LANCASHIRE HOLDINGS LIMITED

GROWTH IN FULLY CONVERTED BOOK VALUE PER SHARE, ADJUSTED FOR DIVIDENDS, OF 14.1% IN 2019
COMBINED RATIO OF 80.9% IN 2019
FINAL ORDINARY DIVIDEND OF $0.10 PER COMMON SHARE
FULLY CONVERTED BOOK VALUE PER SHARE OF $5.84 AS AT 31 DECEMBER 2019

13 February 2020
Hamilton, Bermuda

Lancashire Holdings Limited ("Lancashire" or "the Group") today announces its results for the year ended 31 December 2019.

Financial highlights

	Twelve months ended	
	31 December 2019	**31 December 2018**
Fully converted book value per share	**$5.84**	**$5.26**
Return on equity[1]	**14.1%**	**2.4%**
Return on tangible equity[2]	**16.5%**	**3.0%**
Operating return on average equity	**9.7%**	**3.5%**
Dividends per common share for the financial year[3]	**$0.15**	**$0.35**

[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 the paragraph headed "Dividends" below for the Record Date and Dividend Payment Date.

	Twelve months ended	
	31 December 2019	**31 December 2018**
Highlights ($m)		
Gross premiums written	706.7	638.5
Net premiums written	424.7	417.7
Profit before tax	119.5	33.6
Profit after tax[1]	117.9	37.5
Comprehensive income[1]	145.7	24.7
Net operating profit[1]	111.5	39.8
Per share data		
Diluted earnings per share	$0.58	$0.19
Diluted earnings per share - operating	$0.55	$0.20
Financial ratios		
Total investment return (including internal currency hedging)	4.9%	0.8%
Net loss ratio	30.8%	40.0%
Combined ratio	80.9%	92.2%
Accident year loss ratio	51.3%	70.0%

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

Alex Maloney, Group Chief Executive Officer, commented:

"The Lancashire Group has generated a strong RoE of 14.1% for the full year. Our results reflect the measured pricing improvement that we have witnessed during the course of the year and our disciplined underwriting approach, with top line premium growth and a strong contribution from our investment portfolio. These are pleasing results and are early evidence of the transition to the harder stage of the cycle within insurance markets. However, whilst Lancashire has achieved a profitable underwriting performance with a combined ratio of 80.9% for the full year, we are still of the belief that further pricing improvement is needed in many lines of business before the market returns to a more sustainable environment.

Notwithstanding the Hagibis, Faxai and Dorian windstorm losses, which all occurred during the second half of the year, the aggregate market insured loss amounts are below what we have witnessed in recent years. In contrast, 2017 and 2018 generated exceptionally heavy insured catastrophe losses at a time of unsustainably weak margins.

During 2019 however, the wider insurance markets have felt further stress through a combination of reserve deterioration on casualty books and in respect of prior year catastrophe loss reserves. Lancashire's strategy of underwriting predominantly short-tail lines has insulated us from the reserving stress experienced in casualty insurance classes, and our reserving from prior year catastrophe events remains robust. But these developments illustrate that there is still a need for a continued focus on underwriting discipline. Over the last few quarters stronger investment performance has helped smooth earnings across the insurance market. Investment returns are part of our overall return for our shareholders. But our market must always insist on the right price for the underwriting risk which we take on.

I would like to thank Elaine Whelan, who steps down as our Group CFO in a couple of weeks' time for her role as a leader in Lancashire and for her significant contribution to our success as a business over many years.

Finally, as we report on another year, I would like to thank all our staff for their dedication, expertise and hard work, which is so central to our success."

Elaine Whelan, Group Chief Financial Officer, commented:

"With a year of below-average industry losses compared to prior years and a strong investment performance, we are pleased to return to strong levels of profitability, with a return on equity of 14.1% for the year, with all of the Group's platforms contributing to that return. Our combined ratio was 80.9% and our investment return was 4.9%.

Our outlook for 2020 is for a continuation of rate improvements and we are retaining most of our capital to ensure we are fully able to take advantage of any underwriting opportunities that arise. We are, however, declaring our standard final ordinary dividend of 10 cents per share, subject to shareholder approval at our 2020 AGM. Including that dividend, we will have returned 105.0% of comprehensive income since inception."

Underwriting results

Gross premiums written		Twelve months ended			
	2019	2018	Change	Change	RPI
	$m	$m	$m	%	%
Property	223.8	214.6	9.2	4.3	106
Energy	94.9	103.0	(8.1)	(7.9)	106
Marine	37.3	31.1	6.2	19.9	111
Aviation	53.2	33.0	20.2	61.2	115
Lancashire Syndicates	297.5	256.8	40.7	15.8	110
Total	**706.7**	**638.5**	**68.2**	**10.7**	**109**

Gross premiums written increased by 10.7% in 2019 compared to the same period in 2018. The Group's five principal segments, and the key market factors impacting them, are discussed below.

Property gross premiums written increased by 4.3% in 2019 compared to the same period in 2018. The property segment experienced new business growth along with rate and exposure-related premium increases across all classes of business, particularly in the property catastrophe and political risk classes. Business flow in the political risk class is generally less predictable than other classes of business due to the lead time and specific nature of each deal. The new business was partially offset by the impact of multi-year contracts written in the prior year that were not yet due to renew.

Energy gross premiums written decreased by 7.9% in 2019 compared to the same period in 2018. While there was more new business in the worldwide offshore and onshore energy classes in 2019 compared to 2018, the prior year benefited from the restructuring of an existing Gulf of Mexico multi-year deal in addition to premium adjustments that were made to prior underwriting year risk-attaching business in the worldwide offshore energy class.

Marine gross premiums written increased by 19.9% in 2019 compared to the same period in 2018. The growth reflects rate and exposure increases and favourable prior underwriting year premium adjustments in the marine builders risk class. In the prior year there was a reduction in exposure on prior underwriting year risk-attaching business in the other marine class and less pro-rata business.

Aviation gross premiums written increased by 61.2% in 2019 compared to the same period in 2018. The growth was primarily driven by new and renewal business in the aviation deductible and other aviation classes of business as that underwriting team continues to build their book. The increase was only partially offset by exposure decreases in the AV52 and satellite classes.

In our Lancashire Syndicates segment, our Lloyd's platform, gross premiums written increased by 15.8% in 2019 compared to the same period in 2018. This increase was primarily due to new business in the energy, aviation, marine and terrorism classes of business, offset slightly by lower premiums in the property classes.

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Ceded reinsurance premiums increased by $61.2 million, or 27.7%, in 2019 compared to the same period in 2018. The increase was primarily due to a combination of additional cover purchased, including some quota share cover for some of the new lines of business we have entered into, and the timing of renewals.

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Net premiums earned as a proportion of net premiums written was 99.3% in 2019 compared to 99.0% for the same period in 2018.

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The Group's net loss ratio for 2019 was 30.8% compared to 40.0% for the same period in 2018. The accident year loss ratio for 2019, including the impact of foreign exchange revaluations, was 51.3% compared to 70.0% for the same period in 2018.

2019 was impacted by catastrophe activity in the form of hurricane Dorian and typhoons Faxai and Hagibis. Our net losses recorded for these events, excluding the impact of inwards and outwards reinstatement premiums, was $52.1 million. In 2018 our net losses from marine and natural catastrophe events, excluding the impact of inwards and outwards reinstatement premiums, was $104.9 million.

While reserves have been recorded, uncertainty exists on the eventual ultimate net loss estimates in relation to hurricanes, typhoons and wildfires as loss information after these types of events can take some time to obtain. The Group's ultimate net loss estimates for these natural catastrophe events were derived from a combination of market data and assumptions, a limited number of provisional loss advices, limited client loss data and modelled loss projections. As additional information emerges, the Group's actual ultimate net losses may vary, perhaps materially, from the current estimates. The final settlement of all claims is likely to take place over a considerable period of time.

Excluding the impact of foreign exchange revaluations, the impact of the current accident year events noted above on the Group's loss ratio was as follows:

	Losses	**Loss ratio**
	$m	**%**
Reported at 31 December 2019	129.8	30.8%
Absent all catastrophe events	77.7	18.5%

As reported in the Group's results for the year ended 31 December 2018, and excluding the impact of foreign exchange revaluations, the impact of the marine and natural catastrophe loss events on the Group's 2018 loss ratio was as follows:

	Losses	**Loss ratio**
	$m	**%**
Reported at 31 December 2018	165.4	40.0%
Absent natural catastrophe events	78.6	19.2%
Absent large marine losses	147.3	34.7%
Absent the combined events	60.5	14.4%

Note: The table does not sum to a total due to the impact of reinstatement premium.

The total estimated ultimate net loss, excluding the impacts of inwards and outwards reinstatement premiums, for the 2018 reported marine and natural catastrophe losses were as follows:

	As at	**As at**
	31 December 2019	**31 December 2018**
	$m	**$m**
2018 Catastrophe and marine loss events[1]	100.6	104.9

1 The 2018 loss events include hurricanes Florence and Michael, typhoons Jebi, Mangkhut and Trami and the California wildfires, plus loss events within our marine portfolio.

Prior year favourable development for 2019 was $88.0 million, compared to $126.9 million of favourable development for the same period in 2018. The favourable development in both periods was primarily due to general IBNR releases across most lines of business due to a lack of reported claims. In 2019, the Group also benefited from favourable development on the 2017 catastrophe loss events partially offset by 2018 accident year claims in the energy and Lancashire Syndicates segments. In the prior period, the Group benefited from a reduction on prior accident year property and energy claims.

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

	Twelve months ended	
	2019	**2018**
	$m	**$m**
Property	37.3	46.5
Energy	20.2	55.0
Marine	11.1	12.1
Aviation	1.1	1.4
Lancashire Syndicates	18.3	11.9
Total	**88.0**	**126.9**

Note: Positive numbers denote favourable development.

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

	Twelve months ended	
	2019	**2018**
	$m	**$m**
2009 accident year and prior	3.3	27.0
2010 accident year	(0.9)	1.6
2011 accident year	1.4	4.7
2012 accident year	6.6	8.8
2013 accident year	4.2	3.5
2014 accident year	(1.3)	3.4
2015 accident year	5.7	6.6
2016 accident year	19.3	33.3
2017 accident year	30.8	38.0
2018 accident year	18.9	–
Total	**88.0**	**126.9**

Note: Positive numbers denote favourable development.

The ratio of IBNR to total net loss reserves was 30.9% at 31 December 2019 compared to 39.3% at 31 December 2018.

Investments

Net investment income, excluding realised and unrealised gains and losses, was $37.7 million in 2019, an increase of 8.6% compared to 2018. 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 $83.2 million in 2019 compared to $12.5 million for 2018.

The Group's investment portfolio generated a strong total return of 4.9% in 2019 with positive returns from all assets classes, driven primarily by the three 25 basis point rate cuts by the Federal Reserve. Credit spreads also tightened during the year. This was in contrast to 2018 which saw an increase in treasury yields and the widening of credit spreads, resulting in an annual return of 0.8%.

The corporate bond allocation represented 34.4% of managed invested assets at 31 December 2019 compared to 29.9% at 31 December 2018.

The managed portfolio was as follows:

	As at 31 December 2019	As at 31 December 2018
Fixed maturity securities	79.0 %	85.4 %
Cash and cash equivalents	11.4 %	4.8 %
Hedge funds	8.7 %	8.5 %
Private debt fund	0.9 %	–
Equity securities	–	1.3 %
Total	**100.0%**	**100.0%**

Key investment portfolio statistics were:

	As at 31 December 2019	As at 31 December 2018
Duration	1.8 years	1.5 years
Credit quality	A+	A+
Book yield	2.4%	2.7%
Market yield	2.1%	3.1%

Third Party Capital Management

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

	Twelve months ended	
	2019	2018
	$m	$m
Lancashire Capital Management underwriting fees	7.9	6.6
Lancashire Capital Management profit commission	1.0	–
Lancashire Syndicates' fees & profit commission	2.5	5.8
Total other income	**11.4**	**12.4**
Share of profit (loss) of associate	5.9	(7.1)
Total net third party capital management income	**17.3**	**5.3**

The Lancashire Capital Management profit commission is driven by the timing of loss experience, settlement of claims and collateral release and therefore varies year on year. Following the significant catastrophe loss activity during 2017 and 2018, and the resulting loss experience, there was no profit commission for any of the 2017 or 2018 underwriting cycles. The higher underwriting fees in 2019 reflect the increased level of premiums under management compared to 2018. The Lancashire Syndicates' fees and profit commission were driven by the relative profitability of the underwriting years impacting the profit commission in each period. The share of profit (loss) of associate reflects Lancashire's 10% equity interest in the Lancashire Capital Management managed vehicle.

Other operating expenses

Other operating expenses were $106.0 million in 2019 compared to $89.2 million in the same period last year. The increase was driven primarily by the underlying performance of the Group which has resulted in a higher variable compensation element of employee remuneration costs compared to 2018. Employment costs have also increased due to general salary increases. This was only partially offset by the impact of the depreciation in Sterling relative to the prior period.

Equity based compensation

The equity based compensation expense was $9.6 million in 2019 compared to $7.9 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. Lower equity based compensation charges were recorded in 2018 as required return thresholds for performance award vesting were not met.

Capital

As at 31 December 2019, total capital available to Lancashire was $1.517 billion, comprising shareholders' equity of $1.193 billion and $323.5 million of long-term debt. Tangible capital was $1.363 billion. Leverage was 21.3% on total capital and 23.7% on total tangible capital. Total capital and total tangible capital as at 31 December 2018 were $1.391 billion and $1.238 billion respectively.

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

Dividends

The Lancashire Board declared the following dividends during 2019:

- A final dividend relating to 2018 of $0.10 per common share; and
- An interim dividend of $0.05 per common share.

Lancashire announces that its Board of Directors has declared a final dividend for 2019 of $0.10 (approximately £0.08) per common share, subject to a shareholder vote of approval at the AGM to be held on 29 April 2020, which will result in an aggregate payment of approximately $20.1 million. On the basis that the final dividend is so approved by shareholders at the AGM, the dividend will be paid in Pound Sterling on 5 June 2020 (the "Dividend Payment Date") to shareholders of record on 11 May 2020 (the "Record Date") using the £ / $ spot market exchange rate at 12 noon London time on the Record Date.

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

Financial Information

The Audited Consolidated Financial Statements for the year ended 31 December 2019 are published on Lancashire's website at www.lancashiregroup.com.

The 2019 Annual Report and Accounts are expected to be posted to shareholders on 9 March 2020 and will also be made available on Lancashire's website.

Analyst and Investor Earnings Conference Call

There will be an analyst and investor conference call on the results at 1:00pm UK time / 9:00am Bermuda time / 8:00am EST on Thursday 13 February 2020. 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:	08003589473
United Kingdom Toll:	+44 3333000804
United States Toll free:	+1 855 85 70686
United States Toll:	+1 6319131422
Confirmation Code:	11716000#

URL for additional international dial in numbers:
https://events.arkadin.com/ev/docs/NE_W2_TF_Events_International_Access_List.pdf

The call can also be accessed via webcast, for registration and access:
https://event.on24.com/wcc/r/2171760/D35811815D634ED263502FFBB474FAC4

A webcast replay facility will be available for 12 months and accessible at:
https://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 provider of global 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.

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

Lancashire has capital of approximately $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 head office and registered office at Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda.

For more information, please visit Lancashire's website at www.lancashiregroup.com.

The Bermuda Monetary Authority ("BMA") is the Group Supervisor of the Lancashire Group with effect from 1 January 2019.

Lancashire Insurance Company Limited is regulated by the BMA, with its registered office at Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda.

Lancashire Insurance Company (UK) Limited is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA, with its registered office at Level 29, 20 Fenchurch Street, London EC3M 3BY, United Kingdom.

Lancashire Syndicates Limited is authorised by the PRA and regulated by the FCA and the PRA. It is also authorised and regulated by Lloyd's, with its registered office at Level 29, 20 Fenchurch Street, London EC3M 3BY, United Kingdom.

Lancashire Capital Management Limited is regulated by the BMA, with its registered office at Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda.

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 GMT on 13 February 2020.

Alternative Performance Measures

As is customary in the insurance industry, the Group also utilises certain non-GAAP measures ("**Alternative Performance Measures**" or "**APMs**") in order to evaluate, monitor and manage the business and to aid users' understanding of the Group. In compliance with the Guidelines on APMs of the European Securities and Markets Authority, we give information on APMs in the table below. This information has not been audited.

Management believes that the APMs included in this release are important for understanding the Group's overall results of operations and may be helpful to investors and other interested parties who may benefit from having a consistent basis for comparison with other companies within the industry. However, these measures may not be comparable to similarly labeled measures used by companies inside or outside the insurance industry. In addition, the information contained herein should not be viewed as superior to, or a substitute for, the measures determined in accordance with the accounting principles used by the Group for its audited consolidated financial statements or in accordance with GAAP.

The following APMs included in this release have not been prepared in accordance with the accounting principles used by the Group for its audited and / or interim consolidated financial statements. Below is an explanation of the definition of these APMs as well as information regarding their relevance:

APM	Definition	Relevance
Net loss ratio	Ratio, in per cent, of net insurance losses to net premiums earned.	This ratio gives an indication of the amount of claims expected to be paid out per $1.00 of net premium earned in the financial year.
Net acquisition cost ratio	Ratio, in per cent, of net insurance acquisition expenses to net premiums earned.	This ratio gives an indication of the amount expected to be paid out to insurance brokers and other insurance intermediaries per $1.00 of net premium earned in the financial year
Net expense ratio	Ratio, in per cent, of other operating expenses, excluding restricted stock expenses, to net premiums earned.	This ratio gives an indication of the amount of operating expenses expected to be paid out per $1.00 of net premium earned in the financial year.
Accident year loss ratio	The accident year loss ratio is calculated using the accident year ultimate liability re-valued at the current balance sheet date, divided by net premiums earned.	This ratio shows the amount of claims expected to be paid out per $1.00 of net premium earned in an accident year.
Combined ratio	Ratio, in per cent, of the sum of net insurance losses, net acquisition expenses and other operating expenses to net premiums earned.	The Group aims to price its business to ensure that the combined ratio across the cycle is significantly less than 100 per cent.

Fully converted book value per share ("**FCBVS**") attributable to the Group	Calculated based on the value of the total shareholders' equity attributable to the Group and dilutive restricted stock units as calculated under the treasury method, divided by, the sum of all shares and dilutive restricted stock units, assuming all are exercised.	Shows the Group's net asset value on a diluted per share basis for comparison to the market value per share.
Return on equity ("**RoE**") (RoE is also sometimes referred to as the change in FCBVS adjusted for dividends)	The internal rate of return of the change in FCBVS in the period, plus dividends accrued. Tangible RoE attributable to the Group excludes intangible assets from capital.	The Group's aim is to maximise risk adjusted returns for its shareholders across the cycle.
Operating return on average equity	Calculated as the net operating income (loss), divided by the average equity over the period, adjusted for dividends declared. Net operating income (loss) excludes; realised gains and losses net of impairments, foreign exchange and tax.	This metric gives an indication of the average percentage return generated by the Group's core business.
Total investment return	Total investment return measures investment income and net realised and unrealised gains and losses produced by the Group's managed investment portfolio.	The Group's primary investment objectives are to preserve capital and provide adequate liquidity to support the Group's payment of claims and other obligations. Within this framework the Group aims for a degree of investment portfolio return.

NOTE REGARDING RPI METHODOLOGY

THE RENEWAL PRICE INDEX ("RPI") IS AN INTERNAL METHODOLOGY THAT MANAGEMENT USES TO TRACK TRENDS IN PREMIUM RATES OF A PORTFOLIO OF INSURANCE AND REINSURANCE CONTRACTS. THE RPI WRITTEN IN THE RESPECTIVE SEGMENTS IS CALCULATED ON A PER CONTRACT BASIS AND REFLECTS MANAGEMENT'S ASSESSMENT OF RELATIVE CHANGES IN PRICE, TERMS, CONDITIONS AND LIMITS AND IS WEIGHTED BY PREMIUM VOLUME. THE RRPI DOES NOT INCLUDE NEW BUSINESS, TO OFFER A CONSISTENT BASIS FOR ANALYSIS. THE CALCULATION INVOLVES A DEGREE OF JUDGEMENT IN RELATION TO COMPARABILITY OF CONTRACTS AND THE ASSESSMENT NOTED ABOVE. TO ENHANCE THE RPI METHODOLOGY, MANAGEMENT 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 THE PORTFOLIO OF CONTRACTS. 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 MODELLED 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 FINANCIAL POSITION OF THE COMPANY AND ITS SUBSIDIARIES (THE "GROUP"), THE GROUP'S TAX RESIDENCY, 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 TYPHOON HAGIBIS WHICH OCCURRED IN THE FOURTH QUARTER OF 2019, HURRICANE DORIAN AND TYPHOON FAXAI WHICH OCCURRED IN THE THIRD QUARTER OF 2019, THE CALIFORNIAN WILDFIRES AND HURRICANE MICHAEL WHICH OCCURRED IN THE FOURTH QUARTER OF 2018, HURRICANE FLORENCE AND THE TYPHOONS THAT OCCURRED IN THE THIRD QUARTER OF 2018, 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 ESTIMATIONS; 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' RATINGS 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 HOLDINGS LIMITED OR ANY OF THE GROUP'S BERMUDIAN SUBSIDIARIES BECOMING SUBJECT TO INCOME TAXES IN THE UNITED STATES OR IN THE UNITED KINGDOM; THE IMPACT OF THE CHANGE IN TAX RESIDENCE ON STAKEHOLDERS OF THE COMPANY; AND NEGOTIATIONS REGARDING THE UK'S RELATIONSHIP WITH THE EUROPEAN UNION ON THE GROUP'S BUSINESS, REGULATORY RELATIONSHIPS, UNDERWRITING PLATFORMS OR THE INDUSTRY GENERALLY, FOLLOWING THE UK'S EXIT FROM THE EUROPEAN UNION WHICH TOOK PLACE AT THE END OF JANUARY 2020.

ALL FORWARD-LOOKING STATEMENTS IN THIS RELEASE SPEAK ONLY AS AT THE DATE OF PUBLICATION. LANCASHIRE HOLDINGS LIMITED 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 NOTE. 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

	Twelve months 2019 $m	Twelve months 2018 $m
Gross premiums written	706.7	638.5
Outwards reinsurance premiums	(282.0)	(220.8)
Net premiums written	**424.7**	**417.7**
Change in unearned premiums	(35.8)	(19.7)
Change in unearned premiums on premiums ceded	32.8	15.5
Net premiums earned	**421.7**	**413.5**
Net investment income	37.7	34.7
Net other investment income	8.0	(4.2)
Net realised gains (losses) and impairments	8.9	(5.1)
Share of profit (loss) of associate	5.9	(7.1)
Other income	11.4	12.4
Net foreign exchange losses	(1.5)	(1.6)
Total net revenue	**492.1**	**442.6**
Insurance losses and loss adjustment expenses	264.5	307.4
Insurance losses and loss adjustment expenses recoverable	(134.7)	(142.0)
Net insurance acquisition expenses	105.4	126.4
Equity based compensation	9.6	7.9
Other operating expenses	106.0	89.2
Total expenses	**350.8**	**388.9**
Results of operating activities	**141.3**	**53.7**
Financing costs	21.8	20.1
Profit before tax	**119.5**	**33.6**
Tax (charge) credit	(1.3)	4.0
Profit after tax	**118.2**	**37.6**
Non-controlling interests	(0.3)	(0.1)
Profit after tax attributable to Lancashire	**117.9**	**37.5**
Net change in unrealised gains/losses on investments	28.6	(12.9)
Tax (charge) credit on net change in unrealised gains/losses on investments	(0.8)	0.1
Other comprehensive income (loss)	**27.8**	**(12.8)**
Total comprehensive income attributable to Lancashire	**145.7**	**24.7**
Net loss ratio	30.8%	40.0%
Net acquisition cost ratio	25.0%	30.6%
Administrative expense ratio	25.1%	21.6%
Combined ratio	80.9%	92.2%
Basic earnings per share	$ 0.59	$ 0.19
Diluted earnings per share	$ 0.58	$ 0.19
Change in fully converted book value per share	14.1%	2.4%

Consolidated balance sheet

	As at 31 December 2019 $m	As at 31 December 2018 $m
Assets		
Cash and cash equivalents	320.4	154.6
Accrued interest receivable	7.2	6.8
Investments	1,525.1	1,659.0
Inwards premiums receivable from insureds and cedants	350.5	318.1
Reinsurance assets		
- Unearned premiums on premiums ceded	89.5	56.7
- Reinsurance recoveries	327.5	322.9
- Other receivables	16.9	9.8
Other receivables	51.7	35.3
Investment in associate	108.3	67.1
Property, plant and equipment	1.2	1.4
Right-of-use asset	18.2	–
Deferred acquisition costs	81.7	74.2
Intangible assets	154.5	153.8
Total assets	**3,052.7**	**2,859.7**
Liabilities		
Insurance contracts		
- Losses and loss adjustment expenses	874.5	915.0
- Unearned premiums	406.4	370.6
- Other payables	27.4	36.0
Amounts payable to reinsurers	126.6	81.3
Deferred acquisition costs ceded	17.6	7.1
Other payables	47.5	45.4
Corporation tax payable	2.4	0.9
Deferred tax liability	9.6	11.2
Interest rate swap	1.1	0.4
Lease liability	21.9	–
Long-term debt	323.5	324.3
Total liabilities	**1,858.5**	**1,792.2**
Shareholders' equity		
Share capital	101.5	101.0
Own shares	(13.3)	(9.4)
Other reserves	881.3	869.0
Accumulated other comprehensive income (loss)	13.5	(14.3)
Retained earnings	210.6	120.9
Total shareholders' equity attributable to equity shareholders of Lancashire	**1,193.6**	**1,067.2**
Non-controlling interest	0.6	0.3
Total shareholders' equity	**1,194.2**	**1,067.5**
Total liabilities and shareholders' equity	**3,052.7**	**2,859.7**
Basic book value per share	$5.92	$5.31
Fully converted book value per share	$5.84	$5.26

Consolidated statements of cash flows

	Twelve months 2019 $m	Twelve months 2018 $m
Cash flows from (used in) operating activities		
Profit before tax	119.5	33.6
Tax paid	(2.1)	(3.3)
Depreciation	3.9	1.4
Interest expense on long-term debt	18.5	18.1
Interest expense on finance leases	1.3	–
Interest and dividend income	(39.7)	(36.6)
Net amortisation of fixed maturity securities	(1.3)	(0.6)
Equity based compensation	9.6	7.9
Foreign exchange losses (gains)	2.5	(4.3)
Share of (profit) loss of associate	(5.9)	7.1
Net other investment (income) losses	(8.8)	3.9
Net realised (gains) losses and impairments	(8.9)	5.1
Net unrealised losses (gains) on interest rate swaps	0.7	(1.6)
Changes in operational assets and liabilities		
- Insurance and reinsurance contracts	(46.0)	(51.5)
- Other assets and liabilities	(8.8)	18.3
Net cash flows from (used in) operating activities	**34.5**	**(2.5)**
Cash flows from (used in) investing activities		
Interest and dividends received	41.1	35.9
Purchase of property, plant and equipment	(1.1)	(0.2)
Purchase of underwriting capacity	(0.7)	—
Investment in associate	(35.3)	(14.8)
Purchase of investments	(948.3)	(1,143.1)
Proceeds on sale of investments	1,127.7	1,115.8
Net cash flows from (used in) investing activities	**183.4**	**(6.4)**
Cash flows used in financing activities		
Interest paid	(18.5)	(18.0)
Lease liabilities paid	(3.6)	–
Dividends paid	(30.2)	(70.2)
Distributions by trust	(1.3)	(2.6)
Purchase of shares from non-controlling interest	–	(0.3)
Net cash flows used in financing activities	**(53.6)**	**(91.1)**
Net increase (decrease) in cash and cash equivalents	**164.3**	**(100.0)**
Cash and cash equivalents at the beginning of year	154.6	256.5
Effect of exchange rate fluctuations on cash and cash equivalents	1.5	(1.9)
Cash and cash equivalents at end of period	**320.4**	**154.6**