110,762	109,583
Investment in associated undertakings	25,629	26,416
Other investments	2,154,984	2,230,250
Deferred income tax	2,343	2,193
Reinsurers' share of technical provisions	32,573	30,396
Deferred acquisition costs	8,351	7,775
Insurance and other receivables	34,299	30,314
Income tax receivables	1,095	2,073
Cash and cash equivalents	77,127	70,987
<b>Total assets</b>	<b>2,552,869</b>	<b>2,616,125</b>
<b>EQUITY</b>		
Capital and reserves attributable to owners of the Company	92,804	89,505
Non-controlling interests	74,721	73,684
<b>Total equity</b>	<b>167,525</b>	<b>163,189</b>
<b>LIABILITIES</b>		
Deferred income tax	34,995	33,220
Provisions for other liabilities and charges	1,073	1,101
Technical provisions:		
- Insurance contracts and investment contracts with DPF	2,268,782	2,337,692
- Investment contracts without DPF	49,119	52,692
Derivative financial instruments	-	117
Lease liabilities	767	845
Insurance and other payables	28,948	26,440
Income tax payable	1,660	829
<b>Total liabilities</b>	<b>2,385,344</b>	<b>2,452,936</b>
<b>Total equity and liabilities</b>	<b>2,552,869</b>	<b>2,616,125</b>

These condensed financial statements were approved by the Board on 15 July 2020 and were signed on its behalf by:



Martin Galea  
Chairman



Alfred Attard  
Director



Felipe Navarro Lopez de Chicheri  
President & CEO

## Preliminary Statement of Interim Results 30 June 2020

### Statement of Changes in Equity for the half year ended 30 June

#### Group

	Attributable to owners of the Company				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 2019						
As previously stated	19,320	688	31,430	40,235	91,673	80,021	171,694
Effect of adopting IFRS16	-	-	-	(197)	(197)	-	(197)
Balance as at 1 January 2019 as restated	19,320	688	31,430	40,038	91,476	80,021	171,497
<b>Comprehensive income</b>							
Profit for the half year	-	-	-	4,314	4,314	2,473	6,787
Other comprehensive income:							
Change in available-for-sale investments' fair value	-	-	60	-	60	-	60
Increase in value of in-force business	-	-	4,174	-	4,174	4,174	8,348
Total other comprehensive income, net of tax	-	-	4,234	-	4,234	4,174	8,408
<b>Total comprehensive income</b>	-	-	4,234	4,314	8,548	6,647	15,195
<b>Transactions with owners</b>							
Dividends for 2018	-	-	-	(17,000)	(17,000)	(13,645)	(30,645)
<b>Total transactions with owners</b>	-	-	-	(17,000)	(17,000)	(13,645)	(30,645)
<b>Balance as at 30 June 2019</b>	<b>19,320</b>	<b>688</b>	<b>35,664</b>	<b>27,352</b>	<b>83,024</b>	<b>73,023</b>	<b>156,047</b>
Balance as at 1 January 2020	19,320	688	36,863	32,634	89,505	73,684	163,189
<b>Comprehensive income</b>							
Profit for the half year	-	-	-	4,862	4,862	2,296	7,158
Other comprehensive income:							
Change in available-for-sale investments' fair value	-	-	(304)	-	(304)	-	(304)
Decrease in value of in-force business	-	-	(1,259)	-	(1,259)	(1,259)	(2,518)
Total other comprehensive income, net of tax	-	-	(1,563)	-	(1,563)	(1,259)	(2,822)
<b>Total comprehensive income</b>	-	-	(1,563)	4,862	3,299	1,037	4,336
<b>Transactions with owners</b>							
Dividends for 2019	-	-	-	-	-	-	-
<b>Total transactions with owners</b>	-	-	-	-	-	-	-
<b>Balance as at 30 June 2020</b>	<b>19,320</b>	<b>688</b>	<b>35,300</b>	<b>37,496</b>	<b>92,804</b>	<b>74,721</b>	<b>167,525</b>

Preliminary Statement of Interim Results 30 June 2020

**Statement of cash flows  
for the half year ended 30 June**

	Group	
	6 months to 30 June 2020	6 months to 30 June 2019
	€'000	€'000
<b>Cash flows from operating activities</b>		
Cash (used in)/generated from operations	(272)	55,297
Dividends received	3,890	10,175
Interest received	12,029	13,152
Interest paid	(67)	(48)
Tax paid	(26)	(13)
<b>Net cash generated from operating activities</b>	<b>15,554</b>	<b>78,563</b>
<b>Investing activities</b>		
Purchase of investment property	(1,179)	(701)
Disposal of investment property	-	3
Purchase of financial investments	(549,466)	(685,196)
Disposal of financial investments	545,264	663,811
Purchase of property, plant and equipment and intangible assets	(4,033)	(3,040)
Disposal of property, plant and equipment and intangibles assets	-	367
<b>Net cash used in investing activities</b>	<b>(9,414)</b>	<b>(24,756)</b>
<b>Financing activities</b>		
Dividends paid to owners of the Company	-	(17,000)
Dividends paid to minority interests	-	(13,645)
<b>Cash used in financing activities</b>	<b>-</b>	<b>(30,645)</b>
<b>Increase in cash and cash equivalents</b>	<b>6,140</b>	<b>23,162</b>
Movement in cash and cash equivalents		
At beginning of year	70,987	70,387
Net cash inflow	6,140	23,162
<b>At end of half year</b>	<b>77,127</b>	<b>93,549</b>



**Notes to the Condensed Financial Statements  
For the half year ended 30 June 2020**

1. MAPFRE Middlesea 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 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 15 July 2020 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 2019. The accounting policies applied in these condensed financial statements are the same as those applied by the group in its financial statements for the year ended 31 December 2019.

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

**Segmental information**

The Group writes business from Malta and in the past wrote business in 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.

	<b>Gross written premiums</b>		<b>Profit before taxation</b>	
	<b>6 months to 30 June 2020</b>	<b>6 months to 30 June 2019</b>	<b>6 months to 30 June 2020</b>	<b>6 months to 30 June 2019</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Malta	<b>166,553</b>	200,983	<b>10,727</b>	9,832
	<b>166,553</b>	200,983	<b>10,727</b>	9,832

**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 2020, 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 (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.

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Martin Galea  
Chairman

A blue ink signature of Alfred Attard, featuring a large, sweeping loop at the top and a horizontal line at the bottom.

Alfred Attard  
Director

A blue ink signature of Felipe Navarro Lopez de Chicheri, showing a long horizontal line with a vertical stroke and a diagonal stroke crossing it.

Felipe Navarro Lopez de Chicheri  
President & CEO