

MSI/CF/MSE00613

27 February 2013

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., has today, the 27 February 2013, approved the audited financial statements for the financial year ended 31 December 2012. The Board resolved that these audited financial statements be submitted for the approval of the Shareholders at the forthcoming Annual General Meeting (AGM) scheduled for Friday 19 April 2013. A preliminary statement of the annual results is being attached herewith in terms of the Listing Rules. Shareholders on the Company's register at the Central Securities Depository of the Malta Stock Exchange as at close of business on Wednesday 20 March 2013 (the record date), will receive notice of the AGM together with a copy of the Annual Report and Financial Statements for the year ended 31 December 2012. The Audited Financial Statements will be available for viewing on the Company's website at [www.middlesea.com](http://www.middlesea.com) as from the 1 March 2013.

The Board of Directors recommends, for the approval of the AGM, the payment of a final net dividend of €1,745,000 (2011 – €598,000) equivalent to a gross dividend of €0.025 per share (2011 – €0.010). The final dividend, if approved at the AGM, will be paid on the 17 May 2013 to the Shareholders on the Company's share register at the Central Securities Depository of the Malta Stock Exchange at the close of business as at the 22 April 2013.

**Unquote**

By Order of the Board



**Carlo Farrugia**  
Company Secretary

## Financial Highlights as at the 31 December 2012

Middlesea Insurance p.l.c. acquired *de-facto* control over MSV Life p.l.c. ("MSV"), the group company specialising in life business, as from 29 July 2011. Accordingly, MSV became a subsidiary on that date. Therefore, the year ended 31 December 2012 was the first full year of consolidation of MSV Life p.l.c. within the Group results of Middlesea Insurance p.l.c.. MSV was previously recognised as an associated undertaking, and on consolidation was accounted for using the equity method of accounting and therefore, measured in the balance sheet at an amount that reflected the share of net assets in the associated undertaking. Income, expenses and other movements in reserves are fully consolidated on a line by line basis as from 29 July 2011.

Financial highlights of the results for the year ended 31 December 2012 include the following:-

- Total Group profit before tax for the year amounted to €17.98 million as compared to a profit during the previous year of €3.11 million.
- The operations of the standalone Company registered improved technical results with a 10.7% increase in gross premiums written, which were buoyed by improved investment income, and higher dividends from Group companies, the latter amounting to €1.22 million compared to €0.72 million in 2011. The profit before tax generated by MSI for FY 2012, amounted to €3.26 million, compared to a profit of €1.75 million in FY 2011.
- The Group's results include the consolidated MSV results of €15.98 million (2011: €1.64 million as an associate up to 29 July 2011 and consolidated results before tax of €0.37 million after 29 July 2011). MSV reported a turnover of €87.31 million compared to €128.02 million in 2011 as a result of lower demand for single premium business. Despite subdued customer confidence, new sales of the protection and regular savings policies held up well compared with previous year figures. The upturn in equity and bond markets allowed net investment income to increase substantially from €8.11 million in 2011 to €95.44 million in 2012. MSV's deferred tax was significantly impacted by the recognition of all unutilised tax amounts available for relief against future taxable income in terms of the applicable law in 2012. This change contributed positively to MSV's after-tax profit of €15.95 million for the year. This impact had not yet been assessed as the time of the Company Announcement issued on the 23 July 2012.
- Total Group capital and reserves attributable to shareholders (excluding non controlling interests) at 31 December 2012 was €67.24 million, compared to €56.52 million as at 31 December 2011.

During the year the Company consolidated its strong balance sheet, increasing its Shareholders' equity to € 57.55 million, and improving its regulatory solvency position as at 31 December 2012 to 603% on its general business, when compared to the minimum regulatory requirement of 150%.

A gross dividend in respect of year ended 31 December 2012 of €0.025 per share amounting to a total dividend of €2,300,000 (2011: €920,000) is to be proposed by the directors at the forthcoming annual general meeting. This is equivalent to a net dividend of €0.01897 per share amounting to a total net dividend of €1,745,000 (2011: €598,000)

The Board expresses its satisfaction for the results obtained in 2012. The launch of a range of innovative and enhanced products coupled by services offered, pioneered by the Company, have bolstered the image of Middlesea Insurance p.l.c. and the brand name of Mapfre. The Board looks forward with optimism to another challenging year for the Group.

Notice is hereby given that Wednesday 20 March 2013 is the "record date" for the purposes of Article 53 (2) (b) of the Company's Articles of Association. All shareholders appearing on the Company's Register of Members as at the close of business on Wednesday 20 March 2013 will:

- i) receive notice of and be entitled to attend and vote at the Company's Annual General Meeting scheduled for Friday 19 April 2013, and
- ii) be paid, on Friday 17 May 2013, the final dividend as approved by the Annual General Meeting.

Pursuant to the Malta Stock Exchange Bye-Laws, the Company's Register of Members as at close of business on Monday 22 April 2013 will include trades undertaken up to and including Wednesday 17 April 2012.

By Order of the Board

## Basis of preparation

These figures have been extracted from Middlesea Group's audited financial statements for the year ended 31 December 2012, as approved by the Directors on 27 February 2013, and are published in terms of MFSA Listing Rule 5.54.

### Condensed Profit and Loss Accounts

Non - technical accounts for the year ended 31 December

	Group		Company	
	2012 €'000	2011 €'000	2012 €'000	2011 €'000
Balance on the general business technical account	3,464	2,422	3,464	2,422
Balance on the long term business technical account	11,326	843	246	611
	<b>14,790</b>	<b>3,265</b>	<b>3,710</b>	<b>3,033</b>
Share of profit of associated undertaking	-	1,644	-	-
	<b>14,790</b>	<b>4,909</b>	<b>3,710</b>	<b>3,033</b>
Total income from insurance activities	14,790	4,909	3,710	3,033
Other investment income	6,797	2,037	2,839	2,247
Investment expenses and charges	(392)	(1,123)	(243)	(966)
Allocated investment return transferred to the general business technical account	(1,444)	(793)	(1,444)	(793)
Other income	1,170	856	-	-
Administrative expenses	(2,940)	(2,776)	(1,602)	(1,767)
	<b>17,981</b>	<b>3,110</b>	<b>3,260</b>	<b>1,754</b>
Profit for the financial year before tax	17,981	3,110	3,260	1,754
Tax expense	(653)	(1,063)	(876)	(711)
	<b>17,328</b>	<b>2,047</b>	<b>2,384</b>	<b>1,043</b>
Profit for the financial year	17,328	2,047	2,384	1,043
Attributable to:				
- shareholders	9,352	1,929	2,384	1,043
- non-controlling interests	7,976	118	-	-
	<b>17,328</b>	<b>2,047</b>	<b>2,384</b>	<b>1,043</b>
Earnings per share attributable to shareholders	10.2c	2.1c		

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Condensed Statements of Comprehensive Income  
for the year ended 31 December

	Group		Company	
	2012 €'000	2011 €'000	2012 €'000	2011 €'000
<b>Profit for the financial year</b>	<b>17,328</b>	<b>2,047</b>	<b>2,384</b>	<b>1,043</b>
<b>Other comprehensive income:</b>				
Share of fair value gain on investment in associated undertakings	-	-	-	529
Change in fair value of available-for-sale investments	(4)	20	25	23
Increase in value of in-force business	3,950	1,434	-	-
Share of decrease in value of in-force business of associated undertaking	-	(1,100)	-	-
<b>Total other comprehensive income, net of tax</b>	<b>3,946</b>	<b>354</b>	<b>25</b>	<b>552</b>
<b>Total comprehensive income for the year</b>	<b>21,274</b>	<b>2,401</b>	<b>2,409</b>	<b>1,595</b>
<b>Attributable to</b>				
- shareholders	11,323	1,566		
- non-controlling interests	9,951	835		
<b>Total comprehensive income for the year</b>	<b>21,274</b>	<b>2,401</b>		

Items disclosed in the statement above are disclosed net of tax

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**Condensed Consolidated Balance Sheets**

	Group		Company	
	At 31 December			
	2012	2011	2012	2011
	€'000	€'000	€'000	€'000
<b>ASSETS</b>				
Intangible assets	48,692	44,725	1,006	498
Property, plant and equipment	8,690	4,787	1,526	1,579
Investment property	81,147	66,537	8,597	8,111
Investment in subsidiary undertakings	-	-	57,214	57,214
Investment in associated undertakings	5,062	5,208	147	147
Other investments	1,121,111	1,056,563	19,167	25,634
Deferred income tax	2,273	2,351	1,077	1,113
Reinsurers' share of technical provisions	19,223	16,436	18,795	16,208
Deferred acquisition costs	3,092	2,898	3,092	2,898
Insurance and other receivables	22,175	21,835	9,375	9,306
Income tax receivable	6,137	4,725	-	416
Cash and cash equivalents	18,970	7,380	7,021	952
<b>Total assets</b>	<b>1,336,572</b>	<b>1,233,445</b>	<b>127,017</b>	<b>124,076</b>
<b>EQUITY</b>				
Capital and reserves attributable to shareholders	67,240	56,515	57,548	55,737
Non-controlling interests	64,911	55,825	-	-
<b>Total equity</b>	<b>132,151</b>	<b>112,340</b>	<b>57,548</b>	<b>55,737</b>
<b>LIABILITIES</b>				
Deferred income tax	8,800	8,200	920	927
Income tax payable	11	-	11	-
Provisions for other liabilities and charges	1,215	1,199	1,215	1,199
Technical provisions				
- Insurance contracts and investment contracts with DPF	1,111,557	1,029,254	56,131	54,813
- Investment contracts without DPF	62,027	60,338	-	-
Derivative financial instruments	15	189	-	-
Borrowings	8,500	8,500	2,500	2,500
Insurance and other payables	12,296	13,425	8,692	8,900
<b>Total liabilities</b>	<b>1,204,421</b>	<b>1,121,105</b>	<b>69,469</b>	<b>68,339</b>
<b>Total equity and liabilities</b>	<b>1,336,572</b>	<b>1,233,445</b>	<b>127,017</b>	<b>124,076</b>

These condensed financial statements were approved by the Board on 27 February 2013 and were signed on its behalf by:

Martin Galea  
Chairman

Lino Spiteri  
Director

Alfredo Muñoz Perez  
President & Chief Executive Office

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Statements of Changes in Equity  
for the year ended 31 December

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
<b>Comprehensive income</b>							
Profit for the financial year	-	-	-	1,929	1,929	118	2,047
Other comprehensive income:							
Change in available-for-sale investments' fair values	-	-	20	-	20	-	20
Increase in value of in-force business	-	-	717	-	717	717	1,434
Share of decrease in value of in-force business of associated undertaking	-	-	(1,100)	-	(1,100)	-	(1,100)
Total other comprehensive income, net of tax	-	-	(363)	-	(363)	717	354
<b>Total comprehensive income</b>	-	-	(363)	1,929	1,566	835	2,401
<b>Transactions with owners</b>							
Reduction of capital against accumulated losses	(35,880)	(1,533)	-	37,413	-	-	-
Non-controlling interest arising on business combination	-	-	-	-	-	54,990	54,990
<b>Total transactions with owners</b>	(35,880)	(1,533)	-	37,413	-	54,990	54,990
<b>Balance as at 31 December 2011</b>	<b>19,320</b>	<b>688</b>	<b>20,939</b>	<b>15,568</b>	<b>56,515</b>	<b>55,825</b>	<b>112,340</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 financial year	-	-	-	9,352	9,352	7,976	17,328
Other comprehensive income:							
Change in available-for-sale investments' fair values	-	-	(4)	-	(4)	-	(4)
Increase in value of in-force business	-	-	1,975	-	1,975	1,975	3,950
Total other comprehensive income, net of tax	-	-	1,971	-	1,971	1,975	3,946
<b>Total comprehensive income</b>	-	-	1,971	9,352	11,323	9,951	21,274
<b>Transactions with owners</b>							
Dividends for 2011	-	-	-	(598)	(598)	(865)	(1,463)
<b>Total transactions with owners</b>	-	-	-	(598)	(598)	(865)	(1,463)
<b>Balance as at 31 December 2012</b>	<b>19,320</b>	<b>688</b>	<b>22,910</b>	<b>24,322</b>	<b>67,240</b>	<b>64,911</b>	<b>132,151</b>

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Statements of Changes in Equity  
for the year ended 31 December

COMPANY

	Share capital €'000	Share premium account €'000	Other reserves €'000	Profit & loss account €'000	Total €'000
<b>Balance as at 1 January 2011</b>	55,200	2,221	34,134	(37,413)	54,142
<b>Comprehensive income</b>					
Profit for the financial year	-	-	-	1,043	1,043
<b>Other comprehensive income:</b>					
Change in available-for-sale investments' fair values	-	-	23	-	23
Fair value gain on investment in associated undertaking	-	-	529	-	529
Total other comprehensive income, net of tax	-	-	552	-	552
<b>Total comprehensive income</b>	-	-	552	1,043	1,595
<b>Transactions with owners</b>					
Reduction of capital against accumulated losses	(35,880)	(1,533)	-	37,413	-
<b>Total transactions with owners of the company</b>	(35,880)	(1,533)	-	37,413	-
<b>Balance as at 31 December 2011</b>	19,320	688	34,686	1,043	55,737
<b>Balance as at 1 January 2012</b>	19,320	688	34,686	1,043	55,737
<b>Comprehensive income</b>					
Profit for the financial year	-	-	-	2,384	2,384
<b>Other comprehensive income:</b>					
Change in available-for-sale investments' fair values	-	-	25	-	25
Total other comprehensive income, net of tax	-	-	25	-	25
<b>Total comprehensive income</b>	-	-	25	2,384	2,409
<b>Transactions with owners</b>					
Dividends for 2011	-	-	-	(598)	(598)
<b>Total transactions with owners of the company</b>	-	-	-	(598)	(598)
<b>Balance as at 31 December 2012</b>	19,320	688	34,711	2,829	57,548



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**Condensed consolidated statements of cash flows**  
**for the year ended 31 December**

	Group		Company	
	2012 €'000	2011 €'000	2012 €'000	2011 €'000
Net cash generated from/(used in) operating activities	32,693	17,684	1,079	(3,260)
Net cash (used in)/generated from investing activities	(19,640)	(16,582)	5,588	13,122
Net cash used in financing activities	(1,463)	(10,785)	(598)	(10,785)
Net movement in cash and cash equivalents	<u>11,590</u>	<u>(9,683)</u>	<u>6,069</u>	<u>(923)</u>
Cash and cash equivalents at beginning of year	7,380	2,734	952	1,875
Acquisition of subsidiary undertakings	-	14,329	-	-
Cash and cash equivalents at end of year	<u>18,970</u>	<u>7,380</u>	<u>7,021</u>	<u>952</u>