

Review of Group Operations

Half Yearly Financial Statements - 30 June 2021

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 2021 of €10.98 million, compared to €10.71 million recorded during the comparative period last year. The profit after tax and non-controlling interests, allocated to shareholders, amounted to €4.93 million as compared to €4.86million in 2020. Long term business delivered a stronger performance both as a result of significant increases in new business revenue and a positive investment return, compared to low volumes and financial losses that were being registered in the comparative period last year from the economic fallout of the COVID-19 pandemic. On the other hand, non-life business, though registering a satisfactory performance, could not match the pandemic driven exceptional result achieved last year.

MAPFRE Middlesea p.l.c.'s ('the Company') non-life business saw premium written recover from the subdued levels of June 2020. The net combined ratio moved upwards reflecting the increased claim frequency in Motor as the country returned to a new form of normality. Notwithstanding, the technical results still delivered a satisfactory profit above expectations. Financial returns saw an improvement over 2020 but again do not include any receipt of dividend from MAPFRE MSV Life p.l.c., which like in 2020, will not be paying a dividend to further strengthen its Solvency position. In this regards, both MAPFRE Middlesea p.l.c. and Bank of Valletta p.l.c., the shareholders of MAPFRE MSV Life p.l.c., have invested €20.00 million each in the share capital of the company in March 2021.

MAPFRE MSV Life p.l.c. had a very positive first half year with premium levels returning to near all-time highs. Financial markets continued to recover and the company reported a sound investment return contrary to the losses registered at the half-way mark of 2020. The With-Profits Fund increased by 1.6% as at June and 7.0% higher compared to June 2020.

Group's gross premiums written have increased by 25.9% during the first six months of 2021. Turnover in General Business moved up by 7.5% with the major lines of business delivering higher volume levels. Life premium written soared over comparative figures by 31.4% reflecting the consumer confidence in our brand, with strong levels of reinvestment of maturities and new business.

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.

Financial highlights for the half year

- **General Business Gross Premium written** increased by 7.54% from €38.44 million in 2020 to €41.34 million as at the 30 June 2021.
- **Long term Gross Premium Written** by the Group registered an upward movement of 31.45% to €168.40 million compared to €128.11 million in the comparative period of 2020.
- The Group registered a **Profit after taxation** for the 6 months ended 30 June 2021 of €7.61 million, of which €4.93 million attributable to shareholders, compared with a profit after taxation of €7.16 million for the same period last year of which €4.86 million attributable to shareholders.
- **Gross Technical Provisions** at 30 June 2021 increased by 2.1% to €2.49 billion over the 31 December 2020 reserves of €2.44 billion. Net of reinsurers' share, technical provisions stood at €2.46 billion, and an increase of 2.2% over the 31 December 2020 provisions of €2.41 billion.
- **Total assets** increased by 3.2% and totaled €2.77 billion as at 30 June 2021, as compared to the total assets of €2.69 billion at 31 December 2020.
- **Total Equity** of the Group attributable to shareholders amounted to €104.94 million as at 30 June 2021, up from €100.60 million at 31 December 2020, with MAPFRE Middlesea p.l.c. having paid a dividend for financial year 2020 of €3.2 million. The net asset value per share stands at €1.14 as at June 2021.
- Both insurance companies in the Group are compliant with the regulatory **solvency requirements** under Solvency II regime as at June 2021.

Outlook

The Group looks at the second half of 2021 with cautious optimism in an environment wary of the evolving effects of the pandemic both on the local and global economies. Focus remains on the Group's strategic actions to meet its set Key Performance Indicators, 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 2021 (2020 – nil).

Preliminary Statement of Interim Results 30 June 2021

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

| | Group | |
|--|-----------------------------|-----------------------------|
| | 6 months to 30 June 2021 | 6 months to 30 June 2020 |
| | €'000 | €'000 |
| Balance on the general business technical account | 4,077 | 4,910 |
| Balance on the long term business technical account | 8,117 | 6,950 |
| Total income from insurance activities | 12,194 | 11,860 |
| Other investment income | 629 | 609 |
| Investment expenses and charges | (151) | (290) |
| Allocated investment return transferred to the general business technical account | (393) | (148) |
| Other income | 675 | 527 |
| Administration expenses | (1,977) | (1,848) |
| Profit for the half year before tax | 10,977 | 10,710 |
| Income tax expense | (3,365) | (3,552) |
| Profit for the half year | 7,612 | 7,158 |
| Attributable to: | | |
| - owners of the Company | 4,927 | 4,862 |
| - non-controlling interests | 2,685 | 2,296 |
| | 7,612 | 7,158 |
| Earnings per share attributable to owners of the Company | 5c4 | 5c3 |

Preliminary Statement of Interim Results 30 June 2021

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

| | Group | |
|---|--------------------------------------|--------------------------------------|
| | 6 months to 30 June 2021 €'000 | 6 months to 30 June 2020 €'000 |
| Profit for the half year | 7,612 | 7,158 |
| 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 | (33) | (304) |
| <i>Other comprehensive Income not to be reclassified to profit and loss in subsequent periods</i> | | |
| Increase/(decrease) in value of in-force business | 5,282 | (2,518) |
| Total other comprehensive income, net of tax | 5,249 | (2,822) |
| Total comprehensive income for the half year | 12,861 | 4,336 |
| Attributable to: | | |
| - owners of the Company | 7,535 | 3,299 |
| - non-controlling interests | 5,326 | 1,037 |
| Total comprehensive income for the half year | 12,861 | 4,336 |

Preliminary Statement of Interim Results 30 June 2021

Condensed Statement of Financial Position

| | Group | |
|--|------------------|------------------|
| | June | December |
| | 2021 | 2020 |
| | €'000 | €'000 |
| ASSETS | | |
| Intangible assets | 102,498 | 94,836 |
| Property, plant and equipment | 17,929 | 17,913 |
| Right-of-use assets | 926 | 931 |
| Investment property | 112,038 | 111,518 |
| Investment in associated undertakings | 22,175 | 25,174 |
| Other Investments | 2,382,036 | 2,262,757 |
| Deferred income tax | 2,317 | 2,350 |
| Reinsurers' share of technical provisions | 30,605 | 31,807 |
| Deferred acquisition costs | 8,702 | 8,080 |
| Insurance and other receivables | 35,785 | 33,828 |
| Income tax receivables | 242 | 1,174 |
| Cash and cash equivalents | 59,220 | 97,060 |
| Total assets | 2,774,473 | 2,687,428 |
| EQUITY | | |
| Capital and reserves attributable to owners of the Company | 104,938 | 100,603 |
| Non-controlling interests | 106,022 | 80,696 |
| Total equity | 210,960 | 181,299 |
| LIABILITIES | | |
| Deferred income tax | 39,260 | 37,467 |
| Provisions for other liabilities and charges | 1,029 | 1,057 |
| Technical provisions: | | |
| - Insurance contracts and investment contracts with DPF | 2,430,558 | 2,383,550 |
| - Investment contracts without DPF | 57,713 | 53,531 |
| Derivative financial instruments | - | 168 |
| Lease liabilities | 982 | 1,021 |
| Insurance and other payables | 31,584 | 27,491 |
| Income tax payable | 2,387 | 1,844 |
| Total liabilities | 2,563,513 | 2,506,129 |
| Total equity and liabilities | 2,774,473 | 2,687,428 |

These condensed financial statements were approved by the Board on 28 July 2021 and were signed on its behalf by:



Martin Galea
Chairman



Javier Moreno Gonzalez
President & CEO

Preliminary Statement of Interim Results 30 June 2021

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 2020 | 19,320 | 688 | 36,863 | | | |
| Comprehensive income | | | | | | | |
| 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) |
| Total comprehensive income | - | - | (1,563) | 4,862 | 3,299 | 1,037 | 4,336 |
| Balance as at 30 June 2020 | 19,320 | 688 | 35,300 | 37,496 | 92,804 | 74,721 | 167,525 |
| Balance as at 1 January 2021 | 19,320 | 688 | 38,829 | 41,766 | 100,603 | 80,696 | 181,299 |
| Comprehensive income | | | | | | | |
| Profit for the half year | - | - | - | 4,927 | 4,927 | 2,685 | 7,612 |
| Other comprehensive income: | | | | | | | |
| Change in available-for-sale investments' fair value | - | - | (33) | - | (33) | - | (33) |
| Increase in value of in-force business | - | - | 2,641 | - | 2,641 | 2,641 | 5,282 |
| Total other comprehensive income, net of tax | - | - | 2,608 | - | 2,608 | 2,641 | 5,249 |
| Total comprehensive income | - | - | 2,608 | 4,927 | 7,535 | 5,326 | 12,861 |
| Transactions with owners | | | | | | | |
| Increase in share capital of subsidiary undertaking by non-controlling interest | - | - | - | - | - | 20,000 | 20,000 |
| Dividends for 2020 | - | - | - | (3,200) | (3,200) | - | (3,200) |
| Total transactions with owners | - | - | - | (3,200) | (3,200) | 20,000 | 16,800 |
| Balance as at 30 June 2021 | 19,320 | 688 | 41,437 | 43,493 | 104,938 | 106,022 | 210,960 |

Preliminary Statement of Interim Results 30 June 2021

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

| | Group | |
|---|-----------------------------|-----------------------------|
| | 6 months to 30 June 2021 | 6 months to 30 June 2020 |
| | €'000 | €'000 |
| Cash flows from operating activities | | |
| Cash generated from/(used in) operations | 413 | (272) |
| Dividends received | 5,653 | 3,890 |
| Interest received | 10,744 | 12,029 |
| Interest paid | (44) | (67) |
| Tax paid | (68) | (26) |
| Net cash generated from operating activities | 16,698 | 15,554 |
| Investing activities | | |
| Purchase of investment property | (537) | (1,179) |
| Disposal of investment property | 16 | - |
| Purchase of financial investments | (678,509) | (549,466) |
| Disposal of financial investments | 611,602 | 545,264 |
| Purchase of property, plant and equipment and intangible assets | (3,910) | (4,033) |
| Net cash used in investing activities | (71,338) | (9,414) |
| Financing activities | | |
| Increase in share capital of subsidiary by non-controlling interest | 20,000 | - |
| Dividends paid to owners of the Company | (3,200) | - |
| Cash generated from financing activities | 16,800 | - |
| Increase in cash and cash equivalents | (37,840) | 6,140 |
| Movement in cash and cash equivalents | | |
| At beginning of year | 97,060 | 70,987 |
| Net cash (outflow)/inflow | (37,840) | 6,140 |
| At end of half year | 59,220 | 77,127 |

**Notes to the Condensed Financial Statements
For the half year ended 30 June 2021**

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 28 July 2021 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 2020. 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 2020.

Related party transactions with other members of the MAPFRE Middlesea Group were at a similar level to the comparable period with the exception of the increase in share capital in the subsidiary MAPFRE MSV Life p.l.c. of €20 million each by the parent MAPFRE Middlesea p.l.c. and the related company Bank of Valletta p.l.c..

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.

| | Gross written premiums | | Profit before taxation | |
|-------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| | 6 months to 30 June 2021 | 6 months to 30 June 2020 | 6 months to 30 June 2021 | 6 months to 30 June 2020 |
| | €'000 | €'000 | €'000 | €'000 |
| Malta | 209,738 | 166,553 | 10,977 | 10,727 |
| | 209,738 | 166,553 | 10,977 | 10,727 |

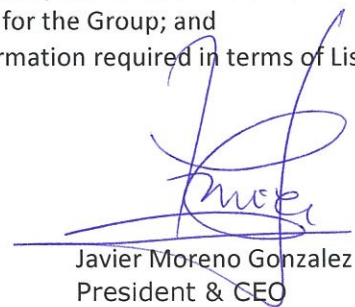
Statement pursuant to Listing Rule 5.75.3 issued by the Listing Authority

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 2021, 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 handwritten signature in blue ink, appearing to be "Javier Moreno Gonzalez".

Javier Moreno Gonzalez
President & CEO