LANCASHIRE HOLDINGS LIMITED

10 August 2023
Hamilton, Bermuda

Lancashire Holdings Limited ("Lancashire" or "the Group") today announces its results, under IFRS 17, for the six months ended 30 June 2023.

Highlights:

- **Gross premiums written increased by 26.2% to $1,184 million, insurance revenue of $720.9 million.**
- **Insurance service result $188.8 million; profit after tax $159.2 million.**
- **Discounted combined ratio 71.4%, undiscounted combined ratio 79.2%.**
- **Total net investment return of 2.2%.**
- **Interim dividend of $0.05 per common share.**

For the six months ended 30 June	2023 $m	2022 $m
Highlights		
Gross premiums written	1,184.0	938.1
Insurance revenue	720.9	579.8
Insurance service result	188.8	141.5
Net investment return	63.2	(85.8)
Profit after tax	159.2	31.0
Financial ratios		
Net insurance ratio	62.8%	64.3%
Combined ratio (discounted)	71.4%	72.6%
Combined ratio (undiscounted)	79.2%	77.1%
Net investment return	2.2%	(3.8%)
Per Share data		
Diluted book value per share	$6.05	$5.75
Change in diluted book value per share	12.2%	2.6%
Dividends per common share for the financial year	$0.05	$0.05
Diluted earnings per share	$0.66	$0.13

Adoption of new accounting standards

The Group adopted IFRS 17, Insurance Contracts and IFRS 9, Financial Instruments: Classification and Measurement, for the first time on 1 January 2023. The unaudited condensed interim consolidated financial statements for the six months ended 30 June 2023 are being reported under these new accounting standards, which have resulted in a change to some of the Group's long standing Alternative Performance Measures (APMs). These are defined at the end of this release. Comparatives have been restated to reflect the consistent application of IFRS 9 and IFRS 17.

Alex Maloney, Group Chief Executive Officer, commented:

"We are very pleased with our performance in the first half of 2023. Our long-term strategy to develop a more diversified and capital-efficient product portfolio is delivering the expected benefits, with a half year change in diluted book value per share of 12.2%.

Our philosophy has always been to grow when market conditions are favourable, while maintaining our approach to underwriting discipline. During the first six months of 2023 we continued to take advantage of the strong underwriting environment with gross premiums written increasing 26.2% year-on-year. The undiscounted combined ratio was a healthy 79.2%, or 71.4% on a discounted basis.

The rating environment remains positive across our product lines and we do not see that changing during the remainder of the year.

Our investments have delivered a positive net return of 2.2% or $63.2 million as we benefit from higher yields due to the short duration of the portfolio.

Lancashire has long been recognised as a business that actively manages the underwriting cycle and, when it makes sense to do so, seeks new areas for disciplined growth.

With that in mind, subject to all necessary approvals, we intend to expand our international footprint and launch Lancashire Insurance U.S., which will operate under a delegated underwriting arrangement with Lancashire’s UK company platform.

Lancashire Insurance U.S. will be complementary to our existing capabilities and will give us the ability to write business that is within our appetite and that we currently do not have access to.

The new operation in the U.S. is expected to begin underwriting in early 2024.

This is another positive development for Lancashire and, with our reputation for underwriting excellence and service to our clients, we believe there are significant long-term prospects for us in the U.S.

We are excited by the opportunities ahead of us during the remainder of 2023 and into 2024. Our capital position remains strong, giving us the headroom to continue to take advantage of the positive market conditions.

Of course, striving to deliver out-performance requires a committed and focused team across the business. I would particularly like to mention our finance and actuarial colleagues who have been exceptionally busy producing our first set of results on an IFRS 17 basis. While this is a significant change in accounting and presentation, IFRS 17 does not affect the fundamentals of our business or our underlying profitability.

We always seek to attract, develop and retain good people and promote our talent when the appropriate opportunities arise and during the first half of the year we made a number of new senior appointments across our teams.

The Group also continues to focus on delivering on our environmental, social and governance objectives. The Lancashire Foundation, which has been operating since 2007, makes a tangible difference through its support for charities that have a positive impact on our communities and the environment. Additionally, we benefit from being part of the insurance industry's discussions around climate change through our membership of ClimateWise, which we joined last year.

Finally, I would like to take the opportunity to thank everyone at Lancashire for their commitment to our business and, as always, our clients, brokers and shareholders for their support.”

	Six months ended 30 June 2023			Six months ended 30 June 2022		
	Reinsurance $m	**Insurance $m**	**Total $m**	**Reinsurance $m**	**Insurance $m**	**Total $m**
Gross premiums written	658.0	526.0	1,184.0	548.8	389.3	938.1
RPI%	123%	111%	117%	107%	105%	106%
Insurance revenue	336.6	384.3	720.9	261.4	318.4	579.8
Insurance service expenses	(88.1)	(200.4)	(288.5)	(117.3)	(176.5)	(293.8)
Insurance service result before reinsurance contracts held	**248.5**	**183.9**	**432.4**	**144.1**	**141.9**	**286.0**
Allocation of reinsurance premium	(89.3)	(123.4)	(212.7)	(74.3)	(109.5)	(183.8)
Amounts recoverable from reinsurers	(66.0)	35.1	(30.9)	(6.7)	46.0	39.3
Net expense from reinsurance contracts held	**(155.3)**	**(88.3)**	**(243.6)**	**(81.0)**	**(63.5)**	**(144.5)**
Insurance service result	**93.2**	**95.6**	**188.8**	**63.1**	**78.4**	**141.5**

Gross premiums written

Gross premiums written increased by $245.9 million or 26.2% for the first six months of 2023 compared to the same period in 2022. The Group’s two principal segments, and the key market factors impacting them, are discussed below.

Reinsurance segment

A significant portion of the increase in premiums in the reinsurance segment was due to the continued build out of our casualty reinsurance lines as well as new business written in our specialty reinsurance class. In property reinsurance we saw the benefit of significant rate increases contributing to growth. Overall the RPI was 123% for the segment.

Insurance segment

The growth in the insurance segment was primarily driven by property insurance with substantial rate increases in the property direct and facultative line of business, in addition to the build out of our Australia and construction teams. New business written across all of our energy and marine insurance lines also contributed to the strong premium growth. In specialty insurance, the Group wrote more political risk business on a multi-year basis than the prior year while really strong RPIs contributed to the growth in aviation insurance. Overall the RPI was 111% for the segment.

Insurance revenue

Insurance revenue is a new measure introduced by IFRS 17 and is comparable to IFRS 4 gross premiums earned less inwards reinstatement premium and is net of commission costs. Insurance revenue increased by $141.1 million or 24.3% in the first six months of 2023 compared to the same period in 2022. The market factors driving the increase in gross premiums written also drove the increase in insurance revenue. Gross premiums earned as a percentage of gross premiums written was 69.8% compared to 68.0% in the prior year as more earned premium came through in the current year from policies bound in the prior year.

Allocation of reinsurance premiums

Allocation of reinsurance premiums on an IFRS 17 basis is comparable to IFRS 4 ceded earned premium less outward reinstatement premiums and is net of outward commission costs. Allocation of reinsurance premiums increased by $28.9 million or 15.7% in the first six months of 2023 compared to the same period in 2022. The increase in our outwards reinsurance spend was primarily driven by the renewal of the Group's outward reinsurance programme at higher rates than in 2022. There was also a higher level of political risk and casualty quota share reinsurance spend driven by the growth in inwards business and some new outwards reinsurance contracts entered into as a result of the continued growth and diversification in the inwards underwriting portfolio.

Net Claims environment (Insurance service expenses less amounts recoverable from reinsurers)

During the first six months of 2023, the Group experienced net losses (undiscounted, including reinstatement premiums) from catastrophe and large loss events totaling $49.5 million. None of these events was individually material for the Group.

During the first six months of 2022, the Group experienced net losses (undiscounted, including reinstatement premiums) from the conflict in Ukraine, the Australian floods and large loss events totaling $53.1 million.

Prior year favourable ultimate loss development for the first six months of 2023 was $46.3 million, compared to $64.6 million of favourable development in 2022. The favourable development in 2023 was primarily due to releases on the 2022 and 2021 accident year across most lines of business due to a lack of reported claims, as well as favourable development across some of the older accident years. On an IFRS 17 basis, the prior year favourable development is $72.1 million. This includes $11.3 million favourable expense provision releases as well as $13.6 million of reinstatement premium impact, largely due to a reduction in outwards reinstatement premiums on catastrophe losses.

In the prior year the Group benefited from general reserve releases on the 2021 accident year due to a lack of reported claims, as well as some favourable development on some large claims from the 2018 and 2017 accident years.

Net discounting benefit

The table below shows the total net impact of discounting, by financial statement line item.

For the six months ended 30 June	2023 $m	2022 $m
Insurance service expenses	46.5	26.3
Amounts recoverable from reinsurers	(7.1)	(8.3)
Net discount included in insurance service result	**39.4**	**18.0**
Finance (expense) income from insurance contracts issued	(37.7)	28.0
Finance income (expense) from reinsurance contracts held	14.1	(9.5)
Net discount included in insurance finance (expense) income	**(23.6)**	**18.5**
Total net impact of discounting	**15.8**	**36.5**

The total impact of discounting was a benefit of $15.8 million for the first six months of 2023 compared to $36.5 million in the prior year. The discount included in the insurance service result is higher than the same period in 2022 primarily due to reserves established on the 2023 accident year applying higher discount rates than the same period in the prior year. This is partly offset by the unwind of previously booked discounting included in net finance income. The majority of the Group's loss reserves are denominated in U.S. dollar where yield curves, having decreased in the first quarter of 2023, have returned to levels more aligned with the year-end position. The net effect is that the impact of changes in yield curve assumptions has been relatively minor at $2.1 million.

In the prior year the discounting benefit was primarily driven by the impact of a change in yield curve assumptions. There were significant increases in yield curves throughout the year and across the majority of the Group's major currencies.

Investments

For the six months ended 30 June	2023 $m	2022 $m
Total net investment return	63.2	(85.8)

Total net investment return increased by $149 million in the first six months of 2023 compared to the same period in 2022.

The Group's investment portfolio, including unrealised gains and losses, returned 2.2% for the first six months of 2023. The positive returns were driven by $51.4 million of investment income as our portfolio benefitted from higher yields. The majority of the unrealised gains were generated in the first quarter on the fixed maturity portfolio due to a decline in treasury rates outside of the one-year rate. In the second quarter, investment income mitigated the negative returns from the upward shift in the yield curve. All asset classes performed positively, with most of the returns in the second quarter driven by the alternative asset classes.

The Group's investment portfolio, including unrealised gains and losses, returned negative 3.8% for the first six months of 2022. The majority of the losses were driven by the significant flattening of the yield curve and spread widening for the investment grade corporate debt and bank loans.

The managed portfolio was invested as follows:

As at	30 June 2023	31 December 2022
Fixed maturity securities	2,157.3	1,964.9
Managed cash and cash equivalents	214.0	260.8
Private investment funds	112.7	108.1
Hedge funds	104.4	103.9
Index Linked securities	–	28.2
Other investments	(0.1)	(0.2)
Total	**2,588.3**	**2,465.7**

Key investment portfolio statistics for our fixed maturities and managed cash were:

As at	30 June 2023	31 December 2022
Duration	1.7 years	1.6 years
Credit quality	AA-	AA-
Book yield	3.7%	2.9%
Market yield	5.6%	5.0%

Other operating expenses

For the six months ended 30 June	2023 $m	2022 $m
Total operating expenses	83.1	68.4
Directly attributable expenses allocated to insurance service expenses	(39.3)	(35.7)
Other operating expenses	**43.8**	**32.7**

Total operating expenses were $83.1 million in the first six months of 2023 compared to $68.4 million in the first six months of 2022. The higher level of total operating expenses was primarily driven by employee remuneration costs, which have grown as a result of the increase in headcount across the Group. Non-employee costs increased to a lesser degree driven by increased IT expenditure, consulting fees and costs associated with taking on additional London office space.

The weakening Sterling/U.S. Dollar exchange rate relative to the prior year partly offset this increase in the underlying cost base.

$39.3 million or 47% of operating expenses are considered directly attributable to the fulfillment of (re)insurance contracts and have been re-allocated to insurance service expenses and form part of the insurance service result.

Capital

As at 30 June 2023, total capital available to Lancashire was approximately $1.9 billion, comprising shareholders' equity of $1.5 billion and $0.4 billion of long-term debt. Tangible capital was $1.7 billion. Leverage was 23.3% on total capital and 25.7% on tangible capital. Total capital and total tangible capital as at 30 June 2022 was $1.8 billion and $1.6 billion respectively.

Dividends

On 9 August 2023, Lancashire's Board of Directors declared an interim dividend of $0.05 (approximately £0.04) per common share, which will result in an aggregate payment of approximately $11.9 million. The dividend will be paid in Pounds Sterling on 15 September 2023 (the "Dividend Payment Date") to shareholders of record on 18 August 2023 (the "Record Date") using the £ / $ spot market exchange rate at 12 noon London time on the Record Date.

Financial Information

The Unaudited Condensed Interim Consolidated Financial Statements for the six months ended 30 June 2023 are published on Lancashire's website at www.lancashiregroup.com.

Analyst and Investor Earnings Conference Call

There will be an analyst and investor conference call on the results at 3:00pm UK time / 11.00am Bermuda time / 10:00am EST on Thursday 10 August 2023. The conference call will be hosted by Lancashire management.

Participant Registration and Access Information:

Audio conference call access:
https://register.vevent.com/register/BI4bf0795bd1a54d1c9333eba85e482420
Please register at this link to obtain your personal audio conference pin and call details

Webcast access:
https://onlinexperiences.com/Launch/QReg/ShowUUID=72EEDFFF-C6DA-4F6F-A31F-90444D3F1059

Please use this link to register and access the call via webcast

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

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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 (unchanged from 2022):

	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, through its UK and Bermuda-based operating subsidiaries, is a provider of global specialty insurance and reinsurance products.

Lancashire's 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.

The Bermuda Monetary Authority is the Group Supervisor of the Lancashire Group.

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

This release contains information, which may be of a price sensitive nature, that Lancashire is making public in a manner consistent with the UK Market Abuse Regulation and other regulatory obligations. The information was submitted for publication, through the agency of the contact persons set out above, at 07:00 BST on 10 August 2023.

Alternative Performance Measures (APMs)

As is customary in the insurance industry, the Group also utilises certain non-GAAP measures in order to evaluate, monitor and manage the business and to aid users' understanding of the Group. Management believes that the APMs included in the Financial Statements 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 labelled 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 unaudited condensed interim consolidated financial statements or in accordance with GAAP.

In compliance with the Guidelines on APMs of the European Securities and Markets Authority and as suggested by the Financial Reporting Council, as applied by the Financial Conduct Authority, information on APMs which the Group uses is described below. This information has not been audited.

Effective from 1 January 2023, the Group adopted IFRS 9, Financial Instruments: Classification and Measurement and IFRS 17: Insurance Contracts. These new accounting standards resulted in a change to some of the Group's long standing APMs. Comparatives have been restated to reflect the consistent application of IFRS 9 and IFRS 17 and to align with the current definition of the APMs.

All amounts, excluding share data, ratios, percentage or where otherwise stated, are in millions of U.S. dollars.

Net insurance ratio:

Ratio, in per cent, of net insurance expenses to net insurance revenue. Net insurance expenses represent claims related insurance service expenses less amounts recoverable from reinsurers. Net insurance revenue represents insurance revenue less allocation of reinsurance premium. This ratio gives an indication of the underlying profitability per $1.00 of net insurance revenue in the financial year.

		Restated
For the six months ended	**30 June 2023**	**30 June 2022**
Insurance service expense	288.5	293.8
Amounts recoverable from reinsurers	30.9	(39.3)
Net insurance expense	**319.4**	**254.5**
Insurance revenue	720.9	579.8
Allocation of reinsurance premium	(212.7)	(183.8)
Net insurance revenue	**508.2**	**396.0**
Net insurance ratio	**62.8%**	**64.3%**

Operating expense ratio:

Ratio, in per cent, of other operating expenses, excluding restricted stock expenses, to net insurance revenue. This ratio gives an indication of the amount of operating expenses expected to be paid out per $1.00 of net insurance revenue in the financial year.

		Restated
For the six months ended	**30 June 2023**	**30 June 2022**
Other operating expenses	43.8	32.7
Net insurance revenue	508.2	396.0
Operating expense ratio	**8.6%**	**8.3%**

Combined ratio (discounted):

Ratio, in per cent, of the sum of net insurance expenses plus other operating expenses to net insurance revenue.

		Restated
For the six months ended	**30 June 2023**	**30 June 2022**
Net insurance ratio	62.8%	64.3%
Net operating expense ratio	8.6%	8.3%
Combined ratio (discounted)	**71.4%**	**72.6%**

Combined ratio (undiscounted):

Ratio, in per cent, of the sum of net insurance expense plus other operating expenses to net insurance revenue. This ratio excludes the impact of the discounting recognised within net insurance expenses. The Group aims to price its business to ensure that the combined ratio (undiscounted) across the cycle is less than 100%.

		Restated
For the six months ended	**30 June 2023**	**30 June 2022**
Combined ratio	71.4%	72.6%
Discount included in net insurance expense	39.4	18.0
Net insurance revenue	508.2	396.0
Discounting impact on combined ratio	7.8%	4.5%
Combined ratio (undiscounted)	**79.2%**	**77.1%**

Diluted book value per share ('DBVS') 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 net asset value on a diluted per share basis for comparison to the market value per share.

As at	30 June 2023	Restated 31 December 2022
Shareholders' equity attributable to the Group	1,468,687,750	1,326,124,728
Common voting shares outstanding*	238,863,740	238,333,570
Shares relating to dilutive restricted stock	4,025,541	3,700,547
Fully converted book value denominator	242,889,281	242,034,117
Diluted book value per share	**$6.05**	**$5.48**

*Common voting shares outstanding comprise issued share capital less amounts held in trust.

Change in DBVS:

The internal rate of return of the change in DBVS in the period plus accrued dividends. Sometimes referred to as RoE. The Group's aim is to maximise risk-adjusted returns for shareholders across the cycle through a purposeful and sustainable business culture.

As at	30 June 2023	Restated 31 December 2022
Opening DBVS	($5.48)	($5.70)
Q1 dividend per share	—	—
Q2 dividend per share	$0.10	$0.10
Q3 dividend per share	—	$0.05
Q4 dividend per share	—	—
Closing DBVS	$6.05	$5.48
Change in DBVS*	**12.2%**	**(1.2%)**

*Calculated using the internal rate of return

Adjusted profit over average shareholders' equity:

During 2022, a review of financial metrics for annual bonus purposes was undertaken. Shareholders were consulted on a proposal to move from Change in DBVS to a simplified measure of RoE. For the 2023 annual bonus, financial performance will be measured on the basis of simple ROE adjusted for unrealised gains and losses and discounting with targets set by reference to the RFR based on the average 13 week U.S. Treasury rates.

As at	30 June 2023	Restated 31 December 2022
Profit (loss) for the period	159.2	(15.5)
Net unrealised (gains) losses on investments	(18.3)	103.0
Total net impact of discounting	(15.8)	(85.9)
Adjusted profit (loss) for the period	**125.1**	**1.6**
Opening shareholders' equity	1,326.1	1,393.4
Q1 shareholders' equity	1,380.7	1,386.6
Q2 shareholders' equity	1,468.7	1,391.9
Q3 shareholders' equity	—	1,425.0
Q4 shareholders' equity	—	1,326.1
Average shareholders' equity	**1,391.8**	**1,384.6**
Adjusted profit over average shareholders' equity	**9.0%**	**0.1%**

Total investment return:

Total investment return in percentage terms, is calculated by dividing the total investment return by the investment portfolio net asset value, including managed cash on a daily basis. These daily returns are then annualized through geometric linking of daily returns. The return can be approximated by dividing the total investment return excluding foreign exchange by the average portfolio net asset value, including managed cash. 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 we aim for a degree of investment portfolio return.

For the six months ended 30 June	2023 $m	2022 $m
Total investment return	63.2	(85.8)
Average invested assets*	2,527.0	2,271.7
Approximate total investment return	2.5%	(3.8%)
Reported total investment return	**2.2%**	**(3.8%)**

*Calculated as the average between the opening and closing investments and our externally managed cash.

Gross premiums written:

The Group adopted IFRS 17 on I January 2023. Under IFRS 4, the previous insurance accounting standard, the Group reported gross premiums written on the consolidated income statement as amounts payable by the insured, excluding any taxes or duties levied on the premium, including brokerage and commission deducted by intermediaries and any inwards reinstatement premiums. The Group continues to report gross premiums written as a growth metric and non-GAAP APM. The table below reconciles gross premiums written on an IFRS 4 basis to insurance revenue on an IFRS 17 basis.

For the six months ended 30 June	2023 $m	2022 $m
Gross premiums written[1]	1,184.0	938.1
Change in unearned premiums[1]	(357.6)	(300.5)
Gross earned premium[1]	**826.4**	**637.6**
Less reinstatement premium and expected premium	(4.2)	(7.2)
Less commission and non-distinct investment components	(101.3)	(50.6)
Total insurance revenue	**720.9**	**579.8**

1 Numbers presented in the table above for the comparative period are as previously reported for the six month period 30 June 2022.

Gross premiums written under management:

The gross premiums written under management equals the total of the Group's consolidated gross premiums written plus the external names portion of the gross premiums written in Syndicate 2010 plus the gross premiums written in Lancashire Capital Management Limited on behalf of Kinesis Reinsurance Limited. The Group aims to operate nimbly through the cycle. We will grow in existing and new classes where favourable and improving market conditions exist, whilst monitoring and managing our risk exposures and not seek top-line growth for the sake of it in markets where we do not believe the right opportunities exist

For the six months ended 30 June	2023 $m	2022 $m
Gross premiums written by the group	1,184.0	938.1
LSL Syndicate 2010 - external Names portion of gross premiums written (unconsolidated)	92.8	100.0
LCM gross premiums written (unconsolidated)	—	38.4
Total gross premiums written under management	**1,276.8**	**1,076.5**

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 RPI 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", "AIMS", "ANTICIPATES", "PLANS", "PROJECTS", "FORECASTS", "GUIDANCE", "INTENDS", "EXPECTS", "ESTIMATES", "PREDICTS", "MAY", "CAN", "LIKELY", "WILL", "SEEKS", "SHOULD", OR, IN EACH CASE, THEIR NEGATIVE OR COMPARABLE TERMINOLOGY. 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. FOR A DESCRIPTION OF SOME OF THESE FACTORS, SEE THE GROUP'S ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2022 AND THE GROUP'S UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDING 30 JUNE 2023. IN ADDITION TO THOSE FACTORS CONTAINED IN THE GROUP'S 2022 ANNUAL REPORT AND ACCOUNTS AND THE GROUP'S UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDING 30 JUNE 2023, ANY FORWARD-LOOKING STATEMENTS CONTAINED IN THIS RELEASE MAY BE AFFECTED BY: THE IMPACT OF THE ONGOING CONFLICT IN UKRAINE, INCLUDING ANY ESCALATION OR EXPANSION THEREOF, ON THE GROUP'S CLIENTS, RESERVES, THE CONTINUED UNCERTAINTY OF THE SITUATION IN RUSSIA, INCLUDING ISSUES RELATING TO COVERAGE AND THE IMPACT OF SANCTIONS, THE SECURITIES IN OUR INVESTMENT PORTFOLIO AND ON GLOBAL FINANCIAL MARKETS GENERALLY, AS WELL AS ANY GOVERNMENTAL OR REGULATORY CHANGES, ARISING THEREFROM; THE NUMBER AND TYPE OF INSURANCE AND REINSURANCE CONTRACTS THAT THE GROUP WRITES OR MAY WRITE; THE GROUP'S ABILITY TO SUCCESSFULLY IMPLEMENT ITS BUSINESS STRATEGY DURING 'SOFT' AS WELL AS 'HARD' MARKETS; THE PREMIUM RATES WHICH MAY BE AVAILABLE AT THE TIME OF SUCH RENEWALS WITHIN ITS TARGETED BUSINESS LINES; INCREASED COMPETITION ON THE BASIS OF PRICING, CAPACITY, COVERAGE TERMS OR OTHER FACTORS; AND CYCLICAL DOWNTURNS OF THE INDUSTRY. ALL FORWARD-LOOKING STATEMENTS IN THIS RELEASE OR OTHERWISE SPEAK ONLY AS AT THE DATE OF PUBLICATION. LANCASHIRE EXPRESSLY DISCLAIMS ANY OBLIGATION OR UNDERTAKING (SAVE AS REQUIRED TO COMPLY WITH ANY LEGAL OR REGULATORY OBLIGATIONS INCLUDING THE RULES OF THE LONDON STOCK EXCHANGE) TO DISSEMINATE ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENT TO REFLECT ANY CHANGES IN THE GROUP'S EXPECTATIONS OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENT IS BASED. ALL SUBSEQUENT WRITTEN AND ORAL FORWARD-LOOKING STATEMENTS ATTRIBUTABLE TO THE GROUP OR INDIVIDUALS ACTING ON BEHALF OF THE GROUP ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THIS NOTE. PROSPECTIVE INVESTORS SHOULD SPECIFICALLY CONSIDER THE FACTORS IDENTIFIED IN THIS RELEASE AND THE REPORT AND ACCOUNTS AND THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS NOTED ABOVE WHICH COULD CAUSE ACTUAL RESULTS TO DIFFER BEFORE MAKING AN INVESTMENT DECISION.

Consolidated statement of comprehensive income

For the six months ended 30 June	2023 $m	Restated 2022 $m
Insurance revenue	720.9	579.8
Insurance service expenses	(288.5)	(293.8)
Insurance service result before reinsurance contracts held	**432.4**	**286.0**
Allocation of reinsurance premium	(212.7)	(183.8)
Amounts recoverable from reinsurers	(30.9)	39.3
Net expense from reinsurance contracts held	**(243.6)**	**(144.5)**
Insurance service result	**188.8**	**141.5**
Net investment return	63.2	(85.8)
Finance (expense) income from insurance contracts issued	(37.7)	28.0
Finance income (expense) from reinsurance contracts held	14.1	(9.5)
Net insurance and investment result	**228.4**	**74.2**
Share of profit of associate	5.2	2.5
Other income	1.1	2.3
Net foreign exchange (losses) gains	(1.0)	6.2
Other operating expenses	(43.8)	(32.7)
Equity based compensation	(7.2)	(3.7)
Financing costs	(15.5)	(14.7)
Profit before tax	**167.2**	**34.1**
Tax charge	(8.0)	(3.1)
Profit after tax	**159.2**	**31.0**
Earnings per share		
Basic	0.67	0.13
Diluted	0.66	0.13

Consolidated statement of financial position

As at	30 June 2023 $m	Restated 31 December 2022 $m
Assets		
Cash and cash equivalents	620.3	548.8
Accrued interest receivable	14.0	11.3
Investments	2,374.3	2,204.9
Reinsurance contract assets	427.5	474.3
Other receivables	27.2	30.0
Corporation tax receivable	–	1.1
Investment in associate	24.3	59.7
Property, plant and equipment	4.4	1.1
Right-of-use assets	18.6	20.3
Intangible assets	177.5	172.4
Total assets	**3,688.1**	**3,523.9**
Liabilities		
Insurance contract liabilities	1,678.0	1,673.5
Other payables	54.9	44.6
Corporation tax payable	3.3	–
Deferred tax liability	13.7	10.3
Lease liabilities	23.2	23.3
Long-term debt	446.3	446.1
Total liabilities	**2,219.4**	**2,197.8**
Shareholders' equity		
Share capital	122.0	122.0
Own shares	(30.8)	(34.0)
Other reserves	1,226.0	1,221.9
Retained earnings	151.5	16.2
Total shareholders' equity	**1,468.7**	**1,326.1**
Total liabilities and shareholders' equity	**3,688.1**	**3,523.9**

Consolidated statements of cash flows

For the six months ended 30 June	2023 $m	Restated 2022 $m
Cash flows from operating activities		
Profit before tax	167.2	34.1
Adjustments for:		
Tax paid	(0.1)	(1.3)
Depreciation	1.8	1.5
Interest expense on long-term debt	12.9	12.9
Interest expense on lease liabilities	0.8	0.5
Interest income	(41.4)	(17.2)
Dividend income	(5.1)	(3.5)
Net realised losses	3.7	14.0
Net unrealised (gains) losses	(18.3)	93.8
Equity based compensation	7.2	3.7
Foreign exchange losses (gains)	0.6	(11.0)
Share of profit of associate	(5.2)	(2.5)
Changes in operational assets and liabilities		
– Insurance and reinsurance contracts	44.2	(49.3)
– Other assets and liabilities	18.0	(0.4)
Net cash flows from operating activities	**186.3**	**75.3**
Cash flows used in investing activities		
Interest income received	38.7	16.0
Dividend income received	5.1	3.5
Purchase of property, plant and equipment	(3.4)	–
Internally generated intangible asset	(5.1)	(4.4)
Investment in associate	40.6	33.5
Purchase of investments	(551.0)	(700.7)
Proceeds on sale of investments	398.3	507.7
Net cash flows used in investing activities	**(76.8)**	**(144.4)**
Cash flows used in financing activities		
Interest paid	(12.9)	(12.9)
Lease liabilities paid	(2.0)	(1.8)
Dividends paid	(23.9)	(24.3)
Share repurchases	–	(11.7)
Distributions by trust	–	(0.4)
Net cash flows used in financing activities	**(38.8)**	**(51.1)**
Net increase (decrease) in cash and cash equivalents	70.7	(120.2)
Cash and cash equivalents at beginning of period	548.8	517.7
Effect of exchange rate fluctuations and other on cash and cash equivalents	0.8	(6.9)
Cash and cash equivalents at end of period	**620.3**	**390.6**