

# MIDDLESEA

A MEMBER OF THE MAPFRE GROUP

## PRELIMINARY STATEMENT OF INTERIM RESULTS AS AT 30 JUNE 2014

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### REVIEW OF GROUP OPERATIONS HALF YEARLY FINANCIAL STATEMENTS - 30 JUNE 2014

#### 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 2014 amounted to a profit before tax of €8.21 million, compared to €4.4 million registered during the comparative period last year. The profit after tax allocated to shareholders amounted to €3.09 million as compared to €2.44 million in 2013. The improved results were generated mainly from the Group's life operations with MSV Life p.l.c. registering higher profits than the comparative period last year. The general business returned a satisfactory result in an increasingly competitive market.

The Group's gross premiums written have increased by 16.9% during the first half year of 2014. The Company's turnover registered another important growth compared to the slow growing Maltese market with an increase of 12.9%. This successful strategy is significant in the light of the continuous fierce competition and severe price undercutting dominating the general business market. MSV Life p.l.c.'s premium written increased by 18.4%, also contributing to the increased volume of business of the Group.

In the first six months of the year the major developed economies continued to make progress towards recovery underpinning positive stock market performance. This had a positive influence on the investment portfolio returns particularly that of MSV Life p.l.c., registering returns higher than previous year and forecasts. With local financial sector equities experiencing a downturn, the Holding Company portfolio registered losses 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 increased by 12.86% from €16.06 million in 2013 to €18.13 million as at 30 June 2014.
- Long term Gross Premium Written by the Group increased by 18.07% to €66.24 million compared to €56.11 million in the comparative period in 2013.
- Return from Investments allocated to the non-technical account for the six months to 30 June 2014 amounted to a gain of €2.98 million compared to €2.68 million in 2013.
- The Group registered a Profit after taxation for the 6 months ended 30 June 2014 of €5.93 million, of which €3.09 million attributable to shareholders, compared with a profit after taxation of €4.47 million for the same period last year.
- Gross Technical Reserves at 30 June 2014 increased by 5.8% to €1.35 billion over the 31 December 2013 reserves of €1.27 billion. Net of reinsurers' share, technical provisions stand at €1.33 billion, an increase of 5.9% over the 31 December 2013 provisions of €1.25 billion.
- Total assets increased by 5.4% and totaled €1.52 billion as at 30 June 2014, as compared to the total assets of €1.44 billion at 31 December 2013.
- Total Equity of the Group attributable to shareholders amounted to €72.91 million as at 30 June 2014, down from €73.10 million at 31 December 2013 as a result of the payment of dividend.
- 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 2014 on its general business stood at 474% of the minimum solvency requirement (31 December 2013 - 515%) following the payment of the dividend for Financial Year 2013.

#### Outlook

With improved topline and bottom-line performances, the Group looks forward to the second half with cautious optimism in achieving its targets. The Group will continue in its endeavors to be at the forefront in introducing innovative products to the Maltese market, supporting its growing intermediary salesforce, always putting focus on the customer experience. This is pursued with the commitment towards improving returns to shareholders through strategies aimed at enhancing technical performance and cost curtailment in the light of the prevailing harsh competitive environment.

In line with Company policy, the Board of Directors do not propose to pay an interim dividend for the half year ended 30 June 2014 (2013 - nil).

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

	Group	
	6 months to 30 June 2014 €'000	6 months to 30 June 2013 €'000
Balance on the general business technical account	1,188	1,009
Balance on the long term business technical account	4,839	3,906
<b>Total income from insurance activities</b>	<b>6,018</b>	<b>4,915</b>
Other investment income	3,391	3,245
Investment expenses and charges	(222)	(295)
Allocated investment return transferred to the general business technical account	(185)	(277)
Other income	539	584
Administration expenses	(1,335)	(1,346)
<b>Profit for the half year before tax</b>	<b>8,206</b>	<b>4,826</b>
Income tax expense	(2,273)	(2,367)
<b>Profit for the half year</b>	<b>5,933</b>	<b>4,459</b>
Attributable to:		
- shareholders	3,092	2,432
- non-controlling interests	2,841	2,027
	5,933	4,459
<b>Earnings per share attributable to shareholders</b>	<b>3c4</b>	<b>2c6</b>

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

	Group	
	6 months to 30 June 2014 €'000	6 months to 30 June 2013 €'000
<b>Profit for the half year</b>	<b>5,933</b>	<b>4,459</b>
<b>Other comprehensive income:</b>		
<i>Other comprehensive Income to be reclassified to profit and loss in subsequent periods</i>		
Change in other available-for-sale investments	144	21
<i>Other comprehensive Income not to be reclassified to profit and loss in subsequent periods</i>		
Increase in value of in-force business	116	1,292
<b>Total other comprehensive income, net of tax</b>	<b>260</b>	<b>1,313</b>
<b>Total comprehensive income for the half year</b>	<b>6,193</b>	<b>5,772</b>
Attributable to:		
- shareholders	3,294	3,099
- non-controlling interests	2,899	2,673
<b>Total comprehensive income for the half year</b>	<b>6,193</b>	<b>5,772</b>

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### Condensed Consolidated Balance Sheets

	Group	
	June 2014	December 2013
	€'000	€'000
<b>ASSETS</b>		
Intangible assets	52,038	52,118
Property, plant and equipment	9,271	8,950
Investment property	82,486	82,231
Investment in associated undertakings	15,549	15,318
Other investments	1,278,292	1,218,822
Deferred income tax	2,204	2,265
Reinsurers' share of technical provisions	17,050	18,311
Deferred acquisition costs	3,284	2,836
Insurance and other receivables	25,084	21,512
Income tax receivables	7,620	6,751
Cash and cash equivalents	24,465	10,846
<b>Total assets</b>	<b>1,518,143</b>	<b>1,439,960</b>
<b>EQUITY</b>		
Capital and reserves attributable to shareholders	72,909	73,102
Non-controlling interests	67,981	67,563
<b>Total equity</b>	<b>140,890</b>	<b>140,665</b>
<b>LIABILITIES</b>		
Deferred income tax	16,508	14,498
Income tax payable	17	-
Provisions for other liabilities and charges	1,497	1,511
Technical provisions:		
- Insurance contracts and investment contracts with OPF	1,279,310	1,208,534
- Investment contracts without OPF	66,519	63,792
Insurance and other payables	13,402	10,960
<b>Total liabilities</b>	<b>1,377,253</b>	<b>1,299,295</b>
<b>Total equity and liabilities</b>	<b>1,518,143</b>	<b>1,439,960</b>

These condensed financial statements were approved by the Board on 17 July 2014 and were signed on its behalf by:

 Martin Galea  
Chairman  
 Lino Spiteri  
Director  
 Alfredo Muñoz Perez  
President & CEO

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

Group	Attributable to shareholders							Non-controlling interests	Total
	Share capital	Share premium account	Other reserves	Profit & loss account	Total				
	€'000	€'000	€'000	€'000	€'000	€'000	€'000		
Balance as at 1 January 2013	19,320	688	22,909	24,317	67,234	64,912	132,146		
<b>Comprehensive income</b>									
Profit for the half year	-	-	-	2,432	2,432	2,027	4,459		
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		
<b>Total comprehensive income</b>	-	-	667	2,432	3,099	2,673	5,772		
<b>Transactions with owners</b>									
Dividends for 2012	-	-	-	(1,745)	(1,745)	(4,019)	(5,764)		
<b>Total transactions with owners</b>	-	-	-	(1,745)	(1,745)	(4,019)	(5,764)		
<b>Balance as at 30 June 2013</b>	<b>19,320</b>	<b>688</b>	<b>23,576</b>	<b>25,004</b>	<b>68,588</b>	<b>63,566</b>	<b>132,154</b>		
Balance as at 1 January 2014	19,320	688	24,680	28,414	73,102	67,563	140,665		
<b>Comprehensive income</b>									
Profit for the half year	-	-	-	3,092	3,092	2,841	5,933		
Other comprehensive income:									
Change in other available-for-sale investments	-	-	144	-	144	-	144		
Increase in value of in-force business	-	-	58	-	58	58	116		
Total other comprehensive income, net of tax	-	-	202	-	202	58	260		
<b>Total comprehensive income</b>	-	-	202	3,092	3,294	2,899	6,193		
<b>Transactions with owners</b>									
Write-back of prior year dividends	-	-	-	33	33	-	33		
Dividends for 2013	-	-	-	(3,520)	(3,520)	(2,481)	(6,001)		
<b>Total transactions with owners</b>	-	-	-	(3,487)	(3,487)	(2,481)	(5,968)		
<b>Balance as at 30 June 2014</b>	<b>19,320</b>	<b>688</b>	<b>24,882</b>	<b>28,019</b>	<b>72,909</b>	<b>67,981</b>	<b>140,890</b>		

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

	Group	
	6 months to 30 June 2014	6 months to 30 June 2013
	€'000	€'000
Net cash generated from operating activities	42,815	22,293
Net cash used in investing activities	(23,228)	(18,202)
Net cash used in financing activities	(5,968)	(11,264)
Net movement in cash and cash equivalents	13,619	(7,173)
Cash and cash equivalents at beginning of year	10,846	18,970
Cash and cash equivalents at end of half year	24,465	11,797

### Notes to the Condensed Financial Statements for the half year ended 30 June 2014

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 17 July 2014 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 2013. 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 2013.

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 2014	6 months to 30 June 2013	6 months to 30 June 2014	6 months to 30 June 2013
	€'000	€'000	€'000	€'000
Malta	84,368	72,165	7,911	6,537
Gibraltar - discontinued	-	-	5	176
London - discontinued	-	-	290	113
	<b>84,368</b>	<b>72,165</b>	<b>8,206</b>	<b>6,826</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 2014, 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.

  
Martin Galea  
Chairman

  
Lino Spiteri  
Director

  
Alfredo Muñoz Perez  
President & CEO