

ADMIRAL
GROUP plc



2010 Full Year Results

2 March 2011

Alastair Lyons, Chairman

Introduction

Kevin Chidwick, Chief Financial Officer

Results summary

Price comparison

David Stevens, Chief Operating Officer

UK car insurance

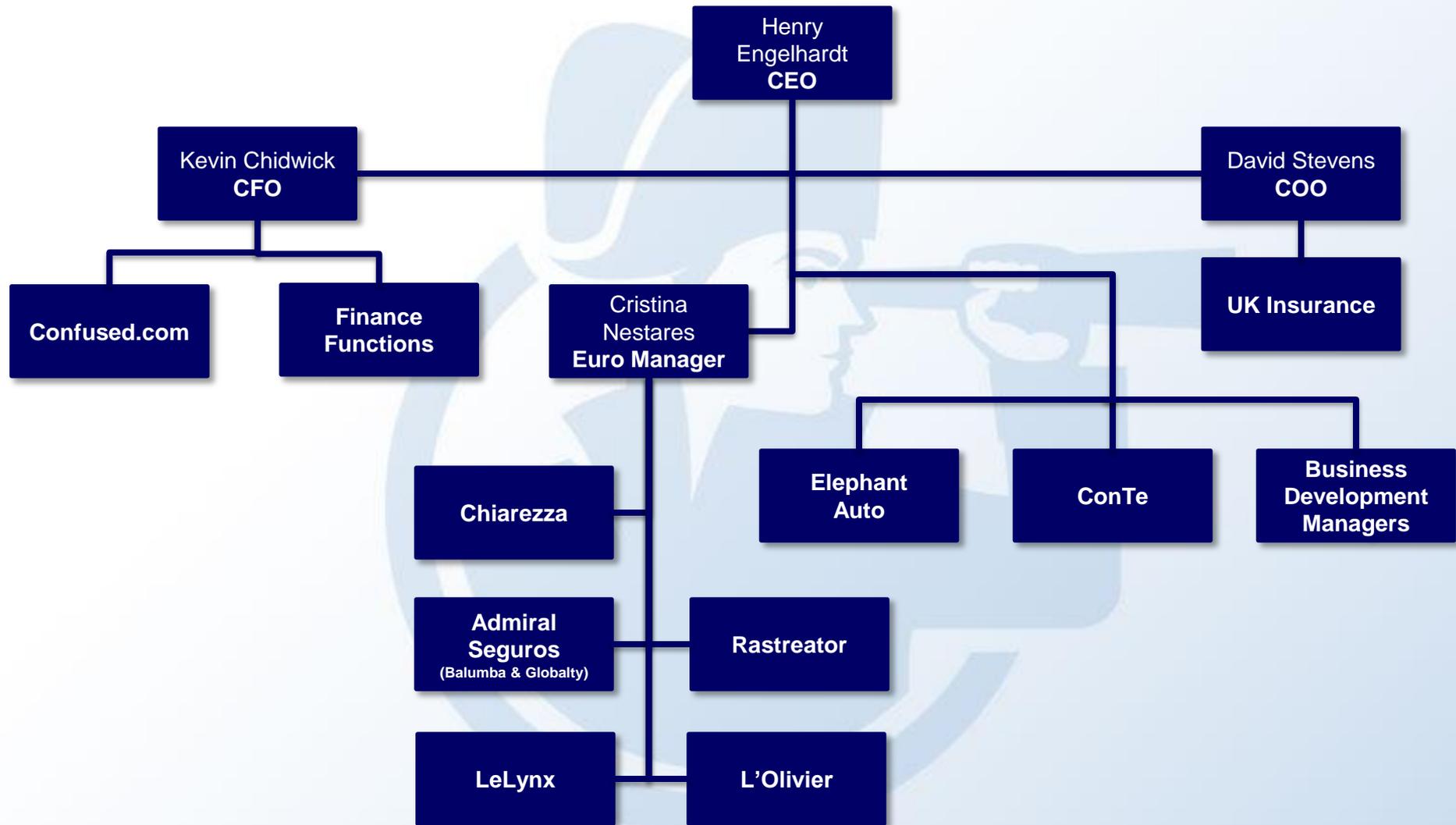
Henry Engelhardt, Chief Executive Officer

International

Summary



Strong management team

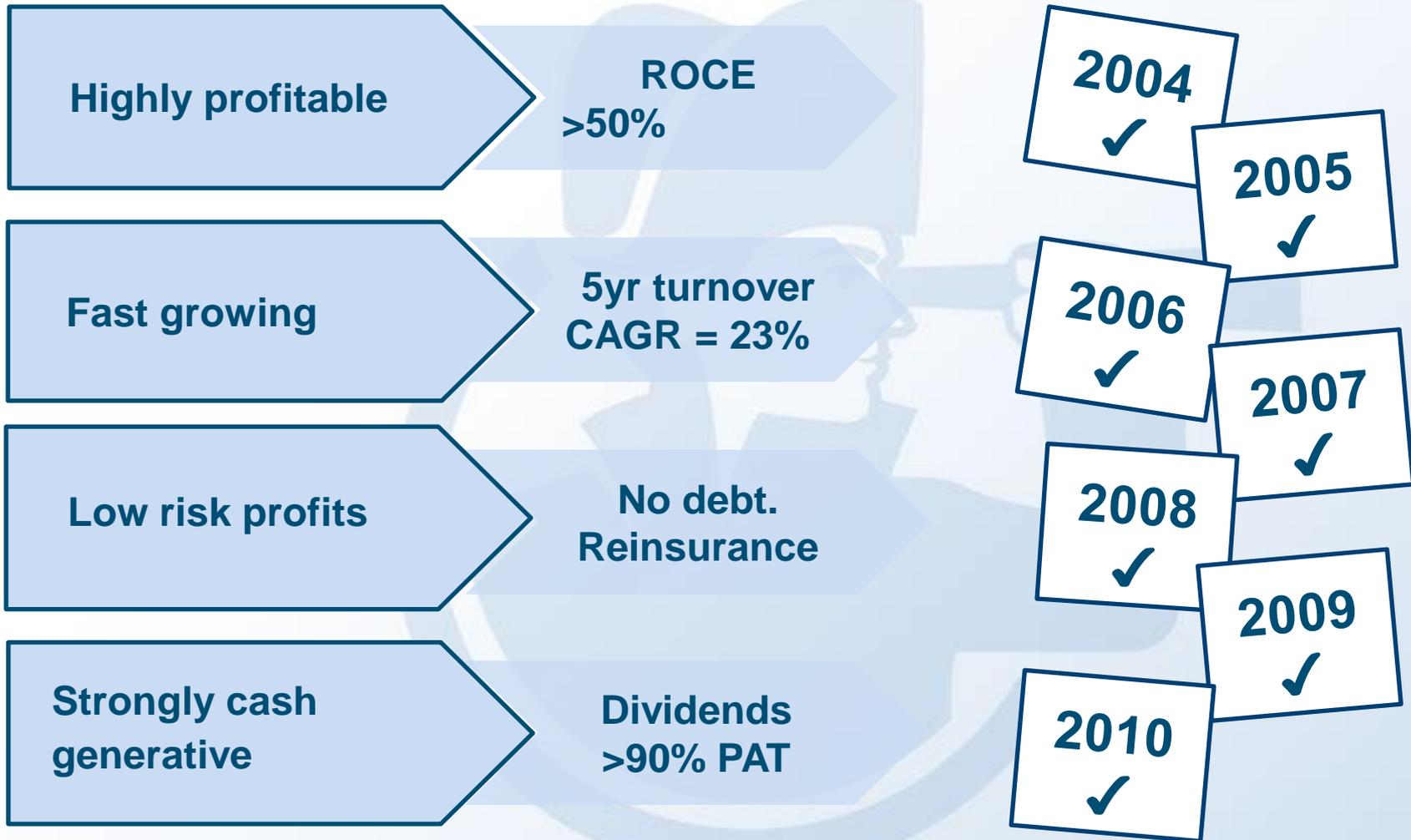




Results summary



Admiral is still different

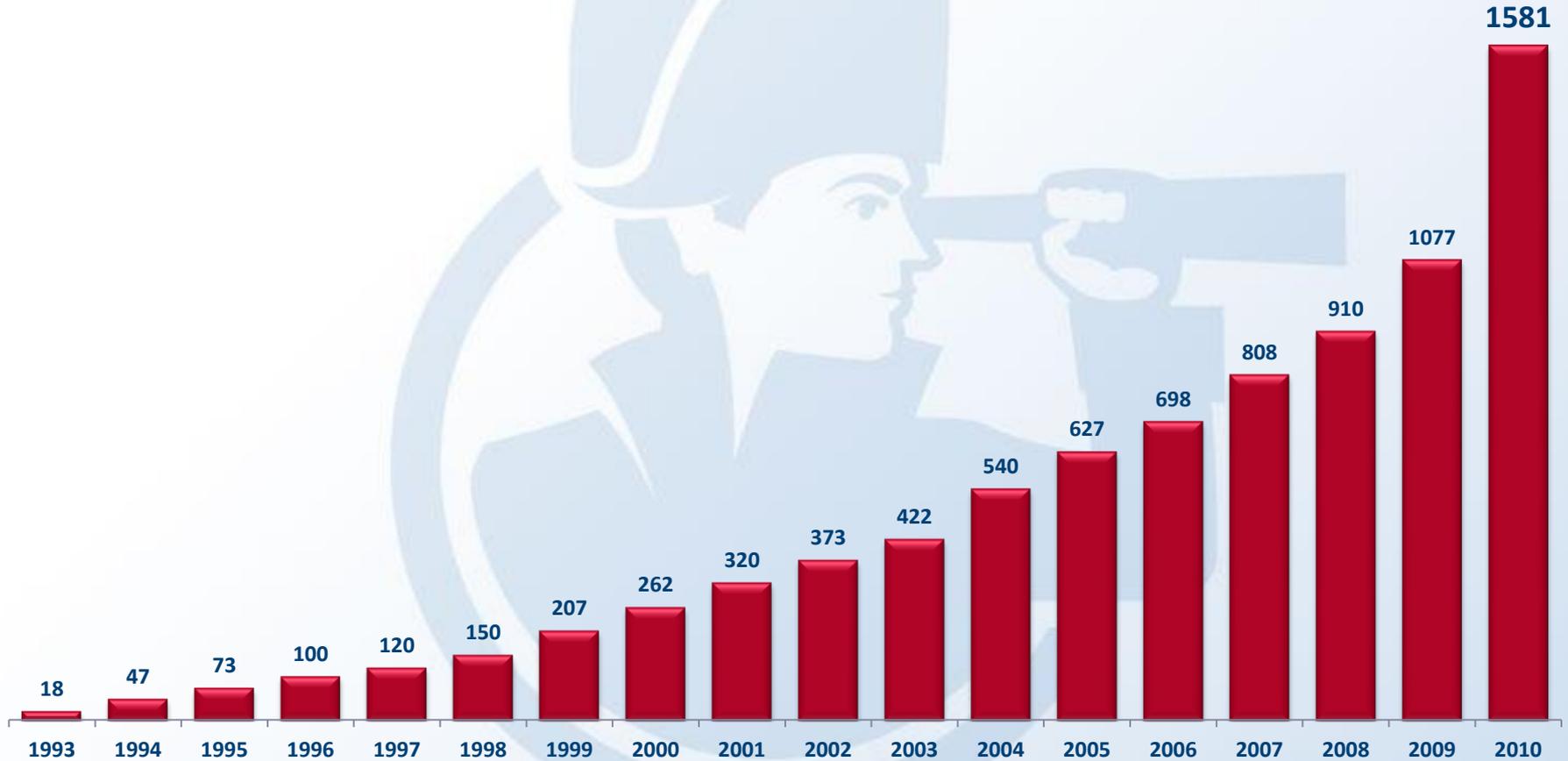


- Profit before tax up 23% at £266 million (2009: £216 million)
- Turnover up 47% at £1.58 billion (2009: £1.08 billion)
- Vehicle count up 32% to 2.75 million (2009: 2.08 million)
- Record return on capital employed 59% (2009: 54%)
- Group combined ratio 89% (2009: 92%)
- Final dividend per share of 35.5p full 2010 dividend 68.1p



Faster growth

Historical annual turnover (£m)*



*Calculation: Turnover comprises total premiums written + other revenue

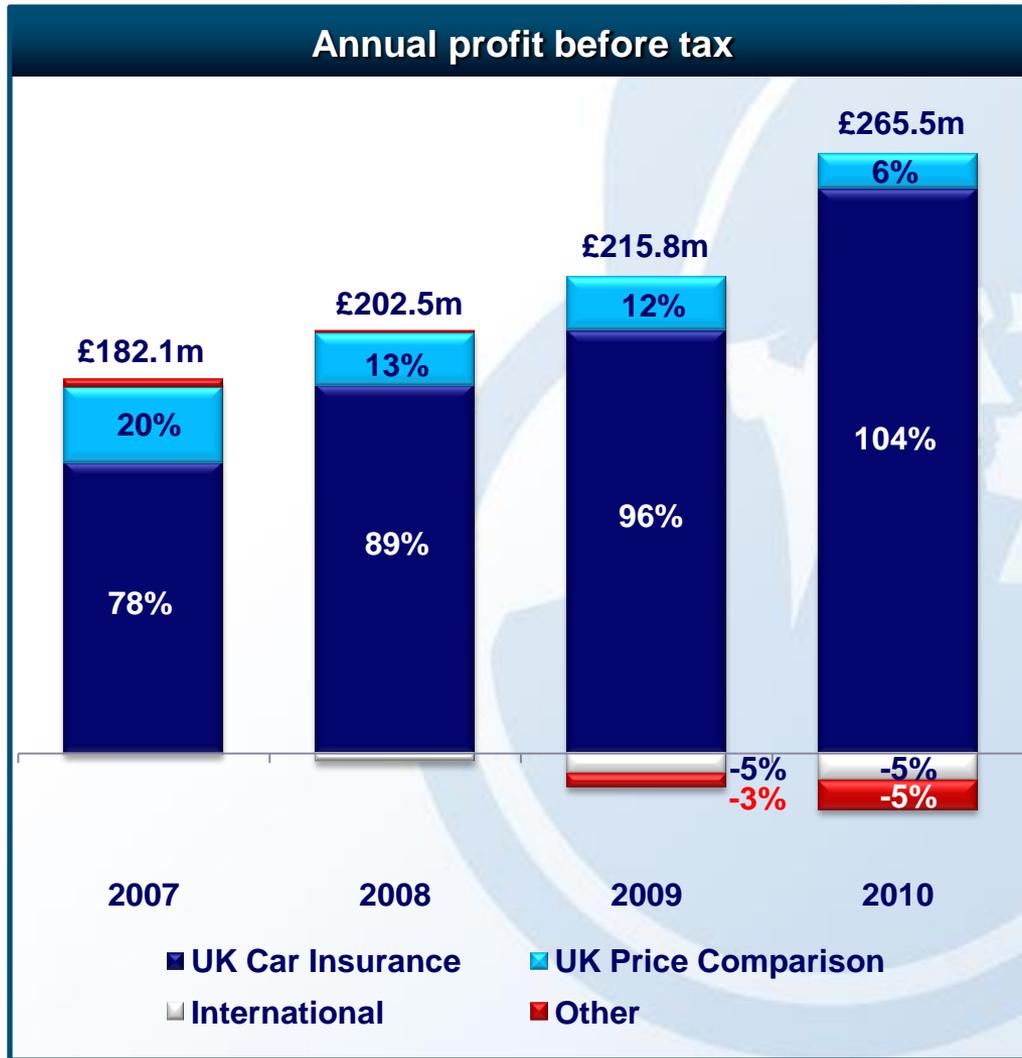


Admiral Group combined ratio

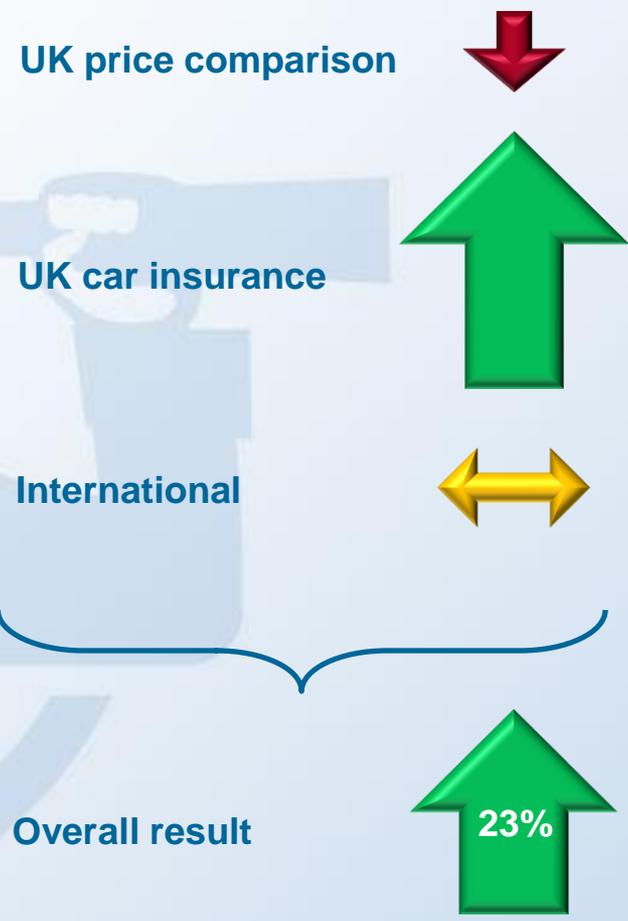




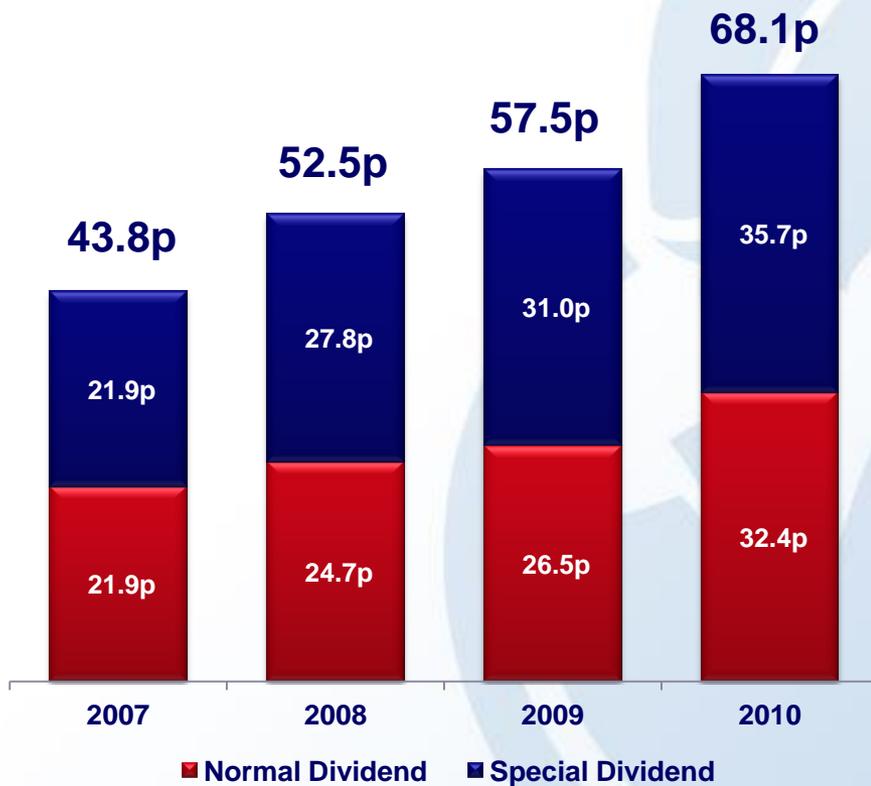
Admiral Group profit



Key drivers



Note: Other includes international pre-launch costs and share scheme charges



	2008 £m	2009 £m	2010 £m
Total equity	275	301	351
Goodwill	-62	-62	-62
Solvency capital	-113	-129	-164
	<hr/>	<hr/>	<hr/>
Buffer & Expansion	-30	-30	-30
Dividend	70	79	95

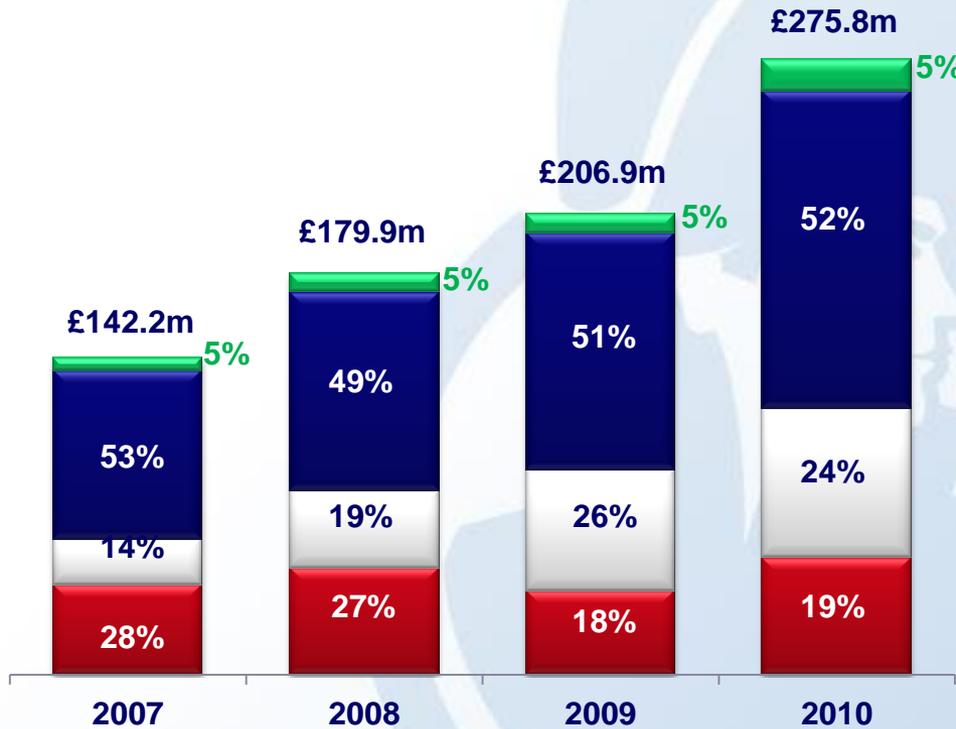
H2 2010 – 35.5p per share

Ex-dividend date – 18 May 2011, Record date – 20 May 2011, Payment date – 10 June 2011



UK car insurance - profit

UK car insurance - annual profit before tax



- Underwriting (includes investment income)
- Profit commissions
- Ancillary
- Other (instalment income)

Key drivers

Vehicle volume



Premium rate increases



Ancillary income



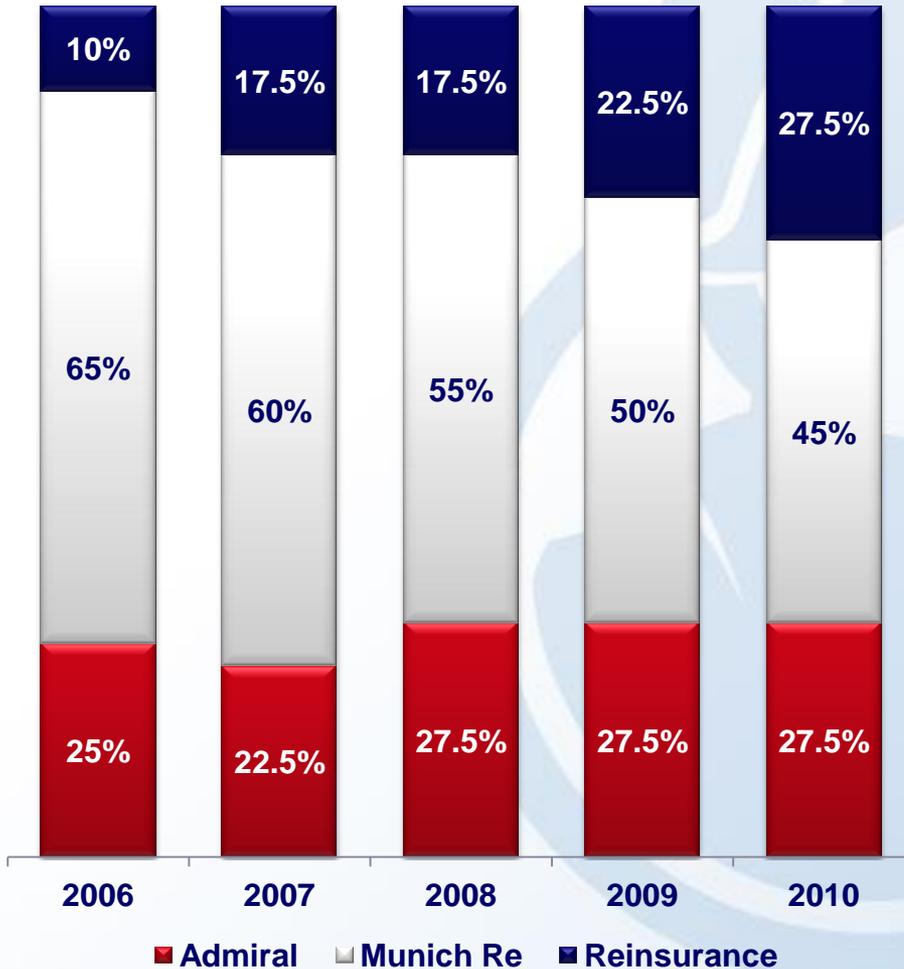
Overall result



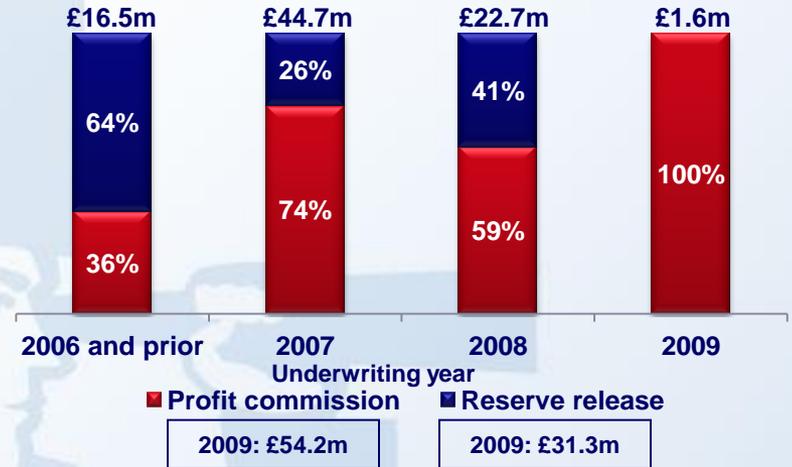


UK car insurance - profit commissions & reserving

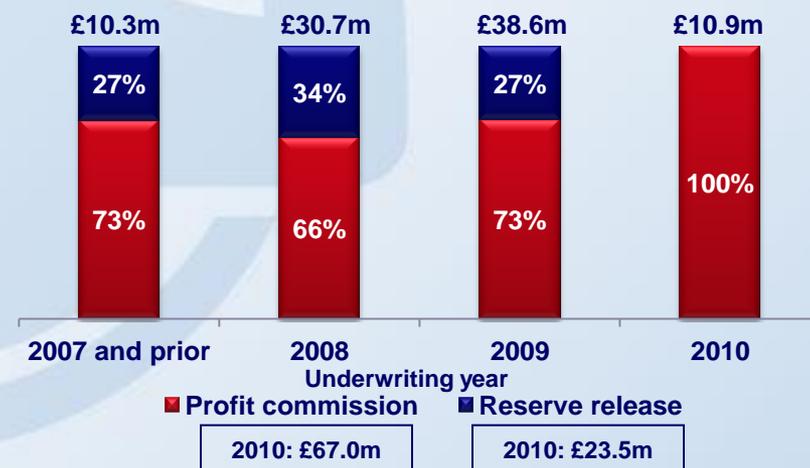
Co & reinsurance agreements



2009 reported profit commissions and reserve releases, total £85.5m*



2010 reported profit commissions and reserve releases, total £90.5m*



*Note: Graphs illustrate total profit commissions and reserves releases split by % profit commission and reserve releases by underwriting year recognised in 2009 and 2010



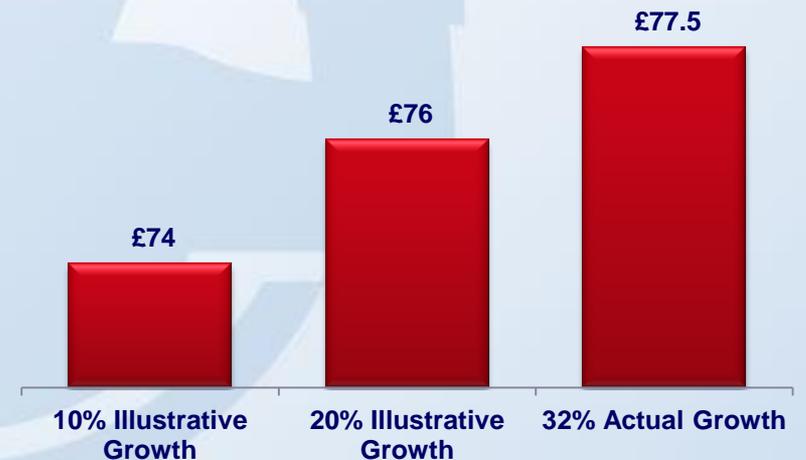
UK car insurance – ancillary contribution

Total ancillary contribution (revenue less costs)



- Ancillary contribution driven by:
 - Vehicle growth
 - Revenue per ancillary
 - Ancillary product mix
 - Sales penetration rates
 - Margin per ancillary
- And also by how fast we grow...

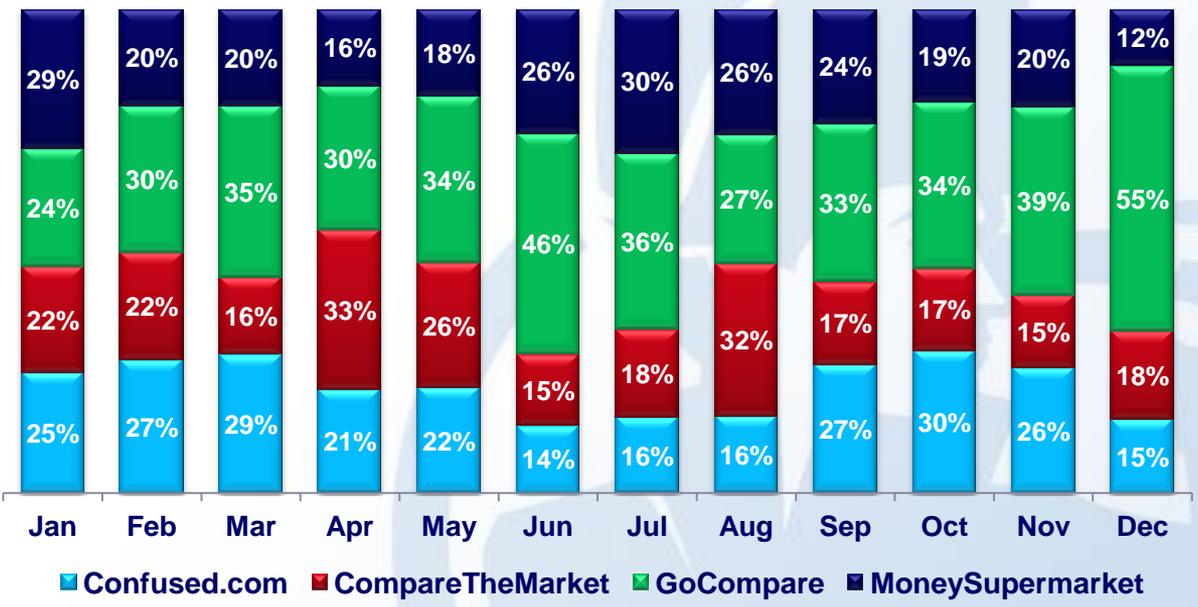
Ancillary contribution per vehicle varies by vehicle growth rate*



* Calculation: Ancillary contribution per vehicle = Total Ancillary Contribution / Average Vehicle Count for Year

Price comparison is a competitive market

Price comparison site share of TV and Radio spend throughout 2010*



Launched Jan '09



Launched Aug '09



Launched Jan '10



"Regret campaign" launched in February



"Testimonials" reused from June



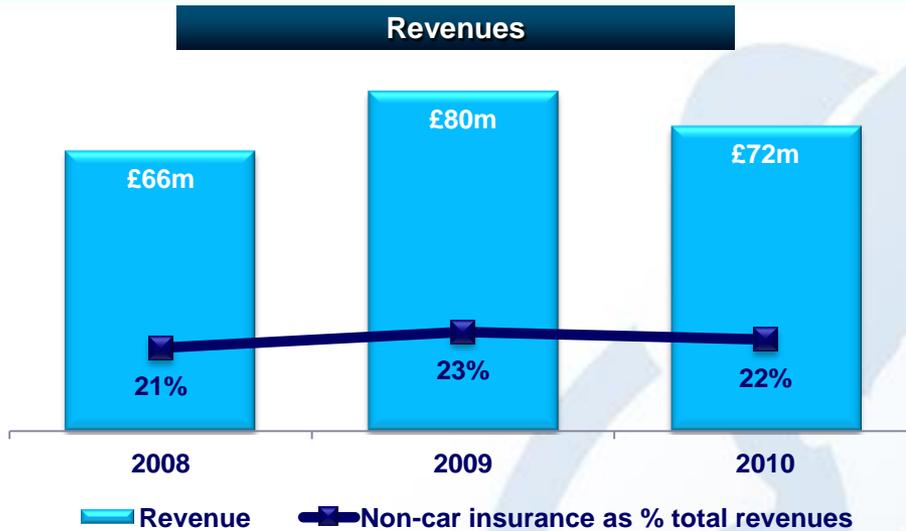
"Cara" launched in November

* Source: Management estimates



Confused.com performance

Revenues



Confused.com share of car insurance price comparison market*



Profits



- Turnover and margins lower
- Market share fell but stable in H2 10
- New campaign launched in Nov 10
- 2011 will be another tough year

*Source: Management estimates

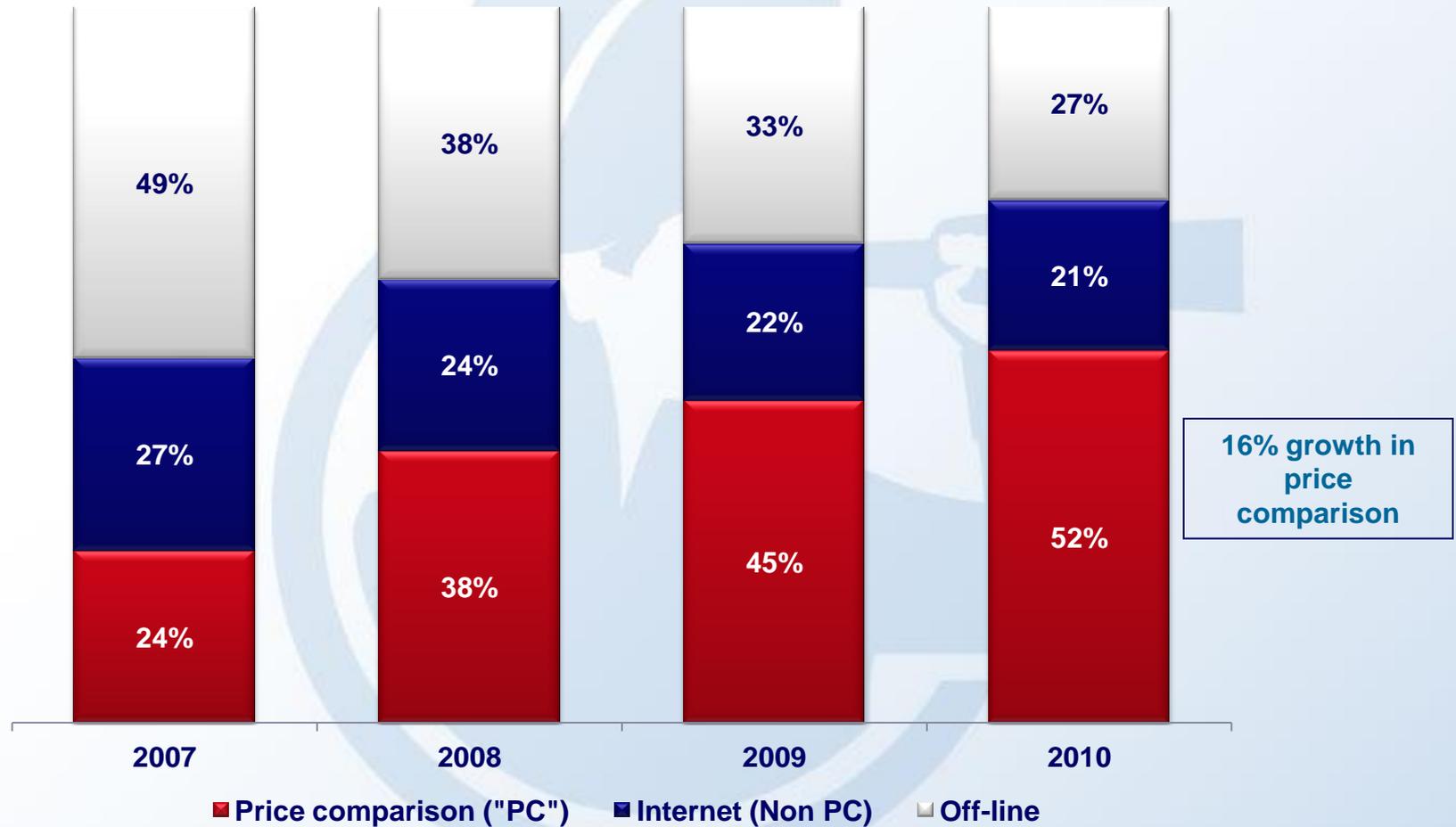


UK car insurance

- 1. Market**
- 2. Admiral**
- 3. Outlook**



Price comparison continues to grow



*Source: management estimates

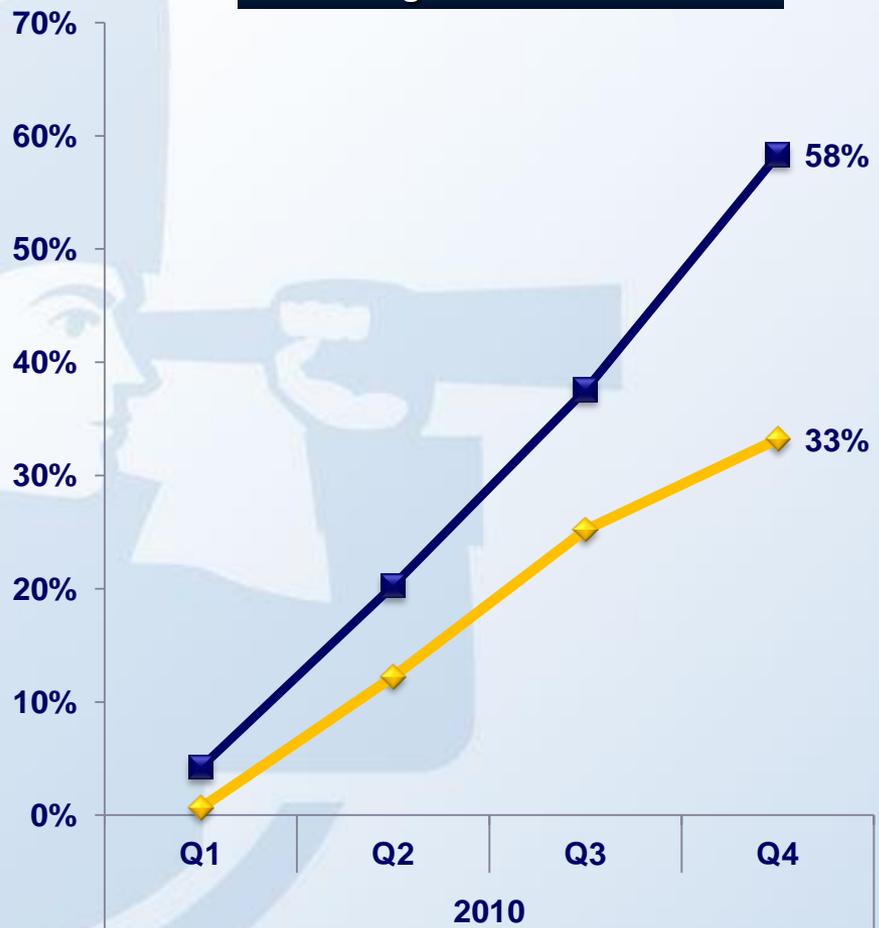


Premium increases, especially for young drivers

Market Price Indices



Young Drivers vs Market



■ Confused / EMB Index ■ AA Shoparound Index
■ IGO4 Index

◆ All drivers** ■ Young drivers**

*Source: Confused / EMB Car Insurance Price Index; AA Shoparound Index; IGO4 Index
**Source: AA Shoparound Index



Changing competitiveness

Admiral's net gain / (loss) from	FY 2009	FY 2010
RBSI	(4.2%)	13.8%
Brokers	2.9%	5.5%
Swiftcover	(1.9%)	(2.1%)
LV=	(2.8%)	(3.7%)

Actions of RBSI are a key driver of market gain / loss

Brokers are struggling to remain competitive

We're not the only direct insurer gaining share

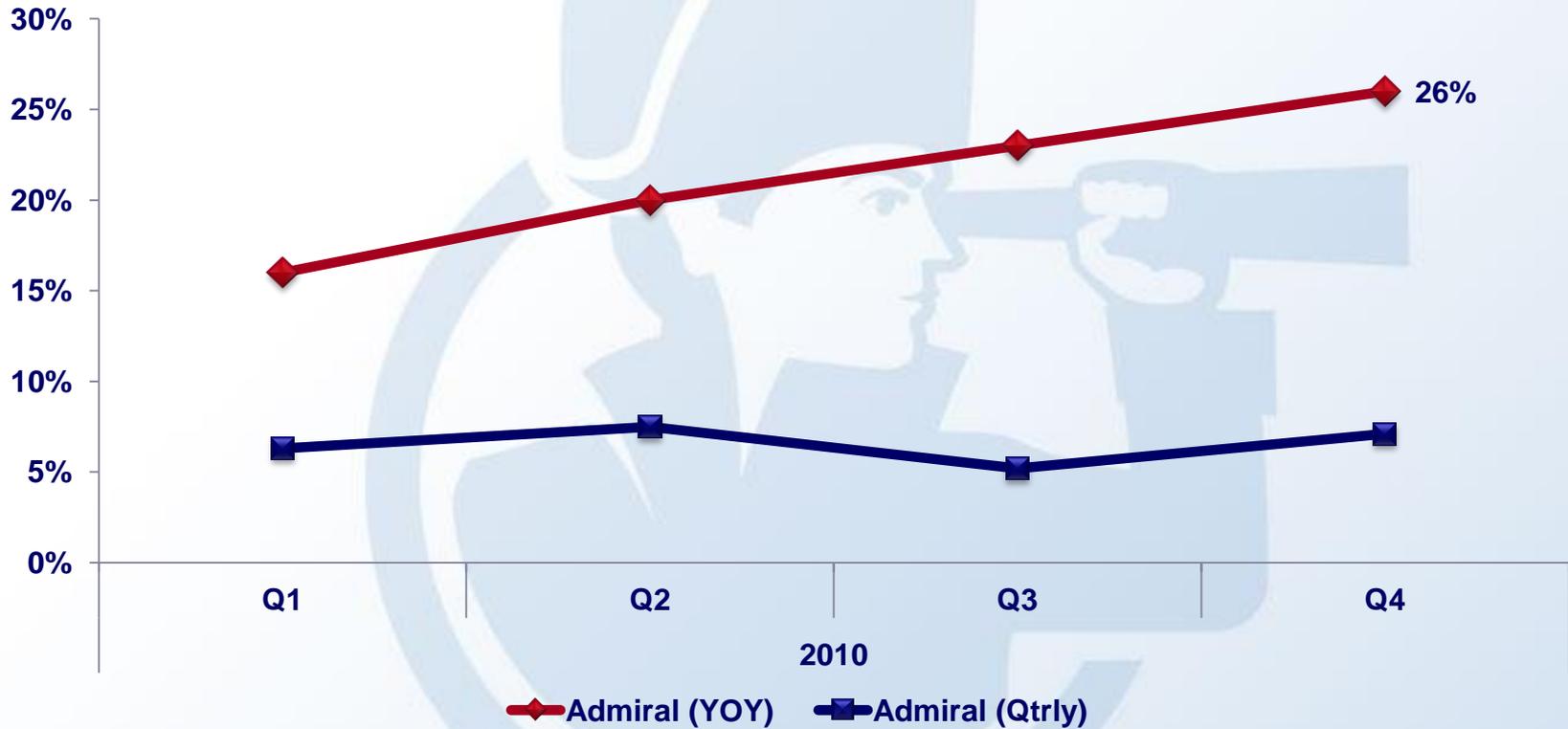


Admiral



Our price rises are lagging the market's

Admiral 2010 cumulative price increases (NB & RN*)

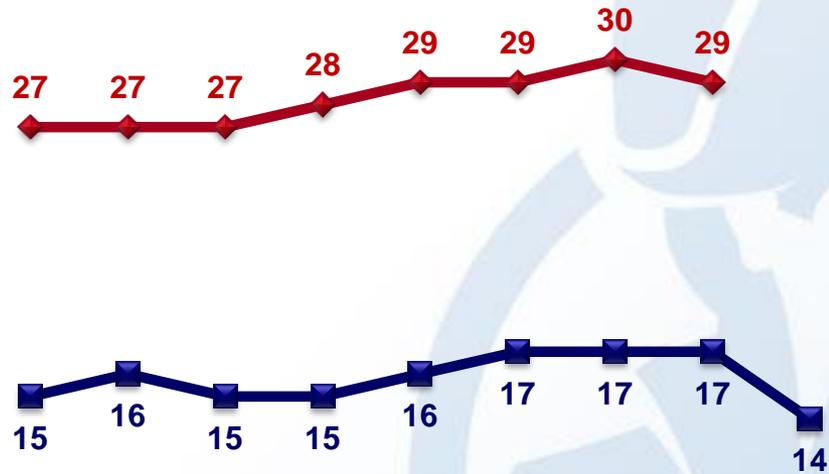


* Note: NB = New Business; RN = Renewals

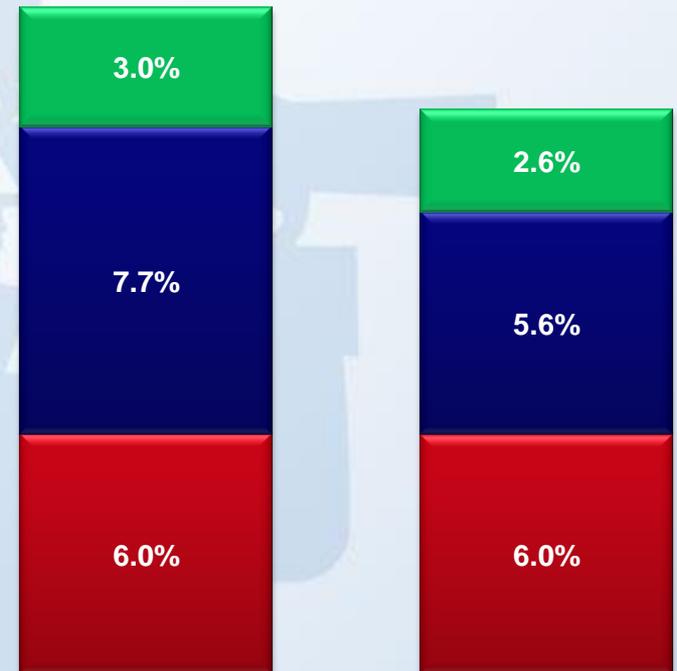


Actual performance – expense ratio

Expense ratio advantage (%)*



Expenses type



2002 2003 2004 2005 2006 2007 2008 2009 2010

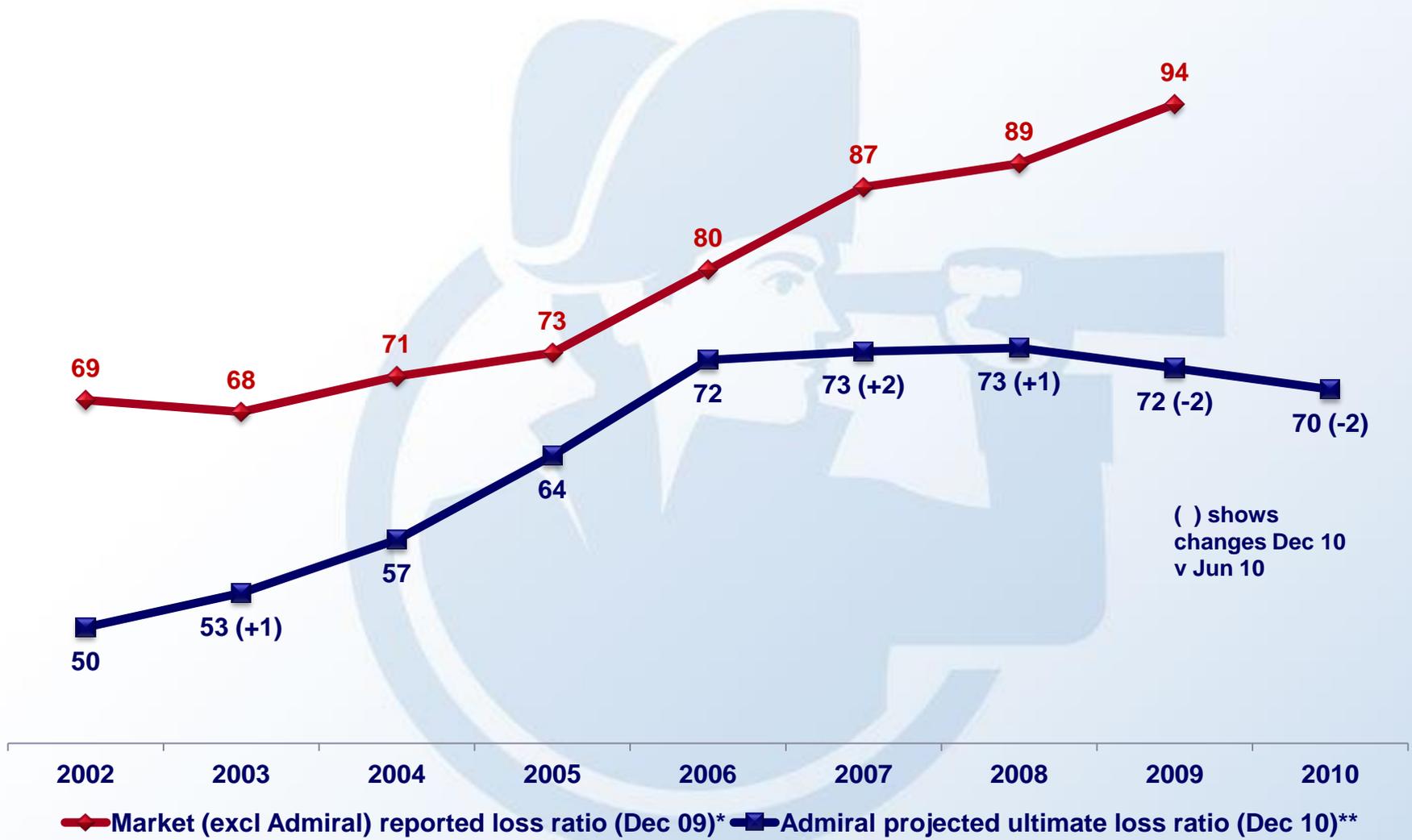
◆ Total Market (Earned Basis)
◆ Admiral UK (Written Basis)

■ Acquisition ■ Administration ■ Levies

* Sources: EMB Analysis of FSA returns & management information



Actual performance – loss ratio



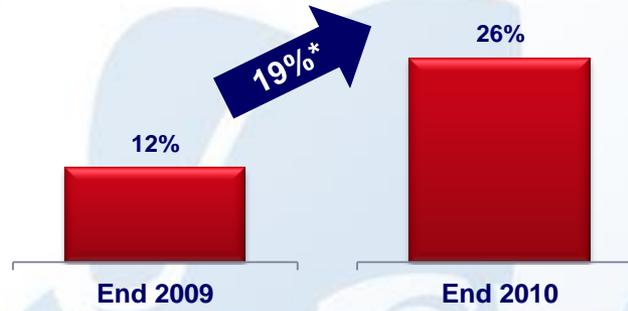
* Source: Reported accident year loss ratio with reserve releases allocated back to relevant accident year, source: EMB Analysis of FSA returns

** Source: Ernst & Young projected ultimate loss ratios



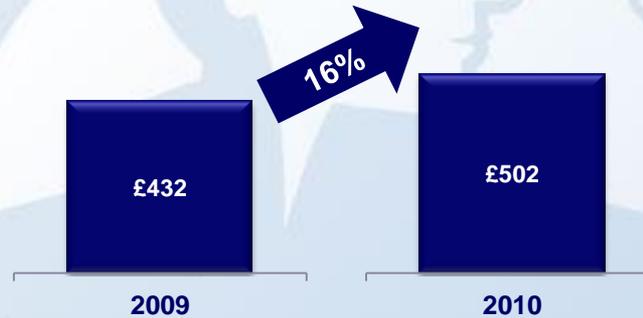
Premium inflation 26% = 8%

Year on year Admiral rate movements



***Implied average movement**
 $(26\% + 12\%) / 2 = 19\%$

Admiral average written premium (NB & RN)



Admiral average earned premium (NB & RN)**

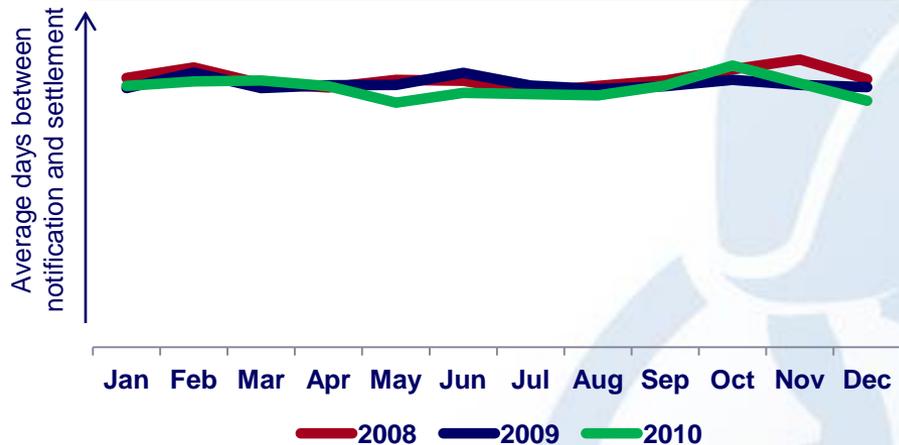


****Calculation:** Average earned premium = Total earned premium / average UK vehicles. Total earned premium = Admiral UK net earned premium grossed to 100% level

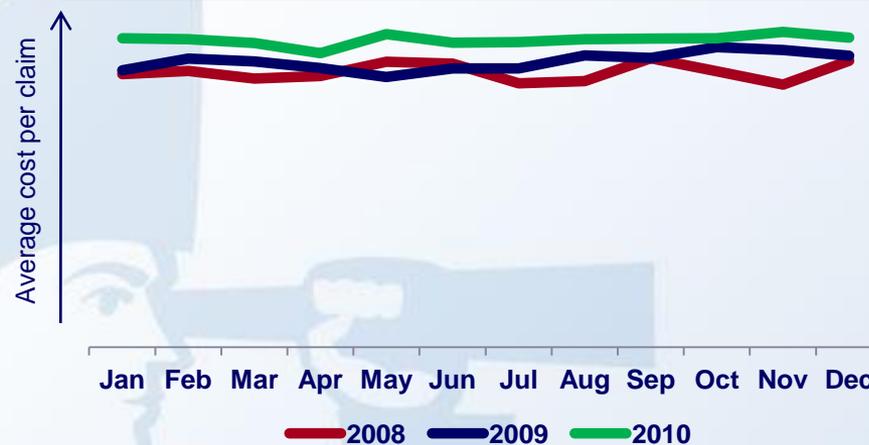


Shocking! We have not experienced a BI shock

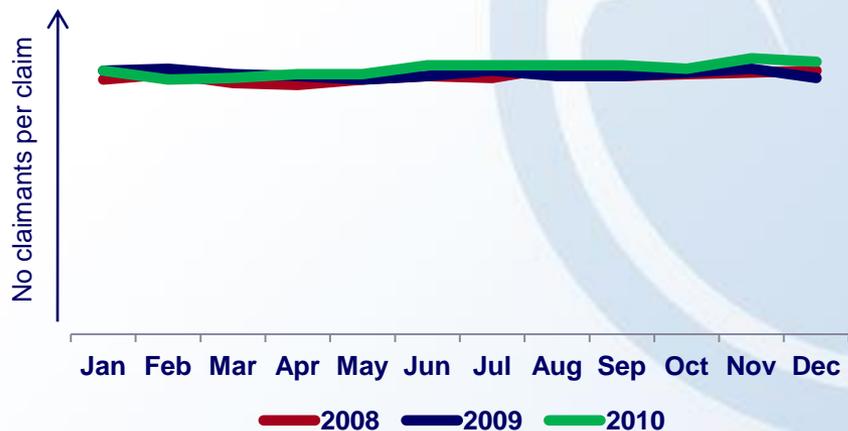
We continue to settle BI claims quickly



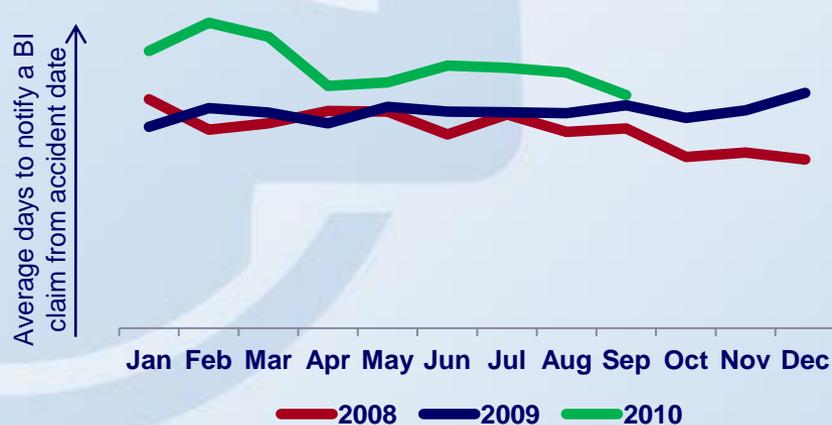
Minimal increase to whiplash claim payments



No increase in number of claimants per BI claim



But an increase in average time to notify BI



Source: Management information

Note: all graphs are scaled to zero, actual values not disclosed



Combined ratio advantage



* Source: EMB Analysis of FSA returns

** Source: Management information



Outlook

What might happen in future? Scenario 1, grow with PC market

Growth in Admiral's active vehicle base

Warning Scenario 1
 What might happen in future? Scenario 2, growth accelerated by lower rate increases than market

Growth in Admiral's active vehicle base

"How do you optimise"

Warning Scenario 2
 Warning Scenario 3
 What might happen in future? Scenario 3, Admiral have cake and eat it

Combined ratio advantage (%)



Forecast	Growth in UK vehicle base
Scenario 1) Grow with PC	11%
Scenario 2) Growth accelerated by lower rates	15%
Scenario 3) Have cake and eat it	>15%
Actual 2010 result	32%

Take our forecasts with a pinch of salt!



Market profitability prediction

	FY 2009 Forecast*	FY 2009 Actual**
Opening CR	108%	108%
Severity	7%	8%
Frequency	-2%	1%
Increase in earned premium	4%	0%
Releases	-4%	-7%
Closing CR	113%	122%^

*Source: FY2009 Results Presentation, page 22

**Source: Deloitte analysis of FSA returns

^Note: Calculates to 123% due to changes in composition of "market" based on FSA returns, in particular Zurich was included in 2008 and is not in 2009



Market combined ratio forecasts



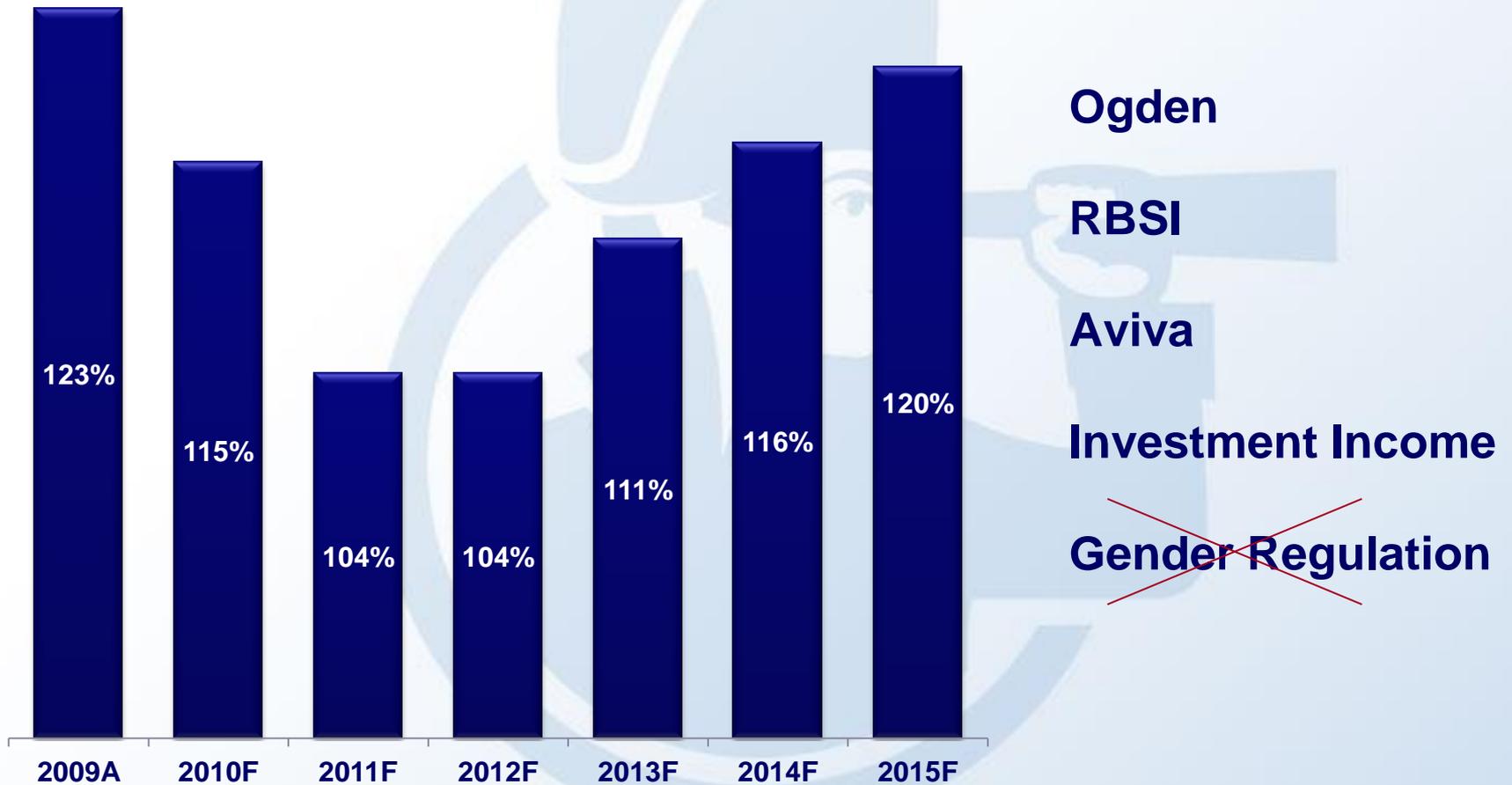
Revert to 6 / 7 year cycle

Price comparison impact on pattern

Source: Management estimates



Possible future excuses



Source: Management estimates

- ❑ Benefit of 2010 price rises yet to fully flow through
- ❑ Further price increases expected in 2011
- ❑ It's a cyclical market
 - the more violent the upswing, the more violent the downswing
- ❑ We are coping well with growth
 - achieved highest position so far - #9

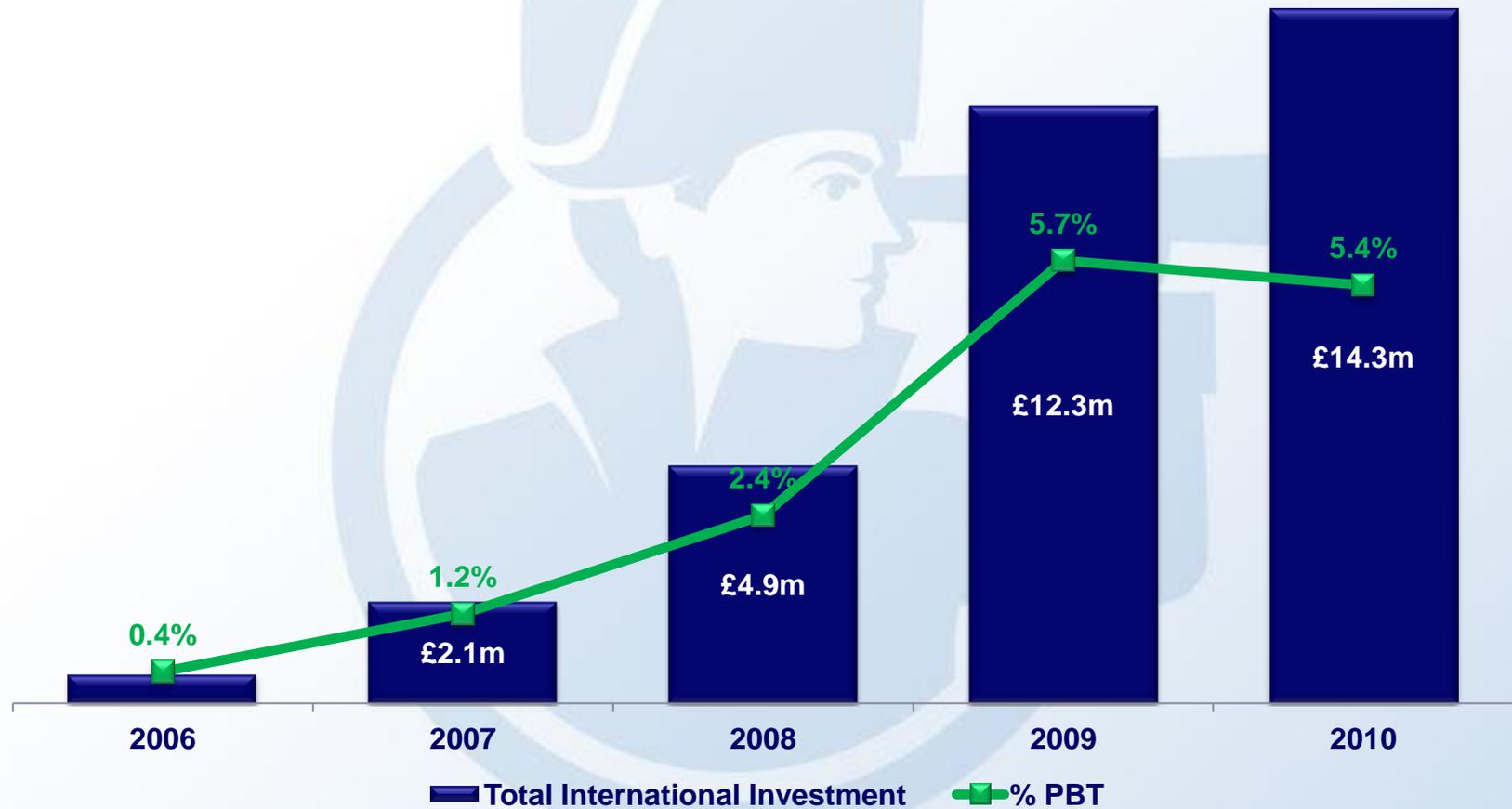




International



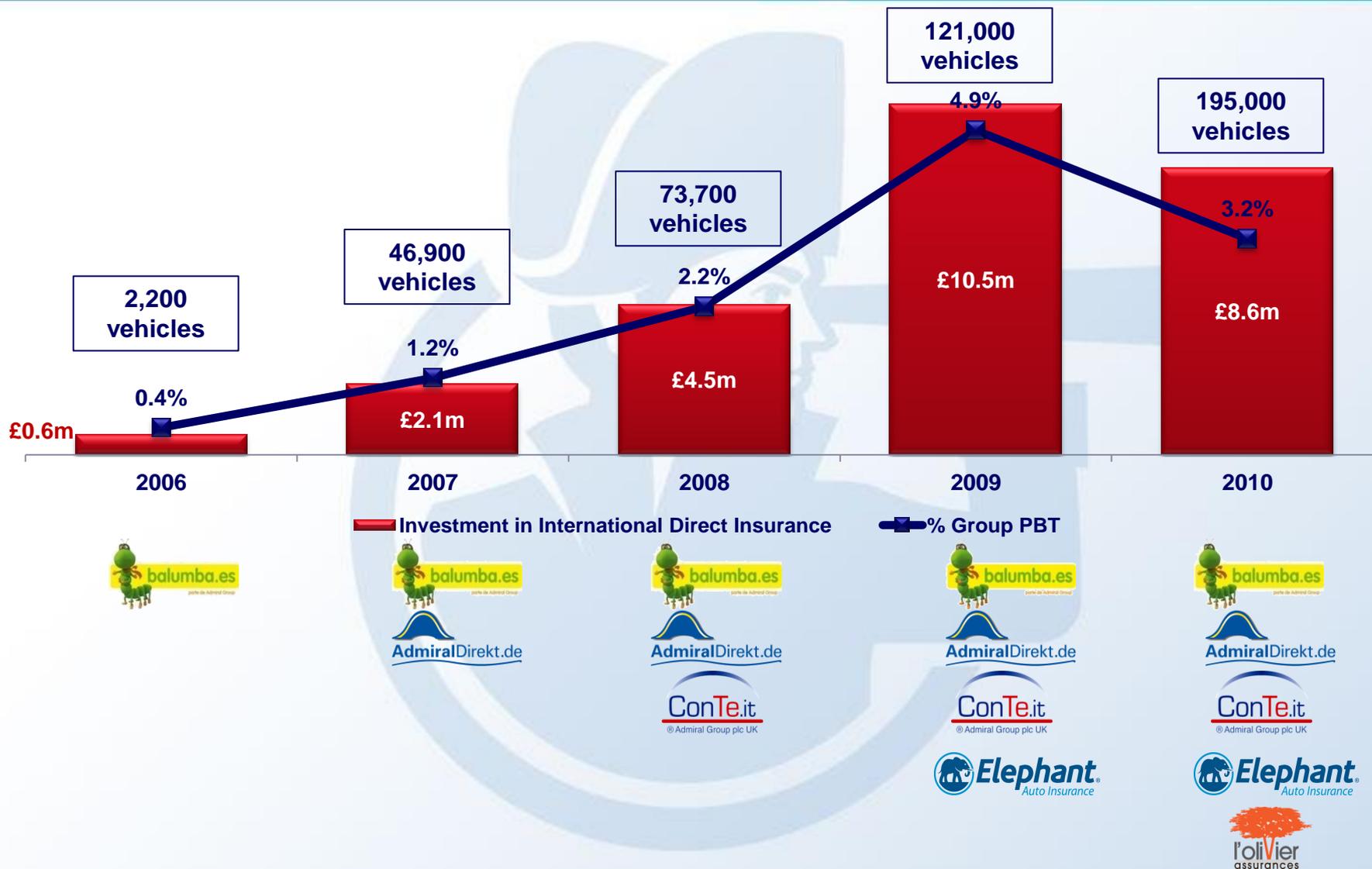
Total international investment continues to be a modest % of Group PBT



Calculation: % PBT = Investment in International Direct Insurance & Price Comparison / Admiral Group PBT; Investment in International includes pre-launch costs and operational results



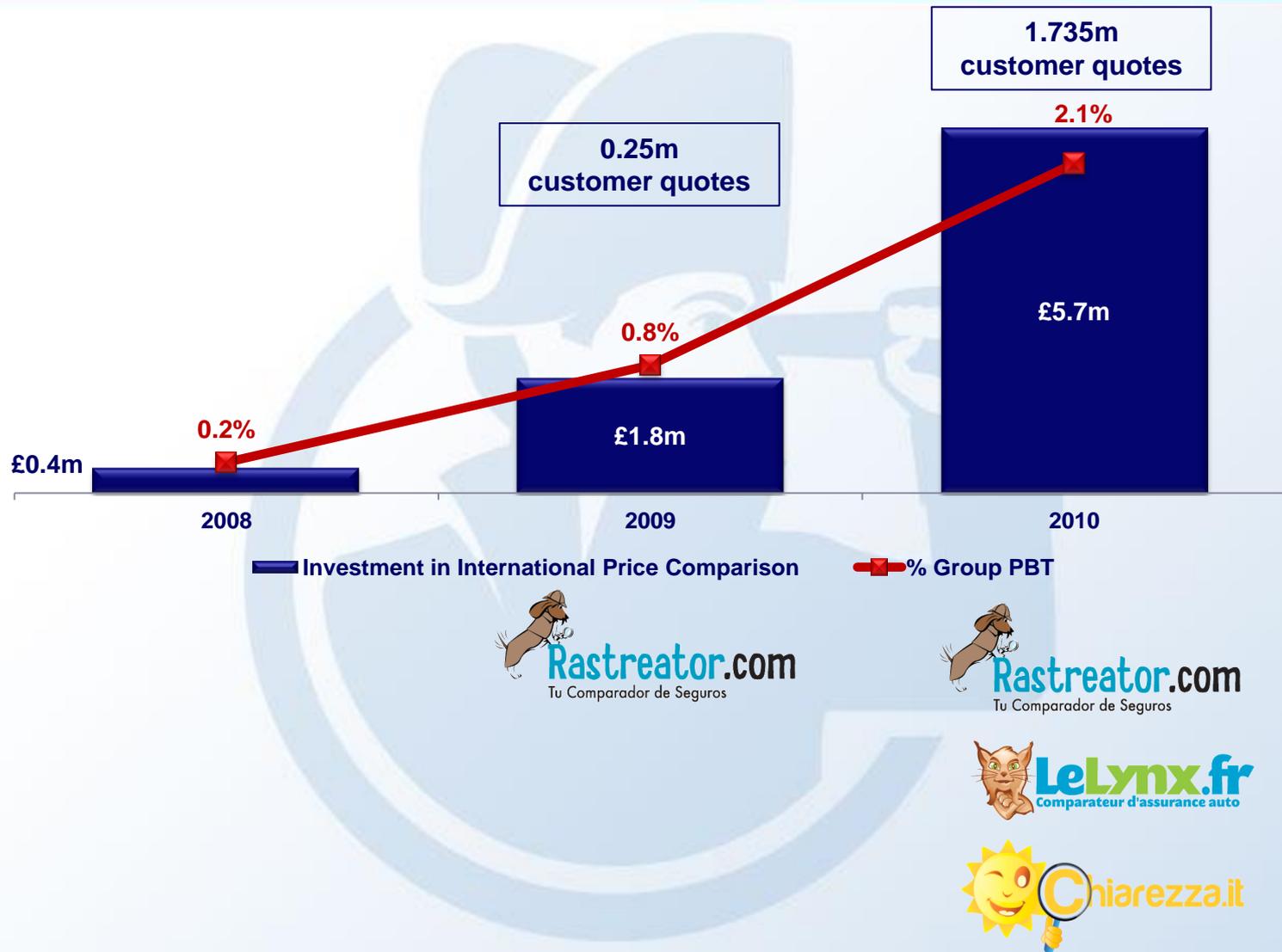
Direct insurance investment reduced in 2010



Calculation: % PBT = Investment in International Direct Insurance / Admiral Group PBT; Investment in International Direct Insurance includes pre-launch costs (2008 and 2009 pre-launch costs are split 50:50 price comparison and direct insurance); and operational result. Vehicles are total vehicle numbers for all direct insurers at year end



Investment in price comparison is growing



Calculation: % PBT is calculated Investment in International Price Comparison / Admiral Group PBT; Investment in International Price Comparison includes pre-launch costs (2008 and 2009 pre-launch costs are split 50:50 price comparison and direct insurance); Customer quotes are total customer quotes for all price comparison sites for full year



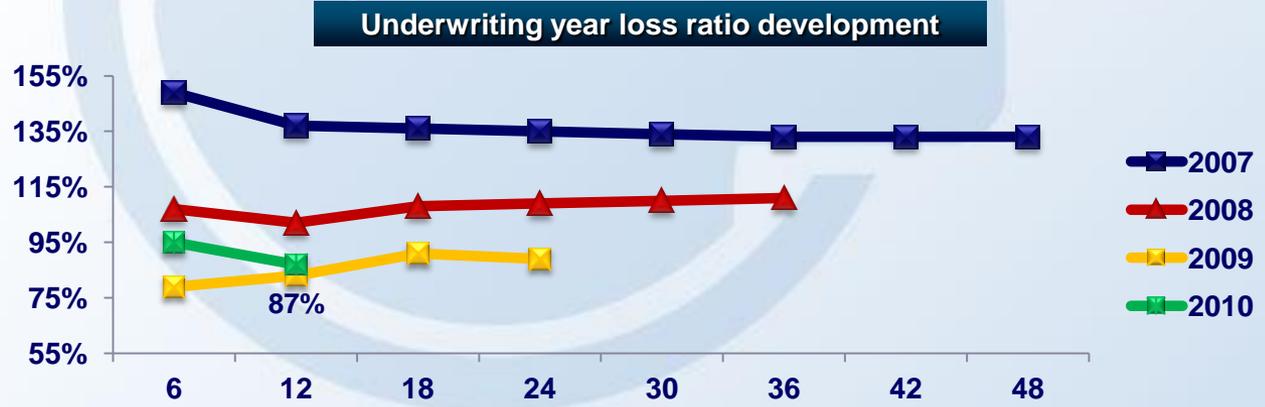
**Calculation: 2010 Result (£3.2m) 2009 Result (£5.2m) + 2008 Result (£2.3m). No pre-launch costs or sale proceeds included. Sale proceeds will be in the 2011 accounts and will not be separately disclosed.*

Note: AdmiralDirekt launched October 2007 and was sold January 2011 to Itzehoer Versicherung. The value of gross assets disposed of was £4.4m.



	2009	2010
Active vehicles at period end	50,300	70,700
Total written premium	€20.1m	€27.6m
Underwriting year loss ratio (end month 12)	83%	87%
Written expense ratio	65%	48%
Combined Ratio	148%	135%
Admiral result (before tax)	(€1.4m)	€0.9m
Admiral ancillary contribution per vehicle	€73	€78

	2009	2010
Revenue	€0.5m	€3.9m
Expenses	(€1.4m)	(€5.1m)
Admiral result (before tax)	(€0.9m)	(€1.2m)

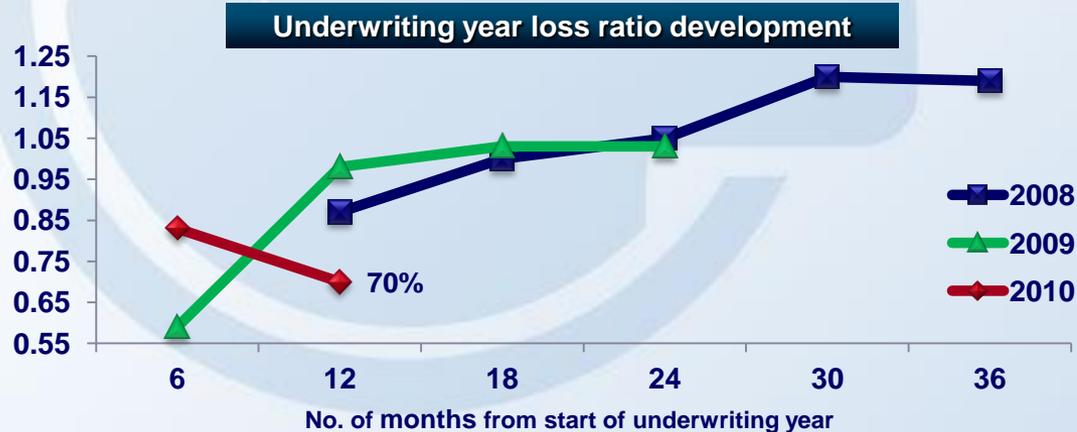


Note: Balumba launched November 2006, Globalty launched January 2011. These brands operate together under the name Admiral Seguros Espana. Rastreator launched March 2009



	2009	2010
Active vehicles at period end	35,500	86,500
Total written premium	€12.5m	€35.6m
Loss ratio - underwriting year (end month 12)	98%	70%
Written expense ratio	83%	45%
Combined Ratio	181%	115%
Admiral result (before tax)	(€2.7m)	(€3.1m)
Admiral ancillary contribution per vehicle	€10	€12

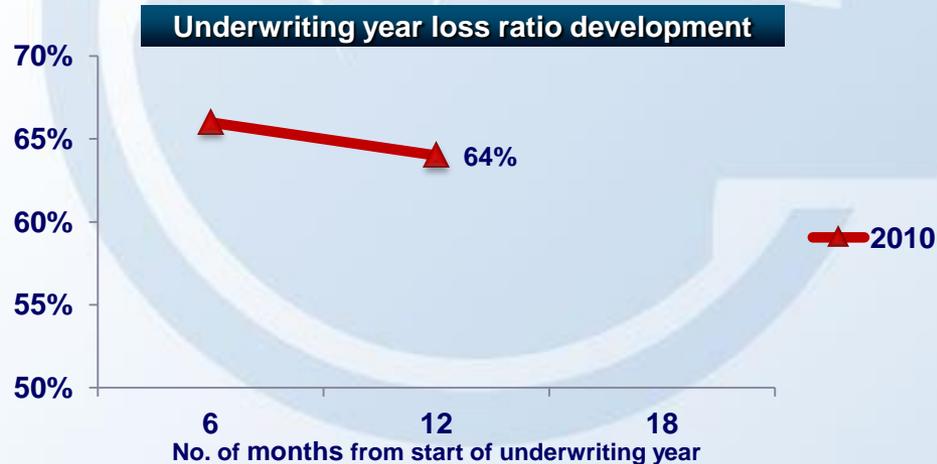
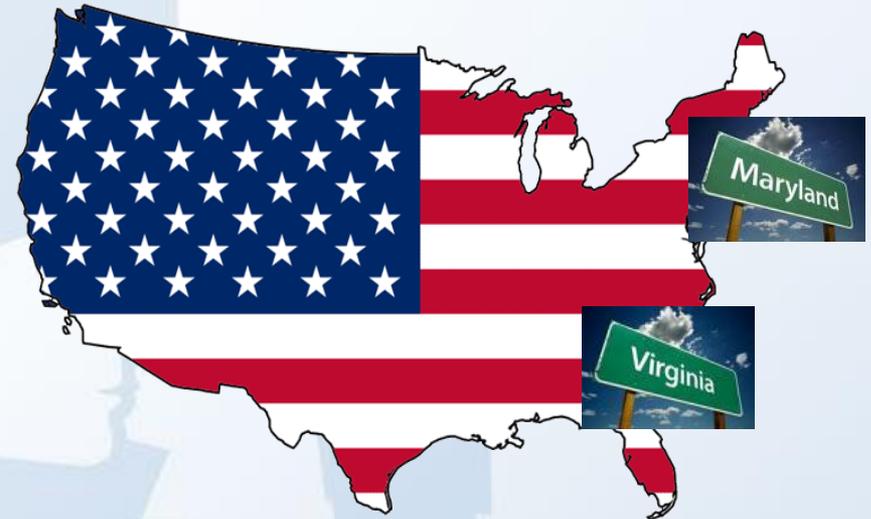
	2010
Revenue	€0.1m
Expenses	(€2.7m)
Admiral result (before tax)	(€2.6m)



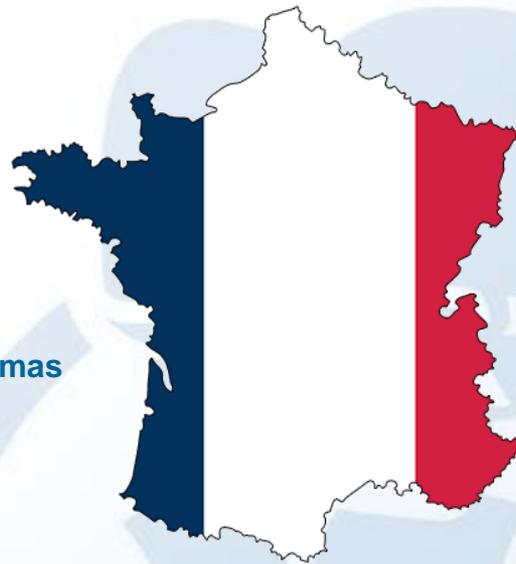
Note: ConTe launched May 2008; Chiarezza launched February 2010



Active vehicles at period end	2010	5,700
Total written premium		\$5.3m
Underwriting year loss ratio (end month 12)		64%
Written expense ratio		<u>228%</u>
Combined Ratio		<u>292%</u>
Admiral result (before tax)		(\$5.1m)
Admiral ancillary contribution per vehicle		\$21



Note: Elephant launched in October 2009 in Virginia. In January 2011 Elephant expanded into Maryland.



- ❑ Launched just in time for Christmas (23 December 2010)
- ❑ Pre launch costs < €1m
- ❑ Based in Paris
- ❑ Small team (8 staff) working with third party outsourcer
- ❑ Testing marketing strategies
....very early days - no numbers yet!

	2010
Revenue	€0.6m
Expenses	<u>(€3.0m)</u>
Admiral result (before tax)	(€2.4m)

Note: LeLynx launched January 2010; L'Olivier launched December 2010



2010 Summary in “Admiral-way code”



**32% VEHICLE
GROWTH**



**27%
INCREASE IN
HEADCOUNT**



**89%
COMBINED
RATIO**



**3 NEW
INTERNATIONAL
LAUNCHES**



**INTERNATIONAL
GROWTH**



**23% PROFIT
GROWTH**



**59%
ROCE**



**WE CAN DO
BETTER**



Questions?



Appendix



- ❑ Summary income statement
- ❑ Balance sheet
- ❑ Group key performance indicators
- ❑ Ancillary contribution per vehicle
- ❑ Loss ratio development
- ❑ Solvency II
- ❑ Admiral Group's brands
- ❑ Disclaimer notice





Summary income statement

	UK car insurance			Non-UK car insurance			Price comparison			Other			Admiral Group		
	2008	2009	2010	2008	2009	2010	2008	2009	2010	2008	2009	2010	2008	2009	2010
Turnover	804.8	939.1	1,419.6	29.7	47.2	77.7	66.1	80.6	75.6	9.5	10.6	11.9	910.1	1,077.5	1,584.8
Total premiums written	690.2	804.7	1,237.6	26.0	43.0	71.0							716.3	847.7	1,308.6
Gross premiums written	309.5	402.3	678.9	25.1	37.6	59.6							334.7	439.9	738.5
Net premiums written	185.5	217.7	334.6	8.9	14.8	24.0							194.4	232.5	358.6
Net earned premium	161.9	199.1	269.4	7.9	12.8	18.7							169.8	211.9	288.1
Investment income	17.1	7.5	8.2	0.6	0.2	0.1							17.7	7.7	8.3
Net insurance claims	(105.1)	(138.7)	(192.5)	(9.5)	(13.0)	(15.9)							(114.6)	(151.7)	(208.4)
Insurance related expenses	(26.0)	(30.3)	(32.4)	(6.2)	(13.0)	(16.5)							(32.2)	(43.3)	(48.9)
Underwriting result	47.9	37.6	52.7	(7.1)	(13.1)	(13.6)							40.8	24.5	39.1
Profit commission	34.7	54.2	67.0										34.7	54.2	67.0
Gross ancillary revenue	106.3	125.6	168.3	3.5	3.9	6.3							109.8	129.5	174.6
Ancillary costs	(17.3)	(19.3)	(25.9)	(0.6)	(0.7)	(1.0)							(17.9)	(20.0)	(26.9)
Instalment income	8.2	8.8	13.7	0.2	0.3	0.4							8.4	9.2	14.1
Gladiator contribution										2.8	2.4	2.7	2.8	2.4	2.7
Price comparison revenue							66.1	80.6	75.6				66.1	80.6	75.6
Price comparison expenses							(40.5)	(55.6)	(63.6)				(40.5)	(55.6)	(63.6)
Interest income										6.7	1.1	1.1	6.7	1.1	1.1
Other (mainly share scheme)						(0.1)				(8.4)	(10.1)	(18.3)	(8.4)	(10.1)	(18.4)
Profit / (loss) before tax	179.9	206.9	275.8	(4.1)	(9.5)	(8.0)	25.6	24.9	12.1	1.1	(6.6)	(14.4)	202.5	215.8	265.5



Balance sheet

	2008 £m	2009 £m	2010 £m
ASSETS			
Property, plant and equipment	11.0	12.1	15.1
Intangible assets	75.7	77.0	82.9
Financial assets	586.9	630.9	1,004.7
Reinsurance contracts	170.6	212.9	357.0
Deferred income tax	0.0	0.0	12.4
Trade and other receivables	25.5	32.7	47.9
Cash and cash equivalents	144.3	211.8	246.7
Total assets	<u>1,014.0</u>	<u>1,177.4</u>	<u>1,766.7</u>
EQUITY			
Share capital	0.3	0.3	0.3
Share premium	13.1	13.1	13.1
Retained earnings	251.8	281.8	332.7
Other reserves	10.3	5.6	4.6
Total equity	275.6	300.8	350.7
LIABILITIES			
Insurance contracts	439.6	532.9	806.6
Trade and other payables	270.1	306.8	561.0
Deferred income tax	10.3	5.7	0.0
Corporation tax liabilities	18.5	31.2	48.4
Total liabilities	738.4	876.6	1,416.0
Total liabilities and equity	<u>1,014.0</u>	<u>1,177.4</u>	<u>1,766.7</u>



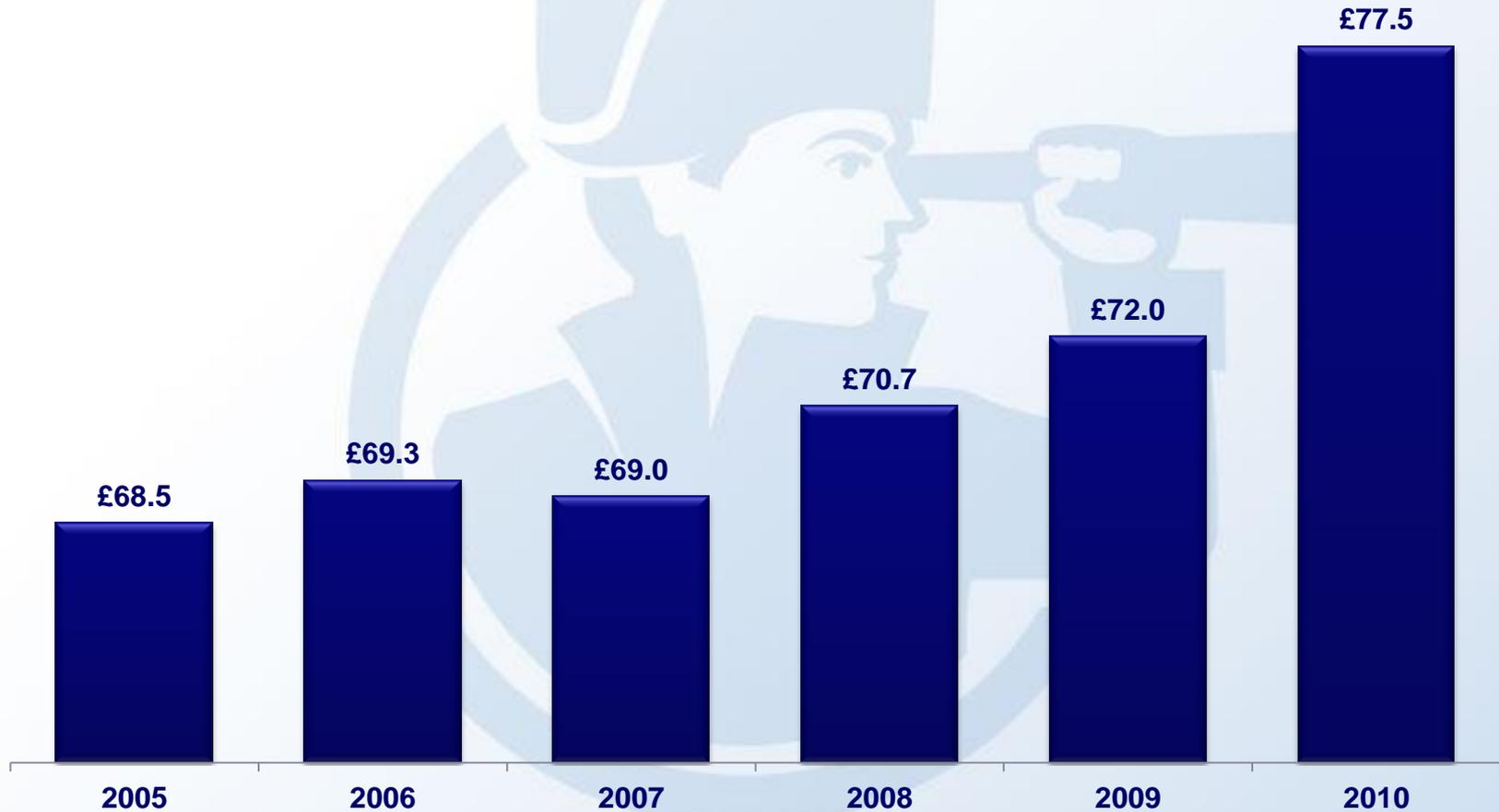
Admiral Group key performance indicators

	KPI	2004	2005	2006	2007	2008	2009	2010
Group Financial	Revenue £m	540	627	698	808	910	1077	1585
	Customers	1,040,700	1,141,000	1,284,700	1,490,800	1,745,800	2,076,000	2,748,400
	Group pre-tax profit £m	98.1	119.5	147.3	182.1	202.5	215.8	265.5
	Earnings per share	28.4p	32.7p	39.8p	48.6p	54.9p	59.0p	72.3p
	Dividend	9.3p	24.6p	36.1p	43.8p	52.5p	57.5p	68.1p
UK Car Insurance	Vehicles covered	1,007,600	1,104,500	1,240,200	1,381,700	1,587,200	1,861,800	2,458,900
	Total premiums £m	470.4	533.6	566.0	617.0	690.2	804.7	1,237.6
	Reported combined ratio	82.0%	84.9%	87.2%	83.4%	81.0%	84.9%	83.5%
	Ancillary contribution per policy £	66.3	68.5	69.3	69.0	70.7	72.0	77.5
	UK car insurance pre-tax profit £m	94.7	110.0	121.1	142.2	179.9	206.9	275.8
Price Comparison	Total revenue £m	3.2	12.0	38.5	69.2	66.1	80.6	75.7
	Operating profit £m	1.3	6.9	23.1	36.7	25.6	24.9	11.7
	Operating margin - Confused.com only	41%	58%	60%	53%	39%	32%	24%
Non-UK Car Insurance	Vehicles covered			2,200	46,900	73,700	121,000	195,000
	Total premiums £m			0.6	14.2	26.0	43.0	71.0
	Reported combined ratio			0	232%	198%	204%	173%
	Non-UK car insurance result £m			(0.1)	(0.7)	(4.1)	(9.5)	(8.0)



Ancillary contribution

Ancillary contribution per vehicle*

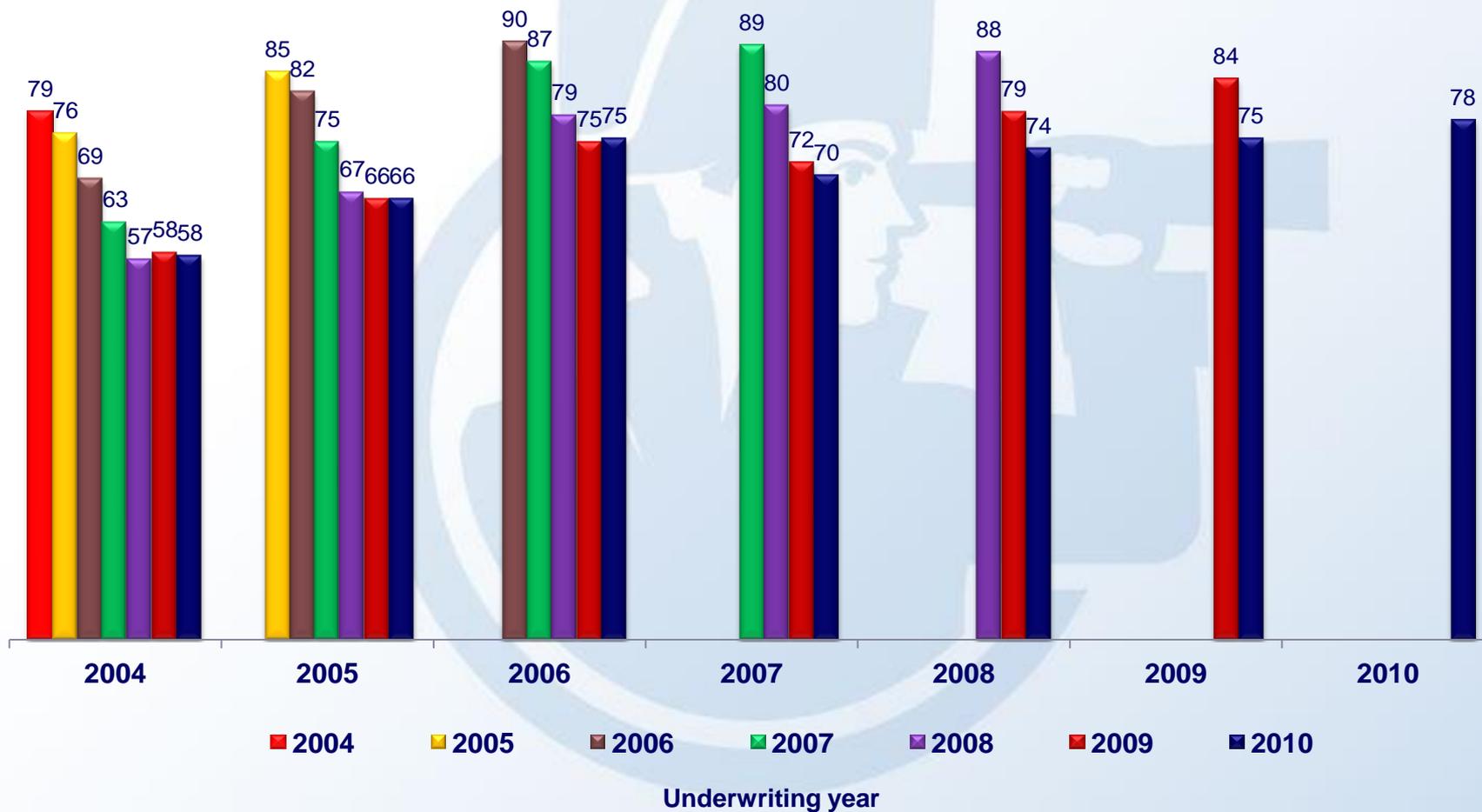


* Calculation: Ancillary contribution per vehicle = Total Ancillary Contribution / Average Vehicle Count for Year



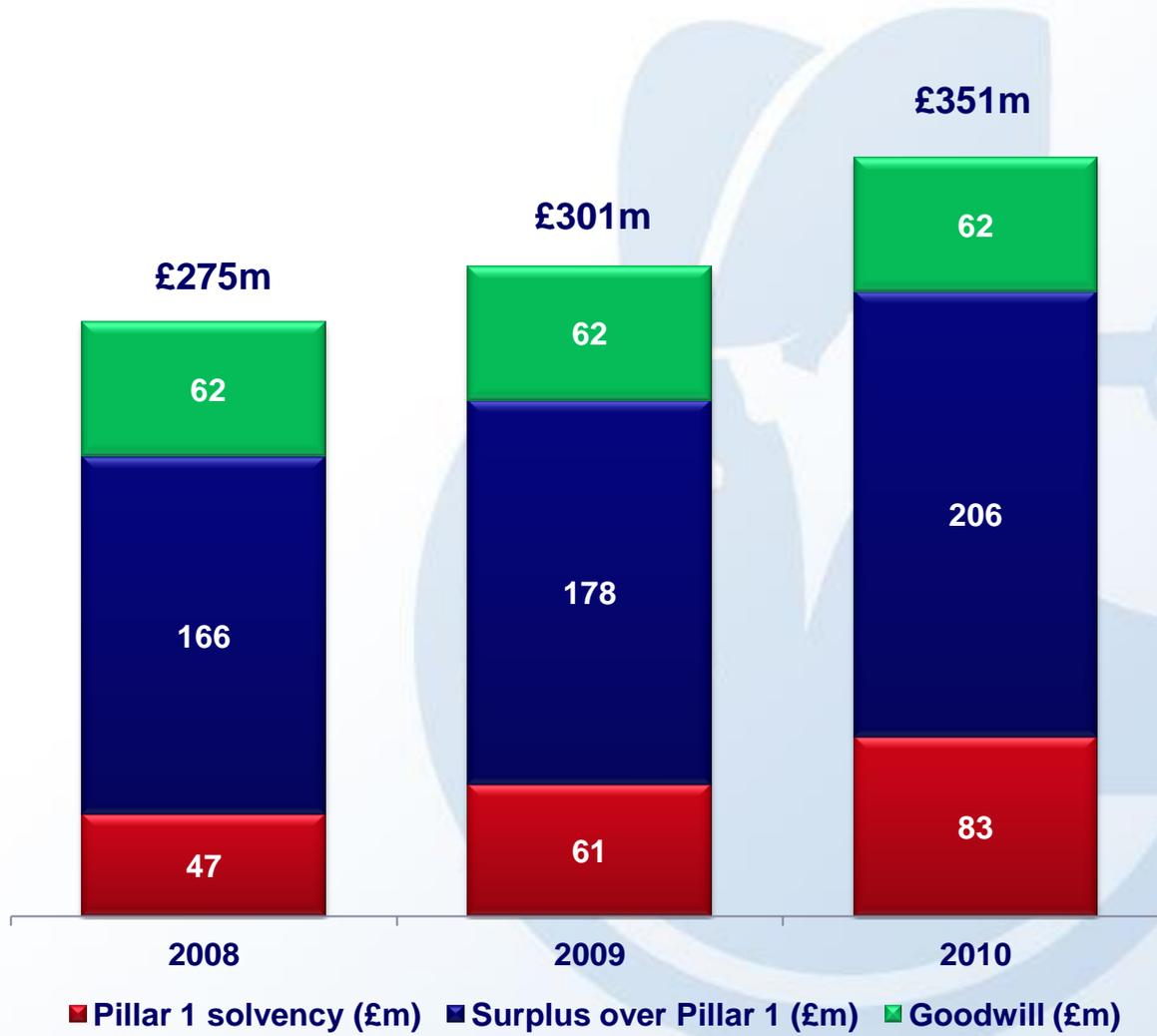
Loss ratio development

Loss ratio development by underwriting year





Admiral Group solvency



Surplus over pillar 1	
2008	350%
2009	290%
2010	250%

Admiral's brands





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The financial information set out in the presentation does not constitute the Company's statutory accounts in accordance with section 423 Companies Act 2006 for the year ended 31 December 2010. The statutory accounts for the year ended 31 December 2010 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies following the Company's Annual General Meeting.