

# ADMIRAL GROUP plc

## 2005 Half Year Results

September 2005





# Admiral Is Different

H1 2005

■ Fast Growing



■ Highly Profitable



■ Strongly Cash Generative



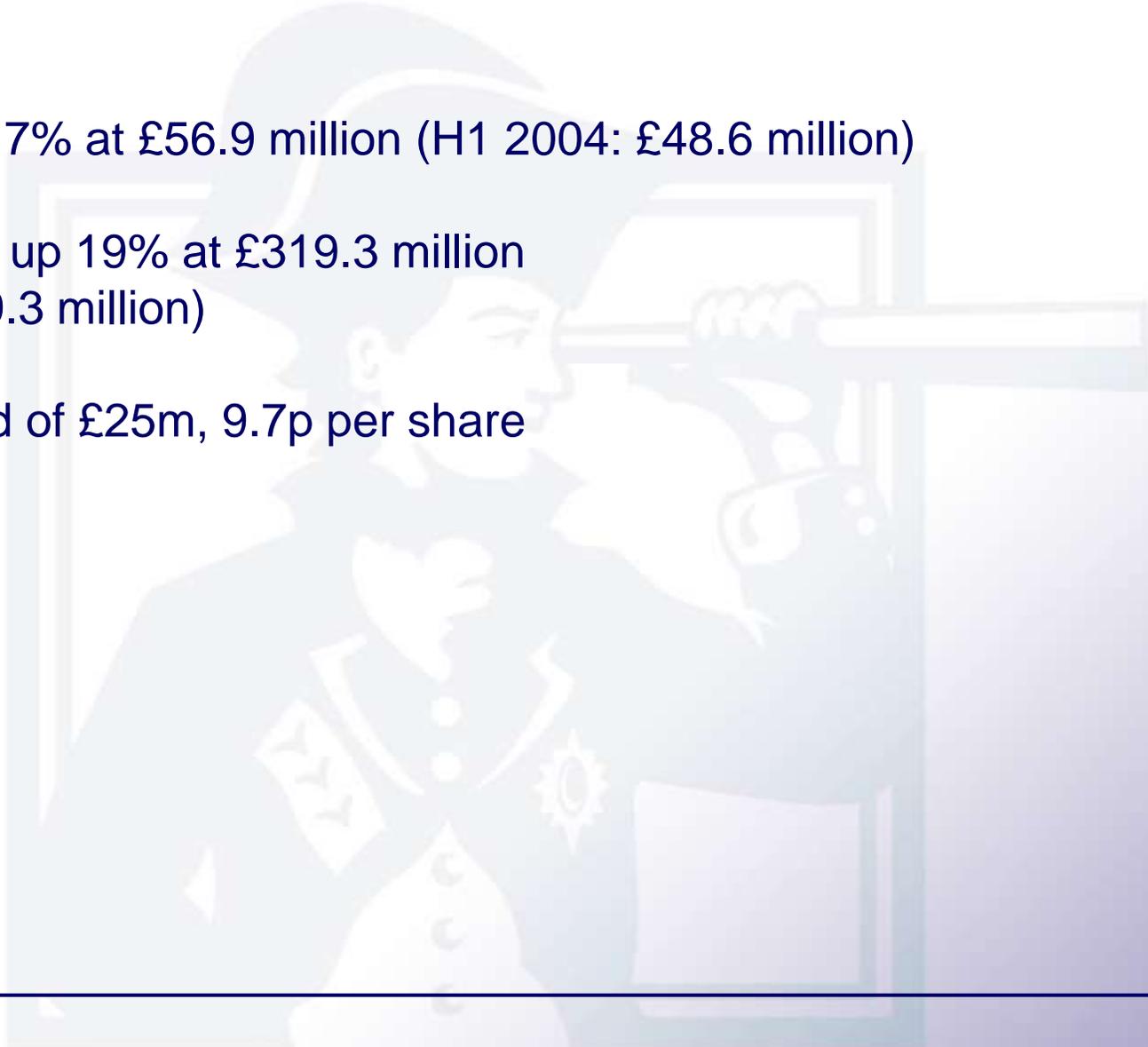
■ Low Risk Profits





# Financial Highlights

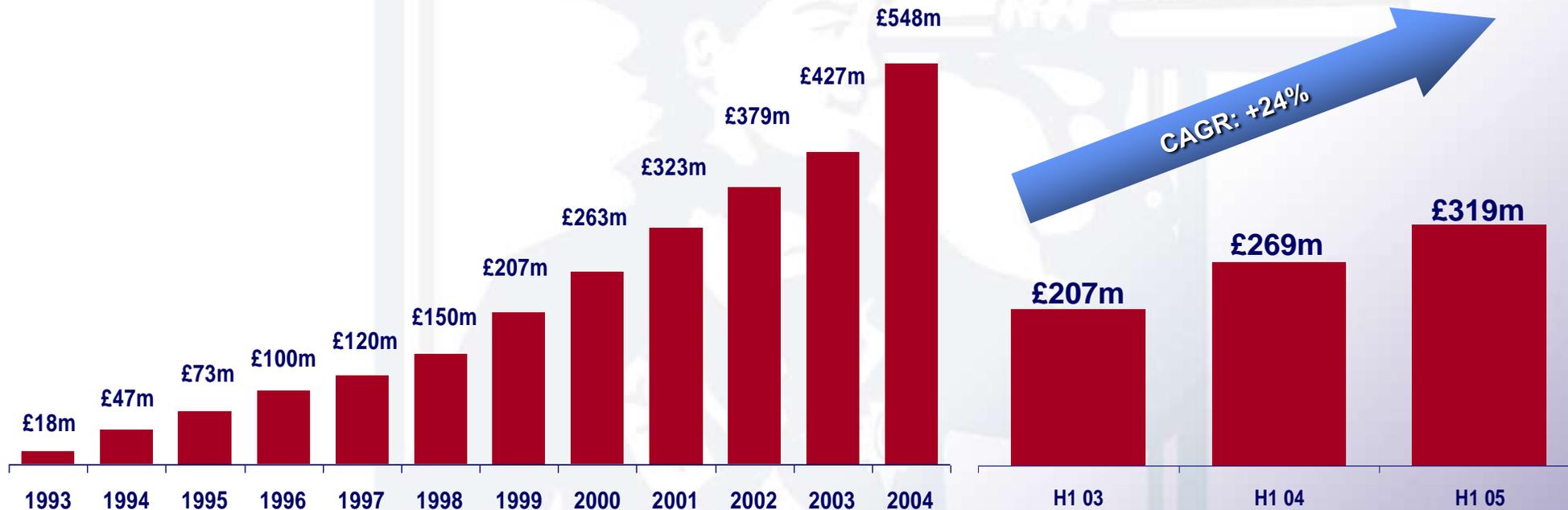
- Core profit up 17% at £56.9 million (H1 2004: £48.6 million)
- Group turnover up 19% at £319.3 million (H1 2004: £269.3 million)
- Interim dividend of £25m, 9.7p per share





# Fast Growing

## Historical Revenue Growth (£m)<sup>(1)</sup>

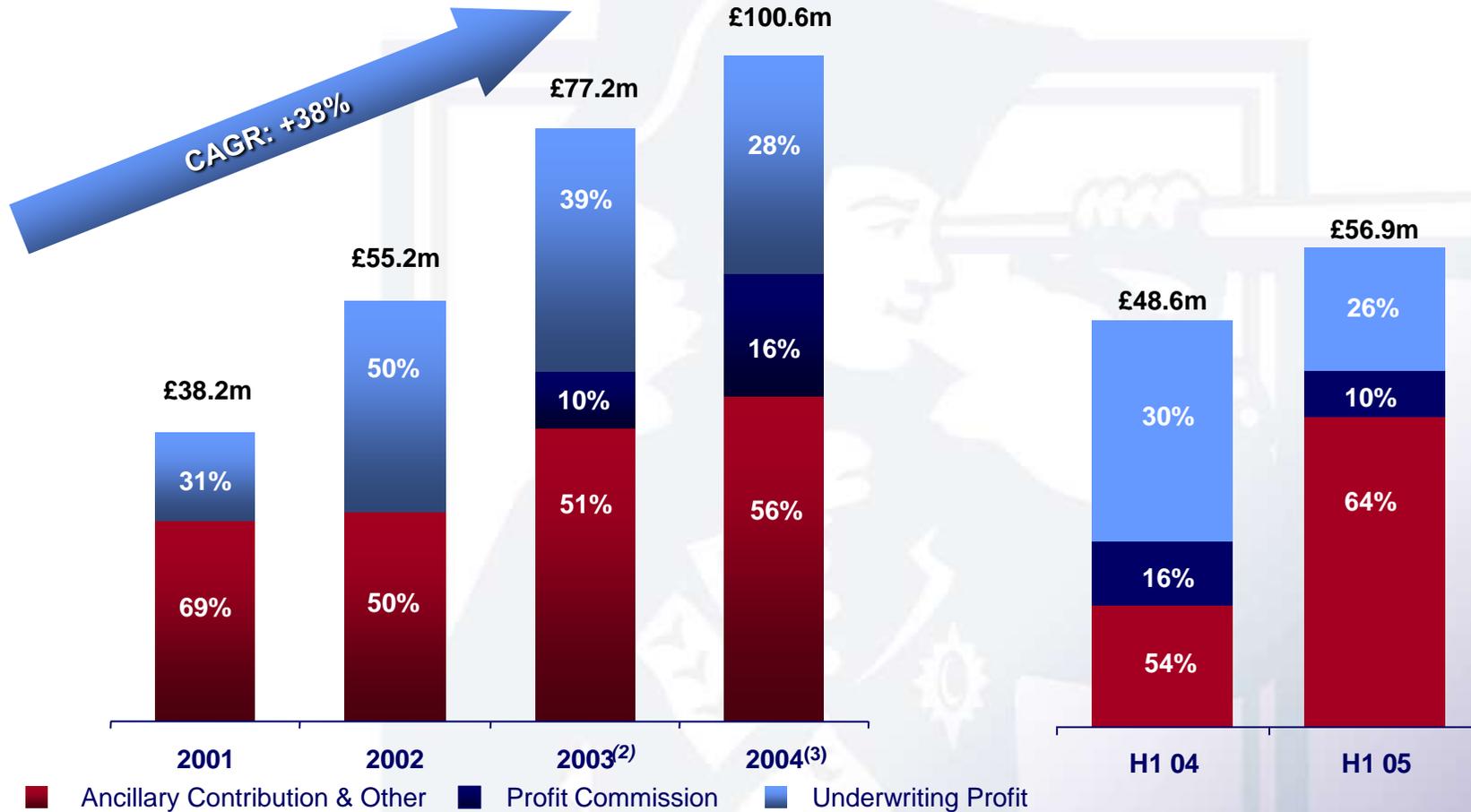


(1) Revenues comprise total premiums written + gross other income + investment income



# Highly Profitable

## Core Profit (£m)<sup>(1)</sup>



(1) Core profit is profit before tax, goodwill amortisation, share scheme charges, bonuses paid in lieu of dividends and interest payable

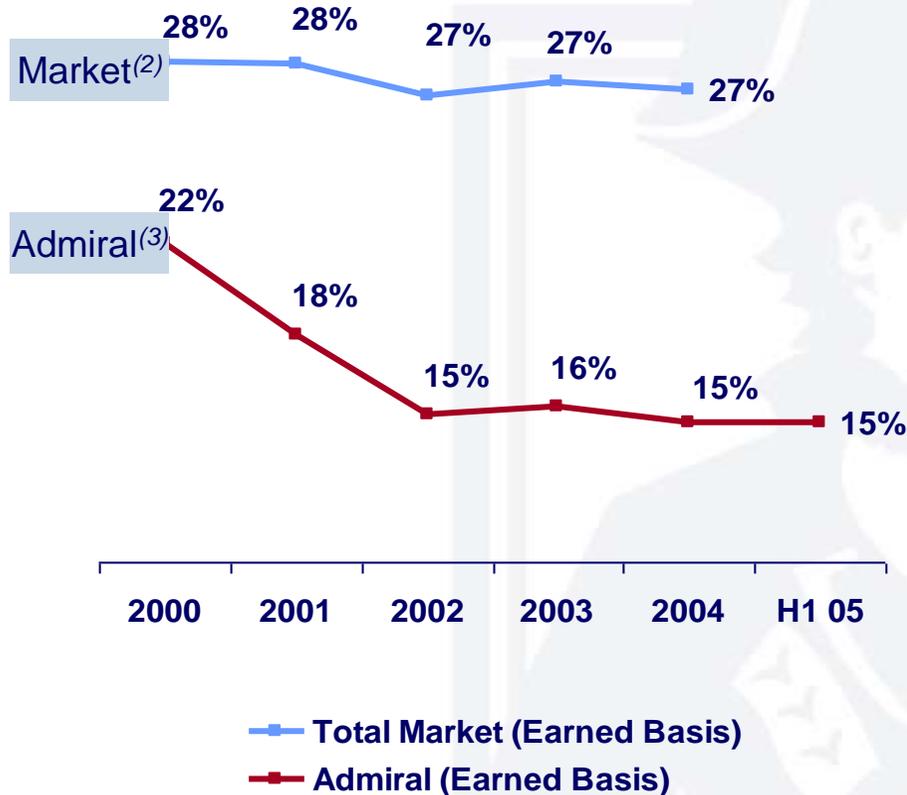
(2) 2003 split is shown after adding back £6m of Munich Re profit commission accounted for in 2004 but relating to premiums earned in 2003

(3) 2004 split is shown after deducting the £6m referred to in (2)

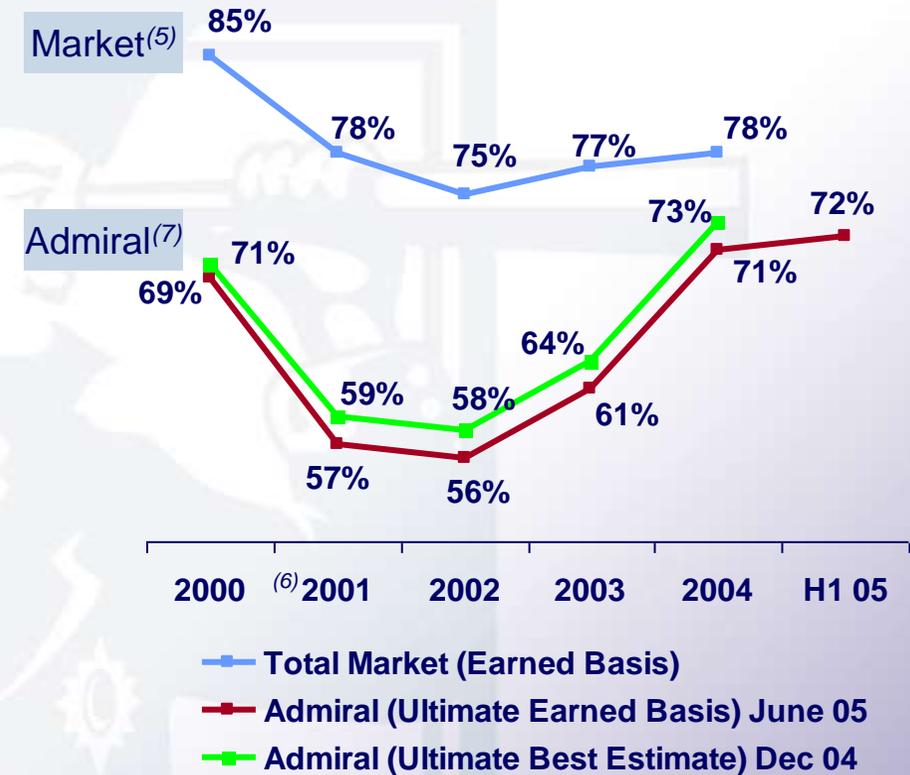


# Highly Profitable

## Expense Ratios<sup>(1)</sup>



## Loss Ratios<sup>(4)</sup>



(1) Including claims handling expenses

(2) EMB analysis of FSA returns for total UK motor market

(3) Adjusted to exclude non-recurring expenses such as Lloyd's costs and 2.5% non-recurring expense commission; based on net earned premiums before stop loss costs of £911,000 in 2001 and £607,000 in 2002

(4) Excluding claims handling expenses

(5) Current year claims ratio EMB analysis of FSA returns for UK private motor market

(6) 2000 earned loss ratio includes claims incurred and premiums earned in 2000 on business written in 1999 underwriting year

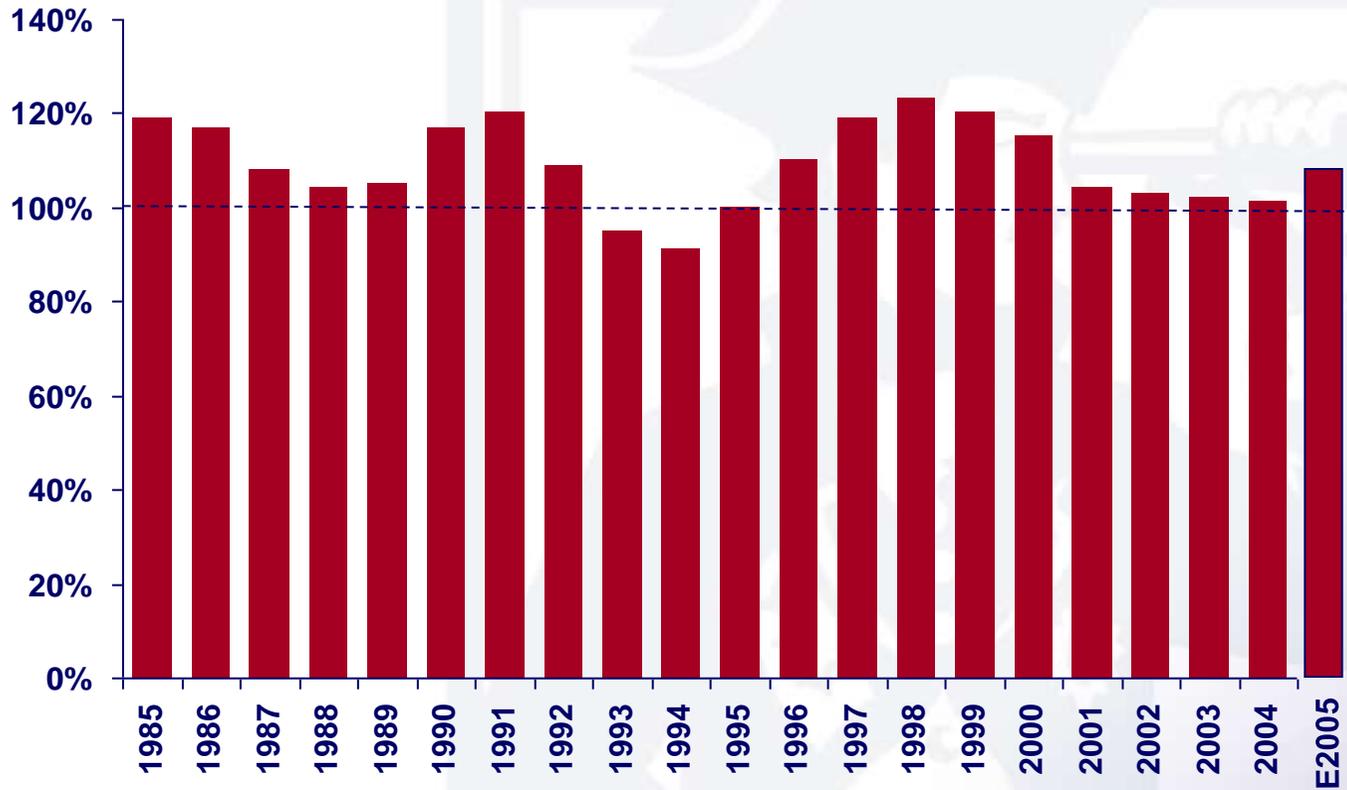
(7) Actuarial best estimate of ultimate outcome based on actuarial analysis



# Market Update

## Combined Ratio for UK Motor Market

Combined  
Ratio (%)



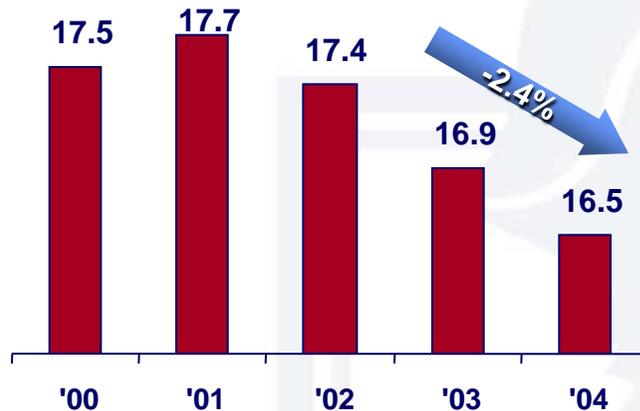
- Release patterns
- Benign frequency trends

Source: 1985 to 1997 Merrill Lynch Research analysis of DTI returns; 1998 to 2004 EMB analysis of Thesys data on FSA returns

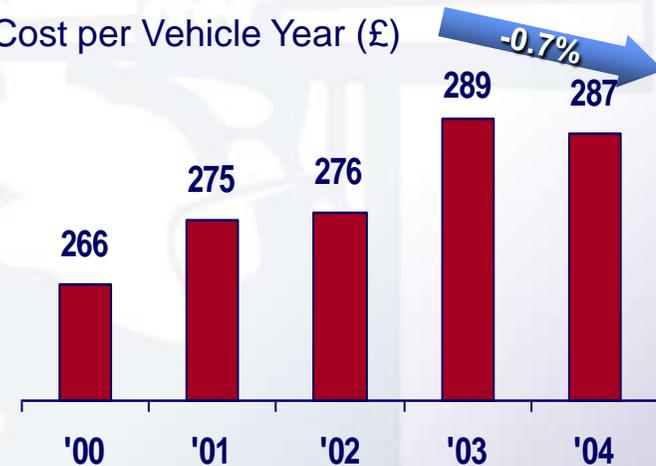


# Benign Trends (Private car comprehensive only)

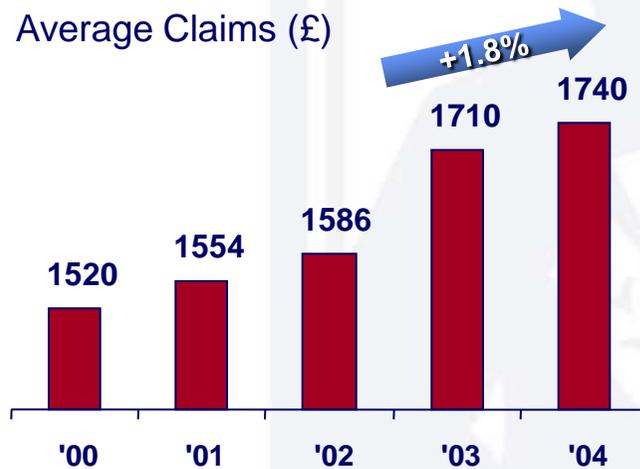
Frequency (%)



Cost per Vehicle Year (£)



Average Claims (£)

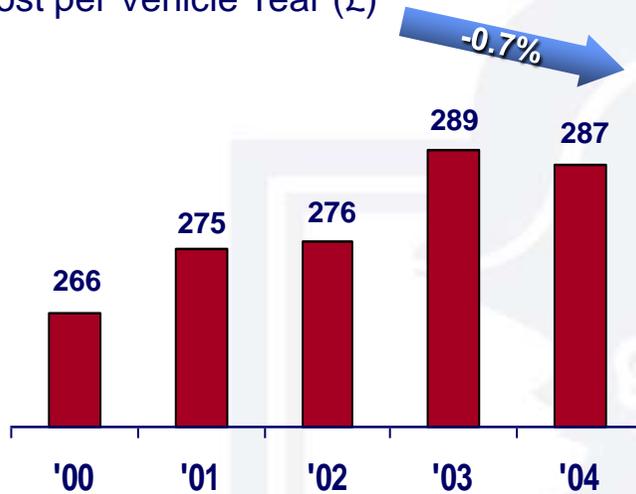


Source: EMB Analysis of FSA Returns for Private Car Comprehensive Market

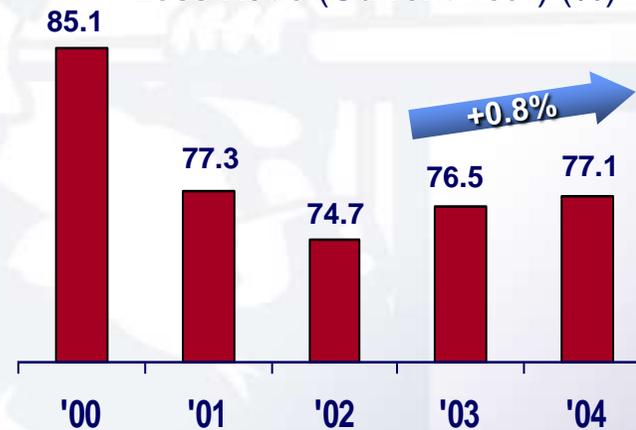


# Falling Premiums (Private car comprehensive only)

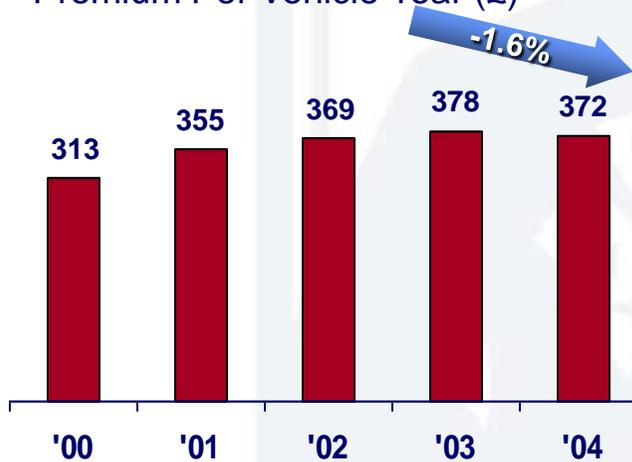
Cost per Vehicle Year (£)



Loss Ratio (Current Year) (%)



Premium Per Vehicle Year (£)



Source: EMB Analysis of FSA Returns for Private Car Comprehensive Market



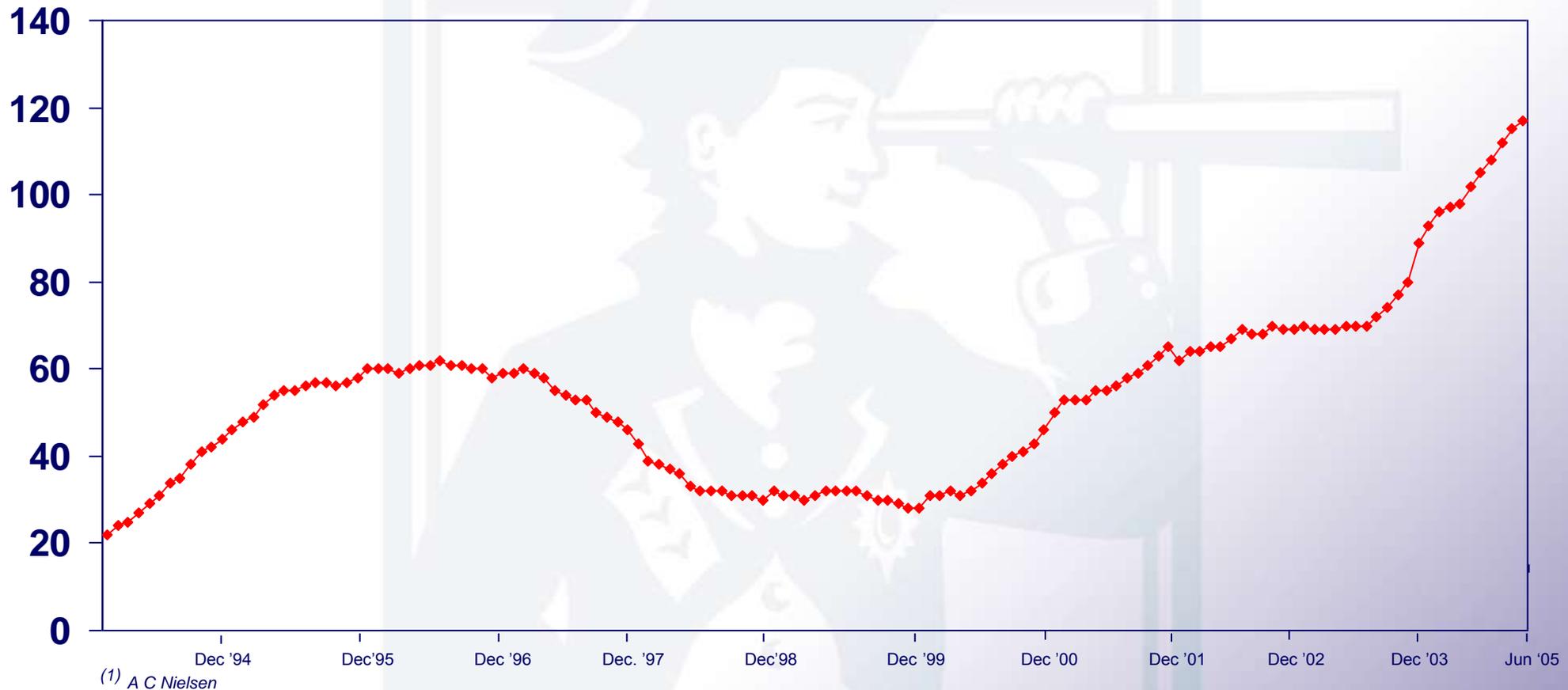
# Continued Appetite

- **New entrants**
- **Promotional activity**
- **On-line discounts**
- **Marketing spend**



# Market

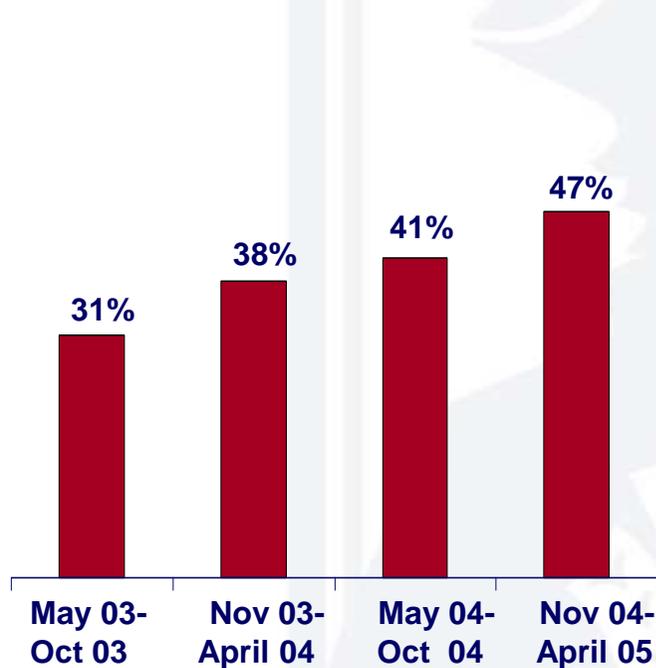
Rolling 12-month cumulative TV and press spend (£m) <sup>(1)</sup>



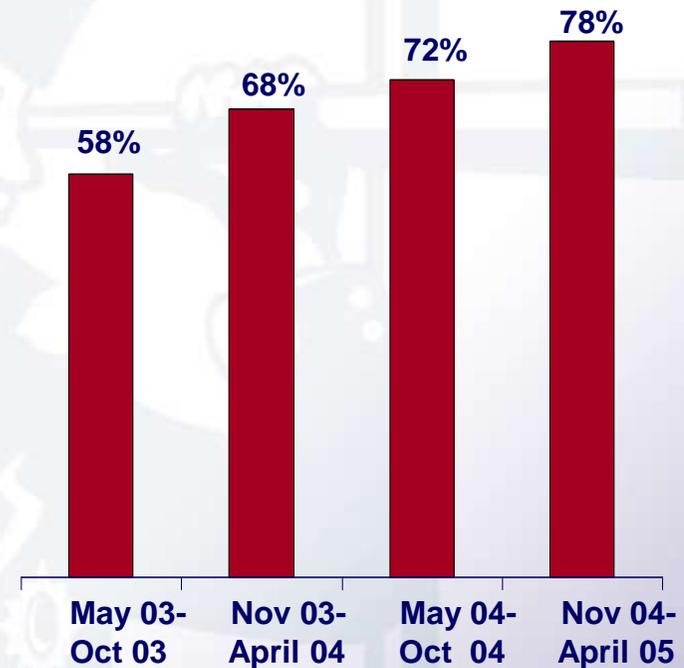


# Internet

## Industry Internet Market Share of New Business<sup>(1)</sup>



## % of Admiral Group sales started on the Internet

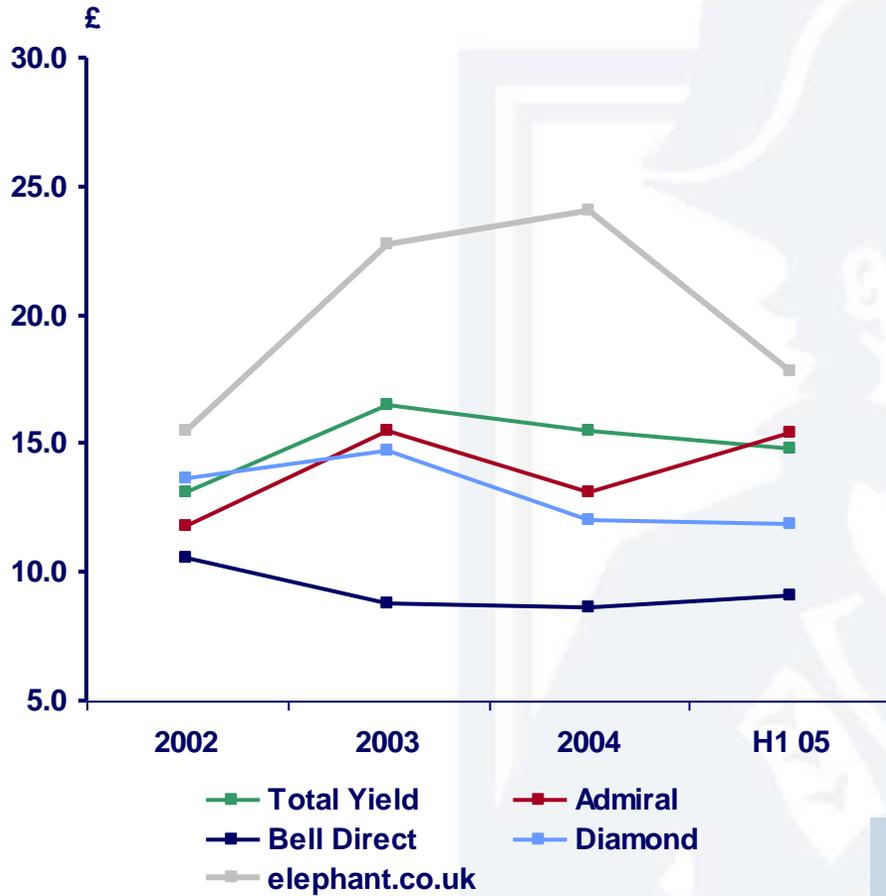


(1) Source: eBenchmarker's estimates of UK online motor market in 2004. eBenchmarkers estimate that survey covers between 80% and 85% of the internet market  
Based on policies sold

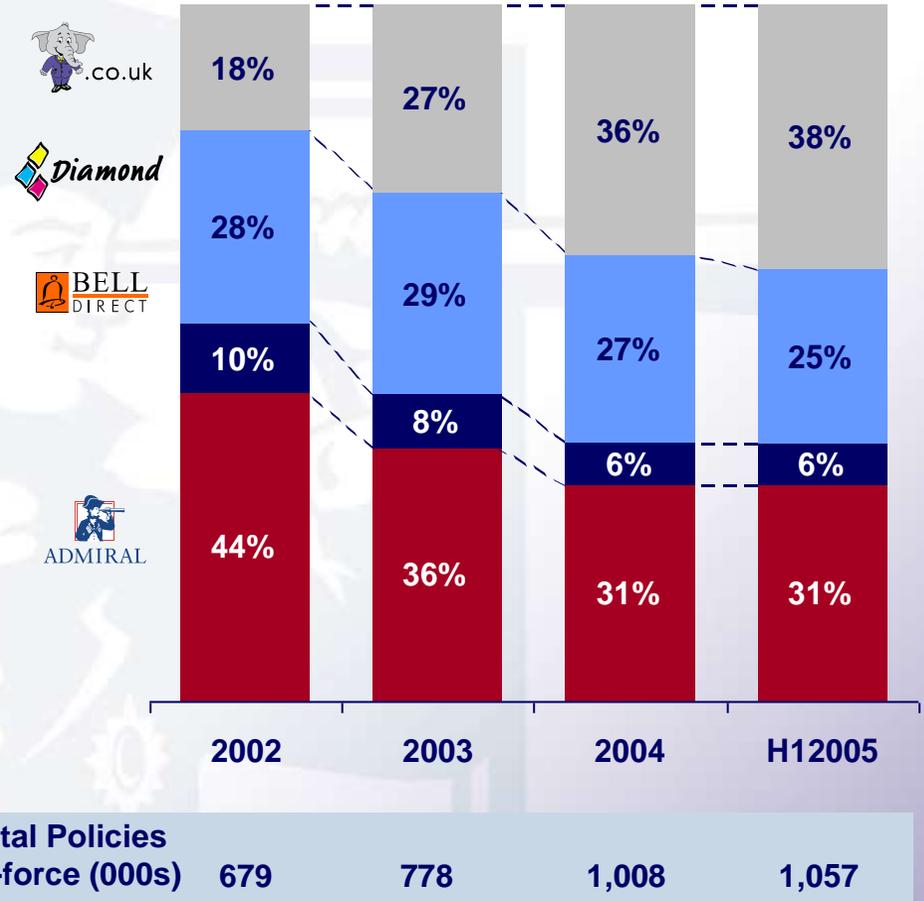
# Multi-Brand Strategy

## Constant Reallocation of Marketing Funds To Most Efficient

Marketing Efficiency: Yield<sup>(1)</sup>



Split of Policies In-Force



(1) Yield is calculated as new business premium per £ of media spend



# Multi-Brand Strategy

## Bell – Relaunch



Originally launched in 1997

Targeting credit card payers

Relaunched in May 2005

Targeting low No Claims Bonus customers

Now on TV

Yield

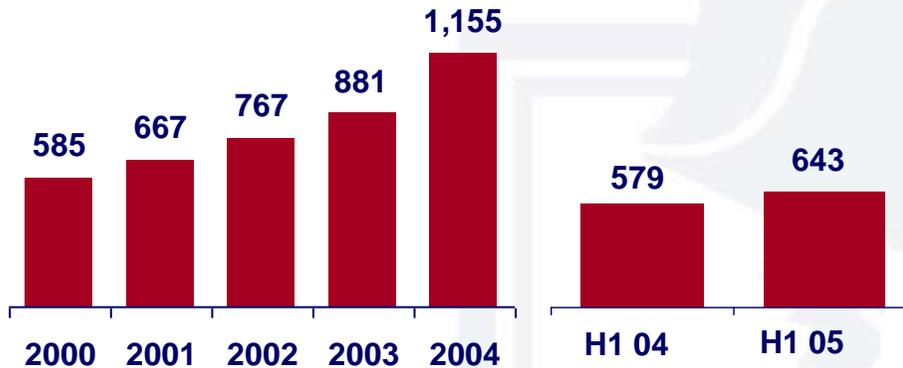
June 04 £9.18

June 05 £10.33 up 12.5%

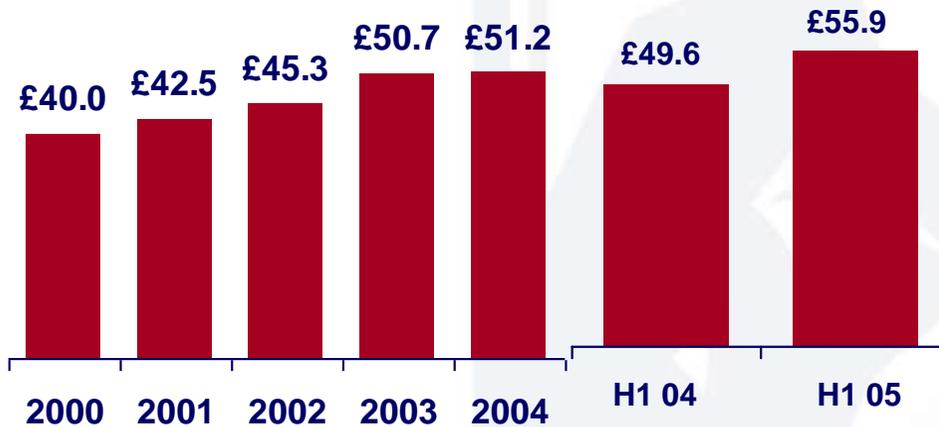


# Growing Ancillary Income

## Motor Policies Sold and Renewed



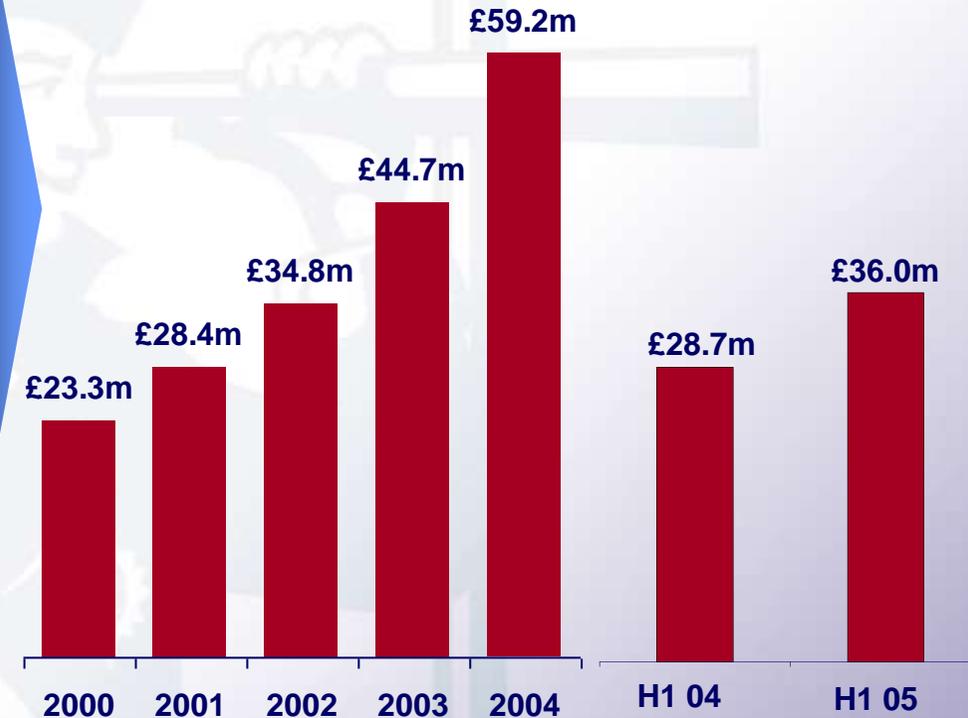
## Ancillary Contribution per Policy Sold<sup>(1)(2)</sup>



(1) Before allocation of overhead expenses

(2) Includes new business and renewals, before cancellations

## Ancillary Contribution (£m)<sup>(1)</sup>





# Accounting Treatments

## Reinsurance/Gen Re Contract for 5% in 2005

- Accounting treatment not as a reinsurance contract
- Effect:
  - To gross up premium to 30%
  - Reinsurance premiums in expense line
- Difference in treatment is insignificant to profit

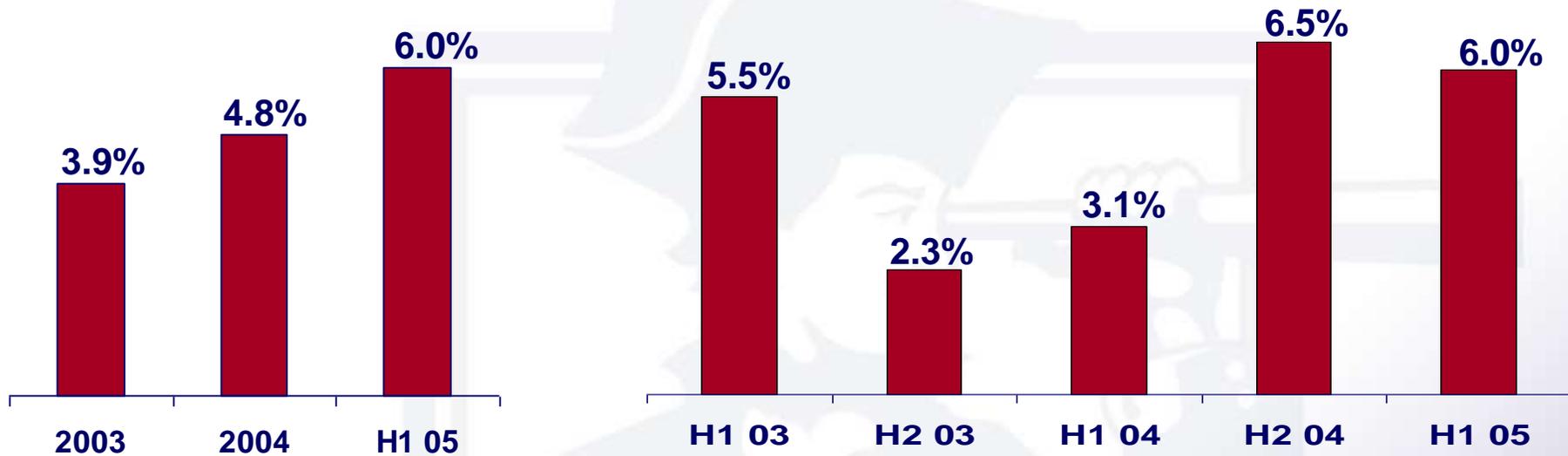
## International Financial Reporting Standards (IFRS)

- RNS presents interim results and 2004, ½ year and full year comparatives in IFRS format
- Only significant impacts on income statement:
  - Cessation of goodwill amortisation
  - Inclusion of dividend in retained profit in declaration period
  - Valuation of financial investments at bid rather than mid market - £100k difference
- RNS gives full detail to keep consistency with the past figures, despite major presentational changes for IFRS



# Investment Income Volatility

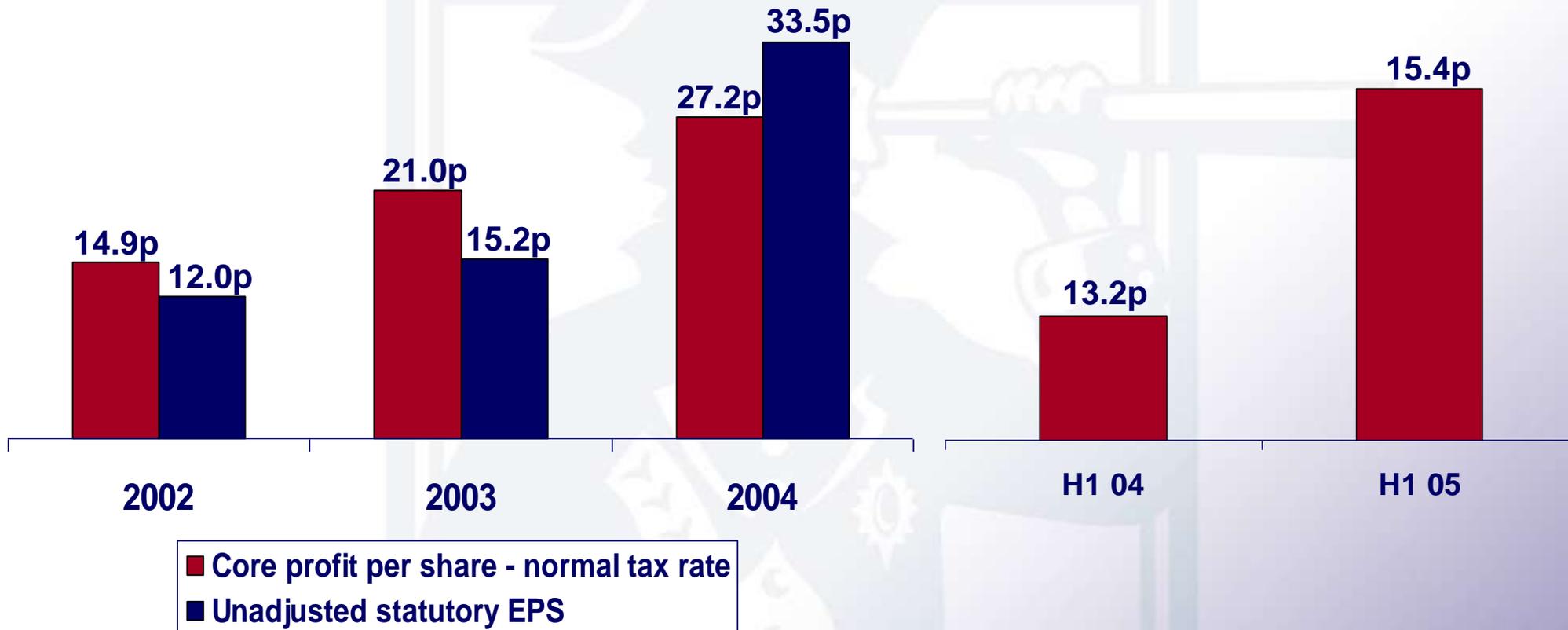
Annualised rate of return on investment fund (%)



- Unchanged investment strategy
- Portfolio of short term gilts and corp bonds



# Earnings per share (eps)





# Highly Cash Generative - Dividend

## Regular Dividend

- £17.5m, 45% post-tax profits in H1.
- Normal dividend amounts to 6.8p per share.

## Special Dividend

- Special dividend of £7.5m.
- Special dividend amounts to 2.9p per share.

■ **Total £25m, 9.7p per share**

Ex dividend	14 September 2005
Record date	16 September 2005
Payment date	5 October 2005



# Summary

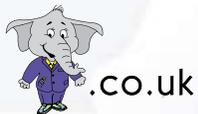
**In the first half of 2005 .....**



Financial Times Best Workplaces in the UK  
Welsh Company of the Year for the second time!  
Employer of the Year – Wales and West Country  
Sunday Times 100 Best Companies to Work For  
Welsh Deal of the Year



# Appendices





# Summary Income Statement Sheet

	H1 05	H1 04	2004
Revenue <sup>(1)</sup>	319.3	269.3	548.0
<b>Total premiums written</b>	<b>268.5</b>	<b>233.3</b>	<b>470.4</b>
Gross premiums written	94.0	82.4	165.3
Net premiums written	79.9	57.9	116.7
<b>Net earned premium</b>	<b>63.8</b>	<b>50.0</b>	<b>107.5</b>
Investment income	6.1	3.2	8.5
Net insurance claims	(47.3)	(33.4)	(74.3)
Insurance related expenses	(7.9)	(5.4)	(13.8)
<b>Underwriting profit</b>	<b>14.7</b>	<b>14.4</b>	<b>27.9</b>
Profit commission	5.6	13.7	21.7
Gross ancillary revenue	36.0	28.7	59.2
Ancillary costs	(6.3)	(5.2)	(10.7)
Instalment income	1.7	1.2	2.6
Gladiator contribution	0.9	0.8	1.8
Inspop.com contribution	2.3	(0.1)	1.3
Other charges	(0.3)	(0.1)	(0.5)
Interest income	2.3	1.2	3.3
<b>Core profit</b>	<b>56.9</b>	<b>54.6</b>	<b>106.6</b>
Share scheme charges	(0.1)	4.6	4.1
Bonuses in lieu of dividends	0.0	(3.4)	3.3
Interest payable	(1.2)	(1.2)	(2.5)
<b>Profit before tax</b>	<b>55.6</b>	<b>54.6</b>	<b>104.9</b>
<b>Adjusted core profit<sup>(2)</sup></b>	<b>56.9</b>	<b>48.6</b>	<b>100.6</b>

(1) Revenue is defined as gross premiums written + gross other income + investment income

(2) 2004 comparatives reduced by £6.0 for profit commission. Refer to 2004 Annual Report



# Summary Balance Sheet

	H1 05 £000s	H104 £000s	FY 04 £000s
<b>ASSETS</b>			
Property, plant and equipment	2,986	5,304	4,668
Intangible assets	66,754	65,070	65,148
Financial assets	366,875	234,240	300,722
Reinsurance contracts	60,699	61,338	66,137
Cash and cash equivalents	119,176	134,689	119,201
Trade and other receivables	29,604	27,081	16,739
<b>Total assets</b>	<b><u>646,094</u></b>	<b><u>527,722</u></b>	<b><u>572,615</u></b>
<b>EQUITY</b>			
Share capital	259	25	259
Retained earnings	146,435	116,269	131,213
Other reserves	13,519	15,746	13,162
<b>Total equity</b>	<b><u>160,213</u></b>	<b><u>132,040</u></b>	<b><u>144,634</u></b>
<b>LIABILITIES</b>			
Insurance contracts	241,628	195,255	216,107
Financial liabilities	29,471	33,072	33,122
Provisions for other risks and charges	0	7,137	0
Trade and other payables	190,066	137,133	164,329
Deferred income tax	6,377	2,073	4,838
Corporation tax liabilities	18,339	21,012	9,585
<b>Total liabilities</b>	<b><u>485,881</u></b>	<b><u>395,682</u></b>	<b><u>427,981</u></b>
<b>Total liabilities and equity</b>	<b><u>646,094</u></b>	<b><u>527,722</u></b>	<b><u>572,615</u></b>



# Admiral Key Performance Indicators

	KPI	2001	2002	2003	2004	H1 '04	H1 '05
Premiums	Quote volumes	4.1m	4.4m	4.7m	6.2m	3.2m	4.7m
	Conversion rates	7.9%	7.9%	8.1%	8.9%	9.1%	6.0%
	Active policy units at end of period	581,957	678,759	777,611	1,007,571	910,545	1,057,452
	% of premiums retained by AGL	35%	20%	25%	25%	25%	25%
Claims	Reported earned loss ratio	76%	65%	52%	67%	64%	72%
	Current best estimate earned loss ratio <sup>(1)</sup>	57%	56%	61%	71%	-	72%
Expenses	Acquisition expense ratio <sup>(2)</sup>	6.4%	6.7%	5.4%	5.4%	5.4%	5.1%
	Non-acquisition expense ratio <sup>(2)</sup>	9.2%	6.5%	8.2%	7.0%	5.4%	6.9%
	MIB & other levies ratio <sup>(2)</sup>	2.4%	2.2%	2.0%	2.6%	2.8%	2.9%
	Total operating expense ratio <sup>(2)</sup>	18.0%	15.4%	15.6%	15.0%	13.6%	14.9%
Other Income	Ancillary contribution per policy sold (£) <sup>(3)</sup>	£42.5	£45.3	£50.7	£51.2	£49.6	£55.9
	Ancillary margin <sup>(4)</sup>	80.2%	78.6%	80.2%	81.9%	81.9%	82.4%
	Instalment income as % of NWP	3.6%	2.8%	1.4%	2.2%	2.1%	2.1%
	Profit commission <sup>(5)</sup>	-	-	£7.4m	£15.7m	£7.7m	£5.7m

(1) Management best estimate based on actuarial analysis

(2) Earned expense ratio adjusted for Lloyd's costs and non-recurring expense commission, including claims handling costs

(3) Ancillary contribution = total ancillary income less premium payable to product providers

(4) Margin = ancillary contribution less AISL expenses attributable to ancillaries expressed as a % of ancillary contribution

(5) Adjusted for 2003 PC £6m



# Reduced Risk

## Current Share of Gross Written Premiums

	2005
Admiral Group	25%
Munich Re	65%
Gen Re	5%
Axis Re Europe	5%

## Munich Re Coinsurance Agreement

- Munich Re committed until 2008/9
- Admiral receives a proportion of Munich Re's "profit" depending on ultimate adjusted combined ratio of business coinsured over the length of the contract
- Munich Re's "profit" = (102% - adjusted combined ratio) x Munich Re share of premiums

<u>Adjusted combined ratio</u>	<u>Share of Munich Re profit</u>
Under 94%	29.5%
94% - 100%	27.5%
100% - 102%	22.5%

- Growth over 11% requires Munich Re's permission



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