



financial supplement

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NOTE REGARDING FORWARD-LOOKING STATEMENTS:

CERTAIN STATEMENTS AND INDICATIVE PROJECTIONS (WHICH MAY INCLUDE MODELLED LOSS SCENARIOS) MADE THAT ARE NOT BASED ON CURRENT OR HISTORICAL FACTS ARE FORWARD-LOOKING IN NATURE INCLUDING WITHOUT LIMITATION, STATEMENTS CONTAINING WORDS "BELIEVES", "ANTICIPATES", "PLANS", "PROJECTS", "INTENDS", "EXPECTS", "ESTIMATES", "PREDICTS", "MAY", "WILL", "SEEKS", "SHOULD", OR, IN EACH CASE, THEIR NEGATIVE OR COMPARABLE TERMINOLOGY. ALL STATEMENTS OTHER THAN STATEMENTS OF HISTORICAL FACTS INCLUDING, WITHOUT LIMITATION, THOSE REGARDING THE GROUP'S FINANCIAL POSITION, RESULTS OF OPERATIONS, LIQUIDITY, PROSPECTS, GROWTH, 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 NUMBER AND TYPE OF INSURANCE AND REINSURANCE CONTRACTS THAT WE WRITE AT THE RENEWAL PERIODS IN 2007; THE PREMIUM RATES AVAILABLE AT THE TIME OF SUCH RENEWALS WITHIN OUR TARGETED BUSINESS LINES; THE ABSENCE OF LARGE OR UNUSUALLY FREQUENT LOSS EVENTS; THE IMPACT THAT OUR FUTURE OPERATING RESULTS, CAPITAL POSITION AND RATING AGENCY AND OTHER CONSIDERATIONS HAVE ON THE EXECUTION OF ANY CAPITAL MANAGEMENT INITIATIVES; THE POSSIBILITY OF GREATER FREQUENCY OR SEVERITY OF CLAIMS AND LOSS ACTIVITY THAN OUR UNDERWRITING, RESERVING OR INVESTMENT PRACTICES HAVE ANTICIPATED; THE RELIABILITY OF, AND CHANGES IN ASSUMPTIONS TO, CATASTROPHE PRICING, ACCUMULATION AND ESTIMATED LOSS MODELS; LOSS OF KEY PERSONNEL; A DECLINE IN OUR OPERATING SUBSIDIARIES' RATING WITH A.M. BEST COMPANY; INCREASED COMPETITION ON THE BASIS OF PRICING, CAPACITY, COVERAGE TERMS OR OTHER FACTORS; A CYCLICAL DOWNTURN OF THE INDUSTRY; CHANGES IN GOVERNMENTAL REGULATIONS OR TAX LAWS IN JURISDICTIONS WHERE LANCASHIRE CONDUCTS BUSINESS; LANCASHIRE OR ITS BERMUDIAN SUBSIDIARY BECOMING SUBJECT TO INCOME TAXES IN THE UNITED STATES OR THE UNITED KINGDOM; AND THE EFFECTIVENESS OF OUR LOSS LIMITATION METHODS.

THESE FORWARD-LOOKING STATEMENTS SPEAK ONLY AS AT THE DATE OF ANNOUNCEMENT OR OTHER INFORMATION CONCERNED. LANCASHIRE HOLDINGS LIMITED EXPRESSLY DISCLAIMS ANY OBLIGATION OR UNDERTAKING (SAVE AS REQUIRED TO COMPLY WITH ANY LEGAL OR REGULATORY OBLIGATIONS (INCLUDING THE AIM RULES)) 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.

Lancashire Holdings Limited
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Lancashire Holdings Limited
basis of presentation and non-GAAP financial measures



THE LANCASHIRE GROUP'S AUDITED CONSOLIDATED FINANCIAL STATEMENTS ARE PREPARED IN ACCORDANCE WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") ENDORSED BY THE EUROPEAN COMMISSION. WHERE IFRS IS SILENT, AS IT IS IN RESPECT OF THE MEASUREMENT OF INSURANCE PRODUCTS, THE IFRS FRAMEWORK ALLOWS REFERENCE TO ANOTHER COMPREHENSIVE BODY OF ACCOUNTING PRINCIPLES. IN SUCH INSTANCES, MANAGEMENT DETERMINES APPROPRIATE MEASUREMENT BASES, TO PROVIDE THE MOST USEFUL INFORMATION TO USERS OF THE CONSOLIDATED FINANCIAL STATEMENTS, USING THEIR JUDGMENT AND CONSIDERING THE ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES ("US GAAP").

THIS FINANCIAL SUPPLEMENT HAS NOT BEEN AUDITED AND MAY CONTAIN DIFFERENCES TO NUMBERS AND DISCLOSURES PROVIDED IN OUR AUDITED AND / OR INTERIM FINANCIAL STATEMENTS. THESE DIFFERENCES ARE DUE TO MANAGEMENT'S PREFERRED PRESENTATION OR TO AID USERS' UNDERSTANDING OF THE LANCASHIRE GROUP.

THE FOLLOWING INFORMATION INCLUDED IN THIS DOCUMENT HAS NOT BEEN PREPARED IN ACCORDANCE WITH THE ACCOUNTING PRINCIPLES USED BY LANCASHIRE FOR ITS AUDITED AND / OR INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND INCLUDES NON-IFRS/US-GAAP MEASURES:

NET OPERATING INCOME - NET OPERATING INCOME EXCLUDES REALISED GAINS AND LOSSES; WARRANTS ISSUED AT IPO; FOREIGN EXCHANGE AND TAX

NET LOSS RATIO - THE NET LOSS RATIO IS THE NET INSURANCE LOSSES AND LOSS ADJUSTMENT EXPENSES DIVIDED BY NET PREMIUMS EARNED

NET ACQUISITION COST RATIO - THE NET ACQUISITION COST RATIO IS THE NET ACQUISITION EXPENSES DIVIDED BY NET PREMIUMS EARNED

ADMINISTRATIVE EXPENSE RATIO - THE ADMINISTRATIVE EXPENSE RATIO IS THE GENERAL AND ADMINISTRATIVE EXPENSES ("OTHER OPERATING EXPENSES"), BUT EXCLUDING WARRANTS AND OPTIONS EXPENSES, DIVIDED BY NET PREMIUMS EARNED

COMBINED RATIO - THE COMBINED RATIO IS THE SUM OF THE LOSS RATIO, THE ACQUISITION COST RATIO AND THE ADMINISTRATIVE EXPENSE RATIO

FULLY CONVERTED BOOK VALUE PER SHARE - THE CALCULATION IS BASED ON THE FOLLOWING: THE VALUE OF TOTAL SHAREHOLDERS' EQUITY PLUS THE PROCEEDS THAT WOULD BE RECEIVED FROM THE EXERCISE OF ALL DILUTIVE OUTSTANDING OPTIONS AND WARRANTS, EXCLUDING PERFORMANCE WARRANTS THAT HAVE NOT YET MET THE RELEVANT CRITERIA; DIVIDED BY: THE SUM OF ALL SHARES, DILUTIVE OPTIONS AND WARRANTS OUTSTANDING, ASSUMING ALL ARE EXERCISED, EXCLUDING PERFORMANCE WARRANTS THAT HAVE NOT YET MET THE RELEVANT CRITERIA

CHANGE IN FULLY CONVERTED BOOK VALUE PER SHARE - THE CALCULATION IS BASED ON THE MOVEMENT IN FULLY CONVERTED BOOK VALUE PER SHARE BETWEEN ANY TWO BALANCE SHEET DATES

COMPOUND ANNUAL CHANGE IN FULLY CONVERTED BOOK VALUE PER SHARE - THE CALCULATION IS BASED ON THE MOVEMENT IN FULLY CONVERTED BOOK VALUE SINCE INCEPTION ON AN ANNUALISED BASIS

DEBT TO TOTAL CAPITAL RATIO - THE CALCULATION IS BASED ON THE FOLLOWING AND IS AN INDICATION OF THE LEVERAGE OF THE COMPANY: LONG-TERM DEBT DIVIDED BY LONG-TERM DEBT PLUS TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS

ALL AMOUNTS, EXCLUDING SHARE DATA OR WHERE OTHERWISE STATED, ARE IN MILLIONS OF UNITED STATES DOLLARS.

MANAGEMENT BELIEVES THE FINANCIAL MEASURES INCLUDED IN THIS FINANCIAL SUPPLEMENT ARE IMPORTANT FOR UNDERSTANDING THE LANCASHIRE GROUP'S OVERALL RESULTS OF OPERATIONS. WE BELIEVE THAT THE MEASURES INCLUDED IN THIS DOCUMENT ARE IMPORTANT TO INVESTORS AND OTHER INTERESTED PARTIES AND THAT SUCH PERSONS 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 HEREIN SHOULD NOT BE VIEWED AS A SUBSTITUTE FOR THE MEASURES DETERMINED IN ACCORDANCE WITH THE ACCOUNTING PRINCIPLES USED BY THE LANCASHIRE GROUP FOR ITS CONSOLIDATED FINANCIAL STATEMENTS AND IN ACCORDANCE WITH IFRS/US-GAAP. WHERE INDICATED THROUGHOUT THIS DOCUMENT, REFERENCE SHOULD BE MADE TO COMPARABLE INFORMATION IN THE LANCASHIRE GROUP'S AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND INTERIM RESULTS ANNOUNCEMENT.

Lancashire Holdings Limited
consolidated financial highlights

	q2 2007	q2 2006	% change q2-07 vs. q2-06	ytd 2007	ytd 2006	% change ytd-07 vs. ytd-06
highlights						
gross premiums written	\$ 270.8	\$ 203.9	33%	\$ 451.5	\$ 316.3	43%
net premiums written	201.5	132.9	52%	376.1	245.3	53%
net premiums earned	151.9	45.5	234%	292.1	64.3	354%
net insurance losses and loss adjustment expenses	52.3	3.5	1394%	84.3	7.4	1039%
net investment income	18.6	12.7	46%	35.3	24.2	46%
net realised gains (losses) investments and impairments	2.6	(3.2)	nm	4.4	(3.4)	nm
change in net unrealised gains (losses) on investments	(8.6)	(1.7)	nm	(4.2)	(5.7)	nm
profit after tax for the period attributable to equity shareholders	82.5	30.0	175%	170.4	39.3	334%
net operating income	\$ 81.6	\$ 39.8	105%	\$ 169.7	\$ 53.6	217%
total investments and cash	\$ 1,683.3	\$ 1,168.4	44%			
total shareholders' equity	\$ 1,310.2	\$ 991.3	32%			
per share data						
net operating income per share - diluted ⁽¹⁾	\$ 0.40	\$ 0.20		\$ 0.83	\$ 0.27	
profit after tax available to equity shareholders per share - diluted ⁽¹⁾	\$ 0.40	\$ 0.15		\$ 0.83	\$ 0.20	
fully converted book value per share	\$ 6.42	\$ 5.05		\$ 6.42	\$ 5.05	
change in fully converted book value per share	5.4%	3.1%		13.0%	4.3%	
financial ratios						
net loss ratio	34.4%	7.7%		28.9%	11.6%	
net acquisition costs ratio	13.8%	12.5%		14.1%	11.8%	
administrative expense ratio	8.4%	16.9%		9.2%	21.1%	
combined ratio	<u>56.6%</u>	<u>37.1%</u>		<u>52.2%</u>	<u>44.5%</u>	

⁽¹⁾ earnings per share calculations use weighted average common shares outstanding - basic when in a net loss position.

nm - not meaningful

Lancashire Holdings Limited
summary consolidated income statements

	q2 2007	q1 2007	q4 2006	q3 2006	q2 2006	ytd 2007	ytd 2006	full year 2006
gross premiums written	\$ 270.8	\$ 180.7	\$ 199.0	\$ 110.7	\$ 203.9	\$ 451.5	\$ 316.3	\$ 626.0
outwards reinsurance premiums	(69.3)	(6.1)	0.3	(7.8)	(71.0)	(75.4)	(71.0)	(78.5)
net premiums written	201.5	174.6	199.3	102.9	132.9	376.1	245.3	547.5
change in unearned premiums	(100.8)	(27.6)	(75.3)	(6.4)	(147.8)	(128.4)	(241.4)	(323.1)
change in unearned premiums on premium ceded	51.2	(6.8)	(25.0)	(16.3)	60.4	44.4	60.4	19.1
net premiums earned	151.9	140.2	99.0	80.2	45.5	292.1	64.3	243.5
net investment income	18.6	16.7	16.3	13.7	12.7	35.3	24.2	54.2
net other investment income (losses)	(0.7)	(0.1)	1.8	-	-	(0.8)	-	1.8
net realised gains (losses) and impairments	2.6	1.8	2.0	2.1	(3.2)	4.4	(3.4)	0.8
net fair value gains on investments at fair value through income	0.3	-	-	-	-	0.3	-	-
share of profit of associate	1.5	1.3	1.2	2.0	-	2.8	-	3.2
net foreign exchange gains (losses)	0.4	1.4	(0.1)	(0.1)	(0.5)	1.8	(1.1)	(1.3)
total net revenue	174.6	161.3	120.2	97.9	54.5	335.9	84.0	302.2
insurance losses and loss adjustment expenses	52.8	32.0	18.8	12.8	3.5	84.8	7.4	39.1
insurance losses and loss adjustment expenses recoverable	(0.5)	-	-	-	-	(0.5)	-	-
net insurance acquisition expenses	20.9	20.3	15.6	11.7	5.7	41.2	7.6	34.9
equity based compensation	2.7	3.7	6.4	5.5	4.6	6.4	10.6	22.5
other operating expenses	12.8	14.0	9.1	11.2	7.7	26.8	13.6	33.9
total expenses	88.7	70.0	49.9	41.2	21.5	158.7	39.2	130.4
profit before tax and finance costs	85.9	91.3	70.3	56.7	33.0	177.2	44.8	171.8
finance costs	3.1	3.0	2.7	4.1	3.0	6.1	5.5	12.3
profit before tax	82.8	88.3	67.6	52.6	30.0	171.1	39.3	159.5
tax	0.3	0.4	0.2	-	-	0.7	-	0.2
profit after tax for the period attributable to equity shareholders	\$ 82.5	\$ 87.9	\$ 67.4	\$ 52.6	\$ 30.0	\$ 170.4	\$ 39.3	\$ 159.3
net loss ratio	34.4%	22.8%	19.0%	16.0%	7.7%	28.9%	11.6%	16.1%
net acquisition cost ratio	13.8%	14.5%	15.8%	14.6%	12.5%	14.1%	11.8%	14.3%
administrative expense ratio	8.4%	10.0%	9.2%	14.0%	16.9%	9.2%	21.1%	13.9%
combined ratio	56.6%	47.3%	44.0%	44.6%	37.1%	52.2%	44.5%	44.3%
basic earnings per share	\$ 0.42	\$ 0.45	\$ 0.34	\$ 0.27	\$ 0.15	\$ 0.87	\$ 0.20	\$ 0.81
diluted earnings per share	\$ 0.40	\$ 0.43	\$ 0.33	\$ 0.26	\$ 0.15	\$ 0.83	\$ 0.20	\$ 0.79

Lancashire Holdings Limited
premiums by line of business

	<u>q2</u> <u>2007</u>	<u>q1</u> <u>2007</u>	<u>q4</u> <u>2006</u>	<u>q3</u> <u>2006</u>	<u>q2</u> <u>2006</u>	<u>ytd</u> <u>2007</u>	<u>ytd</u> <u>2006</u>	<u>full year</u> <u>2006</u>
gross premiums written								
property retrocession	\$ 28.2	\$ 44.7	\$ 18.4	\$ 8.1	\$ 31.0	\$ 72.9	\$ 86.4	\$ 112.8
property direct and facultative	51.0	24.1	51.6	20.7	32.1	75.1	39.1	111.4
terrorism	16.8	12.5	11.5	3.7	2.6	29.3	3.6	18.9
property political risk	4.2	4.0	8.5	(0.1)	0.6	8.2	-	9.4
property cat excess of loss	4.3	4.1	-	0.4	0.2	8.4	0.3	0.6
other property	0.9	1.0	1.2	-	0.2	1.9	-	1.4
total property	<u>105.4</u>	<u>90.4</u>	<u>91.2</u>	<u>32.8</u>	<u>66.7</u>	<u>195.8</u>	<u>129.4</u>	<u>254.5</u>
gulf of mexico offshore energy	79.5	28.7	16.7	34.4	97.4	108.2	120.6	171.8
worldwide offshore energy	35.2	22.6	12.8	5.1	18.1	57.8	24.4	42.3
construction energy	5.0	0.5	15.8	7.0	1.2	5.5	1.7	24.5
onshore energy	11.2	2.0	4.9	5.3	3.0	13.2	3.3	13.5
other energy	-	0.2	0.1	0.9	0.7	0.2	1.2	1.8
total energy	<u>130.9</u>	<u>54.0</u>	<u>50.3</u>	<u>52.7</u>	<u>120.4</u>	<u>184.9</u>	<u>151.2</u>	<u>253.9</u>
marine hull and total loss	7.3	6.9	15.4	4.9	4.4	14.2	5.8	26.1
marine builders risk	8.9	3.4	1.4	4.7	4.4	12.3	4.9	10.5
marine P&I clubs	1.0	6.6	0.7	1.0	0.1	7.6	4.7	6.4
marine excess of loss	-	4.4	-	-	-	4.4	4.3	4.3
marine hull war	0.8	4.7	2.1	0.4	0.4	5.5	1.6	4.1
other marine	(0.2)	-	1.7	-	-	(0.2)	0.4	1.7
total marine	<u>17.8</u>	<u>26.0</u>	<u>21.3</u>	<u>11.0</u>	<u>9.3</u>	<u>43.8</u>	<u>21.7</u>	<u>53.1</u>
AV 52	12.4	4.6	29.1	13.2	7.3	17.0	14.0	56.2
other aviation	4.3	5.7	7.1	1.0	0.2	10.0	-	8.3
total aviation	<u>16.7</u>	<u>10.3</u>	<u>36.2</u>	<u>14.2</u>	<u>7.5</u>	<u>27.0</u>	<u>14.0</u>	<u>64.5</u>
total gross premiums written	<u>\$ 270.8</u>	<u>\$ 180.7</u>	<u>\$ 199.0</u>	<u>\$ 110.7</u>	<u>\$ 203.9</u>	<u>\$ 451.5</u>	<u>\$ 316.3</u>	<u>\$ 626.0</u>

Lancashire Holdings Limited
summary consolidated underwriting segment results

six months ended june 30, 2007

	property	energy	marine	aviation	consolidated
gross premiums written	\$ 195.8	\$ 184.9	\$ 43.8	\$ 27.0	\$ 451.5
net premiums written	175.1	130.2	43.8	27.0	376.1
net premiums earned	123.5	103.7	31.7	33.2	292.1
net insurance losses and loss adjustment expenses	32.4	34.9	15.6	1.4	84.3
net insurance acquisition expenses	14.2	14.8	6.4	5.8	41.2
other operating expenses	-	-	-	-	26.8
	<u>\$ 76.9</u>	<u>\$ 54.0</u>	<u>\$ 9.7</u>	<u>\$ 26.0</u>	<u>\$ 139.8</u>
net loss ratio	26.2%	33.7%	49.2%	4.2%	28.9%
net acquisition cost ratio	11.5%	14.3%	20.2%	17.5%	14.1%
administrative expense ratio	-	-	-	-	9.2%
combined ratio	<u>37.7%</u>	<u>48.0%</u>	<u>69.4%</u>	<u>21.7%</u>	<u>52.2%</u>

six months ended june 30, 2006

	property	energy	marine	aviation	consolidated
gross premiums written	\$ 129.4	\$ 151.2	\$ 21.7	\$ 14.0	\$ 316.3
net premiums written	89.6	120.0	21.7	14.0	245.3
net premiums earned	30.6	24.4	6.2	3.1	64.3
net insurance losses and loss adjustment expenses	2.1	3.5	1.8	-	7.4
net insurance acquisition expenses	3.1	2.9	1.0	0.6	7.6
other operating expenses	-	-	-	-	13.6
	<u>\$ 25.4</u>	<u>\$ 18.0</u>	<u>\$ 3.4</u>	<u>\$ 2.5</u>	<u>\$ 35.7</u>
net loss ratio	6.9%	14.3%	29.0%	-	11.6%
net acquisition cost ratio	10.1%	11.9%	16.1%	19.4%	11.8%
administrative expense ratio	-	-	-	-	21.1%
combined ratio	<u>17.0%</u>	<u>26.2%</u>	<u>45.1%</u>	<u>19.4%</u>	<u>44.5%</u>

Lancashire Holdings Limited
property segment - underwriting statement

	<u>q2</u> <u>2007</u>	<u>q1</u> <u>2007</u>	<u>q4</u> <u>2006</u>	<u>q3</u> <u>2006</u>	<u>q2</u> <u>2006</u>	<u>full year</u> <u>2006</u>
underwriting income						
gross premiums written	\$ 105.4	\$ 90.4	\$ 91.2	\$ 32.8	\$ 66.7	\$ 254.5
outwards reinsurance premiums	(20.7)	-	-	-	(39.8)	(39.8)
net premiums written	<u>84.7</u>	<u>90.4</u>	<u>91.2</u>	<u>32.8</u>	<u>26.9</u>	<u>214.7</u>
change in unearned premiums	(33.5)	(27.7)	(38.2)	6.9	(41.9)	(123.5)
change in unearned premiums on premium ceded	15.0	(5.4)	(12.5)	(12.5)	32.3	7.3
	<u>(18.5)</u>	<u>(33.1)</u>	<u>(50.7)</u>	<u>(5.6)</u>	<u>(9.6)</u>	<u>(116.2)</u>
net premiums earned	<u>\$ 66.2</u>	<u>\$ 57.3</u>	<u>\$ 40.5</u>	<u>\$ 27.2</u>	<u>\$ 17.3</u>	<u>\$ 98.5</u>
underwriting expenses						
insurance losses and loss adjustment expenses	18.1	14.3	7.2	3.8	(0.2)	13.2
net insurance acquisition expenses	7.6	6.6	4.9	3.1	1.9	11.2
total underwriting expenses	<u>25.7</u>	<u>20.9</u>	<u>12.1</u>	<u>6.9</u>	<u>1.7</u>	<u>24.4</u>
net underwriting income	<u>\$ 40.5</u>	<u>\$ 36.4</u>	<u>\$ 28.4</u>	<u>\$ 20.3</u>	<u>\$ 15.6</u>	<u>\$ 74.1</u>
net loss ratio (% of net premiums earned)	27.3%	25.0%	17.8%	14.0%	(1.2%)	13.4%
net acquisition cost ratio (% of net premiums earned)	<u>11.5%</u>	<u>11.5%</u>	<u>12.1%</u>	<u>11.4%</u>	<u>11.0%</u>	<u>11.4%</u>
	<u>38.8%</u>	<u>36.5%</u>	<u>29.9%</u>	<u>25.4%</u>	<u>9.8%</u>	<u>24.8%</u>

Lancashire Holdings Limited
energy segment - underwriting statement

	<u>q2</u> <u>2007</u>	<u>q1</u> <u>2007</u>	<u>q4</u> <u>2006</u>	<u>q3</u> <u>2006</u>	<u>q2</u> <u>2006</u>	<u>full year</u> <u>2006</u>
underwriting income						
gross premiums written	\$ 130.9	\$ 54.0	\$ 50.3	\$ 52.7	\$ 120.4	\$ 253.9
outwards reinsurance premiums	(48.6)	(6.1)	0.3	(7.8)	(31.2)	(38.7)
net premiums written	<u>82.3</u>	<u>47.9</u>	<u>50.6</u>	<u>44.9</u>	<u>89.2</u>	<u>215.2</u>
change in unearned premiums	(66.9)	5.5	6.9	(2.8)	(95.8)	(119.4)
change in unearned premiums on premium ceded	36.2	(1.3)	(12.5)	(3.8)	28.1	11.8
	<u>(30.7)</u>	<u>4.2</u>	<u>(5.6)</u>	<u>(6.6)</u>	<u>(67.7)</u>	<u>(107.6)</u>
net premiums earned	<u>\$ 51.6</u>	<u>\$ 52.1</u>	<u>\$ 45.0</u>	<u>\$ 38.3</u>	<u>\$ 21.5</u>	<u>\$ 107.6</u>
underwriting expenses						
insurance losses and loss adjustment expenses	22.8	12.1	7.4	6.1	2.7	17.2
net insurance acquisition expenses	7.2	7.6	8.0	5.6	2.5	16.5
total underwriting expenses	<u>30.0</u>	<u>19.7</u>	<u>15.4</u>	<u>11.7</u>	<u>5.2</u>	<u>33.7</u>
net underwriting income	<u>\$ 21.6</u>	<u>\$ 32.4</u>	<u>\$ 29.6</u>	<u>\$ 26.6</u>	<u>\$ 16.3</u>	<u>\$ 73.9</u>
net loss ratio (% of net premiums earned)	44.2%	23.2%	16.4%	15.9%	12.6%	16.0%
net acquisition cost ratio (% of net premiums earned)	<u>14.0%</u>	<u>14.6%</u>	<u>17.8%</u>	<u>14.6%</u>	<u>11.6%</u>	<u>15.3%</u>
	<u>58.2%</u>	<u>37.8%</u>	<u>34.2%</u>	<u>30.5%</u>	<u>24.2%</u>	<u>31.3%</u>

Lancashire Holdings Limited
marine segment - underwriting statement

	<u>q2</u> <u>2007</u>	<u>q1</u> <u>2007</u>	<u>q4</u> <u>2006</u>	<u>q3</u> <u>2006</u>	<u>q2</u> <u>2006</u>	<u>full year</u> <u>2006</u>
underwriting income						
gross premiums written	\$ 17.8	\$ 26.0	\$ 21.3	\$ 11.0	\$ 9.3	\$ 53.1
outwards reinsurance premiums	-	-	-	-	-	-
net premiums written	<u>17.8</u>	<u>26.0</u>	<u>21.3</u>	<u>11.0</u>	<u>9.3</u>	<u>53.1</u>
change in unearned premiums	(1.0)	(11.1)	(10.8)	(3.3)	(5.0)	(28.8)
change in unearned premiums on premium ceded	-	-	-	-	-	-
	<u>(1.0)</u>	<u>(11.1)</u>	<u>(10.8)</u>	<u>(3.3)</u>	<u>(5.0)</u>	<u>(28.8)</u>
net premiums earned	<u>\$ 16.8</u>	<u>\$ 14.9</u>	<u>\$ 10.5</u>	<u>\$ 7.7</u>	<u>\$ 4.3</u>	<u>\$ 24.3</u>
underwriting expenses						
insurance losses and loss adjustment expenses	10.3	5.3	4.2	2.9	1.0	8.7
net insurance acquisition expenses	3.5	2.9	2.2	1.4	0.8	4.6
total underwriting expenses	<u>13.8</u>	<u>8.2</u>	<u>6.4</u>	<u>4.3</u>	<u>1.8</u>	<u>13.3</u>
net underwriting income	<u>\$ 3.0</u>	<u>\$ 6.7</u>	<u>\$ 4.1</u>	<u>\$ 3.4</u>	<u>\$ 2.5</u>	<u>\$ 11.0</u>
net loss ratio (% of net premiums earned)	61.3%	35.6%	40.0%	37.7%	23.3%	35.8%
net acquisition cost ratio (% of net premiums earned)	<u>20.8%</u>	<u>19.5%</u>	<u>21.0%</u>	<u>18.2%</u>	<u>18.6%</u>	<u>18.9%</u>
	<u>82.1%</u>	<u>55.1%</u>	<u>61.0%</u>	<u>55.9%</u>	<u>41.9%</u>	<u>54.7%</u>

Lancashire Holdings Limited
aviation segment - underwriting statement

	<u>q2</u> <u>2007</u>	<u>q1</u> <u>2007</u>	<u>q4</u> <u>2006</u>	<u>q3</u> <u>2006</u>	<u>q2</u> <u>2006</u>	<u>full year</u> <u>2006</u>
underwriting income						
gross premiums written	\$ 16.7	\$ 10.3	\$ 36.2	\$ 14.2	\$ 7.5	\$ 64.5
outwards reinsurance premiums	-	-	-	-	-	-
net premiums written	<u>16.7</u>	<u>10.3</u>	<u>36.2</u>	<u>14.2</u>	<u>7.5</u>	<u>64.5</u>
change in unearned premiums	0.6	5.6	(33.2)	(7.2)	(5.1)	(51.4)
change in unearned premiums on premium ceded	-	-	-	-	-	-
	<u>0.6</u>	<u>5.6</u>	<u>(33.2)</u>	<u>(7.2)</u>	<u>(5.1)</u>	<u>(51.4)</u>
net premiums earned	<u>\$ 17.3</u>	<u>\$ 15.9</u>	<u>\$ 3.0</u>	<u>\$ 7.0</u>	<u>\$ 2.4</u>	<u>\$ 13.1</u>
underwriting expenses						
insurance losses and loss adjustment expenses	1.1	0.3	-	-	-	-
net insurance acquisition expenses	2.6	3.2	0.5	1.5	0.5	2.6
total underwriting expenses	<u>3.7</u>	<u>3.5</u>	<u>0.5</u>	<u>1.5</u>	<u>0.5</u>	<u>2.6</u>
net underwriting income	<u>\$ 13.6</u>	<u>\$ 12.4</u>	<u>\$ 2.5</u>	<u>\$ 5.5</u>	<u>\$ 1.9</u>	<u>\$ 10.5</u>
net loss ratio (% of net premiums earned)	6.4%	1.9%	-	-	-	-
net acquisition cost ratio (% of net premiums earned)	<u>15.0%</u>	<u>20.1%</u>	<u>16.7%</u>	<u>21.4%</u>	<u>20.8%</u>	<u>19.8%</u>
	<u>21.4%</u>	<u>22.0%</u>	<u>16.7%</u>	<u>21.4%</u>	<u>20.8%</u>	<u>19.8%</u>

Lancashire Holdings Limited
summary consolidated balance sheets

	<u>June 30, 2007</u>	<u>March 31, 2007</u>	<u>December 31, 2006</u>	<u>September 30, 2006</u>	<u>June 30, 2006</u>
assets					
cash and cash equivalents	\$ 367.7	\$ 366.6	\$ 400.1	\$ 298.8	\$ 215.0
accrued interest receivable	10.5	9.5	7.5	7.6	7.9
investments					
- fixed income securities					
- available for sale	1,220.1	1,109.7	896.3	918.4	885.8
- at fair value through income	17.5	-	-	-	-
- equity securities, available for sale	68.7	65.2	70.3	66.1	67.6
- other investments	9.3	11.1	11.5	-	-
reinsurance assets					
- unearned premium on premium ceded	63.5	12.2	19.1	44.1	60.4
- reinsurance recoveries	0.5	-	-	-	-
deferred acquisition costs	63.8	55.7	51.5	34.6	29.7
inwards premium receivable from insureds and cedants	252.1	180.1	173.7	93.6	165.0
investment in associate	21.4	23.6	23.2	22.0	20.0
other assets	16.5	16.4	9.5	23.5	81.2
total assets	<u>\$ 2,111.6</u>	<u>\$ 1,850.1</u>	<u>\$ 1,662.7</u>	<u>\$ 1,508.7</u>	<u>\$ 1,532.6</u>
liabilities					
insurance contracts					
- loss and loss adjustment expenses	\$ 121.7	\$ 70.1	\$ 39.1	\$ 20.3	\$ 7.4
- unearned premiums	454.1	353.3	325.7	250.4	244.0
- other payables	6.2	6.7	3.6	-	-
amounts payable to reinsurers	60.8	5.1	2.4	1.4	32.0
deferred acquisition costs ceded	7.1	2.5	2.5	4.7	5.6
other payables	22.2	49.9	23.2	42.8	125.2
long-term debt	129.3	129.0	128.6	127.5	127.1
total liabilities	<u>801.4</u>	<u>616.6</u>	<u>525.1</u>	<u>447.1</u>	<u>541.3</u>
shareholders' equity					
share capital	97.9	97.9	97.9	97.9	97.9
share premium	40.2	37.2	33.6	876.9	871.4
contributed surplus	849.5	849.7	849.7	-	-
fair value and other reserves	4.5	13.1	8.7	6.3	(5.7)
retained earnings	318.1	235.6	147.7	80.5	27.7
total shareholders' equity attributable to equity shareholders	<u>\$ 1,310.2</u>	<u>\$ 1,233.5</u>	<u>\$ 1,137.6</u>	<u>\$ 1,061.6</u>	<u>\$ 991.3</u>
total liabilities and shareholders' equity	<u>\$ 2,111.6</u>	<u>\$ 1,850.1</u>	<u>\$ 1,662.7</u>	<u>\$ 1,508.7</u>	<u>\$ 1,532.6</u>
basic book value per share	\$ 6.69	\$ 6.30	\$ 5.81	\$ 5.42	\$ 5.07
fully converted book value per share	\$ 6.42	\$ 6.09	\$ 5.68	\$ 5.35	\$ 5.05
change in fully converted book value per share - quarter	5.4%	7.2%	6.2%	5.9%	3.1%
change in fully converted book value per share - rolling 12 months	27.1%	24.3%	17.4%	n/a	n/a
debt to total capital ratio	9.0%	9.5%	10.2%	10.7%	11.4%

Lancashire Holdings Limited
composition of investment portfolio

	<u>June 30, 2007</u>	%	<u>March 31, 2007</u>	%	<u>December 31, 2006</u>	%	<u>September 30, 2006</u>	%	<u>June 30, 2006</u>	%		
type of investment												
short term investments	\$	-	-	-	-	-	6.9	0.7%	11.9	1.2%	2.0	0.2%
U.S. treasuries		141.0	10.7%	69.4	5.9%	30.8	3.1%	71.0	7.2%	92.3	9.7%	
U.S. government agencies		235.1	17.9%	214.7	18.1%	150.4	15.4%	179.8	18.3%	171.7	18.0%	
asset backed securities		135.9	10.4%	139.5	11.8%	121.1	12.4%	122.7	12.5%	109.8	11.5%	
mortgage backed securities		455.8	34.7%	440.7	37.1%	367.1	37.5%	320.8	32.6%	324.9	34.1%	
corporate bonds		229.3	17.4%	209.7	17.7%	191.1	19.5%	181.6	18.4%	160.0	16.8%	
convertible debt securities		23.0	1.7%	35.7	3.0%	28.9	3.0%	30.6	3.1%	25.1	2.6%	
total fixed income securities		1,220.1	92.8%	1,109.7	93.6%	896.3	91.6%	918.4	93.3%	885.8	92.9%	
equity securities, available for sale		68.7	5.2%	65.2	5.5%	70.3	7.2%	66.1	6.7%	67.6	7.1%	
fixed income securities, at fair value through income		17.5	1.3%	-	-	-	-	-	-	-	-	
other investments		9.3	0.7%	11.1	0.9%	11.5	1.2%	-	-	-	-	
total investments	\$	1,315.6	100.0%	1,186.0	100.0%	978.1	100.0%	984.5	100.0%	953.4	100.0%	
credit quality of fixed income securities												
AAA	\$	979.7	80.2%	884.6	79.7%	696.0	77.6%	722.5	78.7%	713.1	80.5%	
AA+, AA, AA-		75.4	6.2%	67.4	6.1%	43.6	4.9%	41.0	4.5%	34.1	3.8%	
A+, A, A-		105.6	8.7%	95.7	8.6%	96.5	10.8%	95.8	10.4%	84.8	9.6%	
BBB+, BBB, BBB-		52.3	4.3%	52.7	4.8%	51.9	5.8%	51.8	5.6%	48.0	5.4%	
other		7.1	0.6%	9.3	0.8%	8.3	0.9%	7.3	0.8%	5.8	0.7%	
total	\$	1,220.1	100.0%	1,109.7	100.0%	896.3	100.0%	918.4	100.0%	885.8	100.0%	
maturity profile of fixed income securities												
due less than one year	\$	88.3	7.2%	41.4	3.8%	21.3	2.4%	37.9	4.1%	3.3	0.4%	
due between one year and two years		231.1	19.0%	159.8	14.4%	141.9	15.8%	165.4	18.0%	184.7	20.9%	
due between two and three years		145.2	11.9%	127.8	11.5%	73.2	8.2%	66.9	7.3%	67.5	7.5%	
due between three and four years		63.8	5.2%	66.7	6.0%	55.6	6.2%	55.0	6.0%	57.2	6.5%	
due between four and five years		33.0	2.7%	47.0	4.2%	33.8	3.8%	71.6	7.8%	52.4	5.9%	
due over five years		67.0	5.5%	80.7	7.3%	76.2	8.5%	78.0	8.5%	86.0	9.7%	
asset-backed and mortgage-backed securities		591.7	48.5%	586.3	52.8%	494.3	55.1%	443.6	48.3%	434.7	49.1%	
total	\$	1,220.1	100.0%	1,109.7	100.0%	896.3	100.0%	918.4	100.0%	885.8	100.0%	

as at or for the three months ended

	<u>June 30, 2007</u>	<u>March 31, 2007</u>	<u>December 31, 2006</u>	<u>September 30, 2006</u>	<u>June 30, 2006</u>
average market yield of fixed income securities	5.5%	5.2%	5.3%	5.3%	5.7%
average duration of fixed income securities	2.2 years	2.2 years	2.3 years	2.4 years	2.8 years
average credit quality of fixed income securities	AA+	AAA-	AA+	AA+	AAA

Lancashire Holdings Limited
losses and loss ratios

total	q2 2007	q1 2007	q4 2006	q3 2006	q2 2006
net reserves: start	\$ 70.1	\$ 39.1	\$ 20.3	\$ 7.5	\$ 4.0
paid losses	(1.2)	(1.0)	-	-	-
net insurance losses	52.3	32.0	18.8	12.8	3.5
net reserves: end	\$ 121.2	\$ 70.1	\$ 39.1	\$ 20.3	\$ 7.5
net premiums earned	\$ 151.9	\$ 140.2	\$ 99.0	\$ 80.2	\$ 45.5
net loss ratio	34.4%	22.8%	19.0%	16.0%	7.7%
IBNR as % of net reserves	68.4%	76.6%	96.9%	98.5%	98.7%

property	q2 2007	q1 2007	q4 2006	q3 2006	q2 2006
net reserves: start	\$ 27.5	\$ 13.2	\$ 6.0	\$ 2.2	\$ 2.4
paid losses	(0.2)	-	-	-	-
net insurance losses	18.1	14.3	7.2	3.8	(0.2)
net reserves: end	\$ 45.4	\$ 27.5	\$ 13.2	\$ 6.0	\$ 2.2
net premiums earned	\$ 66.2	\$ 57.3	\$ 40.5	\$ 27.2	\$ 17.3
net loss ratio	27.3%	25.0%	17.8%	14.0%	(1.2%)

energy	q2 2007	q1 2007	q4 2006	q3 2006	q2 2006
net reserves: start	\$ 28.6	\$ 17.2	\$ 9.8	\$ 3.7	\$ 1.0
paid losses	(0.8)	(0.7)	-	-	-
net insurance losses	22.8	12.1	7.4	6.1	2.7
net reserves: end	\$ 50.6	\$ 28.6	\$ 17.2	\$ 9.8	\$ 3.7
net premiums earned	\$ 51.6	\$ 52.1	\$ 45.0	\$ 38.3	\$ 21.5
net loss ratio	44.2%	23.2%	16.4%	15.9%	12.6%

marine	q2 2007	q1 2007	q4 2006	q3 2006	q2 2006
net reserves: start	\$ 13.7	\$ 8.7	\$ 4.5	\$ 1.6	\$ 0.6
paid losses	(0.2)	(0.3)	-	-	-
net insurance losses	10.3	5.3	4.2	2.9	1.0
net reserves: end	\$ 23.8	\$ 13.7	\$ 8.7	\$ 4.5	\$ 1.6
net premiums earned	\$ 16.8	\$ 14.9	\$ 10.5	\$ 7.7	\$ 4.3
net loss ratio	61.3%	35.6%	40.0%	37.7%	23.3%

aviation	q2 2007	q1 2007	q4 2006	q3 2006	q2 2006
net reserves: start	\$ 0.3	\$ -	\$ -	\$ -	\$ -
paid losses	-	-	-	-	-
net insurance losses	1.1	0.3	-	-	-
net reserves: end	\$ 1.4	\$ 0.3	\$ -	\$ -	\$ -
net premiums earned	\$ 17.3	\$ 15.9	\$ 3.0	\$ 7.0	\$ 2.4
net loss ratio	6.4%	1.9%	-	-	-

Lancashire Holdings Limited
earnings per share

	<u>q2 2007</u>	<u>q2 2006</u>	<u>ytd 2007</u>	<u>ytd 2006</u>	<u>full year 2006</u>
basic earnings per share:					
profit after tax for the period attributable to equity shareholders	\$ 82.5	\$ 30.0	\$ 170.4	\$ 39.3	\$ 159.3
weighted average shares outstanding - basic	195,765,106	195,713,902	195,752,363	195,713,902	195,714,144
basic earnings per share	<u>\$ 0.42</u>	<u>\$ 0.15</u>	<u>\$ 0.87</u>	<u>\$ 0.20</u>	<u>\$ 0.81</u>
diluted earnings per share:					
profit after tax for the period attributable to equity shareholders	\$ 82.5	\$ 30.0	\$ 170.4	\$ 39.3	\$ 159.3
weighted average shares outstanding - basic	195,765,106	195,713,902	195,752,363	195,713,902	195,714,144
dilutive effect of warrants	10,347,380	3,788,702	9,851,115	4,195,203	6,324,907
dilutive effect of stock options	115,005	-	78,373	-	-
weighted average & equivalent shares outstanding - diluted	<u>206,227,491</u>	<u>199,502,604</u>	<u>205,681,851</u>	<u>199,909,105</u>	<u>202,039,051</u>
diluted earnings per share	<u>\$ 0.40</u>	<u>\$ 0.15</u>	<u>\$ 0.83</u>	<u>\$ 0.20</u>	<u>\$ 0.79</u>
diluted operating earnings per share:					
net operating income	\$ 81.6	\$ 39.8	\$ 169.7	\$ 53.6	\$ 180.5
weighted average shares outstanding - basic	195,765,106	195,713,902	195,752,363	195,713,902	195,714,144
dilutive effect of warrants	10,347,380	3,788,702	9,851,115	4,195,203	6,324,907
dilutive effect of stock options	115,005	-	78,373	-	-
weighted average & equivalent shares outstanding - diluted	<u>206,227,491</u>	<u>199,502,604</u>	<u>205,681,851</u>	<u>199,909,105</u>	<u>202,039,051</u>
diluted operating earnings per share	<u>\$ 0.40</u>	<u>\$ 0.20</u>	<u>\$ 0.83</u>	<u>\$ 0.27</u>	<u>\$ 0.89</u>

Lancashire Holdings Limited
basic and fully converted book value per share

	<u>q2 2007</u>	<u>q1 2007</u>	<u>q4 2006</u>	<u>q3 2006</u>	<u>q2 2006</u>
numerator (\$ in millions):					
total shareholders' equity	\$ 1,310.2	\$ 1,233.5	\$ 1,137.6	\$ 1,061.6	\$ 991.3
proceeds from assumed exercise of outstanding warrants	189.4	190.1	190.1	190.6	190.6
proceeds from assumed exercise of outstanding options	14.0	-	-	-	-
book value numerator	<u>\$ 1,513.6</u>	<u>\$ 1,423.6</u>	<u>\$ 1,327.7</u>	<u>\$ 1,252.2</u>	<u>\$ 1,181.9</u>
denominator (in shares):					
number of common voting shares outstanding	195,775,986	195,743,346	195,743,346	195,713,902	195,713,902
shares issueable upon exercise of outstanding warrants ⁽¹⁾	37,885,525	38,012,612	38,012,612	38,125,831	38,125,831
shares outstanding upon exercise of outstanding options ⁽¹⁾	2,147,769	-	-	-	-
book value denominator	<u>235,809,280</u>	<u>233,755,958</u>	<u>233,755,958</u>	<u>233,839,733</u>	<u>233,839,733</u>
basic book value per share	<u>\$ 6.69</u>	<u>\$ 6.30</u>	<u>\$ 5.81</u>	<u>\$ 5.42</u>	<u>\$ 5.07</u>
fully converted book value per share	<u>\$ 6.42</u>	<u>\$ 6.09</u>	<u>\$ 5.68</u>	<u>\$ 5.35</u>	<u>\$ 5.05</u>
change in fully converted book value per share - quarter	5.4%	7.2%	6.2%	5.9%	3.1%
change in fully converted book value per share - rolling 12 months	27.1%	24.3%	17.4%	n/a	n/a
compound annual change in fully converted book value per share	17.6%	16.5%	13.0%	8.9%	1.9%
change in fully converted book value per share - since inception	28.4%	21.8%	n/a	n/a	n/a

⁽¹⁾ Where BV is less than strike price, those warrants and options are not treated as dilutive. Performance warrants are currently excluded because the vesting conditions have not yet been met.