



REPORT for 1st QUARTER 2015

CONSOLIDATED



VARDIA INSURANCE GROUP ASA - CONSOLIDATED

HIGHLIGHTS

- Gross written premiums in the 1st quarter 2015 were NOK 378.6 million, an increase of 34.8% compared to the 1st quarter 2014
- Average new sales per month NOK 95.0 million in 1st quarter 2015, an increase of 14.0% from 1st quarter 2014
- The Group's gross loss ratio for 1st quarter 2015 was 79.5%, and the loss ratio for own account was 82.3%. Comparable figures for 1st quarter 2014 were 83.9% and 81.0%. The loss ratios are on plan for the Group
- The cost ratio f.o.a. for the Group was 83.9% for the 1st quarter 2015 down from 125.9% for the 1st quarter 2014. The high cost ratios in 2014 and 1st quarter 2015 is because only incremental acquisition costs can be deferred in the consolidated accounts, ref. the annual report for 2014. The Company continues to make significant investments in organization and systems in order to facilitate growth.
- Net loss for the 1st quarter 2015 was NOK 55.6 million compared with a net loss of NOK 44.0 million for 1st quarter 2014.
- The Board expects Vardia to report a net loss for the year. The Company has initiated a process to implement a cost reduction program of NOK 100 million (based on the current 2015 budget). These cost reductions will have material impact on the P&L in 2016, but limited impact in the 2015 P&L

KEY FIGURES (consolidated)	(NOK 1,000)		
	Q1 2015	Q1 2014*	31.12.14
Gross premiums written	378 639	280 788	1 166 551
Gross premiums earned	301 995	185 559	919 221
Premiums earned f.o.a.	82 554	45 854	224 288
Gross Incurred claims	-240 063	-155 607	-811 322
Incurred claims f.o.a.	-67 906	-37 121	-185 188
Operating expenses for own account	-69 229	-57 719	-243 749
Other income/expenses	3 544	7 744	18 443
Techn. result before changes in sec.reserves**	-51 037	-41 242	-186 207
Net financial income	-2 623	611	14 423
Operating result	-53 660	-40 631	-171 783
Changes in security reserves etc.	-2 000	-3 305	-15 279
Profit/Loss before tax	-55 660	-43 936	-187 062
Total profit/loss for the year (after tax)	-55 611	-43 991	-188 758
* figures are restated to reflect decreased deferral of incremental acquisition costs			
** figures are ex. allocated return on investment transferred from the non-technical account			
Gross loss ratio	79,5	83,9	88,3
Gross cost ratio	38,8	49,2	41,5
Gross combined ratio	118,3	133,0	129,8
Loss ratio f.o.a.	82,3	81,0	82,6
Cost ratio f.o.a.	83,9	125,9	108,7
Combined ratio f.o.a.	166,1	206,8	191,2
Solvency capital	5 589	189 802	58 690
Capital adequacy	-35 %	9 %	-27 %
Solvency margin	-145 %	64 %	-107 %
Profit/Loss after tax per share*	-1,73	-1,67	-6,15
*Earnings per share diluted is equivalent. See note 10 to the consolidated annual accounts.			

The Company and its business

Vardia Insurance Group ASA is a Norwegian Insurance group serving the private and commercial market in the Scandinavian countries. The Company was established in 2009 and obtained its own insurance license in 2011. The Company started to write premiums for its own account in Sweden in 2011, Norway in 2012, and Denmark in 2014.

The Company is still in an early stage of its development, making significant investments in organization and systems in order to establish a sustainable Scandinavian presence and facilitate further growth. The Group has two main distribution channels for its private business: Direct sales through own agencies and through partners. For the commercial business, agents and brokers represent an important and growing supplement to the Group's proprietary organization.

By the end of the 1st quarter 2015, the Group had about 500 employees throughout the Scandinavian countries. In Norway, the Group has offices in Oslo, Sortland, Hamar, Porsgrunn and Molde. In Sweden it has offices in Stockholm, Luleå and Skellefteå. In Denmark, the Danish company is established in Copenhagen and Aalborg. The Group's head office is in Oslo.

Premium income

The Company continues to achieve strong growth. In 1st quarter 2015 gross premiums written was NOK 378.6 million compared to NOK 280.8 million in 1st quarter last year, a growth rate of 34.8%. Gross earned premiums for the same period were NOK 302.0 million, an increase of 62.7%. Premiums earned for own account for 1st quarter 2015 aggregated NOK 82.6 million, which is a growth of 80.0%.

Gross premiums written during the quarter is divided between Norway with NOK 210.4 million (increase 22.3%), Sweden with NOK 157.0 million (increase 44.4%) and Denmark NOK 11.2 million. During the quarter, the Company's average monthly new sales was NOK 95.0 million, an increase of about 14% compared to the same period last year. Customer satisfaction is important for the Group, and the Company aims to maintain a renewal rate of more than 85% in the years to come. As at 31 March 2015, Private Lines accounted for about 65% and Commercial Lines about 35% of premium income. Both private and commercial business are significant contributors to the portfolio growth during the quarter.

Vardia Insurance Group ASA had a premium portfolio of NOK 1,346 million as per 31 March 2015, and the portfolio is divided between Norway with NOK 756 million, Sweden with NOK 570 million and Denmark with NOK 20 million. At the end of March, the Group has approximately 150.000 customers.

Results and allocation

The result for the 1st quarter is materially and negatively impacted by the change in the accounts relating to the capitalization and amortization of sales cost. Reference is made to the information given in the 4th quarter 2014 report, the annual report for 2014 and the Prospectus issued in connection with the ongoing Offering. The Company's operating result before changes in minimum-security reserve was a loss of NOK 53.7 in the 1st quarter. In 1st quarter 2014, the operating result was a loss of NOK 40.6 million.

The gross loss ratio in the 1st quarter 2015 was 79.5%, whilst the loss ratio for own account was 82.3%. The corresponding ratios for the same quarter last year were 83.9% and 81.0% respectively. The development in loss ratio is according to plan for the Company. The gross cost ratio for the 1st quarter 2015 was 38.8%. In 1st quarter 2014 the gross cost ratio was 49.2%. The cost ratio f.o.a. for the 1st quarter 2015 was 83.9%. In 1st quarter 2014 the cost ratio f.o.a. was 125.9%. The higher cost ratios in 2014 and 1st quarter 2015 is due to the fact that only incremental acquisition costs can be deferred in the consolidated accounts.

Net financial income during the 1st quarter 2015 was NOK -2.6 million. The Company pursues a conservative investment policy, with all liquid assets deposited in local banks. The Company has posted a currency loss of NOK 3 million in the 1st quarter due to the exposure to Swedish and Danish kroner.

Other income, mainly commission on agency agreements, was NOK 3.5 million in the 1st quarter 2015. Security reserves have been increased by NOK 2.0 million during the quarter.

Group result before tax for the 1st quarter was a loss of NOK 55.7 million, and the total result after tax and components of comprehensive income was a loss of NOK 55.6 million that has been allocated to equity.

The Company, as the holding company of the Group, reported a loss after tax and components of comprehensive income of NOK 21.0 million for the 1st quarter 2015.

Capital/cash flow

Net cash flow from operational activities was negative NOK 77.4 million, and net cash flow from investment activities was negative NOK 4.5 million during the quarter. Net cash flow from financial activities was NOK 0.0 million. Cash and cash equivalents decreased during the quarter from NOK 184.5 million to NOK 103.0 million.

The reinsurers' share of gross technical reserves were NOK 846.4 million on 31 March 2015, compared to NOK 546.9 million on 31 March 2014. The number of shareholders by the end of 2014 was around 2,500.

On 31 March 2015, solvency capital for the Group was NOK 5.6 million. Solvency margin was negative 145%. The Group's capital ratio was

negative 35%. The minimum regulatory requirement for capital adequacy is 8%. The Company, as the listed parent insurance company, had a solvency margin of 92% and a capital ratio of 13% at the end of 1st quarter 2015. As at 31 March 2015, The Company is thus in breach of the solvency margin on both company and group level and capital ratio on group level and has obtained an exemption from these requirements from the FSA until 31 May 2015.

The Company has engaged Pareto Securities AS with the assignment to raise new capital in the amount of MNOK 375 for the Group to fulfill the capital requirements. The capital issue has been guaranteed and will be finalized end of May 2015. In addition, the Company plans to raise a subordinated Tier 2 loan of around NOK 75 million.

The subsidiaries Vardia Forsikring AS, Vardia Försäkring AB, Vardia Agencies AS, Vardia Forsikringsagentur A/S, Vardia Eksterne Kanaler AS (previously Saga Forsikring AS) and Rein Forsikring AS are all held in the Company's balance sheet at cost.

During 1st quarter 2015, the Group's total assets increased from NOK 1,632.7 million to NOK 1,661.6 million. The increase is due to the growth of the insurance portfolio.

Preparations Solvency 2

The Company has, as part of its risk management system, conducted a self-assessment of risk and capital situation in line with the Solvency 2 Directive 2009/138/EC Article 45 (Own Risk and Solvency Assessment - ORSA process). The ORSA-report for 2014 was passed on to The Financial Supervisory Authority of Norway (FSA) on 4 June 2014. FSA commented the report in a letter dated 22 December 2014. The comments from the FSA will be implemented in the 2015 report. The Company has in the 1st quarter 2015 continued with the preparations for the Pillar 3 Reporting and the Pillar 2 requirements. The ORSA-report for 2015 is expected to be finalized and sent to the FSA in 3rd quarter 2015.

Management changes

By mutual agreement, the Board of Directors of Vardia Insurance Group ASA (Vardia) and Ivar S. Williksen announced on April 27 that they have agreed that Mr. Williksen will resign as President and CEO of Vardia with effect from 24 April 2015. The Company has appointed Rune Olsen Arneberg, the current Chief Operating Officer, as interim CEO. The Board wish to thank Mr. Williksen for his significant contribution to the early success of Vardia. As the Company now enters a new stage in its development the Board has decided to initiate a search for a new CEO where both internal and external candidates will be evaluated.

Future developments

The Company's underlying performance during the 1st quarter 2015 is as expected. The sales performance during the quarter, with average monthly sales of NOK 95 million and a 34.8% increase in gross written premiums compared to Q1 2014, is further confirmation that there is demand in the market for a concept such as Vardia offers, and that the business model is working well.

The gross claims ratio has declined in 1st quarter 2015 and the underlying improvement of the portfolio is as expected and according to plan.

The change in accounts that the Company had to implement when reporting the 4th quarter results has had a materially adverse effect on solvency capital. The issues on hand are technical in nature and therefore, difficult to communicate to the market in an easily understandable way.

The Board's first duty at this stage is to protect the Company and its business in the interest of all stakeholders. This will protect values in the longer term. From an operational point of view, the Company is continuing to perform well, and this serious set-back for the Company results are due from changes in accounts, not operational issues. Thus, continued operation is the best way to create value and rebuild confidence. The change in the way Vardia handles sales costs will however impact the way the Company operates in the future. First of all, the Company must reduce costs in order to grow more cost efficiently. A cost reduction program of NOK 100 mill has been announced. Secondly, the Company must shift more of its distribution to external channels, as the cost of this type of distribution has a different accounting treatment. Thirdly, the Board continues to evaluate other structural and legal options to better adapt to the accounting principles. Vardia will continue to deliver the value proposition to customers which has been so well received in the market.

During the rest of 2015, the Company expects to continue to grow, but at a reduced rate as cost reductions and other changes are implemented. The focus on maintaining and improving customer satisfaction will continue, as the maintenance of a high renewal rate is a key performance indicator. As the Company continues to grow, and renewals become a larger portion of sales, the cost ratio will continue to decline. The Board is well aware that solvency margins remain low, and will do it's utmost to manage the growth in balance with the solvency margin requirements.

Oslo, 13 May 2015

The Board of Directors of Vardia Insurance Group ASA

Consolidated income statement		(NOK 1,000)		
	Note	Q1 2015	Q1 2014*	31.12.14
Premium income	2			
Gross premiums written		378 639	280 788	1 166 551
Ceded reinsurance premiums		-279 916	-215 276	-869 497
Premiums written for own account		98 723	65 512	297 054
Change in premium reserves gross		-76 644	-95 229	-247 330
Reinsurance share		60 475	75 571	174 564
Premiums earned for own account		82 554	45 854	224 288
Allocated return on investment transferred from the non-technical account		574	722	3 238
Other insurance-related income		3 544	7 744	18 443
Claims	2			
Gross claims paid		-221 719	-134 401	-603 552
Reinsurance share		164 288	103 722	458 561
Change in gross claims reserve		-18 344	-21 206	-207 770
Reinsurance share		7 869	14 764	167 573
Claims incurred for own account		-67 906	-37 121	-185 188
Operating expenses				
Sales costs		-73 606	-70 417	-323 676
Insurance-related administration costs		-43 511	-20 859	-57 849
Commission received		47 888	33 557	137 776
Total operating expenses for own account		-69 229	-57 719	-243 749
Technical result before changes in security reserve etc.		-50 463	-40 520	-182 969
Change in security reserve etc.				
Change in security reserve		-2 000	-3 305	-15 279
Total change in security reserve etc.		-2 000	-3 305	-15 279
Technical result		-52 463	-43 825	-198 248
Net financial income				
Interest income and dividends etc. on financial assets		0	0	0
Interest costs		-2 623	611	14 423
Total financial income		-2 623	611	14 423
Allocated return on investment transferred to the technical account		-574	-722	-3 238
Non-technical result		-3 197	-111	11 185
Profit before tax		-55 660	-43 936	-187 062
Tax		0	0	-868
Profit before components of comprehensive income	5	-55 660	-43 936	-187 930
Other income and expenses				
Revaluations		0	0	-1 171
Exchange rate differences		49	-55	3 677
Actuarial gains and losses on pensions		0	0	-3 334
Tax on other result components		0	0	0
Total other income and expenses		49	-55	-828
Profit for the year		-55 611	-43 991	-188 758

* Figures for Q1 2014 are restated.

Consolidated statement of financial position				(NOK 1,000)
	Note	31.03.2015	31.03.2014*	31.12.2014
Assets				
Goodwill		57 792	17 722	57 792
Other intangible assets	4	70 546	85 188	69 278
Deferred tax benefit		0	0	0
Plant and equipment	4	8 303	7 056	8 168
Financial assets				
Investments in shares and parts		0	0	0
Reinsurance share of gross technical reserves		846 394	546 947	791 965
Receivables in connection with direct insurance and reinsurance		434 742	348 792	399 700
Other receivables		41 397	181 108	23 594
Prepaid costs and earned income not received		99 330	55 413	97 227
Cash and cash equivalents		103 091	83 116	184 977
Total assets		1 661 595	1 325 343	1 632 701
Equity and liabilities				
Share capital		2 579	2 105	2 579
Subscribed but unregistered capital		0	467	0
Share premium		552 382	552 675	552 382
Other paid-in-equity		2 541	961	2 541
Other equity		-593 682	-389 999	-538 280
Provision for Natural Perils Fund		728	1 762	428
Provision for Guarantee scheme		7 067	1 831	7 067
Total equity	3	-28 385	169 802	26 716
Provision for liabilities				
Gross premium reserve		679 668	454 830	610 404
Gross claims reserve		447 317	258 159	431 422
Other technical provisions		33 974	20 000	31 974
Pension liabilities		8 019	4 173	8 019
Financial liabilities				
Other liabilities		29 771	21 001	33 721
Liability for current tax		0	1 625	868
Liabilities in connection with direct insurance and reinsurance		333 584	310 096	341 894
Accrued costs and received unearned income		157 646	85 656	147 682
Total liabilities		1 689 980	1 155 541	1 605 984
Total equity and liabilities		1 661 595	1 325 343	1 632 701
Statement of cash flow - consolidated				(NOK 1,000)
		Q1 2015	Q1 2014	31.12.14
Net cash flow from operational activities		-77 383	-38 706	-64 712
Net cash flow from investment activities		-4 503	-9 231	-42 277
Net cash flow from financial activities		0	0	160 913
Net change in cash and cash equivalents		-81 886	-47 937	53 924
Cash and cash equivalents at the beginning of the period		184 977	131 053	131 053
Cash and cash equivalents at the end of the period		103 091	83 116	184 977
Net cash flow for the period		-81 886	-47 937	53 924
Specification of cash and cash equivalents				
Cash in hand and bank		103 091	83 116	184 977
Total cash and cash equivalents		103 091	83 116	184 977

Statement of changes in equity - consolidated							(NOK 1,000)
	Share capital	Share premium	Other equity	Other earned equity	Natural per-ils fund	Guarantee scheme	Total
Equity as at 1st January 2014	2 080	380 912	960	-343 858	0	1 831	41 925
Increase in equity in Q1 2014	25	9 917					9 942
Subscribed equity, paid 3rd April 2014*		172 182					172 182
Cost related to capital issue		-9 868					-9 868
Changes in provisions in Q1 2014				-1 762	1 762		0
Profit before OCI				-43 936			-43 936
Other result components (net after tax)				-55			-55
Other				-388			-388
Equity as at 31st March 2014	2 105	553 143	960	-389 999	1 762	1 831	169 802
* 172.182 is made up of share capital 467 (subscribed but not registered) and share premium 171.715							
Equity as at 1st April 2014	2 105	553 143	960	-389 999	1 762	1 831	169 802
Increase in equity in Q2 2014	467	-467					0
Cost related to capital issue		-903					-903
Changes in provisions in Q2 2014				-825	825		0
Profit before OCI				-41 686			-41 686
Other result components (net after tax)				-1 193			-1 193
Option expenses			629				629
Other				-634			-634
Equity as at 30th June 2014	2 572	551 773	1 589	-434 337	2 587	1 831	126 015
Equity as at 1st July 2014	2 572	551 773	1 589	-434 337	2 587	1 831	126 015
Subscribed equity, registered in Q3*		1 245					1 245
Cost related to capital issue		-160					-160
Changes in provisions in Q3 2014				2 403	-2 403		0
Profit before OCI				-16 696			-16 696
Other result components (net after tax)				-88			-88
Option expenses			475				475
Other				2 350			2 350
Equity as at 30th Sept. 2014	2 572	552 858	2 064	-446 368	184	1 831	113 141
* 1.245 is made up of share capital 8 (subscribed but not registered) and share premium 1.237							
Equity as at 1st October 2014	2 572	552 858	2 064	-446 368	184	1 831	113 141
Increase in equity in Q4 2014	7	-7					0
Cost related to capital issue		-469					-469
Changes in provisions in Q4 2014				-5 480	244	5 236	0
Profit before OCI				-85 612			-85 612
Other result components (net after tax)				508			508
Option expenses			477				477
Other				-1 329			-1 329
Equity as at 31st Dec. 2014	2 579	552 382	2 541	-538 281	428	7 067	26 716
Equity as at 1st January 2015	2 579	552 382	2 541	-538 281	428	7 067	26 716
Changes in provisions in Q1 2015				-300	300		0
Profit before OCI				-55 660			-55 660
Other result components (net after tax)				49			49
Other				510			510
Equity as at 31st March 2015	2 579	552 382	2 541	-593 682	728	7 067	-28 385

Note 1 Accounting principles

The accounts and the report from the Board of Directors for 4th quarter 2014 are prepared according to IAS 34. The consolidated accounts is prepared according to IFRS from 2013. Reference is made to the annual reports for 2013 and 2014. The accounts for 1st quarter 2014 have been restated to the same interpretation of the accounting principles as for the year 2014.

NOTE 2 Segment information

Norway (NOK 1,000)	Q1 2015	Q1 2014	31.12.14
Gross premiums written	210 406	172 023	684 401
Premiums earned f.o.a and other income.	52 380	31 258	135 249
Incurred claims and operating expenses f.o.a.	-77 862	-46 726	-228 701
Technical result	-25 482	-15 468	-93 452

Sweden (NOK 1,000)	Q1 2015	Q1 2014	31.12.14
Gross premiums written	157 027	108 754	473 666
Premiums earned f.o.a and other income.	32 755	22 340	106 850
Incurred claims and operating expenses f.o.a.	-42 038	-43 581	-172 958
Technical result	-9 283	-21 241	-66 108

Denmark (NOK 1,000)	Q1 2015	Q1 2014	31.12.14
Gross premiums written	11 205	11	8 484
Premiums earned f.o.a and other income.	444	0	633
Incurred claims and operating expenses f.o.a.	-17 236	-4 533	-27 279
Technical result	-16 272	-4 533	-26 646

NOTE 3 Changes in equity

There are no changes in the paid-in equity in the 1st quarter 2015. Reference is made to the statement of changes in equity. The Company is planning a capital issue of NOK 375 million in May 2015.

NOTE 4 Other intangible assets

The Group has during 1st quarter 2015 net investments in intangible assets and plant and equipment of NOK 4.5 million. This refers mainly to the development of the group's insurance systems. The Groups insurance system is written off over 7 years.

NOTE 5 Earnings per share

a) Earnings per share (NOK 1,000)

Earnings per share is calculated by dividing the profit before components of comprehensive income on a weighted average of outstanding ordinary shares through the quarter, own shares deducted.

	Q1 2015	Q1 2014	31.12.2014
Profit before OCI	-55 660	-43 936	-187 930
Earnings per share	-1,73	-1,67	-6,15

b) Earnings per share, diluted (NOK 1,000)

By calculation of diluted earnings per share, a weighted average of total outstanding shares through the quarter is used adjusted for the effect of conversion of potential shares that can cause dilution. The company has one category of potential shares that can cause dilution: stock options. The number of shares is compared with the number of shares that would have been issued if all stock options were exercised. The difference is added in the calculation as issued shares without consideration.

	Q1 2015	Q1 2014	31.12.2014
Profit before OCI	-55 660	-43 936	-187 930
Weighted average of ordinary shares (in 1000)	32 242	26 311	30 562
Adjusted for stock options (in 1000)	33 787	27 985	32 205
Earnings per share diluted	-1,73	-1,67	-6,15

Earnings per share diluted is for Vardia Insurance Group ASA equivalent to the earnings per share. The earnings per share diluted will only be different if conversion of shares increases the deficit per share.

Vardia Insurance Group ASA

- The Board of Directors and the CEO's statement

The Board of Directors and the CEO has today discussed and approved the accounts and the report from the Board of Directors for 1st quarter 2015 for Vardia Insurance Group ASA and consolidated. The report for 1st quarter 2015 is prepared in agreement with the requirements in IAS 34 (interim financial reporting).

We confirm, to the best of our knowledge, that the presented set of financial statements for the period 1 January to 31 March 2015 has been prepared in accordance with IAS 34 – Interim Financial Reporting, and gives a true and fair view of the Company's assets, liabilities, financial position and profit and loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first three months of the financial year and their impact on the presented set of financial statements, a description of the principal risks and uncertainties for the remaining nine months of the financial year, and major related parties transactions.

Oslo, 13 May 2015

The Board of Directors of Vardia Insurance Group ASA

Åge Korsvold <i>Chairman</i>	Karl Høie <i>Vice Chairman</i>	
Line Sanderud Bakkevig	Nina Charlott Gullerud	
Nils Aakvik	Ole Erik Alnæs	Rune Arneberg <i>CEO</i>