



## Admiral Reports Record Interim Profits & Strong Turnover Growth

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Admiral Group plc ("Admiral", or "the Group") today announces record interim results with a core profit\* of £56.9 million for the six months to June 2005, an increase of 17% over the same period in 2004. Group turnover, comprising total premiums written, gross other income and investment income, rose 19% to £319.3 million.

### 2005 Interim Result Highlights

- Core profit up 17% at £56.9 million (H1 2004: £48.6 million)
- Total interim dividend distribution of 9.7p per share - includes special dividend of 2.9p per share
- Group turnover up 19% at £319.3 million (H1 2004: £269.3 million)
- Total premiums written up 15% at £268.5 million (H1 2004: £233.3 million)
- Net income from products and services not underwritten by the Group up 38% at £36.5 million (H1 2004: £26.5 million)
- Active customers up 5% to 1,057,000 from 1,008,000 at 31 December 2004, and up 16% from 911,000 customers at 30 June 2004
- New employee share scheme - around 1,500 staff to receive £2.2m of free shares based on H1 2005 result

### Comment from Henry Engelhardt, Group Chief Executive

"We're delighted to be reporting record interim profits and strong growth in turnover, despite a challenging market environment. Admiral's performance again demonstrates the strength of its business model and the effectiveness of its distribution strategy.

"Our ability to increase our customers and turnover even while raising premium rates suggests that motorists in the United Kingdom continue to find our product offering both attractive and competitive."

### Comment from Alastair Lyons, Group Chairman

"Consistent with our principle of returning excess cash to our shareholders, we are very pleased to be able to propose a normal interim dividend of 6.8p per share and a special dividend of 2.9p per share.

"We will continue to review available cash to determine whether it is appropriate for the Group to pay further special dividends from time to time, in addition to its normal policy of distributing no less than 45% of after-tax profits at each half year."

### 2005 Interim Result Review

Admiral's core profit in the six months to June 2005 amounted to £56.9 million, an increase of 17% over the £48.6 million achieved in the same period in 2004. Group turnover rose 19% in the period to reach £319.3 million (H1 2004: £269.3 million).

During the first half of 2005, the Group wrote total motor premiums for itself and its underwriting partners of £268.5 million (H1 2004: £233.3 million), with the increase driven by substantial growth in sales originated from the Internet.

Admiral's premium rates were on average 2.9% higher in the first half of 2005 compared with the same period a year earlier as the Group took action to offset in part claims inflation of around 5% and achieve a sustainable underwriting result.

Favourable loss development through prudent underwriting has regularly enabled Admiral to release reserves on prior year claims. This continued to be the case in the first half of 2005 when there were net reserve releases of £5.2 million (H2 2004: £4.0 million). The loss ratio for the first half, including reserve releases, was 71.6% (H2 2004: 69.6%).

Admiral's highly effective direct distribution model is reflected in an expense ratio of 14.9% (H2 2004: 16.3%). The combined operating ratio for the first half of 2005 was 86.5% (H2 2004: 85.8%). The directors of Admiral continue to believe that the Group's superior loss and expense ratios will enable it to significantly outperform the UK private motor insurance market.

Admiral is a strongly cash generative business which currently has limited need for capital to support its organic growth. The Group's balance sheet is conservatively managed and it expects cash reserves to build over time. Accordingly, the Board has recommended the payment of a normal interim dividend of 6.8p per share, in line with established policy of distributing at least 45% of post-tax profits, and a special dividend of 2.9p per share, to give a total interim distribution of £25 million.

The Group established a new share scheme in 2005, enabling staff to continue to participate in Admiral's success. Free shares worth £2.2m will be awarded to around 1,500 employees based on the H1 2005 results, with a similar scheme set to operate in each future six-month period.

### Outlook

Admiral remains confident of its plans to maintain a significant combined ratio advantage over the market average and continue to grow its book of business. As part of its longer-term strategy it continues to investigate opportunities for business outside the United Kingdom.