LANCASHIRE HOLDINGS LIMITED

GROWTH IN FULLY CONVERTED BOOK VALUE PER SHARE, ADJUSTED FOR DIVIDENDS, OF 2.9% IN Q1 2018
COMBINED RATIO OF 65.2% IN Q1 2018
FULLY CONVERTED BOOK VALUE PER SHARE OF $5.54 AS AT 31 MARCH 2018

3 May 2018
London, UK

Lancashire Holdings Limited ("Lancashire" or "the Group") today announces its results for the three months ended 31 March 2018.

Financial highlights

	31 March 2018	31 March 2017
Fully converted book value per share	**$5.54**	**$6.04**
Return on equity[1] – Q1	**2.9%**	**2.7%**
Return on tangible equity[2] – Q1	**3.4%**	**3.1%**
Operating return on average equity – Q1	**3.6%**	**2.1%**
Dividends per common share[3]	**$0.10**	**$0.10**

[1] Return on equity is defined as the change in fully converted book value per share, adjusted for dividends.
[2] Return on tangible equity excludes goodwill and other intangible assets.
[3] See "Dividends" below for Record Date and Dividend Payment Date.

	Three months ended	
	31 March 2018	**31 March 2017**
Highlights ($m)		
Gross premiums written	215.8	196.5
Net premiums written	87.8	76.3
Profit before tax	42.4	28.7
Profit after tax[1]	42.2	30.3
Comprehensive income[1]	32.9	34.1
Net operating profit[1]	40.5	25.2
Per share data		
Diluted earnings per share	$0.21	$0.15
Diluted earnings per share - operating	$0.20	$0.13
Financial ratios		
Total investment return including internal currency hedging	(0.1%)	0.7%
Net loss ratio	12.0%	37.7%
Combined ratio	65.2%	85.6%
Accident year loss ratio	34.3%	46.5%

[1] These amounts are attributable to Lancashire and exclude non-controlling interests.

Alex Maloney, Group Chief Executive Officer, commented:

"I am pleased with an ROE of 2.9% for the first quarter which is a product of a strong underwriting result, helped by a relatively benign loss quarter, whilst successfully limiting the impact of a challenging investment environment.

We have also seen an improved rating environment following the major catastrophe losses of 2017 with rate increases across a high proportion of our product lines, so we are in a slightly more interesting trading environment than we have been for a number of years. Whilst that is pleasing, the demand supply dynamic has not shifted sufficiently to bring about fundamental rate change across the board. In this environment the Group has continued to focus on the underwriting discipline of matching risk and return. The Group has written new business where the risk reward dynamics make sense; there were opportunities to do this during the first quarter with both existing and new clients. The rate improvements are very much in line with our communicated expectations following the experience of 1 January renewals. Although moving in the right direction, the rates have not yet improved enough to warrant a material increase in the Group's level of overall risk which currently remains broadly similar to that of 2017.

In addition to rate improvements the energy sector is starting to show the first green shoots of recovery thanks to a more sustained period of stable oil prices. This should help bring demand, and therefore premium, back to the energy insurance market through 2018 and into 2019; the Group is very well placed to benefit from this should recovery in the sector continue.

Overall we are pleased with our first quarter: The underwriting result is strong; our 2017 catastrophe loss reserves remain robust; and our investment portfolio performed in line with expectations given the environment."

Elaine Whelan, Group Chief Financial Officer, commented:

"With volatile equity markets, and a further rate increase by the Federal Reserve, our investment portfolio incurred a loss of 14 basis points. Our risk assets, short duration and interest rate hedging protected the portfolio from further downside and, while we expect further interest rate increases this year, we will obviously benefit from the higher rates going forward.

Despite the investment losses, we produced an RoE of 2.9% for the quarter. There were no significant losses in the quarter and we had strong reserve releases due to a lack of reported claims coming through, plus a small release on our 2017 cat event reserves."

Renewal Price Index for major classes

The Renewal Price Index ("RPI") is an internal methodology that management uses to track trends in premium rates on a portfolio of insurance and reinsurance contracts. The RPI is calculated on a per contract basis and reflects our assessment of relative changes in price, terms, conditions and limits on like for like renewals only, and is weighted by premium volume (see "Note Regarding RPI Methodology" at the end of this announcement for further guidance). The RPI does not include new business, to offer a consistent basis for analysis. The following RPIs are expressed as an approximate percentage of pricing achieved on similar contracts written in 2017, with our Lloyd's segment shown separately in order to aid comparability:

RPI Lancashire (excluding Lloyd's segment)

Class	**Q1 2018**
Aviation (AV52)	96 %
Gulf of Mexico energy	110 %
Energy offshore worldwide	103 %
Marine	97 %
Property retrocession and reinsurance	111 %
Terrorism	100 %
Lancashire (excluding Lloyd's segment)	**105%**

RPI Lloyd's segment

Class	**Q1 2018**
Aviation	102 %
Energy	102 %
Marine	101 %
Property retrocession and reinsurance	108 %
Terrorism	99 %
Lloyd's segment	**106%**

Underwriting results

Gross premiums written

	Q1			
	2018	**2017**	**Change**	**Change**
	$m	**$m**	**$m**	**%**
Property	79.9	73.9	6.0	8.1
Energy	30.4	25.8	4.6	17.8
Marine	14.9	20.3	(5.4)	(26.6)
Aviation	4.0	3.2	0.8	25.0
Lloyd's	86.6	73.3	13.3	18.1
Total	**215.8**	**196.5**	**19.3**	**9.8**

Gross premiums written increased by 9.8% in the first quarter of 2018 compared to the same period in 2017. The Group's five principal segments, and the key market factors impacting them, are discussed below.

Property gross premiums written increased by 8.1% for the first quarter of 2018 compared to the same period in 2017. With price increases across most of our property lines of business, the majority of the increase was due to those rate increases together with some new business. This was offset somewhat by prior underwriting year adjustments on the property political risk class where we saw some contract terms reduced due to loans that were re-structured.

Energy gross premiums written increased by 17.8% for the first quarter of 2018 compared to the same period in 2017. The first quarter is not a major renewal period for the energy book. The increase for the quarter was largely due to exposure increases on prior underwriting year risk-attaching business in the energy construction class.

Marine gross premiums written decreased by 26.6% for the first quarter of 2018 compared to the same period in 2017. The decrease was mainly due to renewal timing on non-annual contracts written in the first quarter of 2017.

Aviation gross premiums written increased by 25.0% for the first quarter of 2018 compared to the same period in 2017. The first quarter is not a major renewal period for the aviation segment and, although the percentage increase appears large, the dollar increase was small.

In the Lloyd's segment gross premiums written increased by 18.1% for the first quarter of 2018 compared to the same period in 2017. While there were modest rate increases in the property book, together with some new business in both the property and aviation books, a large portion of the increase was due to exposure increases on prior underwriting year risk-attaching business.

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Ceded reinsurance premiums increased by $7.8 million, or 6.5%, for the first quarter of 2018 compared to the same period in 2017. The increased spend was primarily due to rate increases across most programmes, in addition to the timing of some renewals.

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Net premiums earned as a proportion of net premiums written was 130.0% in the first quarter of 2018 compared to 153.5% for the same period in 2017. The first quarter of 2017 was impacted by premium adjustments to some multi-year deals written in previous years. Ignoring that impact, the earnings ratios were relatively consistent.

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The Group's net loss ratio for the first quarter of 2018 was 12.0% compared to 37.7% for the same period in 2017. The accident year loss ratio for the first quarter of 2018, including the impact of foreign exchange revaluations, was 34.3% compared to 46.5% for the same period in 2017. While there were no significant losses in either quarter, we experienced a few mid-sized claims during the first quarter of 2017.

Prior year favourable development for the first quarter of 2018 was $25.2 million, compared to favourable development of $10.6 million for the first quarter of 2017. Favourable development in the first quarter of both years was driven by general IBNR releases across most lines of business due to a lack of reported claims. The first quarter of 2018 also included a reduction on a 2016 accident year energy claim. Conversely, the IBNR releases for the first quarter of 2017 were offset somewhat by a 2016 accident year energy claim coming through.

The total estimated net loss, excluding the impact of inwards and outwards reinstatement premiums and our share of losses from Kinesis, for the 2017 catastrophe losses Hurricanes Harvey, Irma and Maria plus the Californian Wildfires, was $163.6 million at 31 March 2018 compared to $171.5 million at 31 December 2017.

The table below provides further detail of the prior years' loss development by class, excluding the impact of foreign exchange valuations.

	Q1	
	2018	**2017**
	$m	**$m**
Property	12.5	6.5
Energy	12.7	1.6
Marine	1.6	2.2
Aviation	0.5	1.0
Lloyd's	(2.1)	(0.7)
Total	**25.2**	**10.6**

Note: Positive numbers denote favourable development.

Excluding the impact of foreign exchange revaluations, previous accident years' ultimate losses developed as follows during 2018 and 2017:

	Q1	
	2018	**2017**
	$m	**$m**
2008 accident year and prior	1.3	(0.2)
2009 accident year	0.1	(0.1)
2010 accident year	(0.4)	0.6
2011 accident year	1.4	(0.5)
2012 accident year	0.6	3.4
2013 accident year	1.7	1.6
2014 accident year	1.4	1.5
2015 accident year	2.4	7.9
2016 accident year	13.9	(3.6)
2017 accident year	2.8	–
Total	**25.2**	**10.6**

Note: Positive numbers denote favourable development.

The ratio of IBNR to total net loss reserves was 43.1% at 31 March 2018 compared to 35.7% at 31 March 2017.

Investments

Net investment income, excluding realised and unrealised gains and losses, was $7.2 million for the first quarter of 2018, an increase of 10.8% from the first quarter of 2017. Total investment return, including net investment income, net other investment income, net realised gains and losses, impairments and net change in unrealised gains and losses, was a loss of $3.2 million for the first quarter of 2018 compared to a gain of $12.2 million for the first quarter of 2017.

The Group's investment portfolio produced a small loss of 0.1% in the first quarter of 2018. Despite the negative effects of an increase in treasury yields, wider corporate credit spreads and increased market volatility during the first quarter of 2018, gains on the Group's bank loans and hedge funds partially mitigated the losses on the standard fixed maturity portfolio. In addition, the Group's short-treasury futures position, held to reduce portfolio duration, lessened the impact of the increase in treasury yields during the quarter.

During the first quarter of 2017, the investment portfolio generated a return of 0.7%, with the majority of the return coming from income generated by the fixed maturity portfolio. The negative effect of the modest rise in short term treasury yields was essentially offset by the positive benefit of the slight decrease in corporate credit spreads. Returns in 2017 were enhanced further by modest earnings on the hedge fund and bank loan portfolios and strong performances from the principal protected notes and equity portfolio.

The corporate bond allocation represented 27.2% of managed invested assets at 31 March 2018 compared to 32.7% at 31 March 2017.

The managed portfolio was as follows:

	As at 31 March 2018	**As at 31 March 2017**
Fixed maturity securities	81.3 %	81.4 %
Cash and cash equivalents	9.1 %	9.3 %
Hedge funds	8.4 %	8.1 %
Equity securities	1.2 %	1.2 %
Total	**100.0%**	**100.0%**

Key investment portfolio statistics were:

	As at 31 March 2018	**As at 31 March 2017**
Duration	1.7 years	1.8 years
Credit quality	AA-	A+
Book yield	2.1%	1.9%
Market yield	2.5%	2.0%

Lancashire Third Party Capital Management

The total contribution from third party capital activities consists of the following items:

	Q1 2018 $m	Q1 2017 $m
Kinesis underwriting fees	1.0	0.7
Kinesis profit commission	–	5.4
Lloyd's fees & profit commission	0.4	0.5
Total other income	**1.4**	**6.6**
Share of (loss) profit of associate	(1.8)	0.7
Total net third party capital managed income	**(0.4)**	**7.3**

The Kinesis profit commission is driven by the timing of loss experience and collateral release and therefore varies from quarter to quarter. Following the significant catastrophe activity during the second half of 2017, and resulting trapped collateral, there was no recognition in the first quarter of 2018 of any profit commission for the 2017 underwriting cycles. The share of (loss) profit of associate reflects Lancashire's 10% equity interest in the Kinesis vehicle.

Other operating expenses

Other operating expenses consist of the following items:

	Q1 2018 $m	Q1 2017 $m
Employee remuneration costs	15.4	15.0
Other operating expenses	10.4	9.2
Total	**25.8**	**24.2**

Employee remuneration costs for the first quarter of 2018 were consistent with the same period in 2017.

Other operating expenses for the first quarter were $1.2 million higher than the first quarter of 2017. The increase was due to additional consulting fees and the timing of certain expenses.

Equity based compensation

The equity based compensation expense was $1.6 million in the first quarter of 2018 compared to a credit of $0.1 million in the same period last year. The equity based compensation charge was driven by anticipated vesting levels of active awards based on current performance expectations. A lower equity based compensation charge was recorded in the first quarter of 2017 primarily due to lapsing of restrictive share scheme awards of former Cathedral employees on their departure from the Group.

Capital

As at 31 March 2018, total capital available to Lancashire was $1.447 billion, comprising shareholders' equity of $1.119 billion and $327.6 million of long-term debt. Tangible capital was $1.293 billion. Leverage was 22.6% on total capital and 25.3% on total tangible capital. Total capital and total tangible capital as at 31 March 2017 were $1.540 billion and $1.386 billion respectively.

The Group will continue to review the appropriate level and composition of capital for the Group with the intention of managing capital to enhance risk-adjusted returns on equity.

Dividends

During the first quarter of 2018, the Lancashire Board of Directors declared a final dividend in respect of 2017 of $0.10 (approximately £0.07) per common share. The dividend, totalling $20.0 million, was paid on 21 March 2018 to shareholders of record on 23 February 2018.

Shareholders interested in participating in the dividend reinvestment plan ("DRIP"), or other services including international payment, are encouraged to contact the Group registrars, Link Asset Services for more details at: https://www.linkassetservices.com/shareholders/shareholder-services-uk

Financial information

Further details of our 2018 first quarter results can be obtained from the Financial Supplement. This can be accessed via our website www.lancashiregroup.com

Analyst and Investor Earnings Conference Call

There will be an analyst and investor conference call on the results at 1:00pm UK time / 8:00am EDT on Thursday 3 May 2018. The conference call will be hosted by Lancashire management.

Participant Access:
Dial in 5-10 minutes prior to the start time using the number / confirmation code below:

United Kingdom - Toll free / Freephone:	0800 358 6377
United Kingdom - Local:	+44 (0)330 336 9105
United States / Canada - Toll free / Freephone:	888 882 4478
United States - Local:	+1 323 794 2149
Canada - Local:	+1 647 484 0475
Confirmation Code:	**5092666**

The call can also be accessed via webcast, please go to our website at:
http://www.lancashiregroup.com/en/investors.html or https://edge.media-server.com/m6/p/ystvmp8x to register and access.

A webcast replay facility will be available for 12 months and accessible at
http://www.lancashiregroup.com/en/investors/results-reports-and-presentations.html

For further information, please contact:

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About Lancashire

Lancashire, through its UK and Bermuda-based operating subsidiaries, is a global provider of specialty insurance and reinsurance products. The Group companies carry the following ratings:

	Financial Strength Rating (1)	Financial Strength Outlook(1)	Long Term Issuer Rating(2)
A.M. Best	A (Excellent)	Stable	bbb
S&P Global Ratings	A-	Stable	BBB
Moody's	A3	Stable	Baa2

(1) Financial Strength Rating and Financial Strength Outlook apply to Lancashire Insurance Company Limited and Lancashire Insurance Company (UK) Limited.
(2) Long Term Issuer Rating applies to Lancashire Holdings Limited.

Cathedral benefits from Lloyd's ratings: A.M. Best: A (Excellent); S&P Global Ratings: A+ (Strong); and Fitch: AA- (Very Strong).

Lancashire has capital in excess of $1.4 billion and its common shares trade on the premium segment of the Main Market of the London Stock Exchange under the ticker symbol LRE. Lancashire has its corporate headquarters and mailing address at 29th Floor, 20 Fenchurch Street, London EC3M 3BY, United Kingdom and its registered office at Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda.

For more information on Lancashire and Lancashire's subsidiary and Lloyd's segment, Cathedral Capital Limited ("Cathedral"), visit Lancashire's website at www.lancashiregroup.com

The UK Prudential Regulation Authority ("PRA") is the Group Supervisor of the Lancashire Group.

Lancashire Insurance Company Limited is regulated by the Bermuda Monetary Authority ("BMA") in Bermuda.

Lancashire Insurance Company (UK) Limited is authorised by the PRA and regulated by the Financial Conduct Authority ("FCA") and the PRA in the UK.

Kinesis Capital Management Limited is regulated by the BMA in Bermuda.

Cathedral Underwriting Limited is authorised by the PRA and regulated by the FCA and the PRA in the UK. It is also authorised and regulated by Lloyd's.

This release contains information, which may be of a price sensitive nature, that Lancashire is making public in a manner consistent with the EU Market Abuse Regulation and other regulatory obligations. The information was submitted for publication, through the agency of the contact persons set out above, at 07.00 BST on 3 May 2018.

NOTE REGARDING RPI METHODOLOGY

LANCASHIRE'S RENEWAL PRICE INDEX ("RPI") IS AN INTERNAL METHODOLOGY THAT ITS MANAGEMENT USES TO TRACK TRENDS IN PREMIUM RATES OF A PORTFOLIO OF INSURANCE AND REINSURANCE CONTRACTS. THE RPI WRITTEN BY THE LANCASHIRE COMPANIES IN THE RESPECTIVE SEGMENTS IS CALCULATED ON A PER CONTRACT BASIS AND REFLECTS LANCASHIRE'S ASSESSMENT OF RELATIVE CHANGES IN PRICE, TERMS, CONDITIONS AND LIMITS AND IS WEIGHTED BY PREMIUM VOLUME. THE CALCULATION INVOLVES A DEGREE OF JUDGEMENT IN RELATION TO COMPARABILITY OF CONTRACTS AND THE ASSESSMENT NOTED ABOVE. TO ENHANCE THE RPI METHODOLOGY, MANAGEMENT OF LANCASHIRE MAY REVISE THE METHODOLOGY AND ASSUMPTIONS UNDERLYING THE RPI, SO THE TRENDS IN PREMIUM RATES REFLECTED IN THE RPI MAY NOT BE COMPARABLE OVER TIME. CONSIDERATION IS ONLY GIVEN TO RENEWALS OF A COMPARABLE NATURE SO IT DOES NOT REFLECT EVERY CONTRACT IN LANCASHIRE'S PORTFOLIO. THE FUTURE PROFITABILITY OF THE PORTFOLIO OF CONTRACTS WITHIN THE RPI IS DEPENDENT UPON MANY FACTORS BESIDES THE TRENDS IN PREMIUM RATES.

NOTE REGARDING FORWARD-LOOKING STATEMENTS:

CERTAIN STATEMENTS AND INDICATIVE PROJECTIONS (WHICH MAY INCLUDE MODELED LOSS SCENARIOS) MADE IN THIS RELEASE OR OTHERWISE THAT ARE NOT BASED ON CURRENT OR HISTORICAL FACTS ARE FORWARD-LOOKING IN NATURE INCLUDING, WITHOUT LIMITATION, STATEMENTS CONTAINING THE WORDS "BELIEVES", "ANTICIPATES", "PLANS", "PROJECTS", "FORECASTS", "GUIDANCE", "INTENDS", "EXPECTS", "ESTIMATES", "PREDICTS", "MAY", "CAN", "LIKELY", "WILL", "SEEKS", "SHOULD", OR, IN EACH CASE, THEIR NEGATIVE OR COMPARABLE TERMINOLOGY. ALL SUCH STATEMENTS OTHER THAN STATEMENTS OF HISTORICAL FACTS INCLUDING, WITHOUT LIMITATION, THE GROUP'S FINANCIAL POSITION, LIQUIDITY, RESULTS OF OPERATIONS, PROSPECTS, GROWTH, CAPITAL MANAGEMENT PLANS AND EFFICIENCIES, ABILITY TO CREATE VALUE, DIVIDEND POLICY, OPERATIONAL FLEXIBILITY, COMPOSITION OF MANAGEMENT, BUSINESS STRATEGY, PLANS AND OBJECTIVES OF MANAGEMENT FOR FUTURE OPERATIONS (INCLUDING DEVELOPMENT PLANS AND OBJECTIVES RELATING TO THE GROUP'S INSURANCE BUSINESS) ARE FORWARD-LOOKING STATEMENTS. SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER IMPORTANT FACTORS THAT COULD CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE GROUP TO BE MATERIALLY DIFFERENT FROM FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS.

THESE FACTORS INCLUDE, BUT ARE NOT LIMITED TO: THE ACTUAL DEVELOPMENT OF LOSSES AND EXPENSES IMPACTING ESTIMATES FOR HURRICANES HARVEY, IRMA AND MARIA AND THE EARTHQUAKES IN MEXICO, THAT OCCURRED IN THE THIRD QUARTER OF 2017 AND THE WILDFIRES WHICH IMPACTED PARTS OF CALIFORNIA DURING 2017; THE IMPACT OF COMPLEX AND UNIQUE CAUSATION AND COVERAGE ISSUES ASSOCIATED WITH ATTRIBUTION OF LOSSES TO WIND OR FLOOD DAMAGE OR OTHER PERILS SUCH AS FIRE OR BUSINESS INTERRUPTION RELATING TO SUCH EVENTS; POTENTIAL UNCERTAINTIES RELATING TO REINSURANCE RECOVERIES, REINSTATEMENT PREMIUMS AND OTHER FACTORS INHERENT IN LOSS ESTIMATION; THE GROUP'S ABILITY TO INTEGRATE ITS BUSINESSES AND PERSONNEL; THE SUCCESSFUL RETENTION AND MOTIVATION OF THE GROUP'S KEY MANAGEMENT; THE INCREASED REGULATORY BURDEN FACING THE GROUP; THE NUMBER AND TYPE OF INSURANCE AND REINSURANCE CONTRACTS THAT THE GROUP WRITES OR MAY WRITE; THE GROUP'S ABILITY TO IMPLEMENT SUCCESSFULLY ITS BUSINESS STRATEGY DURING 'SOFT' AS WELL AS 'HARD' MARKETS; THE PREMIUM RATES WHICH MAY BE AVAILABLE AT THE TIME OF SUCH RENEWALS WITHIN THE GROUP'S TARGETED BUSINESS LINES; THE POSSIBLE LOW FREQUENCY OF LARGE EVENTS; POTENTIALLY UNUSUAL LOSS FREQUENCY; THE IMPACT THAT THE GROUP'S FUTURE OPERATING RESULTS, CAPITAL POSITION AND RATING AGENCY AND OTHER CONSIDERATIONS MAY HAVE ON THE EXECUTION OF ANY CAPITAL MANAGEMENT INITIATIVES OR DIVIDENDS; THE POSSIBILITY OF GREATER FREQUENCY OR SEVERITY OF CLAIMS AND LOSS ACTIVITY THAN THE GROUP'S UNDERWRITING, RESERVING OR INVESTMENT PRACTICES HAVE ANTICIPATED; THE RELIABILITY OF, AND CHANGES IN ASSUMPTIONS TO, CATASTROPHE PRICING, ACCUMULATION AND ESTIMATED LOSS MODELS; INCREASED COMPETITION FROM EXISTING ALTERNATIVE CAPITAL PROVIDERS, INSURANCE LINKED FUNDS AND COLLATERALISED SPECIAL PURPOSE INSURERS AND THE RELATED DEMAND AND SUPPLY DYNAMICS AS CONTRACTS COME UP FOR RENEWAL; THE EFFECTIVENESS OF THE GROUP'S LOSS LIMITATION METHODS; THE POTENTIAL LOSS OF KEY PERSONNEL; A DECLINE IN THE GROUP'S OPERATING SUBSIDIARIES' RATING WITH A.M. BEST, S&P GLOBAL RATINGS, MOODY'S OR OTHER RATING AGENCIES; INCREASED COMPETITION ON THE BASIS OF PRICING, CAPACITY, COVERAGE TERMS OR OTHER FACTORS; CYCLICAL DOWNTURNS OF THE INDUSTRY; THE IMPACT OF A DETERIORATING CREDIT ENVIRONMENT FOR ISSUERS OF FIXED MATURITY INVESTMENTS; THE IMPACT OF SWINGS IN MARKET INTEREST RATES, CURRENCY EXCHANGE RATES AND SECURITIES PRICES; CHANGES BY CENTRAL BANKS REGARDING THE LEVEL OF INTEREST RATES; THE IMPACT OF INFLATION OR DEFLATION IN RELEVANT ECONOMIES IN WHICH THE GROUP OPERATES; THE EFFECT, TIMING AND OTHER UNCERTAINTIES SURROUNDING FUTURE BUSINESS COMBINATIONS WITHIN THE INSURANCE AND REINSURANCE INDUSTRIES; THE IMPACT OF TERRORIST ACTIVITY IN THE COUNTRIES IN WHICH THE GROUP WRITES RISKS; A RATING DOWNGRADE OF, OR A MARKET DECLINE IN, SECURITIES IN THE GROUP'S INVESTMENT PORTFOLIO; CHANGES IN GOVERNMENTAL REGULATIONS OR TAX LAWS IN JURISDICTIONS WHERE THE GROUP CONDUCTS BUSINESS; LANCASHIRE OR ANY OF THE GROUP'S BERMUDIAN SUBSIDIARIES BECOMING SUBJECT TO INCOME TAXES IN THE UNITED STATES OR THE BERMUDIAN SUBSIDIARIES BECOMING SUBJECT TO INCOME TAXES IN THE UNITED KINGDOM; THE INAPPLICABILITY TO THE GROUP OF SUITABLE EXCLUSIONS FROM THE UK CFC REGIME; ANY CHANGE IN UK GOVERNMENT POLICY WHICH IMPACTS THE CFC REGIME OR OTHER TAX CHANGES; AND THE IMPACT OF "BREXIT" (FOLLOWING THE UK'S NOTIFICATION TO THE EUROPEAN COUNCIL UNDER ARTICLE 50 OF THE TREATY ON EUROPEAN UNION ON 29 MARCH 2017) AND FUTURE NEGOTIATIONS REGARDING THE U.K'S RELATIONSHIP WITH THE E.U. ON THE GROUP'S BUSINESS, REGULATORY RELATIONSHIPS, UNDERWRITING PLATFORMS OR THE INDUSTRY GENERALLY.

ALL FORWARD-LOOKING STATEMENTS IN THIS RELEASE SPEAK ONLY AS AT THE DATE OF PUBLICATION. LANCASHIRE EXPRESSLY DISCLAIMS ANY OBLIGATION OR UNDERTAKING (SAVE AS REQUIRED TO COMPLY WITH ANY LEGAL OR REGULATORY OBLIGATIONS INCLUDING THE RULES OF THE LONDON STOCK EXCHANGE) TO DISSEMINATE ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENT TO REFLECT ANY CHANGES IN THE GROUP'S EXPECTATIONS OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENT IS BASED. ALL SUBSEQUENT WRITTEN AND ORAL FORWARD-LOOKING STATEMENTS ATTRIBUTABLE TO THE GROUP OR INDIVIDUALS ACTING ON BEHALF OF THE GROUP ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THIS PARAGRAPH. PROSPECTIVE INVESTORS SHOULD SPECIFICALLY CONSIDER THE FACTORS IDENTIFIED IN THIS RELEASE WHICH COULD CAUSE ACTUAL RESULTS TO DIFFER BEFORE MAKING AN INVESTMENT DECISION.

Consolidated statement of comprehensive income

	Q1 2018 $m	Q1 2017 $m
Gross premiums written	215.8	196.5
Outwards reinsurance premiums	(128.0)	(120.2)
Net premiums written	**87.8**	**76.3**
Change in unearned premiums	(60.5)	(39.6)
Change in unearned premiums on premiums ceded	86.8	80.4
Net premiums earned	**114.1**	**117.1**
Net investment income	7.2	6.5
Net other investment losses	(0.2)	(0.8)
Net realised (losses) gains and impairments	(0.7)	2.7
Share of (loss) profit of associate	(1.8)	0.7
Other income	1.4	6.6
Net foreign exchange gains	2.6	0.2
Total net revenue	**122.6**	**133.0**
Insurance losses and loss adjustment expenses	18.8	46.3
Insurance losses and loss adjustment expenses recoverable	(5.1)	(2.1)
Net insurance acquisition expenses	34.9	31.9
Equity based compensation	1.6	(0.1)
Other operating expenses	25.8	24.2
Total expenses	**76.0**	**100.2**
Results of operating activities	**46.6**	**32.8**
Financing costs	4.2	4.1
Profit before tax	**42.4**	**28.7**
Tax (charge) credit	(0.3)	1.9
Profit after tax	**42.1**	**30.6**
Non-controlling interests	0.1	(0.3)
Profit after tax attributable to Lancashire	**42.2**	**30.3**
Net change in unrealised gains/losses on investments	(9.5)	3.8
Tax provision on net change in unrealised gains/losses on investments	0.2	–
Other comprehensive (loss) income	**(9.3)**	**3.8**
Total comprehensive income attributable to Lancashire	**32.9**	**34.1**
Net loss ratio	12.0%	37.7%
Net acquisition cost ratio	30.6%	27.2%
Administrative expense ratio	22.6%	20.7%
Combined ratio	65.2%	85.6%
Basic earnings per share	$ 0.21	$ 0.15
Diluted earnings per share	$ 0.21	$ 0.15
Change in fully converted book value per share	2.9%	2.7%

Consolidated balance sheet

	As at 31 March 2018 $m	As at 31 March 2017 $m
Assets		
Cash and cash equivalents	229.2	284.6
Accrued interest receivable	5.8	6.5
Investments	1,676.3	1,671.7
Inwards premiums receivable from insureds and cedants	369.4	335.3
Reinsurance assets		
- Unearned premiums on premiums ceded	128.0	114.3
- Reinsurance recoveries	247.8	133.8
- Other receivables	17.5	14.4
Other receivables	40.1	43.0
Investment in associate	39.9	24.9
Property, plant and equipment	2.4	4.8
Deferred acquisition costs	83.6	83.2
Intangible assets	153.8	153.8
Total assets	**2,993.8**	**2,870.3**
Liabilities		
Insurance contracts		
- Losses and loss adjustment expenses	852.2	657.6
- Unearned premiums	411.4	413.1
- Other payables	42.9	39.9
Amounts payable to reinsurers	127.9	116.1
Deferred acquisition costs ceded	3.1	1.3
Other payables	90.7	80.1
Corporation tax payable	2.0	0.3
Deferred tax liability	15.9	18.6
Interest rate swap	0.7	3.1
Long-term debt	327.6	321.7
Total liabilities	**1,874.4**	**1,651.8**
Shareholders' equity		
Share capital	100.7	100.7
Own shares	(5.7)	(15.5)
Other reserves	859.1	870.7
Accumulated other comprehensive loss	(10.8)	(2.6)
Retained earnings	175.8	265.0
Total shareholders' equity attributable to equity shareholders of LHL	**1,119.1**	**1,218.3**
Non-controlling interest	0.3	0.2
Total shareholders' equity	**1,119.4**	**1,218.5**
Total liabilities and shareholders' equity	**2,993.8**	**2,870.3**
Basic book value per share	$5.58	$6.10
Fully converted book value per share	$5.54	$6.04