LANCASHIRE HOLDINGS LIMITED

GROWTH IN FULLY CONVERTED BOOK VALUE PER SHARE, ADJUSTED FOR DIVIDENDS EXCLUDING WARRANT EXERCISES, OF 4.3%, AND INCLUDING WARRANT EXERCISES, OF 2.3% IN Q1 2015

COMBINED RATIO OF 72.0% IN Q1 2015
FULLY CONVERTED BOOK VALUE PER SHARE OF $6.52 AT 31 MARCH 2015

30 April 2015
London, UK

Lancashire Holdings Limited ("Lancashire" or "the Group") today announces its results for the three month period ended 31 March 2015.

Financial highlights

	31 March 2015	31 March 2014
Fully converted book value per share	**$6.52**	**$7.49**
Return on equity excluding warrant exercises[1] – Q1	**4.3%**	**3.9%**
Return on equity[2] – Q1	**2.3%**	**3.9%**
Return on tangible equity[3] – Q1	**2.3%**	**5.3%**
Operating return on average equity – Q1	**3.8%**	**4.2%**
Final dividend per common share[4]	**$0.10**	**$0.10**
Special dividends per common share[4]	**$0.50**	**$0.20**

[1] Return on equity excluding the impact of warrants exercised in the quarter.
[2] Return on equity is defined as growth in fully converted book value per share, adjusted for dividends.
[3] Return on equity excluding goodwill and other intangible assets.
[4] See "Dividends" below for Record Date and Dividend Payment Date.

Financial highlights:

	Three months ended 31 March 2015	Three months ended 31 March 2014
Highlights ($m)		
Gross premiums written	244.3	316.7
Net premiums written	129.2	204.4
Profit before tax	51.5	57.4
Profit after tax*	53.7	60.1
Comprehensive income*	62.7	63.5
Net operating profit*	52.1	62.9
Per share data		
Diluted earnings per share	$0.28	$0.30
Diluted earnings per share – operating	$0.27	$0.31
Financial ratios		
Total investment return including internal FX hedges	1.0%	0.3%
Total investment return excluding internal FX hedges	0.7%	0.3%
Net loss ratio	29.2%	34.1%
Combined ratio	72.0%	66.4%
Accident year loss ratio	45.4%	28.4%

* These amounts are attributable to Lancashire and exclude non-controlling interests.

Alex Maloney, Group Chief Executive Officer, commented:

"With relatively benign loss experience and no significant insured catastrophe activity, I am pleased with our first quarter performance in the context of a difficult market environment, with pricing under pressure across almost all lines of business. Whilst there is some evidence of a floor being reached in catastrophe bond and ILW pricing, there continues to be a glut of capacity with significant over-supply in every area. As an incumbent market on our core portfolio with significant and well-recognised leadership capabilities, we believe Lancashire is better positioned than many of our competitors. However we are not complacent and are working hard to stay close to our clients and brokers.

Our policy of offering core clients a portion of our capacity on a multi-year basis is paying off, both in terms of cementing relationships, and smoothing some of the impacts of price pressure. Since the majority of these deals were done in previous years when pricing was better, this has worked in our favour to date. This does however have a headline impact on our written premium numbers as not all contracts come up for renewal each year, although this of course doesn't carry through to the earned premium numbers. In this quarter, long term and one-off business accounts for about half of the reduction in written premium. The rest is due to the decline in pricing and the decline in exposure as we reduce line size or, in extremis, decline renewals where pricing is too aggressive and we can't mitigate it with facultative reinsurance. We've been monitoring our signings carefully and I'm pleased to say that, due to our line size and leadership capabilities, we are maintaining our shares and seeing our renewals.

We have maintained our reinsurance expenditure levels at the 1 January 2015 renewals and this has enabled us to buy significantly more coverage, with expanded limits, terms and conditions and even new coverage such as protection for our Gulf of Mexico energy wind exposures. We always talk about managing the cycle and that's just what we're doing, bringing exposures down and taking tail volatility out of the portfolio as the risk/reward balance deteriorates. And the numerous facultative opportunities to reinsure parts of our exposure to those markets that are not able to access the original business provide additional risk and pricing mitigation strategies.

We are alive to the possibilities to bring in new underwriters or teams as the effects of M&A displace or displease talented people. But in general we are biding our time and sticking to the lines and classes we know best. Benign loss environments do not persist forever and we feel well prepared for any change in the market."

Elaine Whelan, Group Chief Financial Officer, commented:

"Excluding the impact of warrant exercises, with a relatively quiet first quarter, we produced a strong return on equity of 4.3%. Our combined ratio for the quarter was 72.0% and our investment return was 1.0%. Cathedral added 0.7% to our RoE. With the close out of Kinesis' first underwriting cycle, and receipt of the related profit commission, total other income from Kinesis was $5.8 million.

With the balance of our warrants issued at inception expiring later this year, our largest warrant holder chose to exercise his warrants during the quarter on a cashless basis. Total warrant exercises in the quarter reduced our RoE on a fully converted basis to 2.3%, but there is no impact on our Operating return on average equity. There are now only 1,497,093 warrants remaining to be exercised before they expire in December.

Price reductions on our January and April renewals were broadly in line with expectations and, absent a market changing event, there is no reason to believe the continued decline in pricing will reverse anytime soon. It is therefore more likely that we'll return capital than retain it later in the year, but as always, that will be driven by market outlook. While we don't anticipate any need to raise capital in the current market, I'd like to thank our shareholders for continuing to appreciate our need for flexibility to manage the cycle with their approval, as in former years, at our AGM yesterday of the issue of up to 15% of our share capital on a non-pre-emptive basis."

Lancashire Renewal Price Index for major classes

Lancashire's 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 Lancashire's 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 and only covers business written by Lancashire, excluding the Lloyd's segment, to offer a consistent basis for analysis. The following RPIs are expressed as an approximate percentage of pricing achieved on similar contracts written in 2014:

Class	**Q1 2015**
Aviation (AV52)	94%
Gulf of Mexico energy	88%
Energy offshore worldwide	91%
Marine	91%
Property retrocession and reinsurance	89%
Terrorism	89%
Combined	**90%**

Underwriting results

Gross premiums written

	Q1 2015 $m	**Q1 2014 $m**	**Change $m**	**Change %**
Property	76.8	117.5	(40.7)	(34.6)
Energy	36.6	49.9	(13.3)	(26.7)
Marine	22.3	26.7	(4.4)	(16.5)
Aviation	11.0	14.4	(3.4)	(23.6)
Lloyd's	97.6	108.2	(10.6)	(9.8)
Total	**244.3**	**316.7**	**(72.4)**	**(22.9)**

Gross premiums written decreased by 22.9% in the first quarter of 2015 compared to the same period in 2014, with the decrease in premiums derived primarily from the property segment where a number of multi-year deals written in the first quarter of 2014 were not yet due to renew. Of the total reduction in gross premiums written of $72.4 million, non-annual deals in the property catastrophe and worldwide offshore energy lines of business accounted for $28.5 million. The Group's five principal segments, and the key market factors impacting them, are discussed below.

Property gross premiums written decreased by 34.6% for the first quarter of 2015 compared to the same period in 2014. While property catastrophe rates remain under pressure, and some business was re-structured or non-renewed, the majority of the decrease is driven by $21.5 million of multi-year deals written in the first quarter of 2014 that are not yet due to renew. The property terrorism and property political risk classes also saw decreases in premium volume largely due to the timing of multi-year contract renewals, which is typical of those lines of business. Other property classes saw relatively consistent premium volumes compared to the same period of 2014.

Energy gross premiums written decreased by 26.7% for the first quarter of 2015 compared to the same period in 2014. With the Gulf of Mexico book renewing primarily in the second quarter, the decrease was mostly driven by the worldwide offshore book due to the timing of non-annual contract renewals plus the impact of declining rates and reduced exposures following oil price depression. Premium volumes were relatively consistent across all the other energy classes compared to the same period of 2014.

Marine gross premiums written decreased by 16.5% for the first quarter of 2015 compared to the same period in 2014. The first quarter is not a major renewal period for the marine segment and the dollar value of the reduction in premiums is minimal.

Aviation gross premiums written decreased by 23.6% for the first quarter of 2015 compared to the same period in 2014. While the first quarter is not a major renewal period for the AV52 book, pricing and renewal rates remain under pressure albeit the majority of the premium reduction is associated with the satellite sub-class. The decrease in aviation satellite is mainly due to the timing of satellite launches on contracts written in previous years.

The Lloyd's segment consists of premiums written by Cathedral. Gross written premiums decreased by 9.8% for the first quarter of 2015 compared to the same period in 2014, with the decrease in premiums derived from pricing pressures in the property reinsurance, aviation reinsurance and marine cargo lines of business. In addition, these classes of business and the direct and facultative line of business have been affected by the timing of renewals. These were somewhat offset by an increase in the energy, terrorism and aviation lines of business which Cathedral began writing in 2014.

****

Ceded reinsurance premiums increased by $2.8 million, or 2.5%, for the first quarter of 2015 compared to the same period in 2014. Lancashire took advantage of lower reinsurance rates to restructure the marine, energy and terror programmes and significantly increase reinsurance coverage, by buying more limit and attaching lower. Similarly, Cathedral was also able to achieve price reductions on its programme as well as buying more limit and attaching lower.

****

Net premiums earned as a proportion of net premiums written were 119.3% in the first quarter of 2015 compared to 85.6% for the same period in 2014. The increase is primarily due to the impact of multi-year deals written in the first quarter of 2014 where we are seeing the benefit of earnings coming through in the first quarter of 2015.

****

The Group's net loss ratio for the first quarter of 2015 was 29.2% compared to 34.1% for the same period in 2014. Although one mid-sized energy claim was reported in the quarter there were no other significant losses in the first quarter of 2015 and attritional losses were also relatively low. The accident year loss ratio for the first quarter of 2015, including the impact of foreign exchange revaluations, was 45.4% compared to 28.4% for the same period in 2014. The first quarter of 2014 did not include any significant accident year losses.

Prior year favourable development for the first quarter of 2015 was $26.0 million, compared to adverse development of $10.1 million for the first quarter of 2014, which included the impact of a late reported claim from 2013.

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

	Q1 2015 $m	**Q1 2014 $m**
Property	14.4	1.3
Energy	8.8	(9.8)
Marine	1.6	0.8
Aviation	(1.0)	0.3
Lloyd's	2.2	(2.7)
Total	**26.0**	**(10.1)**

Note: Positive numbers denote favourable development.

Excluding the impact of foreign exchange revaluations, previous accident years' ultimate losses developed as follows during 2015 and 2014:

	Q1 2015 $m	Q1 2014 $m
2006 accident year	0.2	0.2
2007 accident year	0.1	(0.1)
2008 accident year	(3.1)	0.1
2009 accident year	1.6	1.5
2010 accident year	(3.2)	1.2
2011 accident year	13.9	0.2
2012 accident year	(0.2)	7.4
2013 accident year	7.5	(20.6)
2014 accident year	9.2	-
Total	**26.0**	**(10.1)**

Note: Positive numbers denote favourable development.

The ratio of IBNR to total net loss reserves was 32.7% at 31 March 2015 compared to 32.7% at 31 March 2014.

Investments

Net investment income, excluding realised and unrealised gains and losses, was $7.6 million for the first quarter of 2015, an increase of 7.0% from the first quarter of 2014. 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 $21.4 million for the first quarter of 2015 compared to $7.9 million for the first quarter of 2014. Returns for the quarter were bolstered by strong returns in the hedge fund and bank loan portfolios, with our fixed income portfolio also benefiting from a decline in treasury yields driven by weaker U.S. growth and continued low levels of inflation. A positive return was also generated in the corresponding period of 2014, although of a lesser magnitude with little movement in short maturity yields over that quarter.

The corporate bond allocation represented 31.7% of managed invested assets at 31 March 2015 compared to 26.9% at 31 March 2014. At 31 March 2015 the Group's allocation to bank loans represents 6.2% of the portfolio compared to 5.6% at 31 March 2014. The Group's portfolio also includes a 7.5% allocation to a diversified portfolio of low volatility hedge funds.

The managed portfolio was as follows:

	As at 31 March 2015	As at 31 March 2014
Fixed income securities	80.0%	80.7%
Cash and cash equivalents	11.8%	18.5%
Equity securities	0.7%	0.6%
Other investments	7.5%	0.2%
Total	**100.0%**	**100.0%**

Key investment portfolio statistics are:

	As at 31 March 2015	As at 31 March 2014
Duration	1.5 years	1.0 year
Credit quality	AA-	AA-
Book yield	1.5%	1.2%
Market yield	1.4%	1.1%

Third Party Capital Management

The $0.7 million share of profit of associate for the first quarter of 2015 reflects Lancashire's 10% equity investment in the Kinesis vehicle. The share of profit of associates of $1.6 million for the first quarter of 2014 was related to the Kinesis vehicle and the remaining interest in the Accordion vehicle.

Other income consists of the following items:

	Q1 2015 $m	Q1 2014 $m
Kinesis underwriting fees	0.7	0.6
Kinesis profit commission	5.1	-
Lloyd's managing agency fees	0.4	0.4
Saltire profit commission	-	3.0
Total	**6.2**	**4.0**

During the first quarter of 2014 profit commission of $6.7 million was received following a commutation of our quota share agreement with Accordion, with the vehicle subsequently put into run-off. The profit commission was recorded in net insurance acquisition expenses and reduced the net acquisition cost ratio by 3.9%.

Other operating expenses

Operating expenses consist of the following items:

	Q1 2015 $m	Q1 2014 $m
Employee salaries and benefits	14.8	13.9
Payroll taxes and national insurance on equity compensation	-	(2.4)
Other operating expenses	12.0	11.1
Amortisation of intangible assets	-	4.4
Total	**26.8**	**27.0**

Employee remuneration costs were marginally higher in the first quarter of 2015 compared to the same period in the prior year due to a slight increase in headcount. The first quarter of 2014 included a reversal of employee national insurance accruals in relation to equity compensation exercises driven by both the timing of exercises and fluctuations in the share price.

Equity based compensation was $4.4 million in the first quarter of 2015 compared to $2.4 million in the same period last year. The equity based compensation charge is driven by the anticipated vesting level of the active awards based on current performance expectations.

Capital

At 31 March 2015, total capital available to Lancashire was $1.624 billion, comprising shareholders' equity of $1.302 billion and $321.9 million of long-term debt. Tangible capital was $1.470 billion. Leverage was 19.8% on total capital and 21.9% on total tangible capital. Total capital and total tangible capital at 31 March 2014 was $1.791 billion and $1.626 billion respectively.

Warrants

The outstanding warrants to purchase the Company's common shares were issued on 16 December 2005 and expire on 16 December 2015. Warrant exercises during the quarter were as follows:

	Number of Management Team Performance warrants	Number of Management Team Ordinary warrants	Number of Founder warrants	Number of Lancashire Foundation warrants	Number of ordinary warrants	Total Number of warrants
Outstanding and exercisable as at 31 December 2014	117,480	559,182	15,032,679	648,143	2,350,000	**18,707,484**
Exercised during the period	(117,480)	(559,182)	(14,183,729)	–	(2,350,000)	(17,210,391)
Outstanding and exercisable as at 31 March 2015	–	–	848,950	648,143	–	**1,497,093**

Dividends

During the first quarter of 2015, the Lancashire Board of Directors declared a final dividend in respect of 2014 of $0.10 (£0.07) per common share and an additional special dividend for 2014 of $0.50 (£0.34) per common share. The dividend and dividend equivalent payments, totaling $119.0 million ($118.0m and $1.0m respectively), were paid on 15 April 2015 to shareholders and warrant holders of record on 20 March 2015.

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.

Financial information

Further details of our 2015 first quarter results can be obtained from our 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, 30 April 2015. The conference call will be hosted by Lancashire management.

The call can be accessed by dialling (International) + 1 201 689 8567 (Toll Free US & Canada + 1 877 407 0782 / Toll Free UK + 0 800 756 3429). The call can also be accessed via webcast, please go to our website (www.lancashiregroup.com) to access.

A replay facility will be available until 30 May 2015. The dial in number for the replay facility is (International) +1 201 612 7415 or Toll Free US & Canada +1 877 660 6853 with Conference ID#: 13605011. The replay facility will also be accessible at www.lancashiregroup.com

For further information, please contact:

Lancashire Holdings Limited

Christopher Head +44 20 7264 4145
chris.head@lancashiregroup.com

Jonny Creagh-Coen +44 20 7264 4066
jcc@lancashiregroup.com

Haggie Partners +44 20 7562 4444
Peter Rigby (Peter Rigby mobile +44 7803851426)

Investor enquiries and questions can also be directed to info@lancashiregroup.com or by accessing the Group's website www.lancashiregroup.com.

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
Standard & Poor's	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); Standard & Poor's: A+ (Strong); and Fitch: AA- (Very Strong).

Lancashire has capital in excess of $1.5 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 the Company's website at www.lancashiregroup.com

Lancashire Insurance Company Limited is regulated by the Bermuda Monetary Authority in Bermuda.

Lancashire Insurance Company (UK) Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the UK.

Kinesis Capital Management Limited is regulated by the Bermuda Monetary Authority in Bermuda.

Cathedral Underwriting Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the UK. It is also authorised and regulated by Lloyd's.

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 DOES NOT TAKE INTO ACCOUNT ANY BUSINESS OR CONTRACTS OF THE CATHEDRAL GROUP, WHICH IS LANCASHIRE'S LLOYD'S SEGMENT. THE RPI WRITTEN BY THE LANCASHIRE COMPANIES IN THE PROPERTY, ENERGY, MARINE AND AVIATION 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 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, STANDARD & POOR'S, MOODY'S OR OTHER RATING AGENCIES; INCREASED COMPETITION ON THE BASIS OF PRICING, CAPACITY, COVERAGE TERMS OR OTHER FACTORS; A CYCLICAL DOWNTURN OF THE INDUSTRY; THE IMPACT OF A DETERIORATING CREDIT ENVIRONMENT FOR ISSUERS OF FIXED INCOME INVESTMENTS; THE IMPACT OF SWINGS IN MARKET INTEREST RATES AND SECURITIES PRICES; A RATING DOWNGRADE OF, OR A MARKET DECLINE IN, SECURITIES IN ITS INVESTMENT PORTFOLIO; CHANGES IN GOVERNMENTAL REGULATIONS OR TAX LAWS IN JURISDICTIONS WHERE THE GROUP CONDUCTS BUSINESS; ANY OF THE GROUP'S BERMUDIAN SUBSIDIARIES BECOMING SUBJECT TO INCOME TAXES IN THE UNITED STATES OR THE UNITED KINGDOM; THE INAPPLICABILITY TO THE GROUP OF SUITABLE EXCLUSIONS FROM THE UK CFC REGIME; AND ANY CHANGE IN THE UK GOVERNMENT OR UK GOVERNMENT POLICY WHICH IMPACTS THE CFC REGIME.

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 STATEMENTS TO REFLECT ANY CHANGES IN THE GROUP'S EXPECTATIONS OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENT IS BASED.

Consolidated statement of comprehensive income

(Unaudited)

	Quarter 1 2015 $m	Quarter 1 2014 $m
Gross premiums written	244.3	316.7
Outwards reinsurance premiums	(115.1)	(112.3)
Net premiums written	**129.2**	**204.4**
Change in unearned premiums	(51.2)	(103.2)
Change in unearned premiums on premiums ceded	76.2	73.7
Net premiums earned	**154.2**	**174.9**
Net investment income	7.6	7.1
Net other investment income	5.0	0.3
Net realised (losses) gains and impairments	(0.2)	(2.9)
Share of profit of associates	0.7	1.6
Other income	6.2	4.0
Net foreign exchange (losses)	(0.9)	(2.5)
Total net revenue	**172.6**	**182.5**
Insurance losses and loss adjustment expenses	58.9	68.0
Insurance losses and loss adjustment expenses recoverable	(13.8)	(8.3)
Net insurance acquisition expenses	39.2	29.6
Other operating expenses	26.8	27.0
Equity based compensation	4.4	2.4
Total expenses	**115.5**	**118.7**
Results of operating activities	**57.1**	**63.8**
Financing costs	5.6	6.4
Profit before tax	**51.5**	**57.4**
Tax credit	2.5	2.6
Profit after tax	**54.0**	**60.0**
Non-controlling interest	(0.3)	0.1
Profit after tax attributable to Lancashire	**53.7**	**60.1**
Net change in unrealised gains/losses on investments	9.2	3.4
Tax recovery on net change in unrealised gains/losses on investments	(0.2)	-
Other comprehensive income	**9.0**	**3.4**
Total comprehensive income attributable to equity shareholders	**62.7**	**63.5**
Net loss ratio	29.2%	34.1%
Net acquisition cost ratio	25.4%	16.9%
Administrative expense ratio	17.4%	15.4%
Combined ratio	**72.0%**	**66.4%**
Basic earnings per share	$0.28	$0.33
Diluted earnings per share	$0.28	$0.30
Change in fully converted book value per share	2.3%	3.9%
Change in fully converted book value per share excluding warrant exercises	4.3%	3.9%
Change in fully converted tangible book value per share	2.3%	5.3%

Consolidated balance sheet

(Unaudited)

	31 Mar 2015 $m	31 Mar 2014 $m
Assets		
Cash and cash equivalents	475.5	532.4
Accrued interest receivable	7.4	8.0
Investments	1,846.1	1,967.3
Reinsurance assets		
- Unearned premiums on premiums ceded	100.9	88.6
- Reinsurance recoveries	97.6	140.5
- Other receivables	7.8	19.6
Deferred acquisition costs	110.6	96.9
Other receivables	77.4	18.4
Inwards premiums receivable from insureds and cedants	368.6	384.8
Corporation tax receivable	-	5.7
Investment in associates	26.7	23.6
Property, plant and equipment	8.7	2.7
Intangible assets	153.8	164.8
Total assets	**3,281.1**	**3,453.3**
Liabilities		
Insurance contracts		
- Losses and loss adjustment expenses	735.2	824.6
- Unearned premiums	530.3	545.3
- Other payables	38.2	29.0
Amounts payable to reinsurers	81.5	78.9
Deferred acquisition costs ceded	1.1	0.8
Other payables	233.6	142.7
Corporation tax payable	2.2	-
Deferred tax liability	28.2	38.8
Interest rate swap	6.0	1.9
Long-term debt	321.9	332.2
Total liabilities	**1,978.2**	**1,994.2**
Shareholders' equity		
Share capital	100.2	92.7
Own shares	(33.5)	(34.4)
Share premium	-	192.2
Contributed surplus	840.3	647.7
Accumulated other comprehensive income	9.8	6.3
Other reserves	34.5	49.3
Retained earnings	350.8	504.7
Total shareholders' equity attributable to Lancashire	**1,302.1**	**1,458.5**
Non-controlling interest	0.8	0.6
Total liabilities and shareholders' equity	**3,281.1**	**3,453.3**
Basic book value per share	$6.61	$8.02
Fully converted book value per share	$6.52	$7.49

Statement of consolidated cashflows

(Unaudited)

	Quarter 1 2015 $m	Quarter 1 2014 $m
Cash flows from operating activities		
Profit before tax	51.5	57.4
Tax refund	2.7	-
Depreciation	0.5	0.3
Amortisation of intangible asset	-	12.4
Interest expense on long-term debt	3.7	3.9
Interest and dividend income	(10.3)	(11.3)
Net amortisation of fixed income securities	2.5	3.0
Equity based compensation	4.4	2.4
Foreign exchange losses	9.6	7.1
Share of profit of associates	(0.7)	(1.6)
Net other investment income	(5.0)	(0.3)
Net realised losses and impairments	0.2	2.9
Net unrealised losses on interest rate swaps	1.1	1.7
Changes in operational assets and liabilities		
-insurance and reinsurance contracts	(45.4)	(42.2)
-other assets and liabilities	(12.4)	(0.8)
Net cash flows from operating activities	**2.4**	**34.9**
Cash flows from investing activities		
Interest and dividends received	10.6	12.2
Purchase and development of intangible asset	-	(0.2)
Net purchase of property, plant and equipment	(0.1)	-
Investment in associates	26.7	42.7
Purchase of investments	(241.8)	(514.7)
Proceeds on sale of investments	387.4	560.4
Net cash flows from investing activities	**182.8**	**100.4**
Cash flows used in financing activities		
Interest paid	(5.6)	(5.7)
Distributions by trust	(2.7)	(2.2)
Net cash flows used in financing activities	**(8.3)**	**(7.9)**
Net increase in cash and cash equivalents	**176.9**	**127.4**
Cash and cash equivalents at beginning of period	303.5	403.0
Effect of exchange rate fluctuations on cash and cash equivalents	(4.9)	2.0
Cash and cash equivalents at end of period	**475.5**	**532.4**