



Admiral Reports Record Profits and Reaffirms Growth Prospects

21 Mar 2005

Admiral Group plc ("Admiral", or "the Group") today announces a record adjusted core profit of £100.6 million for the year to December 2004, an increase of 30% over the year earlier. Aggregate group turnover, comprising total premiums written, gross other income and allocated investment income, rose 28% to £548.0 million.

2004 Highlights

- Adjusted core profit* up 30% at £100.6 million (2003: £77.2 million)
- Statutory pre-tax profits of £101.0million (2003: £57.2million)
- Normal final dividend of 3.1p per share, special dividend of 6.2p per share
- Aggregate group turnover up 28% at £548.0 million (2003: £427.3 million)
- Total motor premiums written up 27% at £470.4 million (2003: £371.6 million)
- Net income from products and services not underwritten by the Group up 47% at £56.9 million (2003: £38.7 million)
- Active customers at year end up 29% to 1,041,000

* Adjusted core profit is statutory operating profit (plus interest receivable and less charges for staff share schemes, goodwill amortisation and bonuses paid in lieu of dividends) excluding £6 million of profit commission from Munich Re accounted for in 2004 but relating to premiums earned in 2003

Comment from Henry Engelhardt, Group Chief Executive

"The growth in revenue, profits and cash flow during 2004 underlines the strength of our business model and the effectiveness of our distribution strategy.

"As already indicated we look forward in 2005 to growing our business and widening our margins relative to industry averages."

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 final dividend of 3.1p per share

and a special dividend of 6.2p 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."

2004 Review

Core profit amounted to £106.6 million (2003: £71.2 million). Removing the contribution from profit commission earned in 2003 but recognised in the six months to June 2004, adjusted core profit increased 30% to £100.6 million (2003: £77.2 million).

During 2004, the Group wrote total motor policy premiums for itself and its underwriting partners of £470.4 million (2003: £371.6 million), the increase driven by substantial growth in sales originated from the internet. Admiral's retained earned premiums, net of co-insurance and reinsurance**, increased to £107.5 million (2003: £79.3 million).

Admiral's premium rates were on average around 3% lower in 2004 compared with the year earlier as the Group took advantage of its superior operating ratios to grow policy count and premiums written. Excluding claims handling expenses and reserve releases, the 2004 loss ratio was 75%, up from 72% the previous year.

Claims reserve releases on prior year claims have been a feature of Admiral's results over the last few years. This continued to be the case in 2004. There were reserve releases in 2004 of £9.2m (2003 £16.1m). The loss ratio for 2004, including reserve releases, was 67% (2003 52%).

The Group's highly effective direct distribution model is reflected in an expense ratio of 15.0% (2003: 15.6%). The combined operating ratio for 2004 was 82%. The directors of Admiral continue to believe that the Group's superior loss and expense ratios will enable it to outperform the UK private motor insurance market as a whole.

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. In 2004, the Group benefited from an abnormally low tax charge owing to the vesting of the Employee Share Ownership Trust. Accordingly, the Board has

recommended the payment of a normal final dividend of £8 million and a special final dividend of £16 million to give a total final 2004 dividend of £24 million.

** Admiral currently retains 25% of the underwriting risk on its motor insurance portfolio, with the remainder borne by its co-insurance and reinsurance partners