

# ADMIRAL GROUP plc

## 2006 Half Year Results

### September 2006





# Admiral Is STILL Different

H1 2006

■ Highly Profitable



■ Fast Growing



■ Low Risk Profits



■ Strongly Cash Generative





■ **Our Results**

■ **The Market**

■ **The Future**



## **Our Results**



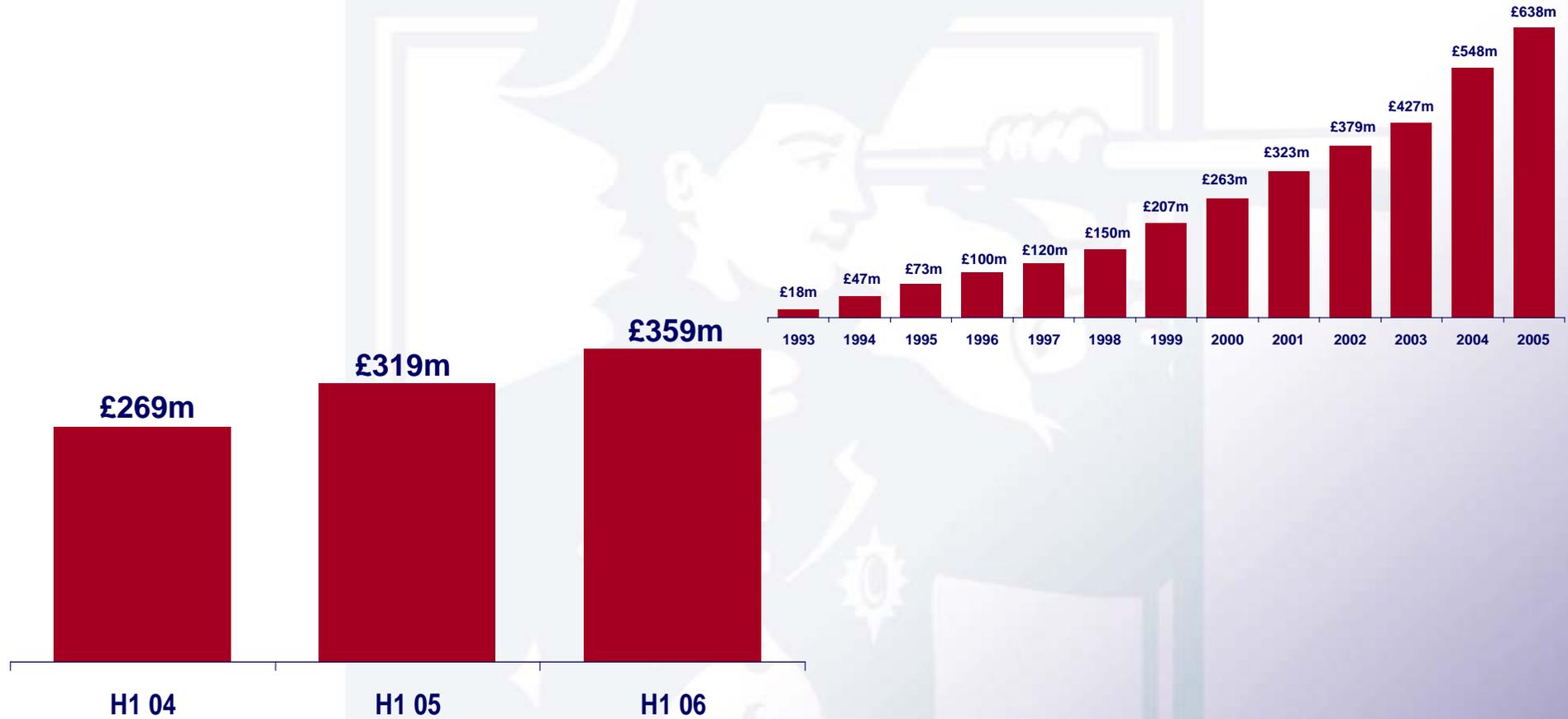
# Financial Highlights

- Pre-tax profit up 24% at £68.7 million (H1 2005: £55.6 million)
- Aggregate group turnover up 12% at £359.2 million (H1 2005: £319.3 million)
- Active policies up 10% to 1,161,000 from H1 2005
- Earnings per share 18.5p (2005: 15.2p)
- Interim dividend of 12.1p per share, total dividend of £31m (H1 2005: Interim dividend of 9.7p per share, total dividend of £25m)



# Fast Growing

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

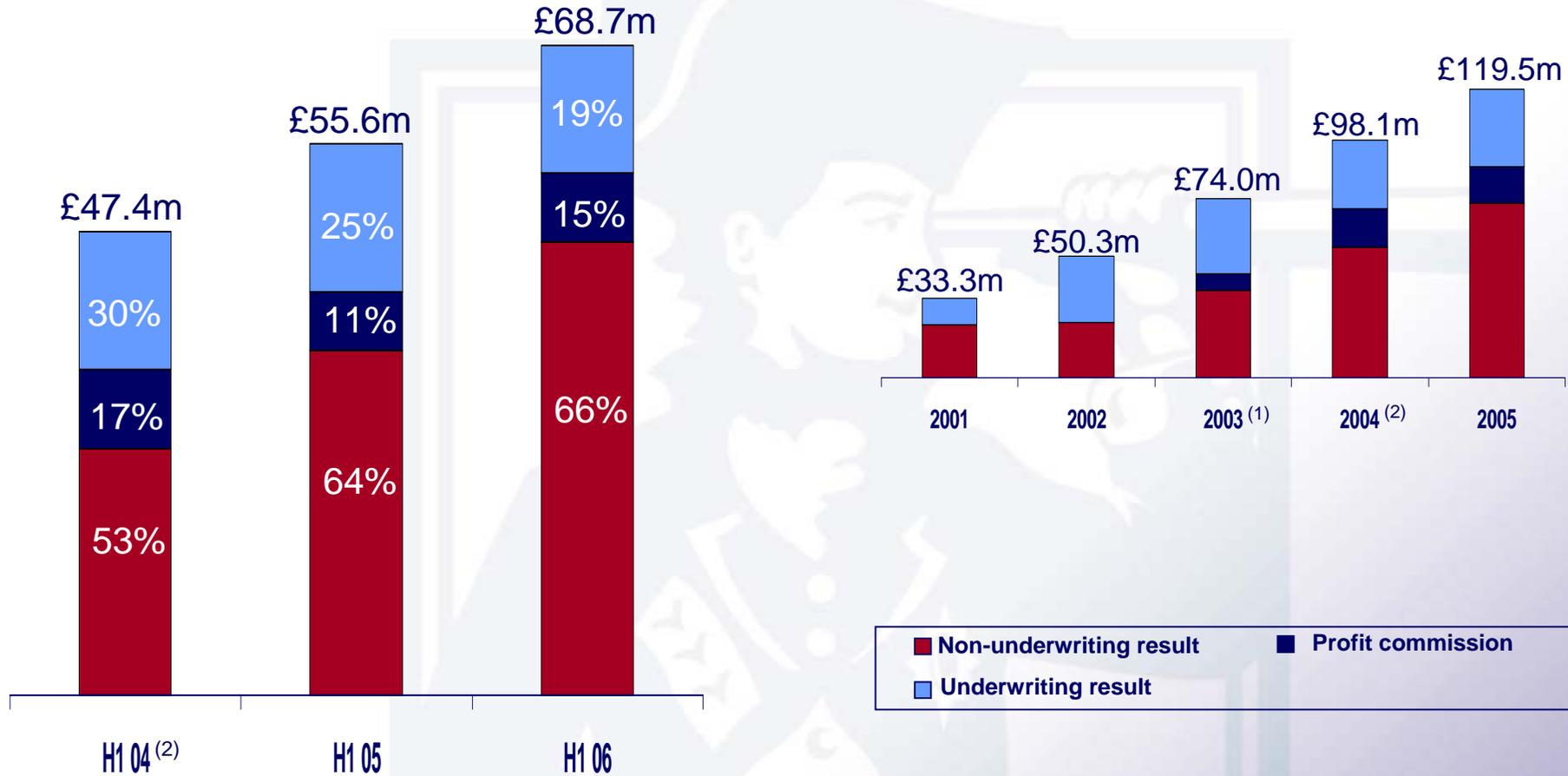


<sup>(1)</sup> Revenue comprises total premiums written + gross other income + allocated investment income



# Highly Profitable

## Profit before tax (£m)

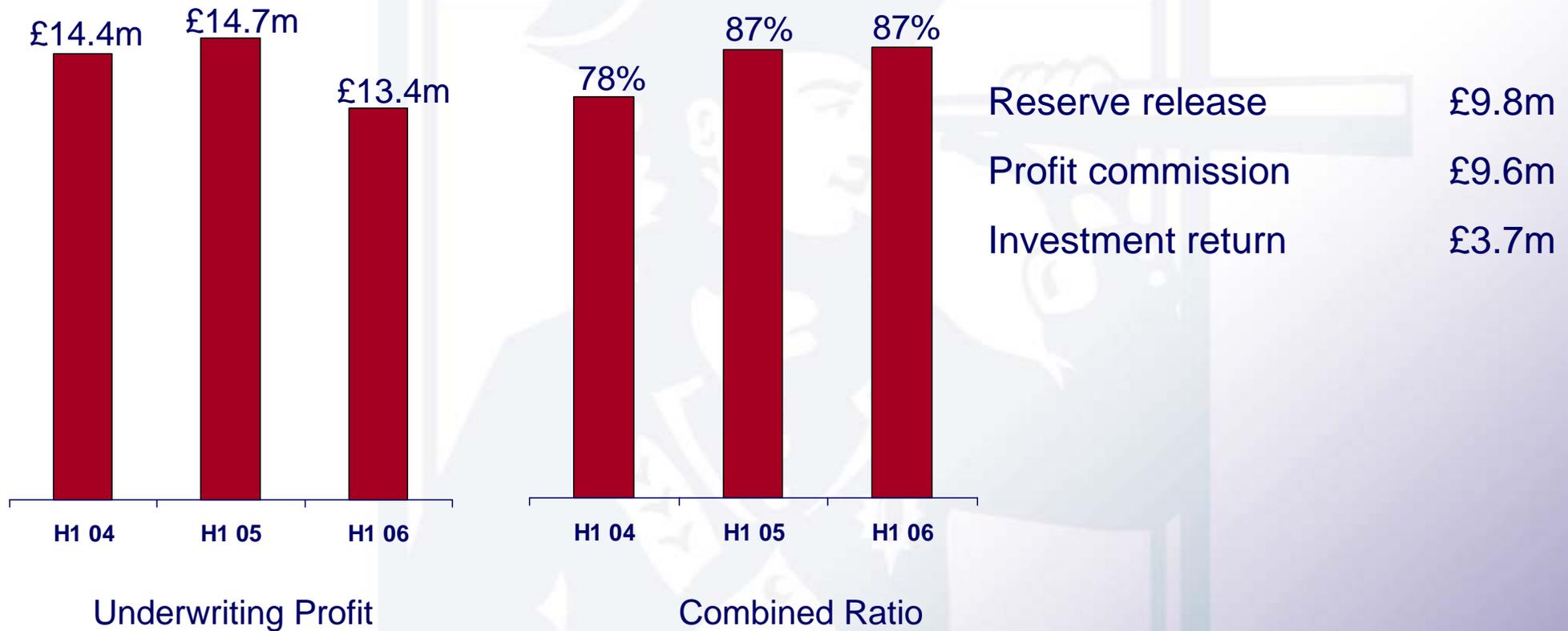


(1) £6m Munich Re profit commission re-allocated from 2004 to 2003 result.

(2) Figures up to 2004 also adjusted for goodwill amortisation, ESOT transactions and bonuses in lieu of dividends.



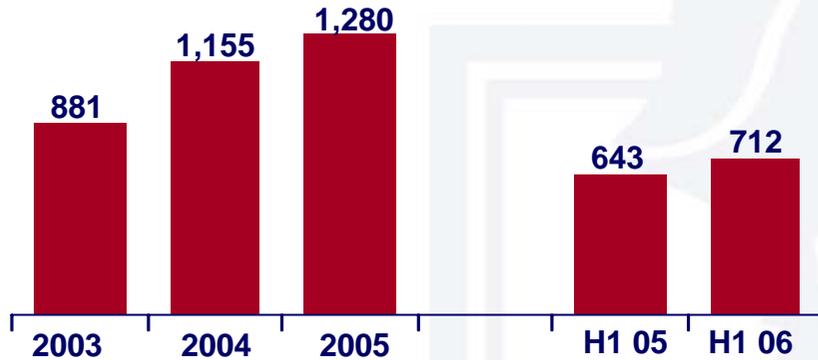
# Underwriting Result





# Growing Ancillary Income

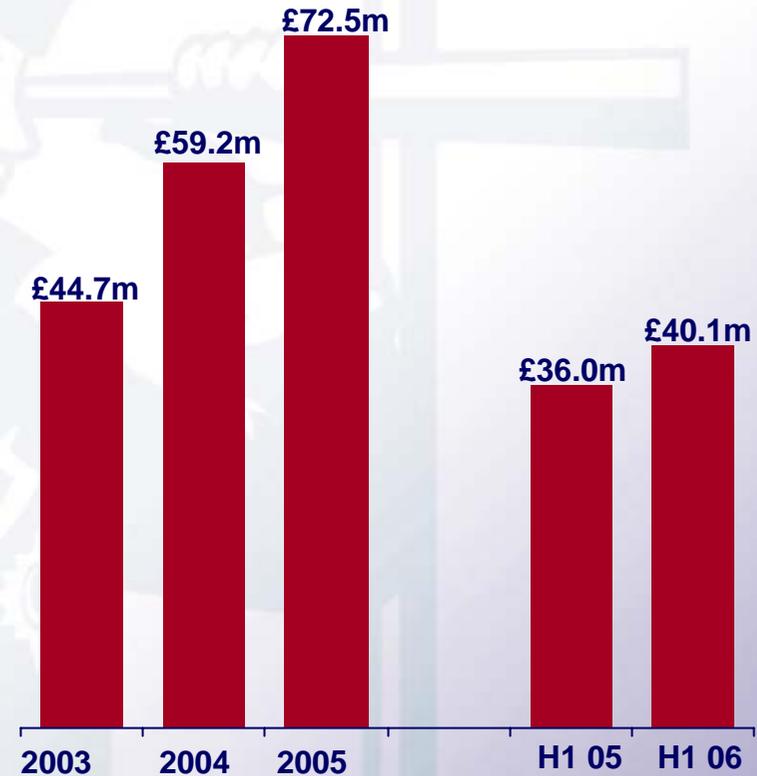
## Motor Policies Sold and Renewed



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



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

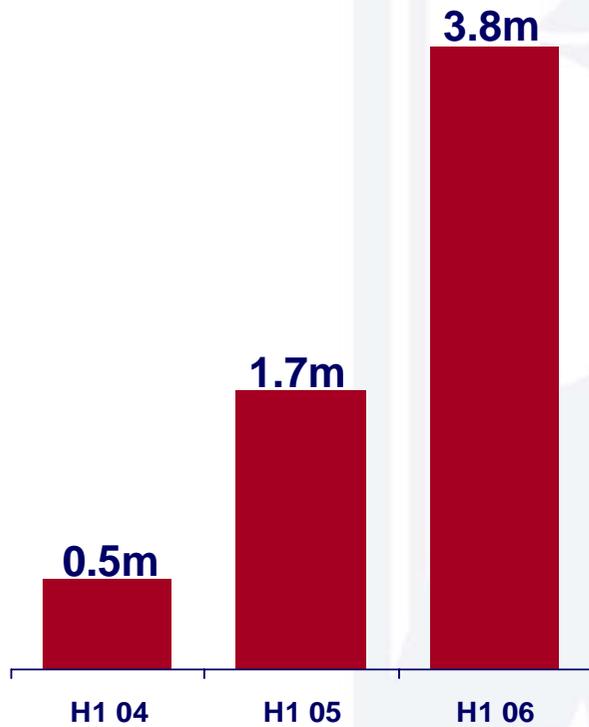


(1) Before allocation of overhead expenses

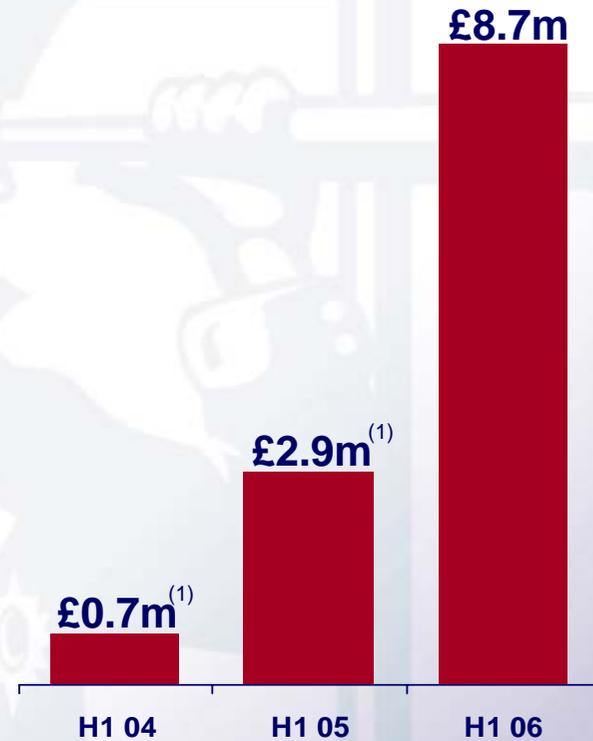
(2) Includes new business and renewals, before cancellations



## Quotes



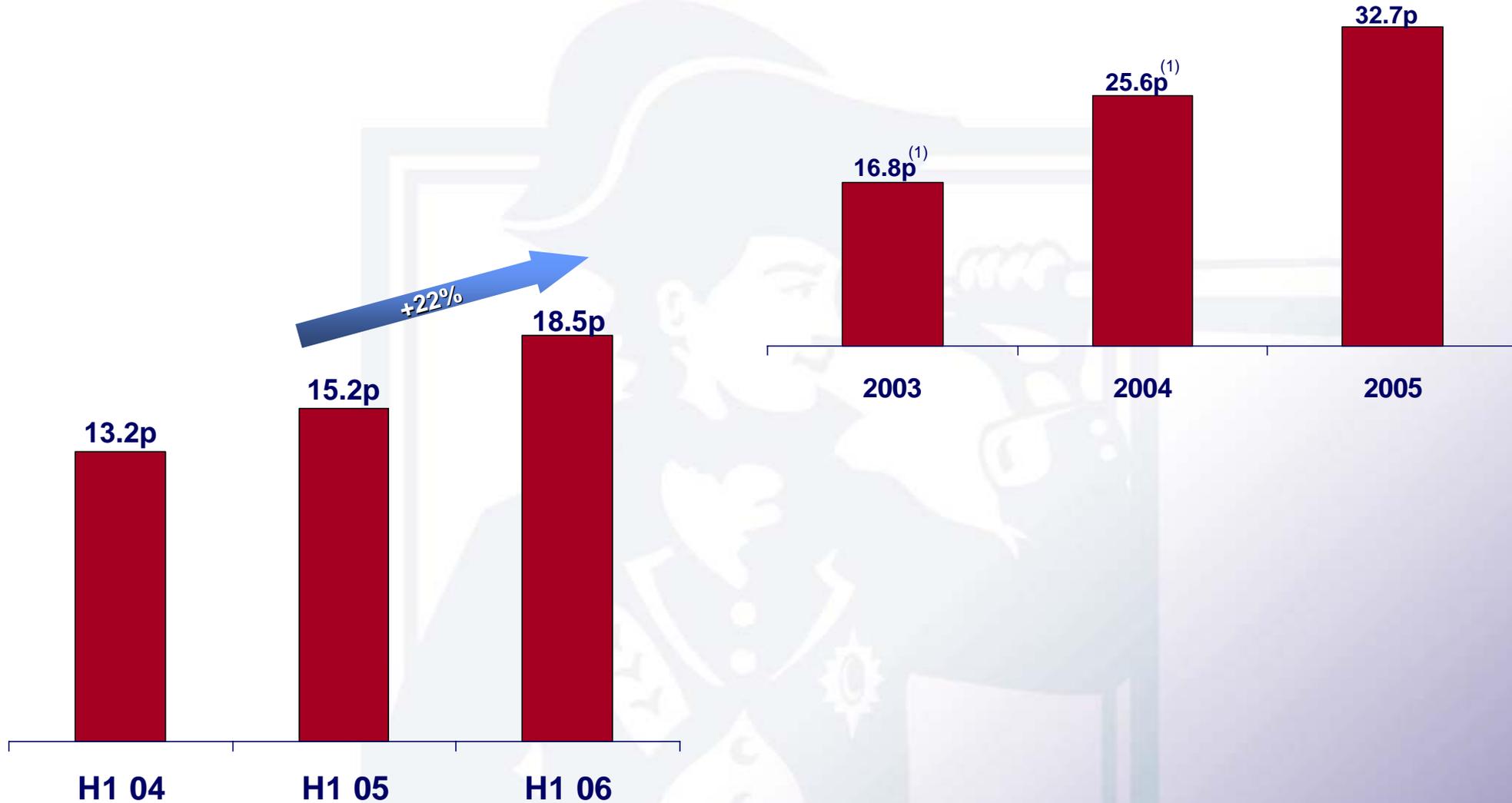
## Profit



(1) Confused profit includes revenue from Group brands. The 2004 and 2005 figures have been adjusted for comparative purposes.



# Earnings per share (eps)



(1) The earnings per share figures for 2003 & 2004 have been adjusted for the £6m profit commission and £4m ESOT credit



# Strongly Cash Generative - Dividend

	£m	
Total equity	192	As at 30 June 2006
Goodwill	(62)	
Solvency capital	<u>(74)</u>	
	56	
Normal dividend 8.4p	(21)	Normal dividend 45% of post tax profits
Buffer	<u>(25)</u>	
Special dividend 3.7p	<u>10</u>	

**Total Interim dividend = £31m**

**12.1p per share (H1 2005 9.7p)**

Ex dividend 20 September 2006

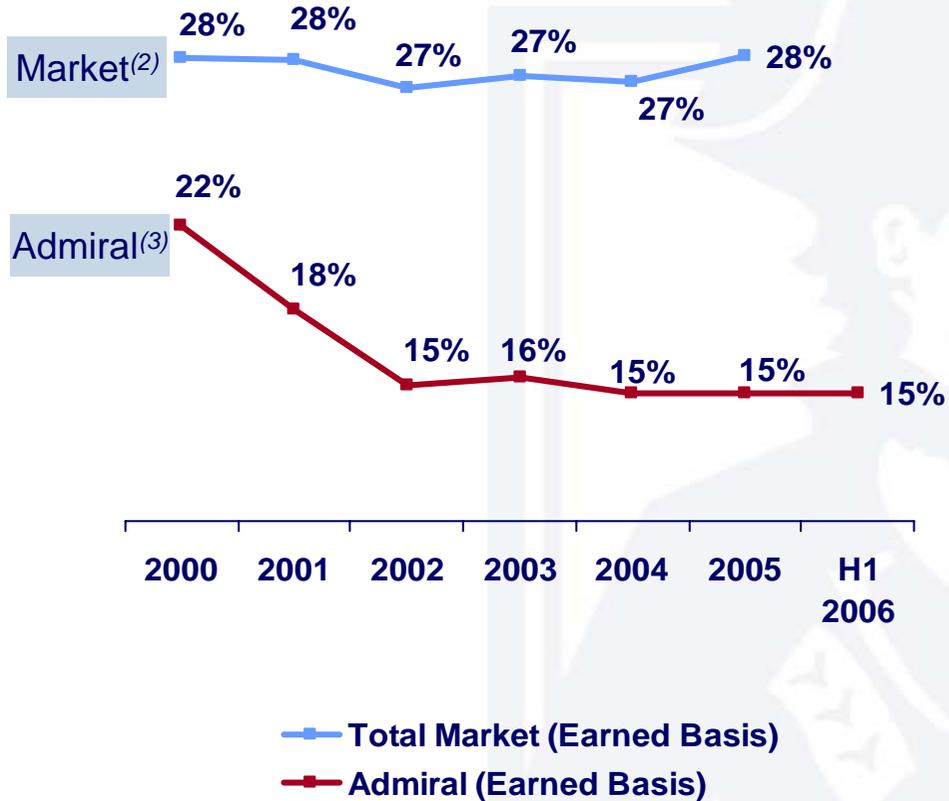
Record date 22 September 2006

Payment date 18 October 2006



# Highly Profitable

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



(1) Including claims handling expenses

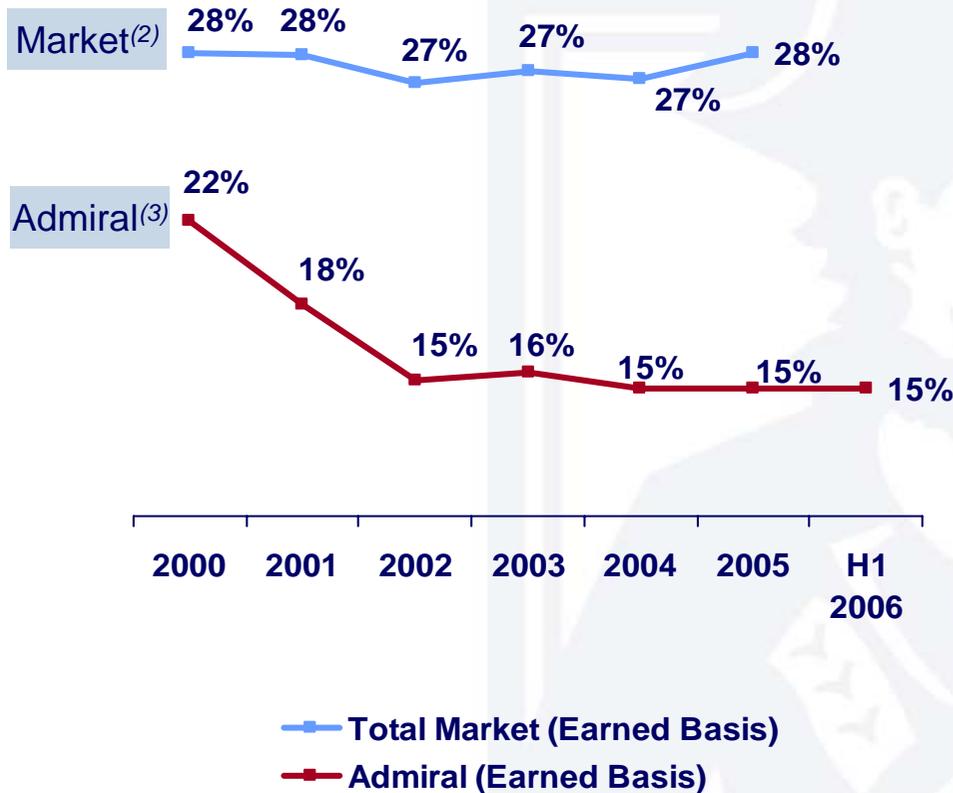
(2) EMB analysis of FSA returns for total UK motor market

(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

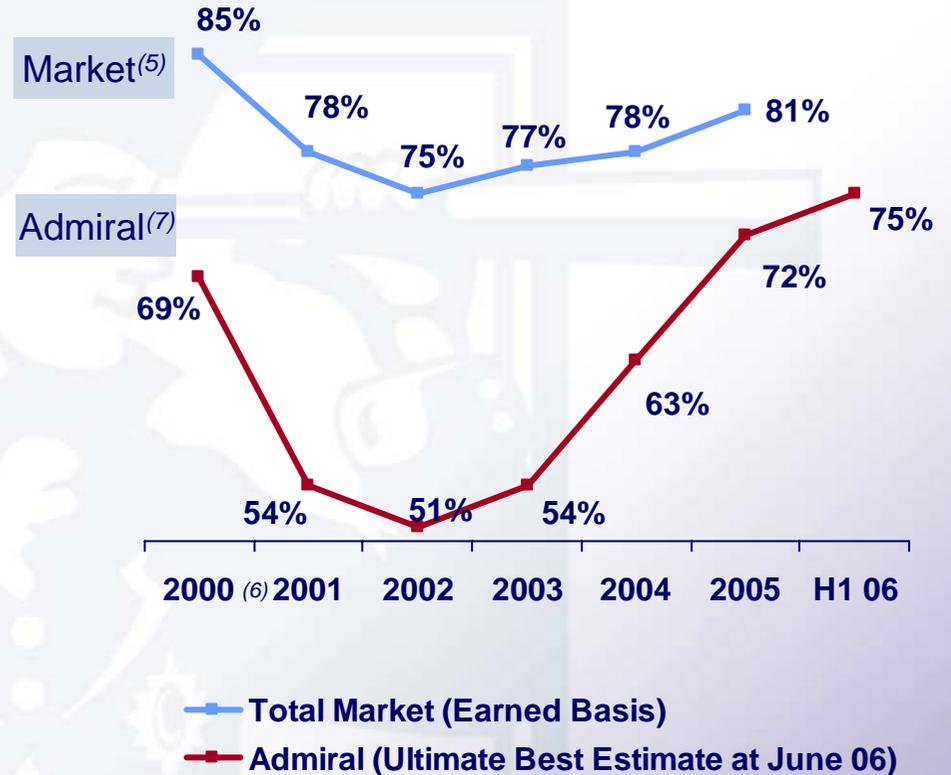


# Highly Profitable

## 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

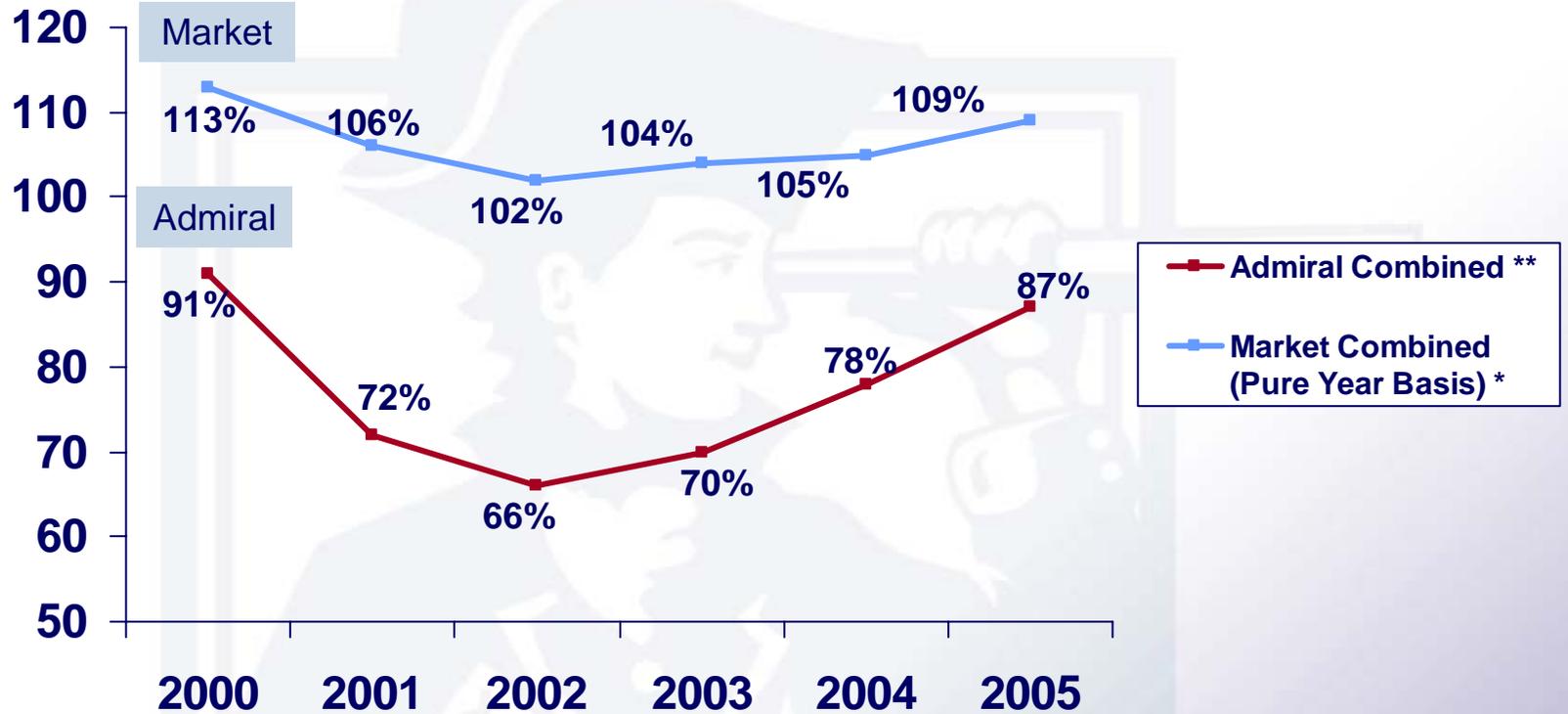
(5) EMB analysis of FSA returns for UK private motor market

(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



# Combined Ratio Advantage over Market



\* EMB analysis – Private motor market loss ratio plus overall motor market expense ratio, excludes back year reserve movement

\*\* Actuarial best estimate of ultimate outcome



## The Market

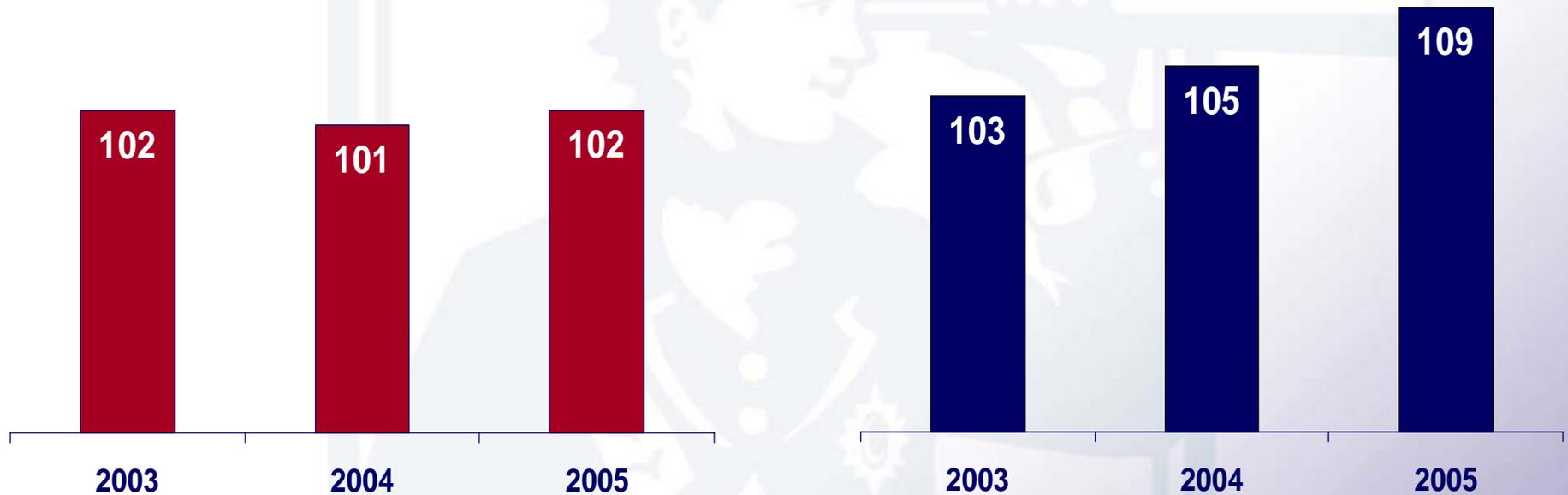


# Where Is The Market 'Currently'

Combined Ratios (% premium)\*

*Reported*

*Pure Year*

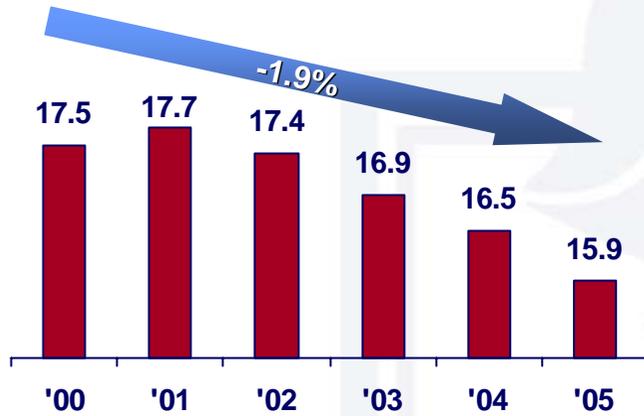


\* UK motor market, EMB analysis

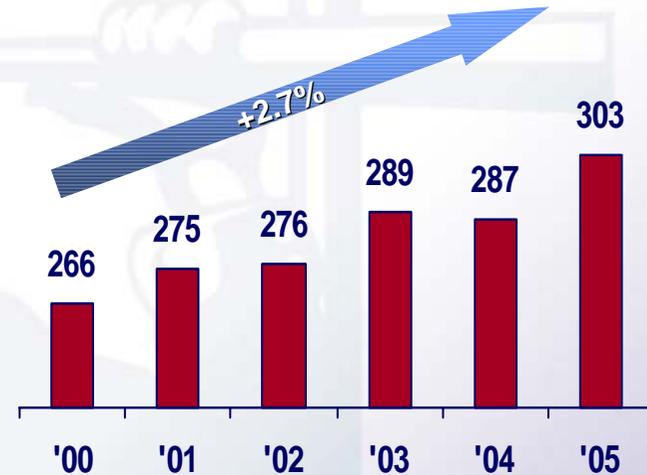


# Growing claims cost per vehicle year

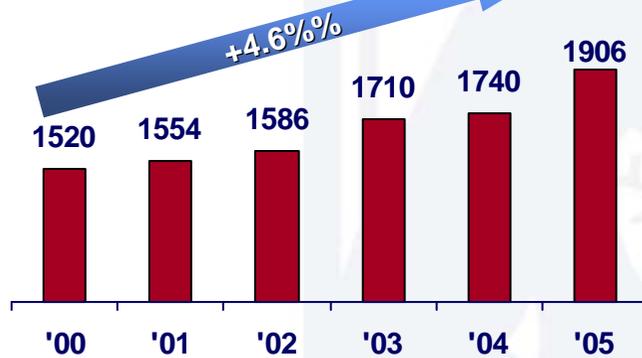
Frequency (%)



Cost per Vehicle Year (£)



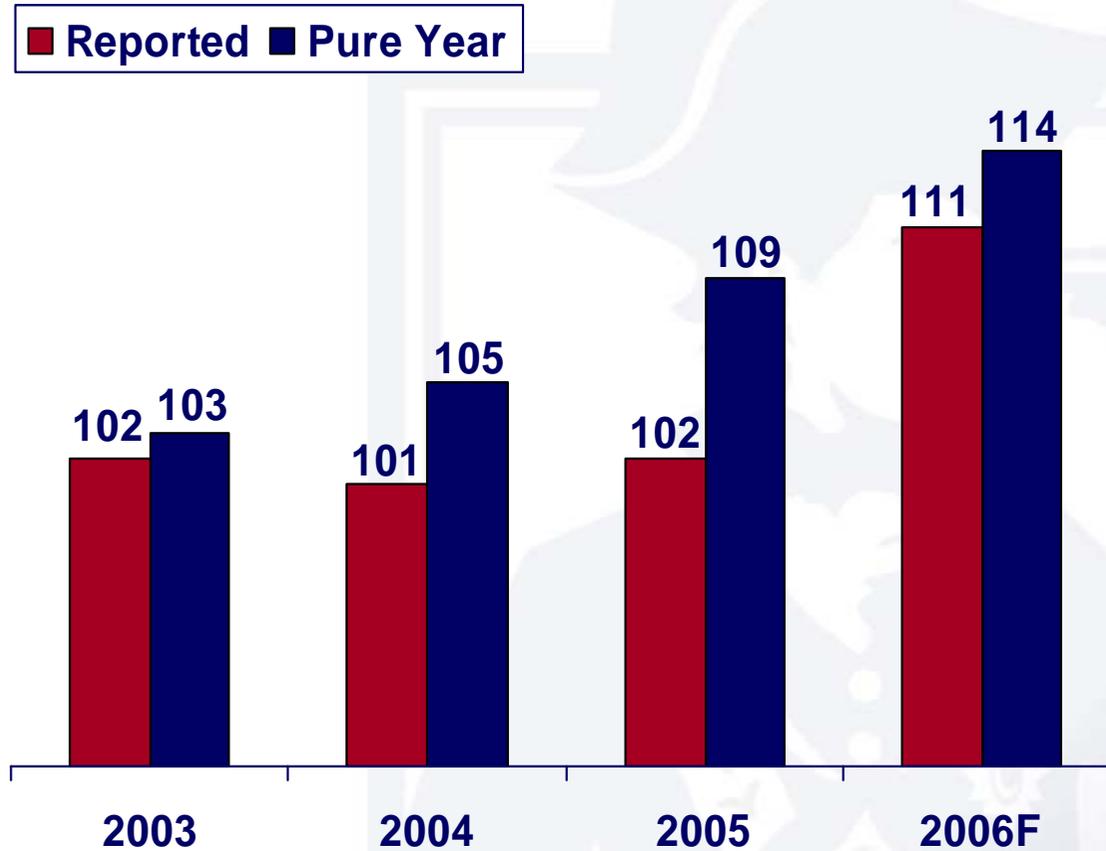
Average Claims (£)



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



# Market Currently Loss-Making



Major players struggling:

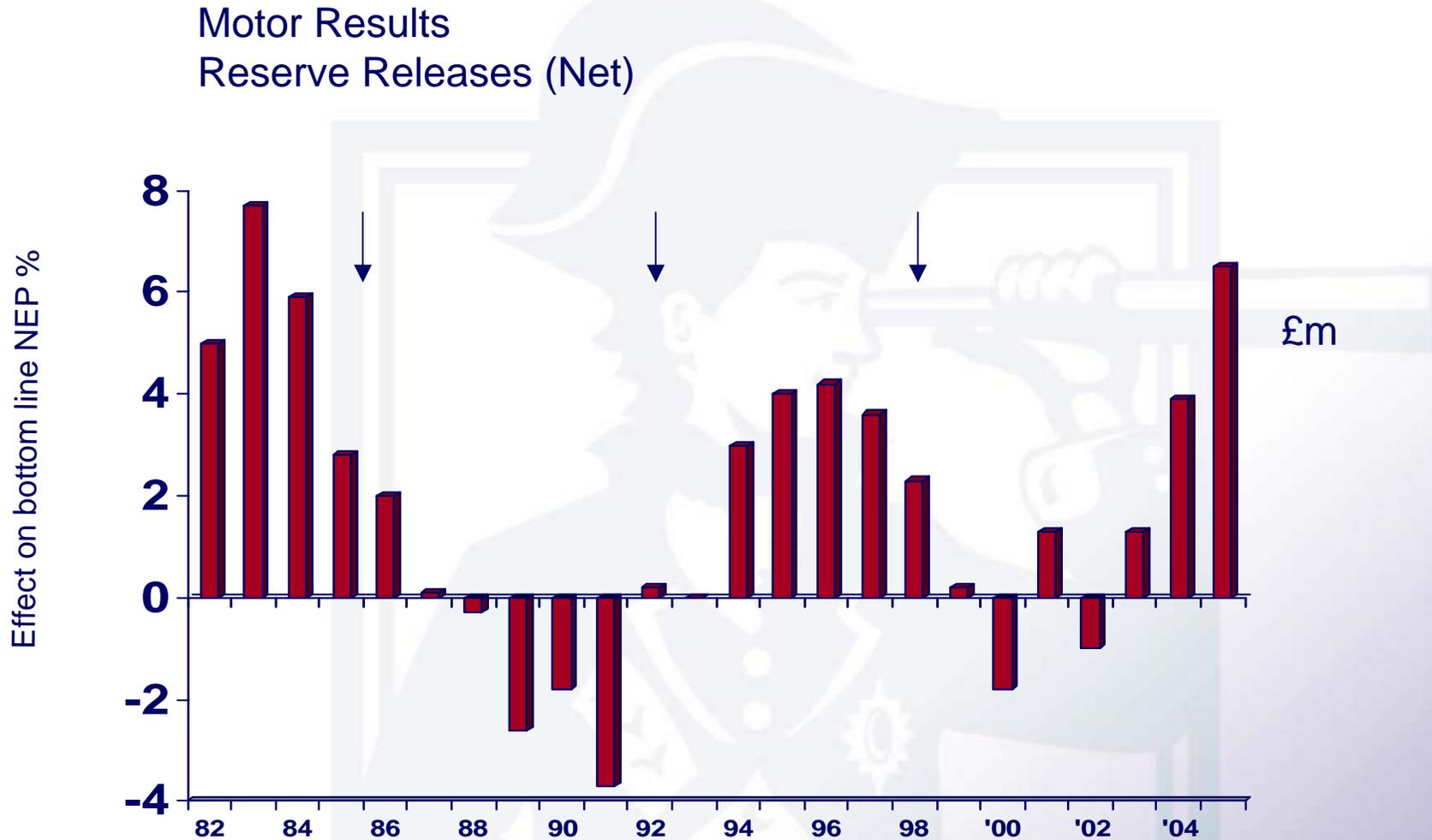
	2005 Reported	2005 Pure Year
NU	104%	106%
RBS	104%	111%

Source: EMB Analysis of FSA Returns, private motor expense ratio and private motor loss ratio



# When Will Prices Increase Substantially?

## – Importance of Releases

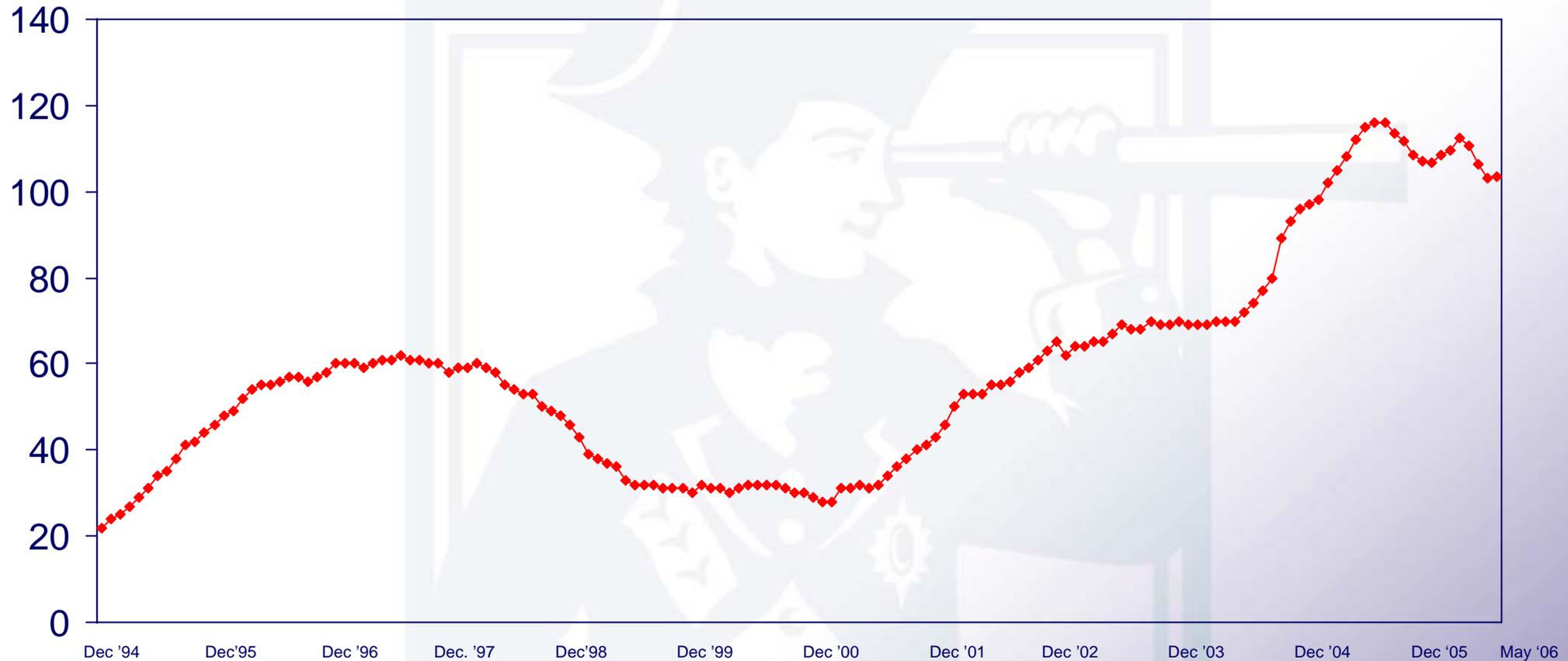


Source: Deloitte Motor Seminar 2005, Nielsen



# Marketing Spend Signals Forthcoming Turn

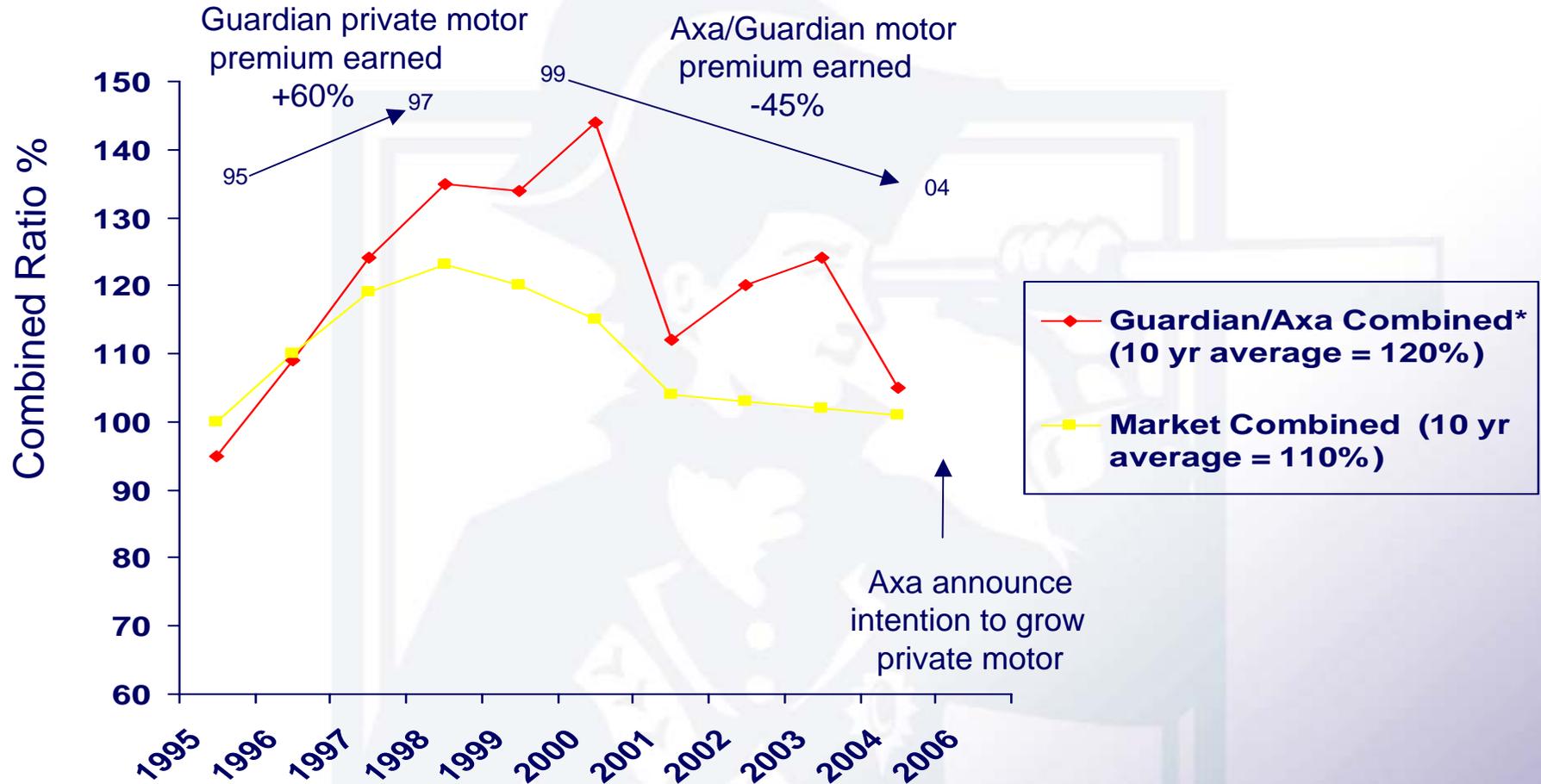
Rolling 12-month cumulative TV and press spend (£m) <sup>(1)</sup>



<sup>(1)</sup> A C Nielsen



# Continued Exuberance

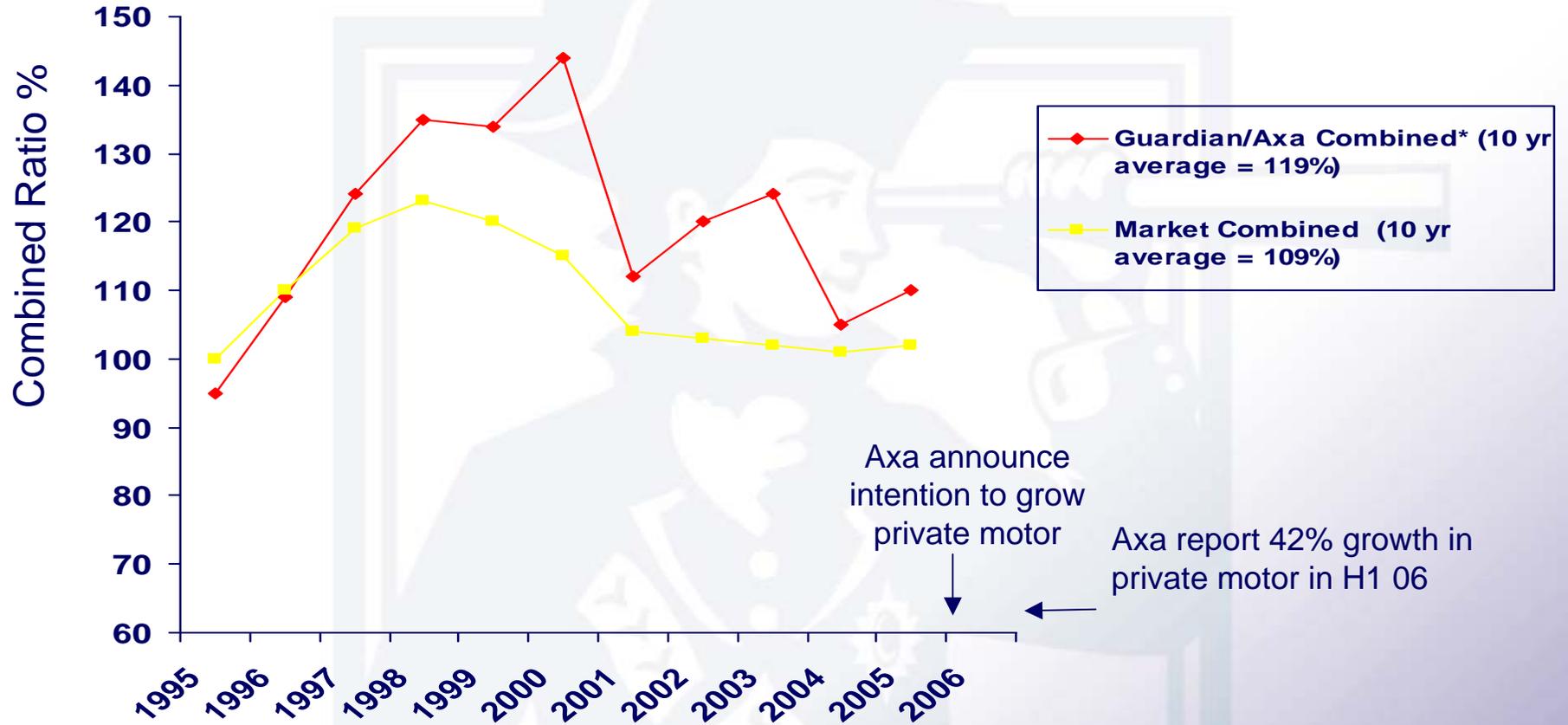


\* 95-97, Guardian Private Motor, 98 onwards Axa/Guardian Motor

Sources: Smith New Court; EMB analysis



# Continued Exuberance



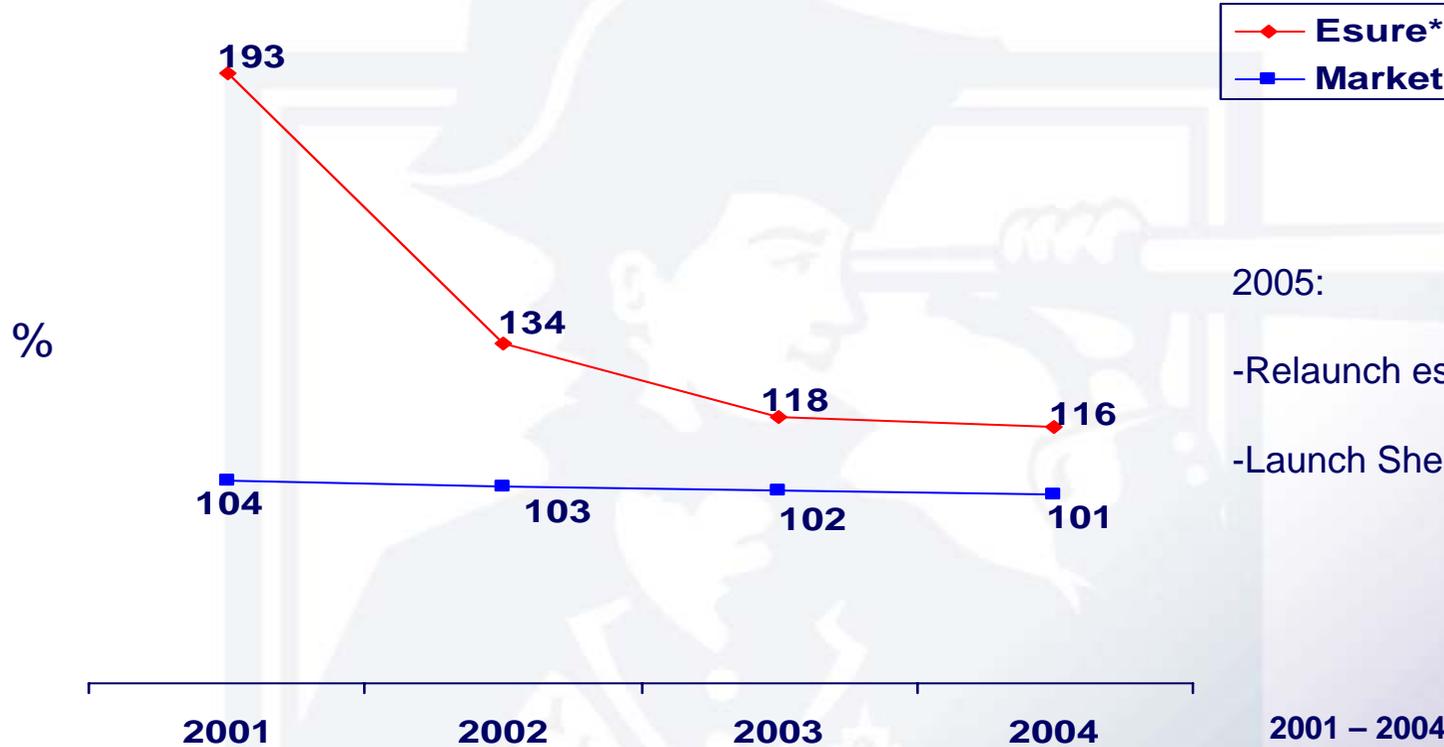
\* 95-97, Guardian Private Motor, 98 onwards Axa/Guardian Motor

Sources: Smith New Court; EMB analysis



# Continued Exuberance

## Esure Results To Date\* (Combined Ratio v. Market)



2005:

-Relaunch esure.com

-Launch Sheilas` Wheels

	2001	2002	2003	2004	2001 – 2004 Total
Earned Premium £m	28	88	162	231	509
Underwriting Loss £m	26	30	29	37	122

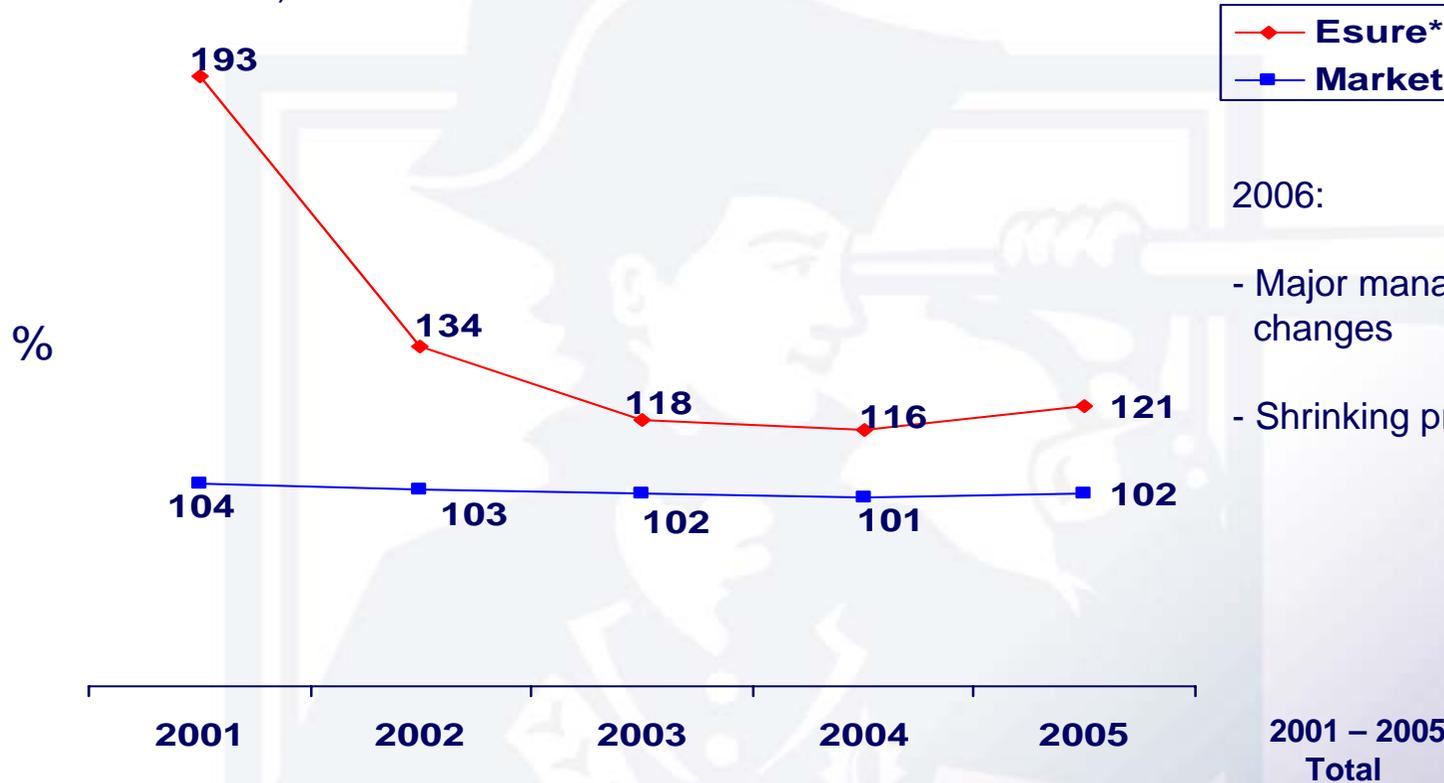
•Esure & First Alternative

Source: EMB analysis



# Continued Exuberance

## Esure Results To Date\* (Combined Ratio v. Market)



2006:

- Major management changes
- Shrinking premium in H1 06

	2001	2002	2003	2004	2005	2001 – 2005 Total
Earned Premium £m	28	88	162	231	291	800
Underwriting Loss £m	26	30	29	37	61	183

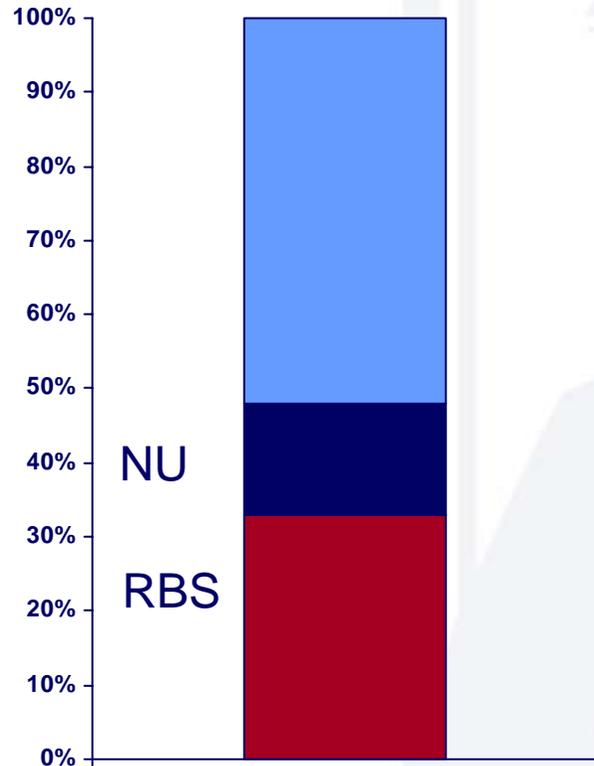
\*Esure & First Alternative

Source: EMB analysis



# Shareholder value driven market leaders?

UK Market Share 2005



NU

H1 2006 Combined

Commercial Property	76%
Homeowner	87%
Commercial Motor	94%
Private motor	105% ← "Rates up 16%"
Overall	92%

RBS





# The Future



# Brand initiatives

■ Admiral

■ Bell

■ Confused.com

■ Diamond

■ elephant.co.uk



# Admiral goes international



- Munich Re Deal
- Up to 8 year deal
- Munich Re 65%  
Admiral 35%



# Admiral goes international

The obvious targets:

	GWP	No of vehicles
France	£12bn	31m
Germany	£15bn	45m
Italy	£14bn	34m
<b>Spain</b>	<b>£8bn</b>	<b>20m</b>
USA	£110bn	236m
<b>UK</b>	<b>£13bn</b>	<b>32m</b>



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# Supplementary Information





# Financials





# Admiral Key Performance Indicators

	KPI	2003	2004	2005	H1 '05	H1 '06
Premiums	Quote volumes	4.7m	6.2m	9.8m	4.7m	7.6m
	Conversion rates	8.1%	8.9%	5.8%	6.0%	4.2%
	Policies in-force at end of period	777,611	1,007,571	1,104,480	1,057,452	1,160,862
	% of premiums retained by Admiral	25%	25%	30%	30%	25%
Claims	Reported earned loss ratio	52%	67%	70%	72%	72%
	Current best estimate earned loss ratio <sup>(1)</sup>	54%	63%	72%	72%	75%
Expenses	Acquisition expense ratio <sup>(2)</sup>	5.4%	5.4%	4.9%	5.1%	4.6%
	Non-acquisition expense ratio <sup>(2)</sup>	8.2%	7.0%	7.4%	6.9%	7.4%
	MIB & other levies ratio <sup>(2)</sup>	2.0%	2.6%	2.8%	2.9%	2.7%
	Total operating expense ratio <sup>(2)</sup>	15.6%	15.0%	15.1%	14.9%	14.7%
Other Income	Ancillary contribution per policy sold (£) <sup>(3)</sup>	£50.7	£51.2	£56.6	£55.9	£56.2
	Ancillary margin <sup>(4)</sup>	80.2%	81.9%	81.5%	82.4%	82.0%
	Instalment income as % of NWP	1.4%	2.2%	2.4%	2.1%	3.4%
	Profit commission <sup>(5)</sup>	£7.4m	£15.7m	£14.7m	£5.7m	£9.6m

(1) Management best estimate based on actuarial analysis

(2) Earned expense ratio adjusted for Lloyd's costs, including claims handling costs

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

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

(5) Adjusted for 2003 PC £6m



# Summary Income Statement

	H1 05	H1 06
	£m	£m
Group Turnover	319.3	359.2
<b>Total premiums written</b>	<b>268.5</b>	<b>294.0</b>
Gross premiums written	94.0	102.9
Net premiums written	79.9	72.9
<b>Net earned premium</b>	<b>63.8</b>	<b>74.9</b>
Investment income	6.1	3.7
Net insurance claims	(47.3)	(55.6)
Insurance related expenses	(7.9)	(9.5)
<b>Underwriting profit</b>	<b>14.7</b>	<b>13.5</b>
Total Profit commission	5.7	9.6
Gross ancillary revenue	36.0	40.1
Ancillary costs	(6.3)	(7.2)
Instalment income	1.7	2.5
Gladiator contribution	0.9	1.0
Confused.com contribution	2.3	8.7
Other charges	(0.4)	(0.3)
Share scheme charges	(0.1)	(0.4)
Spanish expansion direct costs	-	( 0.2)
<b>Operating profit</b>	<b>54.5</b>	<b>67.2</b>
Interest income	2.3	2.1
Interest payable	(1.2)	(0.6)
<b>Profit before tax</b>	<b>55.6</b>	<b>68.7</b>



# Summary Balance Sheet

	H1 05 £m	FY 05 £m	H1 06 £m
<b>ASSETS</b>			
Intangible assets	66.7	66.5	66.2
Property, plant and equipment	2.9	4.6	6.7
Financial assets	366.8	378.7	415.4
Reinsurance contracts	60.7	54.2	68.7
Trade and other receivables	29.6	9.4	11.7
Cash and cash equivalents	119.1	150.2	129.4
<b>Total assets</b>	<b>646.1</b>	<b>663.6</b>	<b>698.1</b>
<b>EQUITY</b>			
Share capital	0.3	0.3	0.3
Retained earnings	146.8	168.0	178.6
Other reserves	13.1	13.1	13.1
<b>Total equity</b>	<b>160.2</b>	<b>181.4</b>	<b>192.0</b>
<b>LIABILITIES</b>			
Insurance contracts	241.6	254.1	281.7
Financial liabilities	29.4	22.0	-
Deferred income tax	6.3	3.6	0.9
Corporation tax liabilities	18.3	19.6	23.2
Trade and other payables	190.1	182.9	200.3
<b>Total liabilities</b>	<b>485.9</b>	<b>482.2</b>	<b>506.1</b>
<b>Total liabilities and equity</b>	<b>646.1</b>	<b>663.6</b>	<b>698.1</b>



# Reduced Risk

## Current Share of Gross Written Premiums

	2006
Admiral Group	25%
Munich Re	65%
Swiss 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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