



INTERIM REPORT FOR SECOND QUARTER AND FIRST HALF 2016 CONSOLIDATED



VARDIA INSURANCE GROUP ASA - CONSOLIDATED

HIGHLIGHTS SECOND QUARTER

- Group restructuring completed. Operational improvement program well under way
- The sale of the Swedish portfolio was finalised 30 June 2016 restoring solvency position
- Solvency margin at 30 June 2016 is 196%
- Net profit was NOK 155 million in the second quarter following gain from sale of the Swedish portfolio, compared with loss of NOK 54.9 million a year ago
- The Swedish portfolio is reported as discontinued operations
- Gross written premiums decreased 9.4% from second quarter 2015 reflecting increased focus on profitability

HIGHLIGHTS FIRST HALF YEAR

- Net profit was NOK 76.7 million in first half 2016, compared with a net loss of NOK 120 million in first half 2015
- Gross written premium decreased 4.7% from NOK 432 million to NOK 412 million

Vardia Insurance Group					
KEY FIGURES (continuing business)					
	Q2 2016	Q2 2015	H1 - 2016	H1 - 2015	31.12.2015
	(NOK 1,000)				
Gross premiums written	193 694	213 689	412 173	432 168	804 977
Gross premiums earned	207 233	189 813	413 872	368 018	707 953
Premiums earned f.o.a.	73 324	51 815	124 552	103 043	209 892
Gross incurred claims	-207 009	-146 823	-367 201	-285 721	-719 783
Incurred claims f.o.a.	-45 334	-39 147	-98 600	-83 922	-189 722
Operating expenses for own account	-38 593	-43 722	-89 149	-102 585	-224 373
Other income/expenses	813	3 459	1 506	5 208	8 726
Technical result before changes in security reserve etc.	-9 790	-27 594	-61 691	-78 255	-195 477
Other income/expenses	-109	-1 169	-138	-1 694	1 078
Net financial income	1 822	4 927	2 444	2 304	-1 555
Operating result	-7 968	-23 836	-59 247	-77 645	-195 954
Changes in security reserves etc. tax and other	0	-4 026	0	-6 026	-22 158
Profit/Loss before tax	-8 076	-27 862	-59 385	-83 671	-218 112
Profit from discontinued operations	163 093	-27 083	136 130	-36 365	-76 799
Total profit/loss for the year (after tax)	155 017	-54 945	76 745	-120 036	-291 528
Profit/Loss after tax per share	(1) 0.35	-0.47	0.17	-1,56	-1,18
Gross loss ratio	99,9 %	77,4 %	88,7 %	77,6 %	101,7 %
Gross cost ratio	35,4 %	44,1 %	35,9 %	45,0 %	48,8 %
Gross combined ratio	135,3 %	121,5 %	124,6 %	122,6 %	150,5 %
Loss ratio f.o.a.	61,8 %	75,6 %	79,2 %	81,4 %	90,4 %
Cost ratio f.o.a.	52,6 %	84,4 %	71,6 %	99,6 %	106,9 %
Combined ratio f.o.a.	114,5 %	159,9 %	150,7 %	181,0 %	197,3 %

(1) 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 currently serving the private and commercial market in Norway and Denmark. The company, established in 2009, obtained its own insurance license in 2011. Vardia started to write premiums for own account (f.o.a.) in Sweden in 2011, in Norway in 2012 and in Denmark in 2014. This report reflects the ongoing restructuring of the Vardia group including the sale of the Swedish portfolio.

Vardia had negative technical results in the second quarter and first half of 2016. However, the underlying operating result has improved with NOK 19 million compared with last year (loss of NOK 9.8 million vs a loss of NOK 31.7 million in 2015). The technical result for the year is NOK 61.7 million, compared with a negative result of NOK 84.3 million last year.

Gross written premium for the second quarter 2016 has decreased compared with last year. The decline relates fully to the Norwegian portfolio and is in line with Vardia's enhanced focus on profitability. The written premium of the Danish portfolio have increased 17% compared with last year.

Premium income

Gross written premium was NOK 194 million in the second quarter of 2016, compared with NOK 214 million in the same period last year. Gross premium earned for the same period was NOK 207 million, compared with 189 million last year representing an increase of 10%. Premium earned for own account in the second quarter was NOK 73 million (NOK 51.8 million), which represents an increase of 40% compared with the same period in 2015.

Gross written premium for first half 2016 was NOK 412 million (NOK 432 million), with the Norwegian portfolio representing NOK 382 million, corresponding to a decrease of 6%, and the Danish portfolio amounting to NOK 30 million, corresponding to an increase of 10%. Gross written premium for the Swedish portfolio was NOK 343 million (NOK 314 million). For more figures related to the discontinued business – see Note 8.

As at 30 June 2016, Personal Lines (PL) accounted for about 68% and Commercial Lines (CL) about 32% of premiums earned. The private business experienced a reduction in premiums earned compared with last year. The decline was more than offset by increased contribution from commercial business. The development is the opposite on gross written premium, where PL is stable in Q2 whilst CL is declining in line with the pruning actions installed.

Vardia had a premium portfolio of NOK 857 million as of 30 June 2016, split between Norway with NOK 805 million and Denmark with NOK 42 million.

At the end of June, the company had in excess of 57 000 private customers and 6 692 clients within the commercial business area in the Danish and Norwegian market combined.

Results and allocation

Net profit for the quarter was NOK 155 million (loss of NOK 54.9 million) due to the gain of sale from the Swedish portfolio. The company had an operating loss of 8.0 million in the second quarter of 2016 (loss of NOK 23.8 million). The technical result for the quarter was negative NOK 9.8 million, compared with a loss of NOK 27.6 million last year. For the first six months the profit was NOK 76.7 million compared to a loss last year of NOK 120 million.

The second quarter 2016 gross loss ratio was 99.9%, while the loss ratio for own account was 61.8%. Corresponding ratios for the same quarter of 2015 were 77.4% and 75.6%, respectively. The gross loss ratio includes claims handling expenses of 9.4%, compared with 7.4% in the same period of 2015. Gross claims reserve was NOK 486 million, of which NOK 270 million were IBNR reserves compared to NOK 1 197 million last year (including Sweden). For the first six months the gross loss ratio is 88.7% compared to 77.6% and the loss ratio f.o.a. is 79.2% compared to 81.4%.

The second-quarter 2016 gross cost ratio was 35.4%, compared with a gross cost ratio of 44.1% in the same quarter the year before. The cost ratio for own account in the second quarter of 2016 was 52.6%, compared with a cost ratio for own account of 84.4% in the second quarter of 2015.

A higher level of claims compared with earlier periods as well as a higher-than-normal level of administration costs due to the strategic review of Vardia influenced the second quarter performance.

Net financial income for the second quarter 2016 was NOK 1.8 million (NOK 4.9 million). The corresponding figures for the first six months is NOK 2.4 million compared to NOK 2.3 million last year. The company pursues a conservative investment policy. As of 30 June 2016, NOK 153 million was invested in low-risk money market funds. The sale of the Swedish portfolio strongly influenced the financial result this period with a total amount of NOK 182 million.

Group loss before tax for the second quarter of 2016 was NOK 8.0 million, compared with a loss of NOK 27.9 million in the same period last year. Group profit after tax and components of comprehensive income was NOK 155 million second quarter 2016, compared with a loss of NOK 54.9 million a year earlier. This includes profit from discontinued operations related to both operations and the gain on the Swedish portfolio of NOK 163 million for the quarter (loss of NOK 27.1 million).

Profit for the first six months of 2016 were NOK 76.7 million, compared with a loss of NOK 120 million. The profit for the period has been allocated to equity.

Capital/cash flow

Net cash flow from operational activities in the second quarter was negative NOK 48.7 million, where the Swedish portfolio accounts for negative NOK 18.2 million. Net cash flow from investment activities was positive NOK 9.3 million, mainly due to the cash position of the distribution companies. Net cash flow from financing activities was positive NOK 0.5 million. Cash and cash equivalents decreased during the quarter with NOK 39 million, from NOK 259 million to NOK 220 million.

The reinsurers' share of gross technical reserves were NOK 709 million as of 30 June 2016, compared with NOK 872 million at the same time last year 2015.

The number of shareholders by the end of the second quarter of 2016 was 1 810.

The company's total assets were reduced from NOK 2 355 million to NOK 1 565 million at the end of the second quarter due to the sale of the Swedish portfolio.

Solvency margin

The solvency margin capital (available capital) for the group was NOK 256 million as of 30 June 2016. The solvency capital requirement (SCR) was 130 million. The minimum regulatory requirement for capital adequacy is 100 % whereas the solvency margin was 196%. Thus, Vardia is in compliance with regulatory solvency margin requirements following the sale of the Swedish portfolio.

Vardia was granted a dispensation from the solvency capital requirement by the Norwegian Financial Supervisory Authority until closing of the sale of the Swedish portfolio.

Management changes

As of 30 June 2016, the management of Vardia, with CEO Espen Husstad, CFO Bård Standal and COO Jonas Billberg, has been strengthened with Ole Erik Alnæs - Head of Product & Price, Thomas Asdahl - Head of Sales & Service and Jan Petter Myhrstad - Head of Claims.

Sale of the Swedish portfolio

Vardia on 28 April 2016 announced the sale of its Swedish insurance portfolio to Gjensidige for a total consideration of SEK 200 million and the repurchase of the distribution business in Norway that was divested in 2015. This is in accordance with the strategic review initiated by the board of directors and announced in the interim report for the fourth quarter of 2015 published 29 February 2016.

Purchase of the Norwegian distribution companies

The purchase of the shares of Vardia Norge group (distribution companies) was executed 23 May 2016 for the amount of NOK 5.5 million. Vardia Norge's activities will be integrated into group operations, and will ensure control over the full insurance value chain.

Capitalization of sales expenses

The company has decided to change accounting principles related to capitalization and amortization of sales expenses. As of 30 June 2016 the capitalized expenses amounted to NOK 112 million and has been restated to equity. The comparative amounts for prior periods have been restated accordingly. For further information, see note 1 Accounting principles.

Risk factors and uncertainties

Vardia ASA and its subsidiaries are exposed to various forms of market, insurance, financial and operational risks. In general, the insurance operations account for the most of the groups risk picture. The result of the group is largely affected by developments in premium level, frequency and size of claims. The insurance business experiences strong competition and the level of written premium is largely influenced by the competition in the market. The management is monitoring the development of written premium closely and the reduction the last months is in accordance with plan. High proportion of reinsurance poses a risk relating to claims settlement and credit risk. The financial risk in the company's assets and liability is influenced by the market and may affect the financial results in the future. Operational risk is related to the general operations and weaknesses in processes and systems. The company has established a compliance program to ensure monitoring of the identified risks on an ongoing basis.

Transactions with related parties

Except as noted regarding the purchase of the Norwegian distribution companies there have been no material transactions with related parties in the reporting period.

Outlook

Vardia ASA has been through a period of turbulence and change in the preceding year. After concluding the sale of the Swedish portfolio the company is now positioned to reach profitable growth. In the near term the company will focus on attaining steady profitability. This is expected to result in some reduction in total premium volume over the next 12-18 months. After sustainable profitability has been reached the company will be well positioned for profitable premium growth.

Oslo, 10 August 2016

Vardia Insurance Group						(NOK 1,000)
Consolidated income statement						
	Note	Q2 2016	Q2 2015	H1 - 2016	H1 - 2015	31.12.2015
Premium income						
	2					
Gross premiums earned		207 233	189 813	413 872	368 018	707 953
Reinsurance share		-133 909	-137 998	-289 320	-264 975	-498 061
Premiums earned for own account		73 324	51 815	124 552	103 043	209 892
Other insurance-related income						
		813	3 459	1 506	5 208	8 726
Claims						
	2					
Gross claims incurred		-207 009	-146 823	-367 201	-285 721	-719 783
Reinsurance share of gross claims incurred		161 675	116 168	268 601	201 800	530 061
Claims incurred for own account		-45 334	-30 656	-98 600	-83 922	-189 722
Operating expenses						
Sales costs		-28 868	-103 405	-76 420	-148 095	-261 897
Change in prepaid direct sales costs		0	0	0	0	0
Insurance-related administration costs		-44 455	11 077	-72 245	-17 456	-83 833
Commission received		34 730	40 066	59 516	62 966	121 357
Total operating expenses for own account		-38 593	-52 262	-89 149	-102 584	-224 373
Technical result before changes in security reserve etc.		-9 790	-27 643	-61 691	-78 255	-195 477
Change in security reserve etc.						
Change in security reserve		0	-4 026	0	-6 026	-14 755
Total change in security reserve etc.		0	-4 026	0	-6 026	-14 755
Technical result		-9 790	-31 669	-61 691	-84 281	-210 232
Net financial income						
Interest income and dividends etc. on financial assets		1 822	4 927	2 444	2 304	1 078
Total financial income		1 822	4 927	2 444	2 304	1 078
Other income		0	-693	0	-1 267	-1 555
Other expenses		0	0	0	0	-4 997
Non-technical result		1 822	4 234	2 444	1 037	-5 474
Profit before tax		-7 968	-27 435	-59 247	-83 244	-215 706
Tax		0	0	0	0	3 383
Profit before components of comprehensive income	5	-7 968	-27 435	-59 247	-83 244	-212 323
Other income and expenses						
Exchange rate differences		-109	-476	-138	-427	-2 406
Total other income and expenses		-109	-476	-138	-427	-2 406
Profit from continued operations		-8 077	-27 911	-59 385	-83 671	-214 729
Profit from discontinued operations		163 093	-27 083	136 130	-36 365	-76 799
Profit/ loss from operations		155 017	-54 994	76 745	-120 036	-291 528

Vardia Insurance Group				
Consolidated statement of financial position		(NOK 1,000)		
	Note	30.06.2016	30.06.2015	31.12.2015
ASSETS				
Intangible assets				
Goodwill		78 486	57 792	54 137
Other intangible assets	4	77 998	75 314	72 898
Total intangible assets		156 485	133 106	127 035
Investments				
Investments in shares and parts		363	0	0
Bonds and other fixed-income securities	6	152 596	260 000	189 999
Total investments		152 958	260 000	189 999
Reinsurance share of gross technical provisions				
Reinsurance share of gross premium provisions		318 101	544 444	559 017
Reinsurance share of gross claims provisions		390 612	327 138	551 676
Total reinsurance share of gross technical provisions		708 713	871 582	1 110 693
Receivables				
Receivables in connection with direct insurance and reinsurance		299 678	473 528	525 995
Receivables in connection with associates		18 633	0	0
Other receivables		73 386	29 025	67 067
Total receivables		391 697	502 553	593 062
Other assets				
Plant and equipment		4 712	9 406	4 288
Cash and cash equivalents		67 628	117 915	126 508
Total other assets		72 341	127 321	130 796
Prepaid expenses and earned income not received				
Prepaid costs and earned income not received		83 142	40 954	41 484
Total prepaid expenses and earned income not received		83 142	40 954	41 484
Assets held for sale				
Total assets		1 565 335	1 935 516	2 193 069

Consolidated statement of financial position				(NOK 1,000)
	Note	30.06.2016	30.06.2015	31.12.2015
EQUITY AND LIABILITIES				
Paid-in equity				
Share capital		35 828	32 579	35 829
Share premium		907 334	864 256	907 333
Other paid-in-equity		5 937	2 541	4 081
Total paid-in equity		949 100	899 376	947 243
Provision for Natural Perils Fund		0	0	0
Provision for Guarantee scheme		18 103	7 067	14 435
Other equity		-767 747	-709 034	-904 838
Total equity	3	199 456	197 409	56 840
Subordinated loan		73 959	0	73 931
Technical provisions				
Gross premium reserve		421 606	721 493	752 792
Gross claims reserve		486 838	437 384	704 515
Other technical provisions		0	38 000	46 729
Total technical provisions		908 444	1 196 877	1 504 036
Provisions for other risks and liabilities				
Pension liabilities		0	8 019	0
Other provisions for risks and liabilities		0	0	0
Total provisions for other risks and liabilities		0	8 019	0
Financial liabilities				
Other liabilities		129 539	38 906	58 988
Betalbar skatt		41	0	0
Liabilities in connection with direct insurance and reinsurance		166 730	332 697	345 319
Total financial liabilities		296 310	371 603	404 307
Accrued costs and received unearned income		87 166	161 608	153 954
Total liabilities		1 365 879	1 738 107	2 136 229
Total equity and liabilities		1 565 335	1 935 516	2 193 069

Vardia Insurance Group					
Consolidated statement of cash flow					(NOK 1,000)
	Q2 2016	Q2 2015	H1 - 2016	H1 - 2015	31.12.2015
Net cash flow from operational activities	-48 675	-55 755	-106 324	-133 139	-230 224
Net cash flow from investment activities	9 300	-11 295	7 923	-15 797	-26 447
Net cash flow from financial activities	465	341 874	2 119	341 874	388 201
Net change in cash and cash equivalents	-38 910	274 824	-96 283	192 938	131 530
hereof discontinued operations	-18 216	14 579	-19 756	34 433	33 443
Cash and cash equivalents at the beginning of the period	259 134	103 091	316 507	184 977	184 977
Cash and cash equivalents at the end of the period	220 224	377 915	220 224	377 915	316 507
Net cash flow for the period	-38 910	274 824	-96 283	192 938	131 530
Specification of cash and cash equivalents					
Cash in bank and liquidity funds	220 224	377 915	220 224	377 915	316 507
Total cash and cash equivalents	220 224	377 915	220 224	377 915	316 507

Vardia Insurance Group							
Consolidated statement of changes in equity							(NOK 1,000)
	Share capital	Share premium	Other equity	Other earned equity	Natural perils fund	Guarantee scheme	Total
Equity as at 1st January 2015	2 579	552 382	2 541	-538 281	428	7 067	26 716
Changes in accounting princip				-68 092			-68 092
	2 579	552 382	2 541	-606 373	428	7 067	-41 376
Changes in provisions in Q1 2015				-300	300		0
Profit before OCI				-47 863			-47 863
Other result components (net after tax)				49			49
Other				510			510
Equity as at 31st March 2015	2 579	552 382	2 541	-653 977	728	7 067	-88 680
Equity as at 1st April 2015	2 579	552 382	2 541	-653 977	728	7 067	-88 680
Increase in equity in Q2 2015	30 000	315 572					345 572
Cost related to capital issue		-3 698					-3 698
Changes in provisions in Q2 2015				728	-728		0
Profit before OCI				-54 994			-54 994
Other result components (net after tax)				-476			-476
Other				-315			-315
Equity as at 30th June 2015	32 579	864 256	2 541	-709 034	0	7 067	197 409
Equity as at 1st July 2015	32 579	864 256	2 541	-709 034	0	7 067	197 409
Increase in equity in Q3 2015	0	0					0
Cost related to capital issue		-1 582					-1 582
Changes in provisions in Q3 2015				-5 404	0	5 404	0
Profit before OCI				-92 174			-92 174
Other result components (net after tax)				-3 376			-3 376
Other				547			547
Equity as at 30th September 2015	32 579	862 674	2 541	-809 441	0	12 471	100 824
Equity as at 1st October 2015	32 579	862 674	2 541	-809 441	0	12 471	100 824
Increase in equity in Q4 2015	3 250	46 719					49 969
Cost related to capital issue		-2 060					-2 060
Changes in provisions in Q4 2015				-1 964	0	1 964	0
Profit before OCI				-94 215			-94 215
Option expenses			1 540				1 540
Gevinst salg datterselskaper							0
Other				-614			-614
Equity as at 31st December 2015	35 829	907 333	4 081	-904 838	0	14 435	56 840
Equity as at 1st January 2016	35 829	907 333	4 081	-904 838	0	14 435	56 840
Increase in equity in Q1 2016							0
Subscribed equity							0
Cost related to capital issue							0
Changes in provisions in Q1 2016				-1 902		1 902	0
Profit before OCI				-58 992			-58 992
Other result components (net after tax)				-29			-29
Option expenses			400	-400			0
Reversal technical provisions				46 729			46 729
Other				0			0
Equity as at 31st March 2016	35 829	907 333	4 481	-919 432	0	16 337	44 548
Equity as at 1st April 2016	35 829	907 333	4 481	-919 432	0	16 337	44 548
Increase in equity in Q2 2016							0
Subscribed equity							0
Cost related to capital issue							0
Changes in provisions in Q2 2016				-1 766		1 766	0
Profit before OCI				155 017			155 017
Other result components (net after tax)				0			0
Option expenses			1 456	-1 456			0
Other expenses				-109			-109
Other							0
Equity as at 30th June 2016	35 829	907 333	5 937	-767 746	0	18 103	199 456

NOTE 1 Accounting principles

These interim accounts and the report from the Board of Directors for second quarter and first half of 2016 has been prepared according to IFRS and IAS 34 Interim Reporting. Except for the principle for accounting for sales expenses the accounting principles applied are consistent with the principles described in the annual report for 2015. For further information, reference is made to the 2015 annual report.

The Company has decided to change accounting principles related to capitalization and amortization of sales expenses recognizing some of these expenses earlier. The changes in accounting principles has no effect on the Solvency rate. As of 30 June, 2016 the capitalized expenses amounted to NOK 112 million and has been restated to equity. The comparative amounts for prior periods have been restated accordingly. The effect of the changes in accounting principles is shown in the table below:

Equity effect of changing principles 30 June 2016	112 054
Reduced expenses 2016	35 470
Equity effect of changing principles 31 December 2015	147 524
Increased sales expenses 2015	79 432
Equity effect of changing principles 1 January 2015	68 092

NOTE 2 Segment information

Norway	(NOK 1,000)	Q2 2016	Q2 2015	30.06.2016	30.06.2015	31.12.2015
Gross premiums written		178 989	201 153	382 058	408 427	758 436
Premiums earned f.o.a.		67 853	50 102	116 456	100 366	201 806
Other income		813	3 450	1 506	5 199	8 726
Incurring claims and operating expenses f.o.a.		-80 616	-65 974	-177 682	-152 376	-338 731
Technical result		-11 950	-12 422	-59 720	-46 811	-128 199
Cost Ratio		54 %	57 %	72 %	70 %	78 %
Loss Ratio		65 %	75 %	80 %	81 %	90 %
Net Combined Ratio		119 %	132 %	153 %	152 %	168 %

Denmark	(NOK 1,000)	Q2 2016	Q2 2015	30.06.2016	30.06.2015	31.12.2015
Gross premiums written		14 705	12 536	30 115	23 742	46 541
Premiums earned f.o.a.		5 471	1 713	8 096	2 677	8 086
Other income		0	9	0	9	0
Incurring claims and operating expenses f.o.a.		-3 310	-16 895	-10 067	-34 131	-75 364
Technical result		2 161	-15 173	-1 972	-31 445	-67 278
Cost Ratio		42 %	890 %	63 %	1194 %	821 %
Loss Ratio		19 %	96 %	61 %	81 %	111 %
Net Combined Ratio		61 %	986 %	124 %	1275 %	932 %

NOTE 3 Changes in equity

There are no changes in paid-in equity the second quarter of 2016. Reference is made to the statement of changes in equity.

NOTE 4 Other intangible assets

The company has during the second quarter 2016 a net increase in intangible assets and plant and equipment of NOK 10 million. The increase is mainly due to the purchase of the distribution companies in the period. The balance of NOK 78 million refers mainly to development of the company's insurance systems and acquisition of an insurance portfolio at the end of 2013. Both the company's insurance system and the insurance portfolio are depreciated over seven years.

The PPA analysis has not been finalised and the excess purchase price compared to Equity in the distribution companies is included in Goodwill. Goodwill has increased in the period with appx. NOK 24 mill. relating to the acquisition of Vardia Norge.

NOTE 5 Earnings per share

Earnings per share

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.

(NOK 1,000)	Q2 2016	Q2 2015	H1 - 2016	H1 - 2015	31.12.2015
Profit before OCI	154 799	-55 470	76 607	-120 463	-293 934
Earnings per share	0,35	-0,47	0,17	-1,56	-1,18

Earnings per share, diluted

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.

(NOK 1,000)	Q2 2016	Q2 2015	H1 - 2016	H1 - 2015	31.12.2015
Profit before OCI (adjusted for discontinued operations)	154 799	-55 470	76 607	-120 463	-293 934
Weighted average of ordinary shares (in 1,000)	410 492	116 929	410 492	75 511	242 283
Adjusted for stock options (in 1,000)	447 867	118 465	447 867	77 057	248 721
Earnings per share diluted	0,35	-0,47	0,17	-1,56	-1,18

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

NOTE 6 Bond and other fixed-income securities

During the second quarter 2015, the company invested in low risk money market funds. The value of the portfolio by end of June 2016 was NOK 153 million. The managers of the funds are Danske Bank, Storebrand and Nordea.

NOTE 7 Transactions with related parties

Transactions with companies within the Group has been eliminated in the Group Accounts. With the acquisition of Vardia Norge, additional transactions have been identified and eliminated for June, 2016. The purchase of the shares of Vardia Norge group (distribution companies) was executed 23 May 2016 for the amount of NOK 5.5 million. Vardia Norge's activities will be integrated into group operations.

For further information, we refer to the annual accounts for 2015.

NOTE 8 Discontinued operations

Vardia on 28 April 2016 announced the sale of its Swedish insurance portfolio to Gjensidige for a total consideration of SEK 200 million and the repurchase of the distribution business in Norway that was divested in 2015. The Swedish portfolio is not included in the balance as per 30 June 2016 and the related result for the portfolio is presented as "discontinued operations" in the related quarters. The business represents the geographic area, Sweden that is considered an operating segment.

Sweden	(NOK 1,000)	Q2 2016	Q2 2015	30.06.2016	30.06.2015	31.12.2015
Gross premiums written		161 528	157 027	343 360	314 054	653 292
Premiums earned f.o.a.		33 966	31 008	75 905	61 394	139 221
Other income		-170	909	0	3 277	5 958
Incurring claims and operating expenses f.o.a.		-52 982	-59 001	-122 056	-101 038	-222 552
Technical result		-19 186	-27 083	-46 150	-36 365	-76 799
Cost Ratio		48 %	84 %	60 %	86 %	53 %
Loss Ratio		108 %	87 %	101 %	78 %	90 %
Net Combined Ratio		156 %	171 %	161 %	165 %	142 %

Vardia Insurance Group						
Discontinued operations (Sweden)						
(NOK 1,000)						
	Note	Q2 2016	Q2 2015	H1 - 2016	H1 - 2015	31.12.2015
Premium income						
Gross premiums earned		191 739	134 756	348 671	258 546	607 928
Reinsurance share		-157 773	-103 748	-272 765	-197 152	-468 707
Premiums earned for own account		33 966	31 008	75 906	61 394	139 221
Other insurance-related income						
		-170	909	0	3 278	5 958
Claims						
Gross claims incurred		-180 117	-97 745	-310 079	-192 062	-334 176
Reinsurance share of gross claims incurred		140 249	72 860	233 208	144 046	209 517
Claims incurred for own account		-39 868	-24 885	-76 871	-48 016	-124 659
Operating expenses						
Sales costs		-23 540	-50 105	-61 549	-79 021	-200 498
Change in prepaid direct sales costs		0	0	0	0	32 587
Insurance-related administration costs		-7 411	-1 000	-23 256	-15 978	-35 761
Commission received		17 837	16 990	39 620	41 978	105 779
Total operating expenses for own account		-13 114	-34 115	-45 185	-53 021	-97 893
Technical result		-19 187	-27 083	-46 150	-36 365	-76 799
Net financial income						
Gain from sale of the Swedish portfolio		182 280	0	182 280	0	0
Interest income and dividends etc. on financial assets		0	0	0	0	0
Total financial income		182 280	0	182 280	0	0
Non-technical result		182 280	0	182 280	0	0
Profit before tax		163 093	-27 083	136 130	-36 365	-76 799
Tax		0	0	0	0	0
Profit before components of comprehensive income		163 093	-27 083	136 130	-36 365	-76 799
Other income and expenses						
Exchange rate differences		0	0	0	0	0
Total other income and expenses		0	0	0	0	0
Profit from discontinued operations		163 093	-27 083	136 130	-36 365	-76 799

Vardia Insurance Group ASA

The Board of Directors and the CEO's statement

The Board of Directors and the CEO have today discussed and approved the accounts and the report from the Board of Directors for the half-yearly report for and the consolidated half-year consolidated accounts for Vardia Insurance Group ASA for the period 1 January – 30 June 2016. The report is prepared in accordance 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 30 June 2016 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 financial year and their impact on the presented set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties' transactions.

Oslo, 10 August 2016

The Board of Directors of Vardia Insurance Group ASA

Åge Korsvold
Chairman

Karl Høie

Ragnhild Wiborg

Line Sanderud Bakkevig

Christer Karlsson

Terje Moen
(employee representative)

Espen Husstad
CEO