

# ADMIRAL GROUP plc

2007 Half Year Results

September 2007



**Diamond**





# Admiral Is STILL Different

2004

2005

2006

2007

■ Highly Profitable



■ Fast Growing



■ Low Risk Profits



■ Strongly Cash Generative





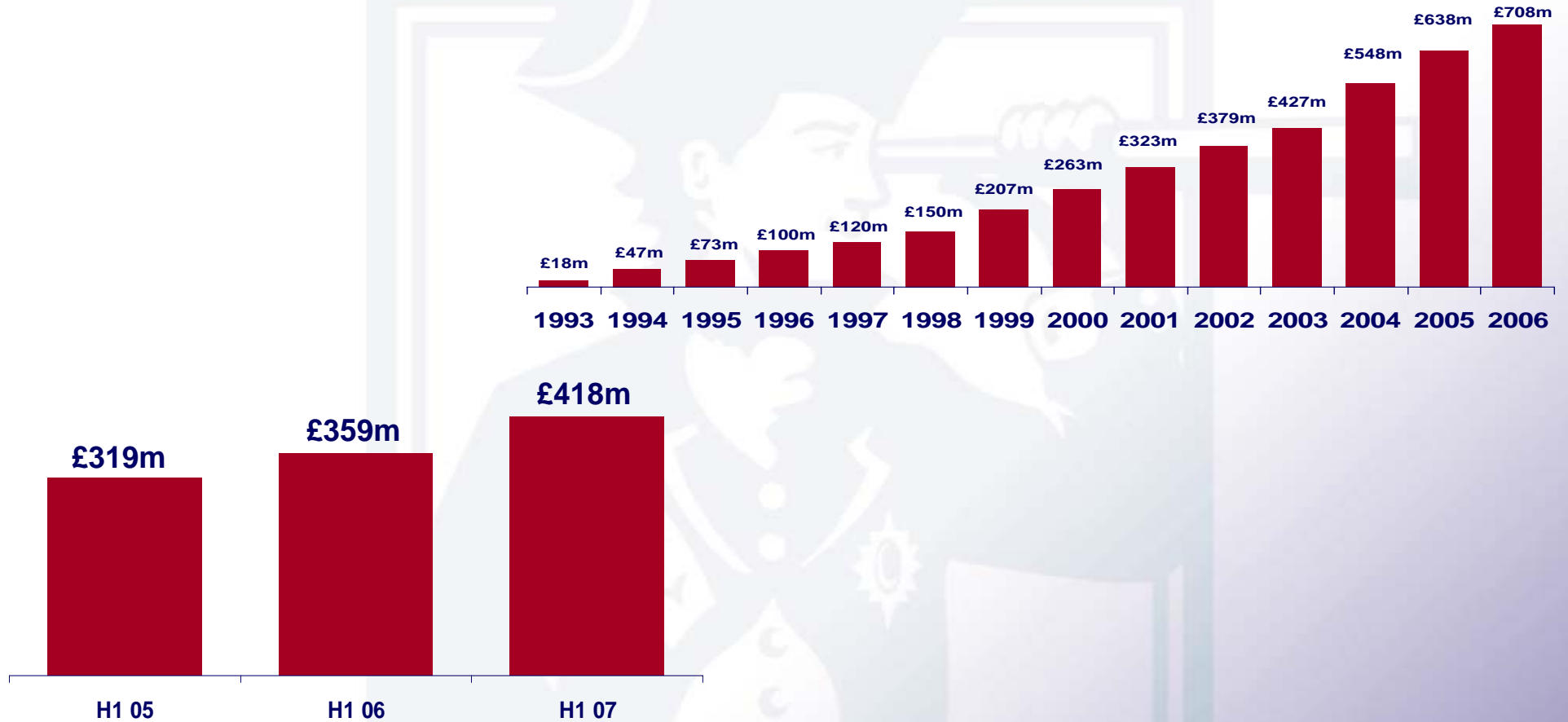
# Highlights

- Profit up 26% at £86.3m (H1 2006: £68.7m)
- Total interim dividend of 20.6p, up 70% (H1 2006: 12.1p)
- Group turnover up 16% at £417.8m (H1 2006: £359.2m)
- Profit from ancillary products and services up 15% to £37.7m (H1 2006: £32.9m)
- Vehicle count up 16% to 1.4m (H1 2006: 1.2m)
- Confused profit of £19.7m (H2 2006: £14.7m)



# Fast Growing

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

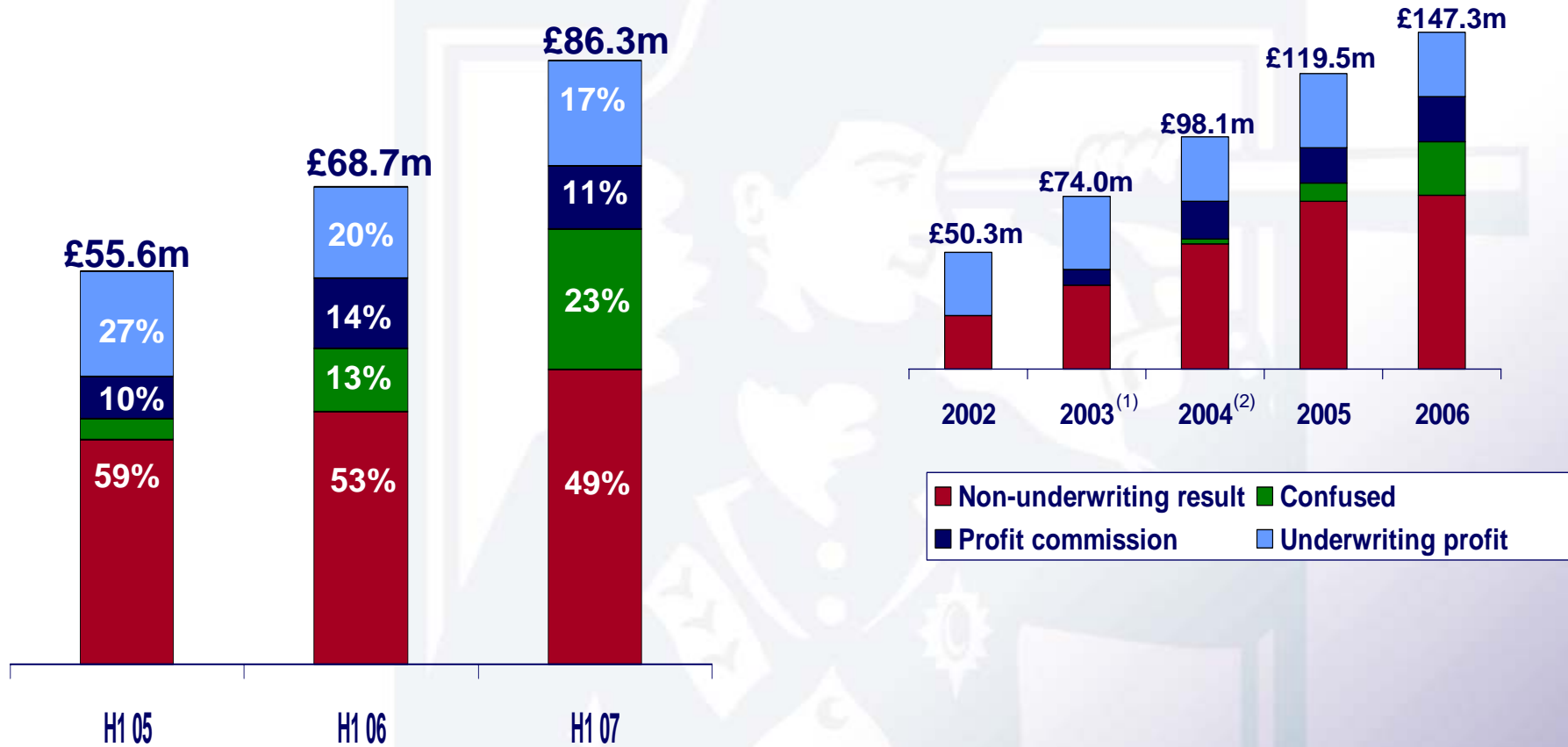


<sup>(1)</sup> Revenue comprises total premiums written + other revenue + allocated investment income



# Highly Profitable

## Profit before tax (£m)

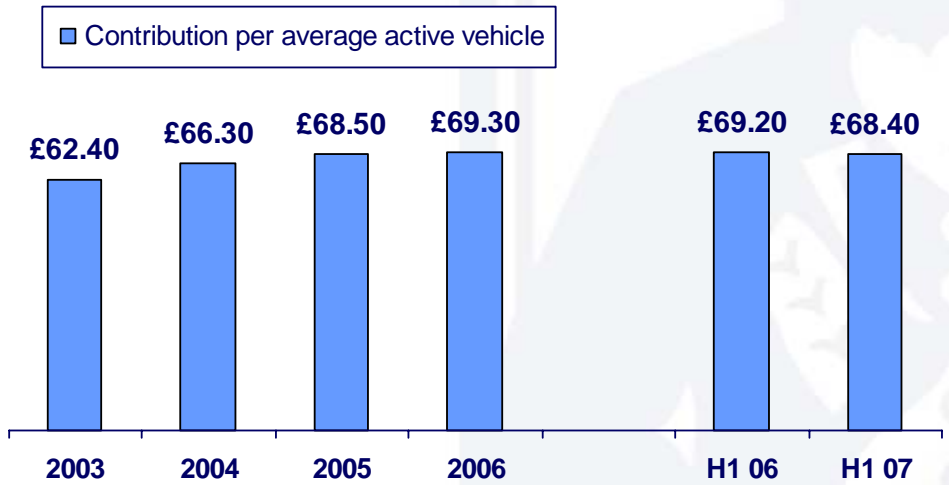
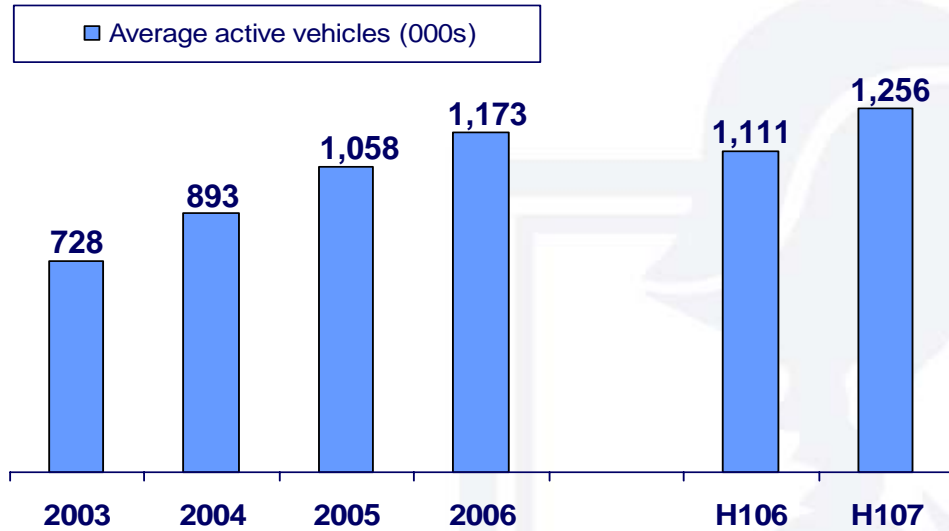


(1) £6m Munich Re profit commission re-allocated from 2004 to 2003 result.

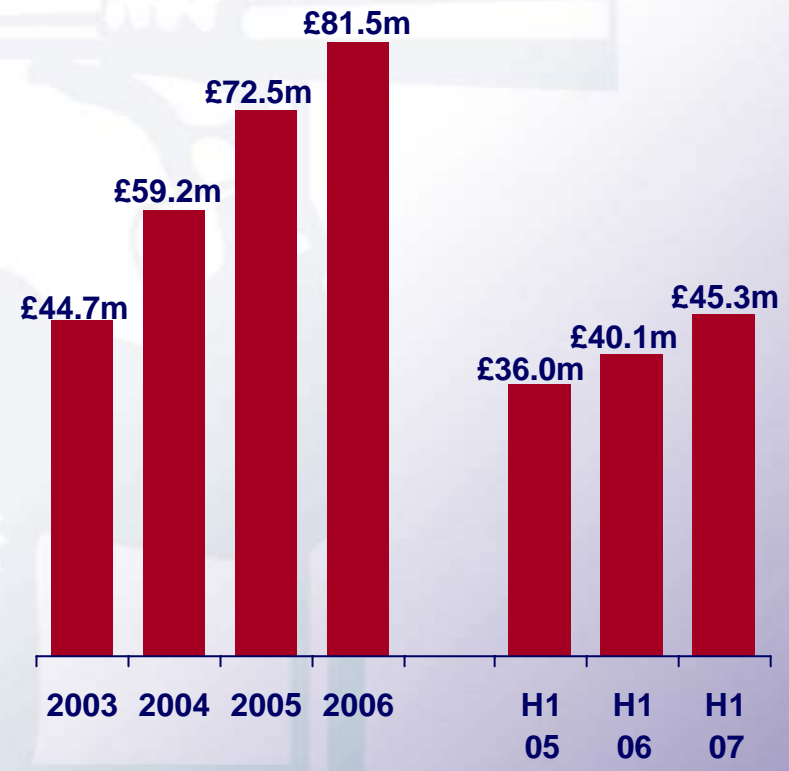
(2) Figures up to 2004 also adjusted for goodwill amortisation, ESOT transactions and bonuses in lieu of dividends.



# Low Risk Profits - Growing Ancillary Income – UK Motor



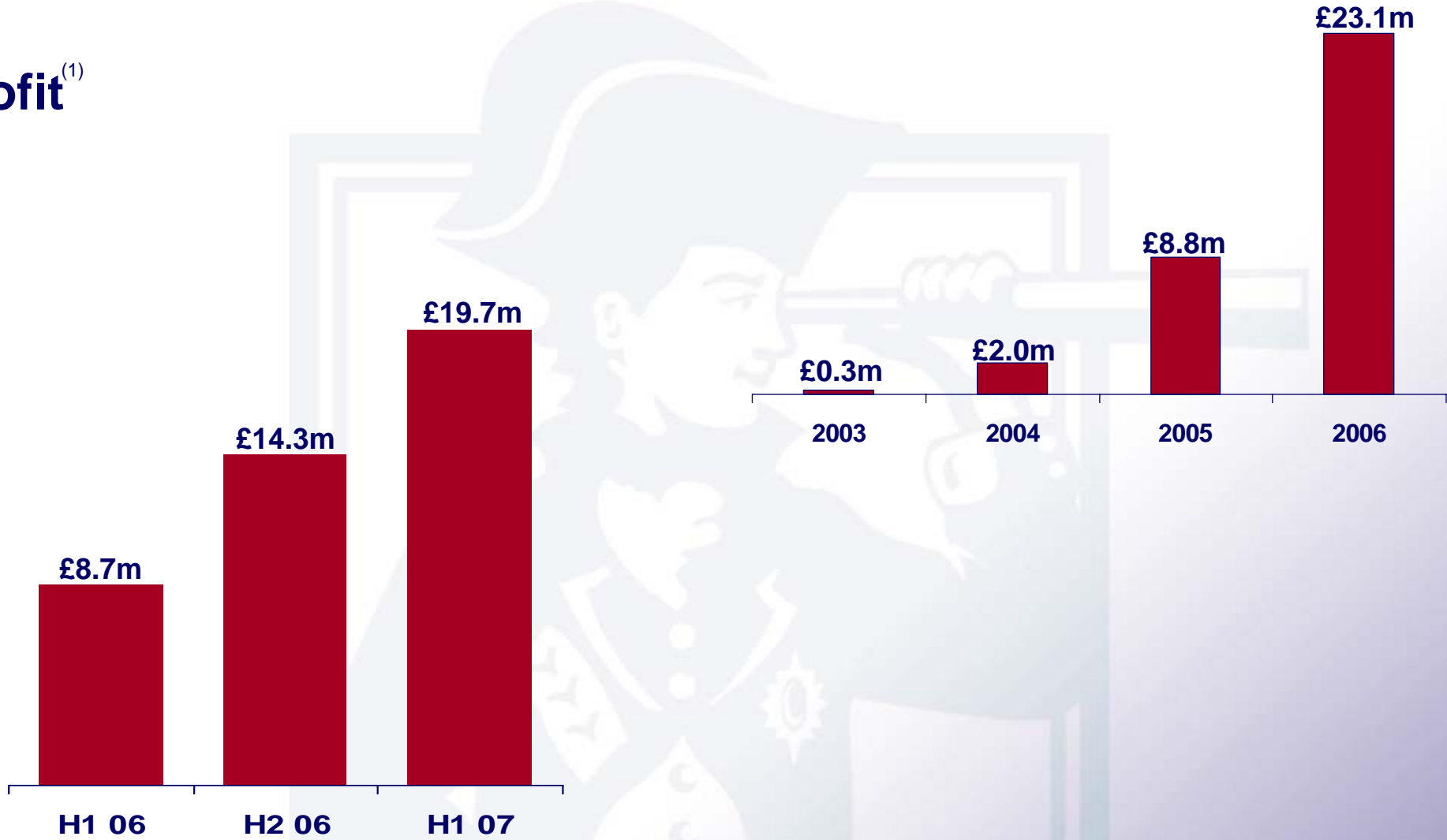
## Ancillary Contribution (£m)<sup>(1)</sup>



(1) Before allocation of overhead expenses



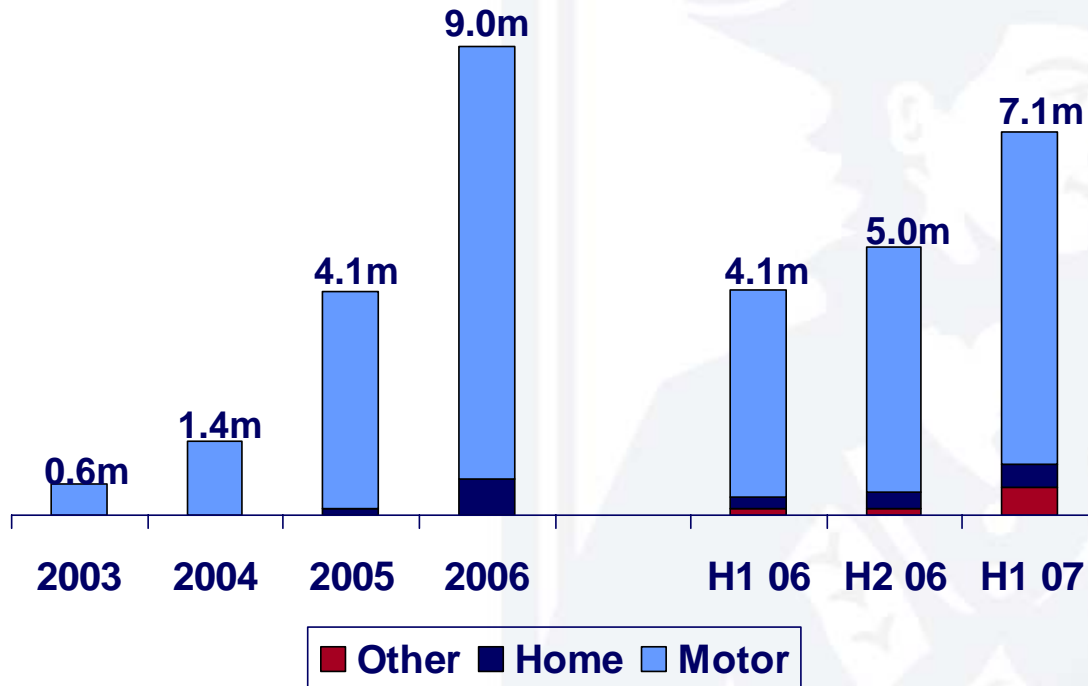
## Profit<sup>(1)</sup>



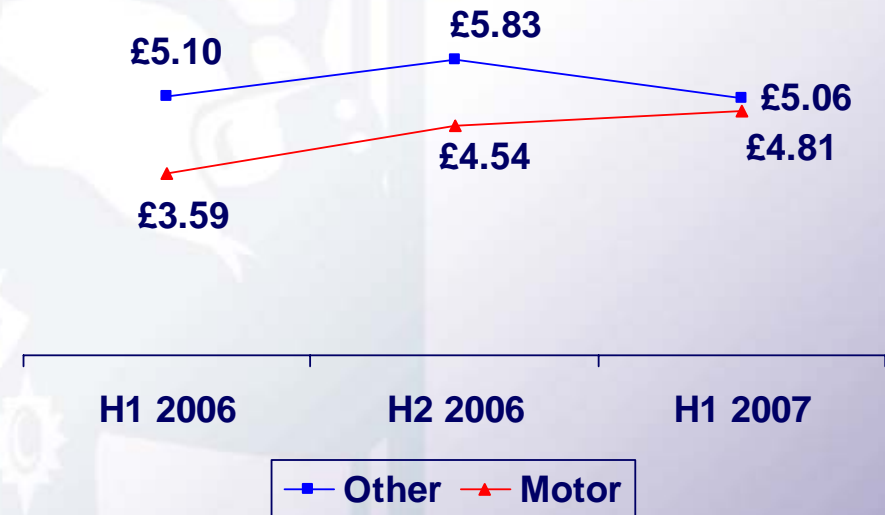
(1) Confused profit includes revenue from Group brands.



## Quotes



## Revenue per quote

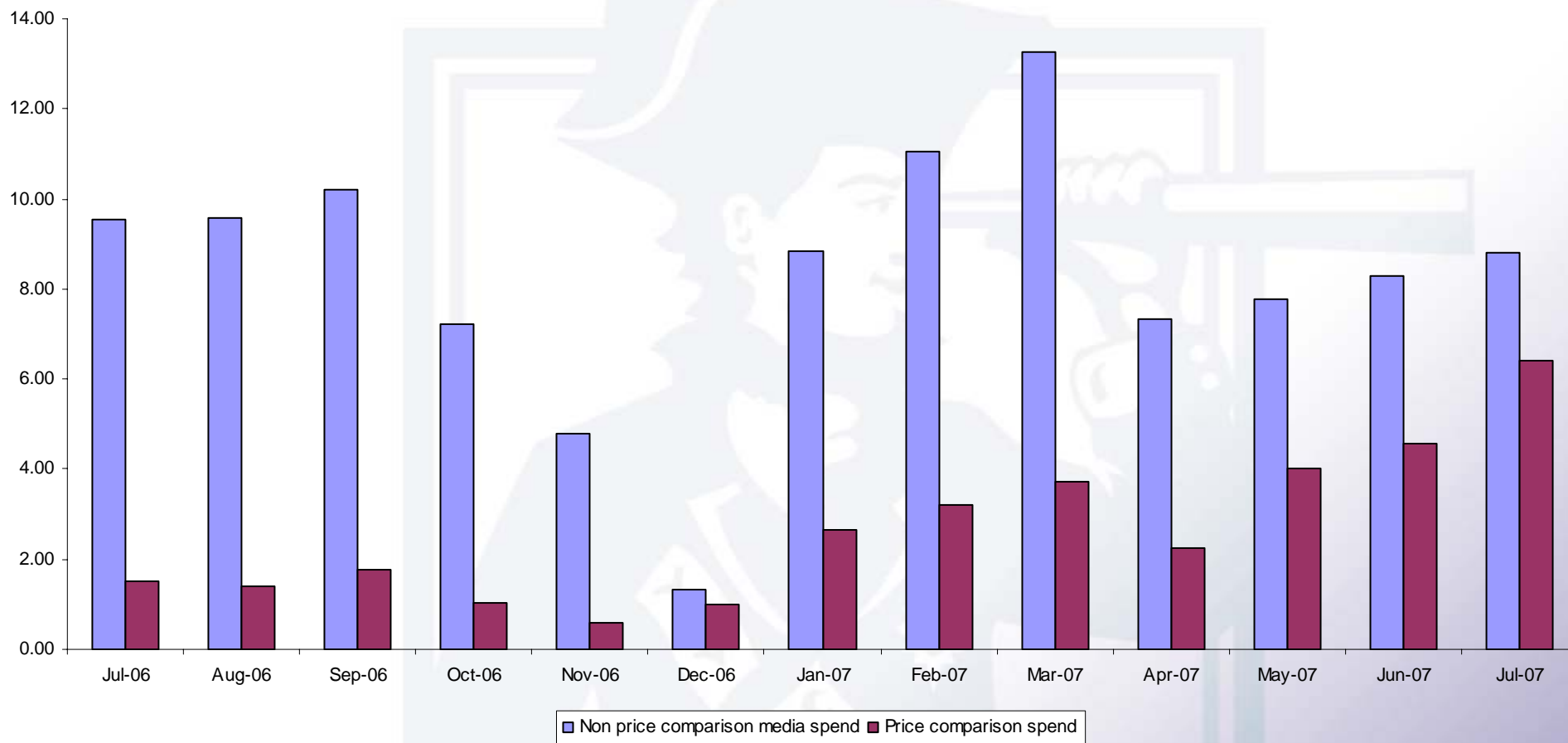






# Media Spend

## Car insurance TV and press spend (£m)

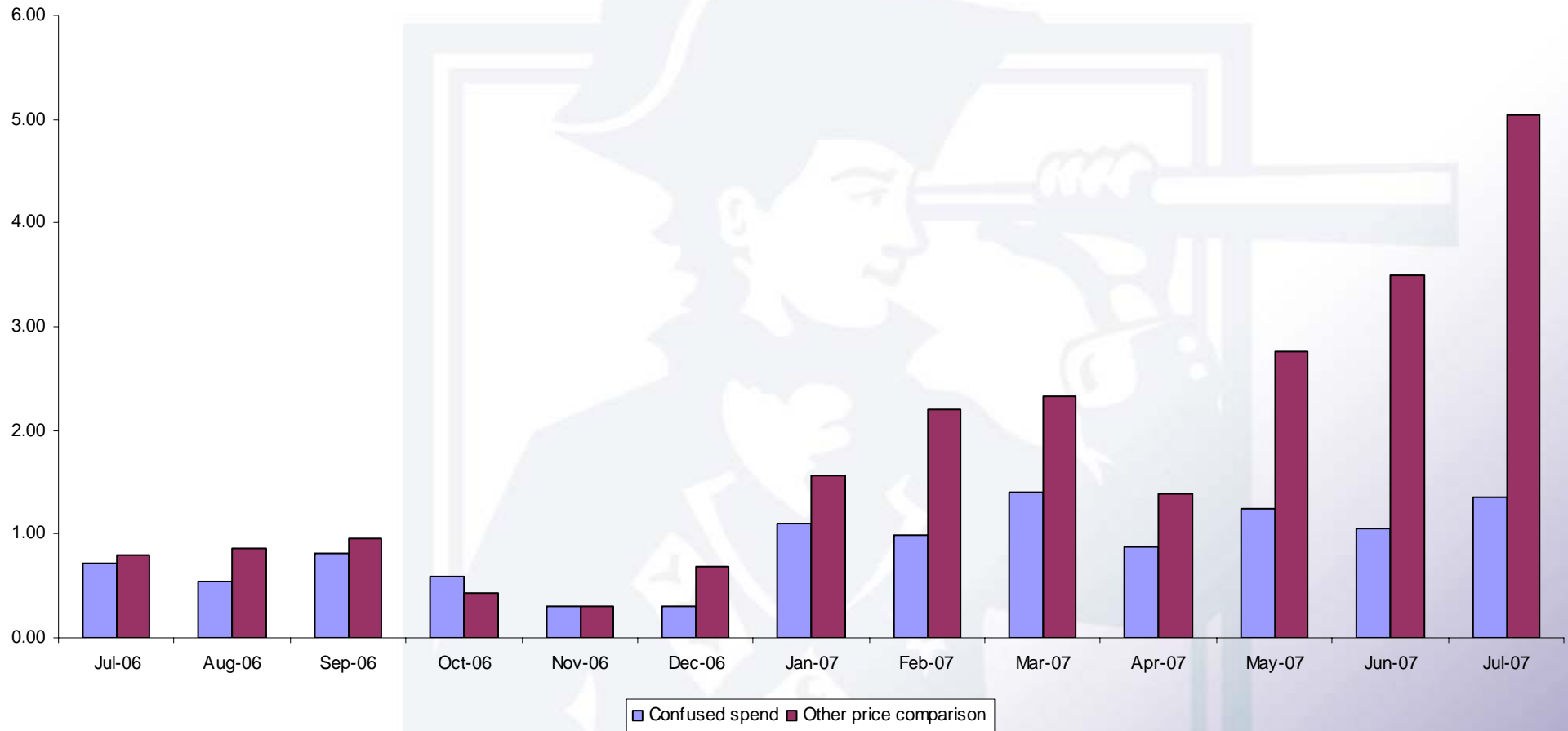


Source: AC Nielsen



# Media Spend

## Car insurance TV and press spend (£m)



Source: AC Nielsen

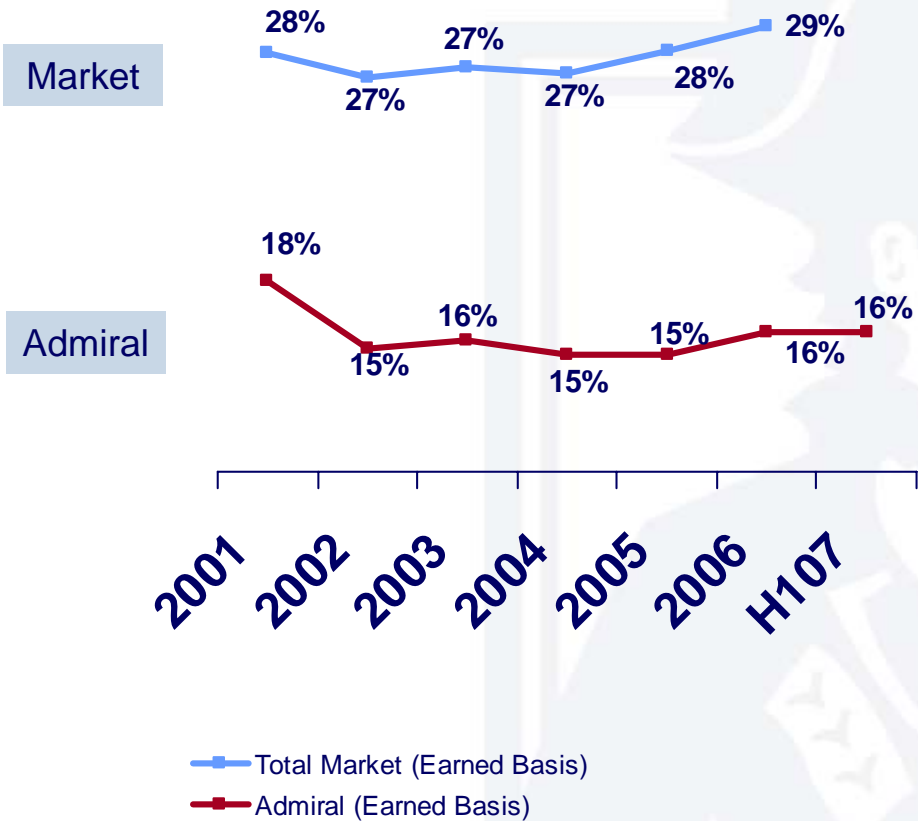


## The Market



# Underwriting Performance – Expense Ratio

## UK Expense Ratio Advantage<sup>(1)</sup>

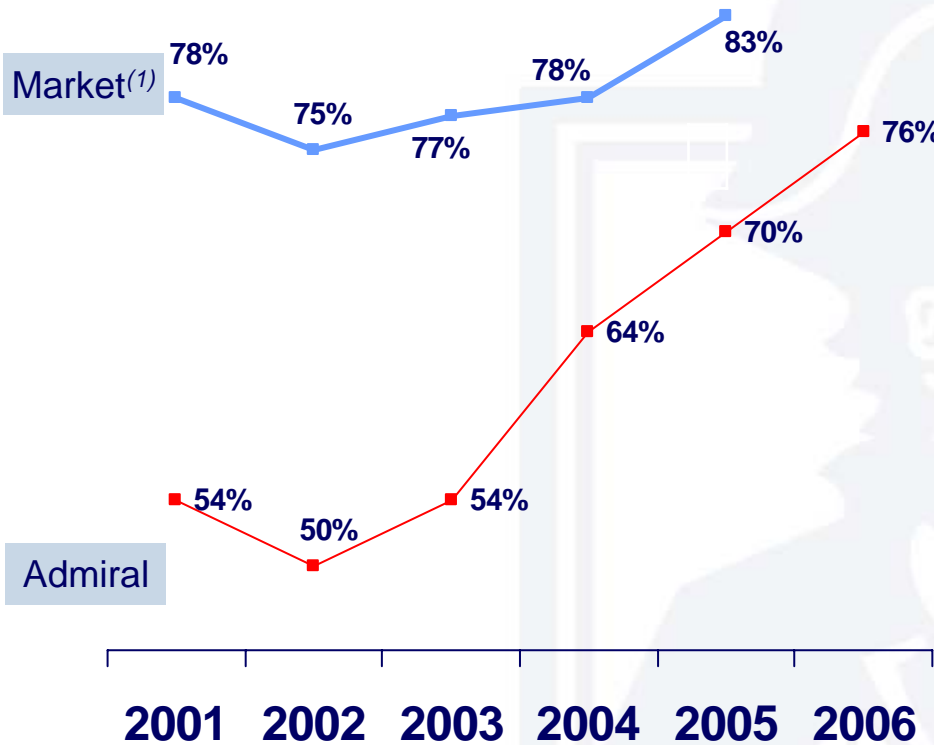


(1) Including claims handling expenses. Market: UK Motor 2001–2004, UK Private Motor 2005–2006.

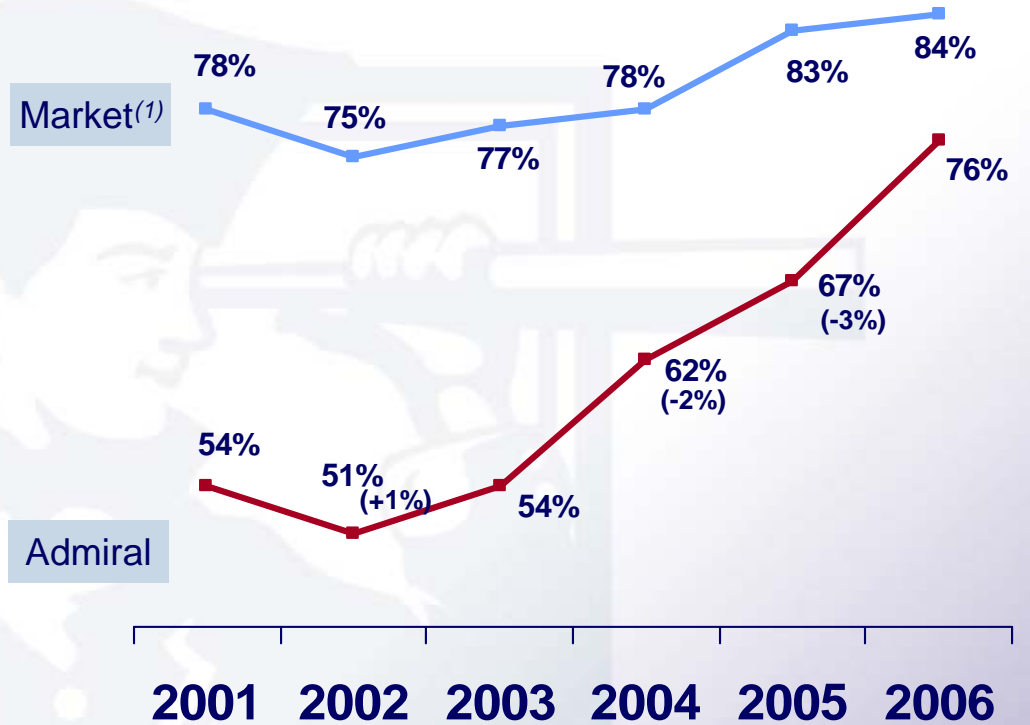


# Underwriting Performance – Loss Ratio

## Loss Ratios – End '06



## Loss Ratios – Q2 '07



—■ Total Market (Pure year results before reserve releases)  
—■ Admiral (Best Estimate of Ultimate at Dec 06)

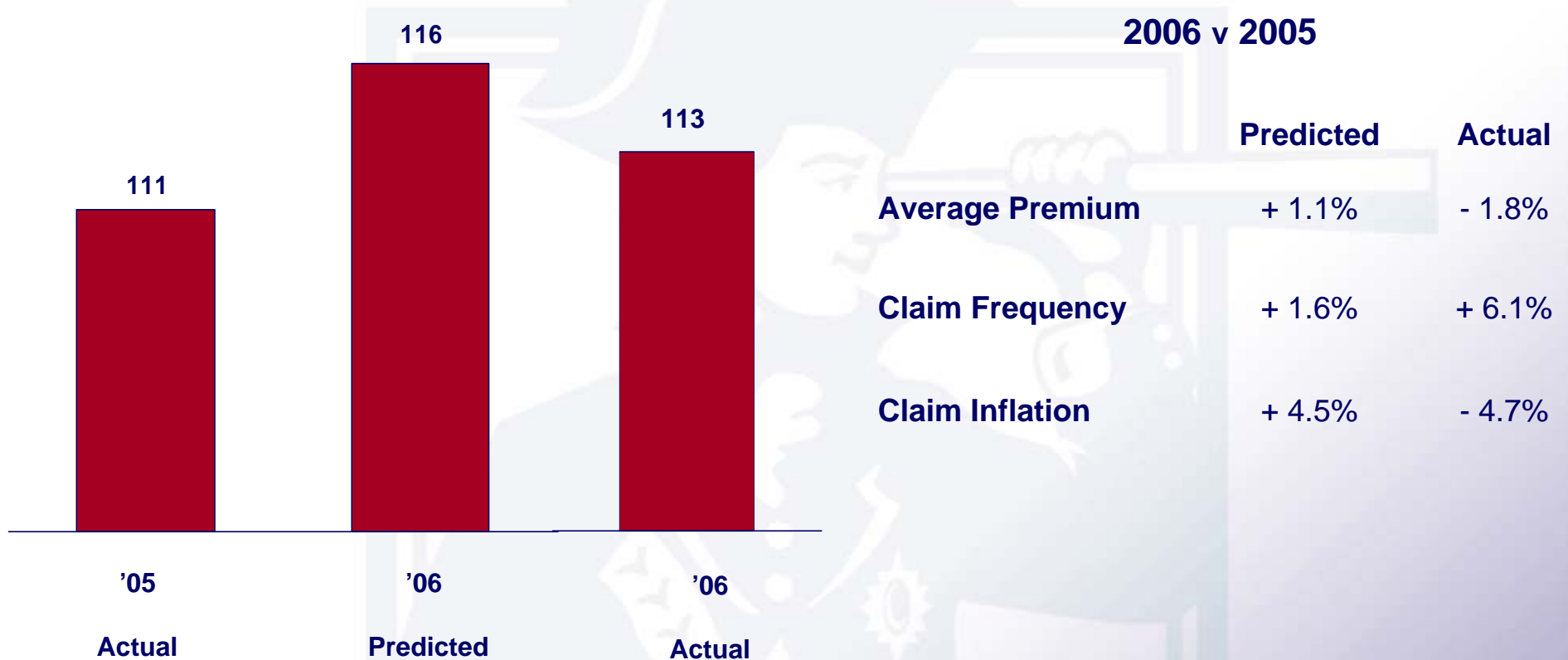
—■ Total Market (Pure year results before reserve releases)  
—■ Admiral (Ultimate Best Estimate at June 07)

(1) Excludes claims handling expenses. Market: Motor 2001-2004, Private Motor Market 2005-2006.



# Drivers of Market Profitability

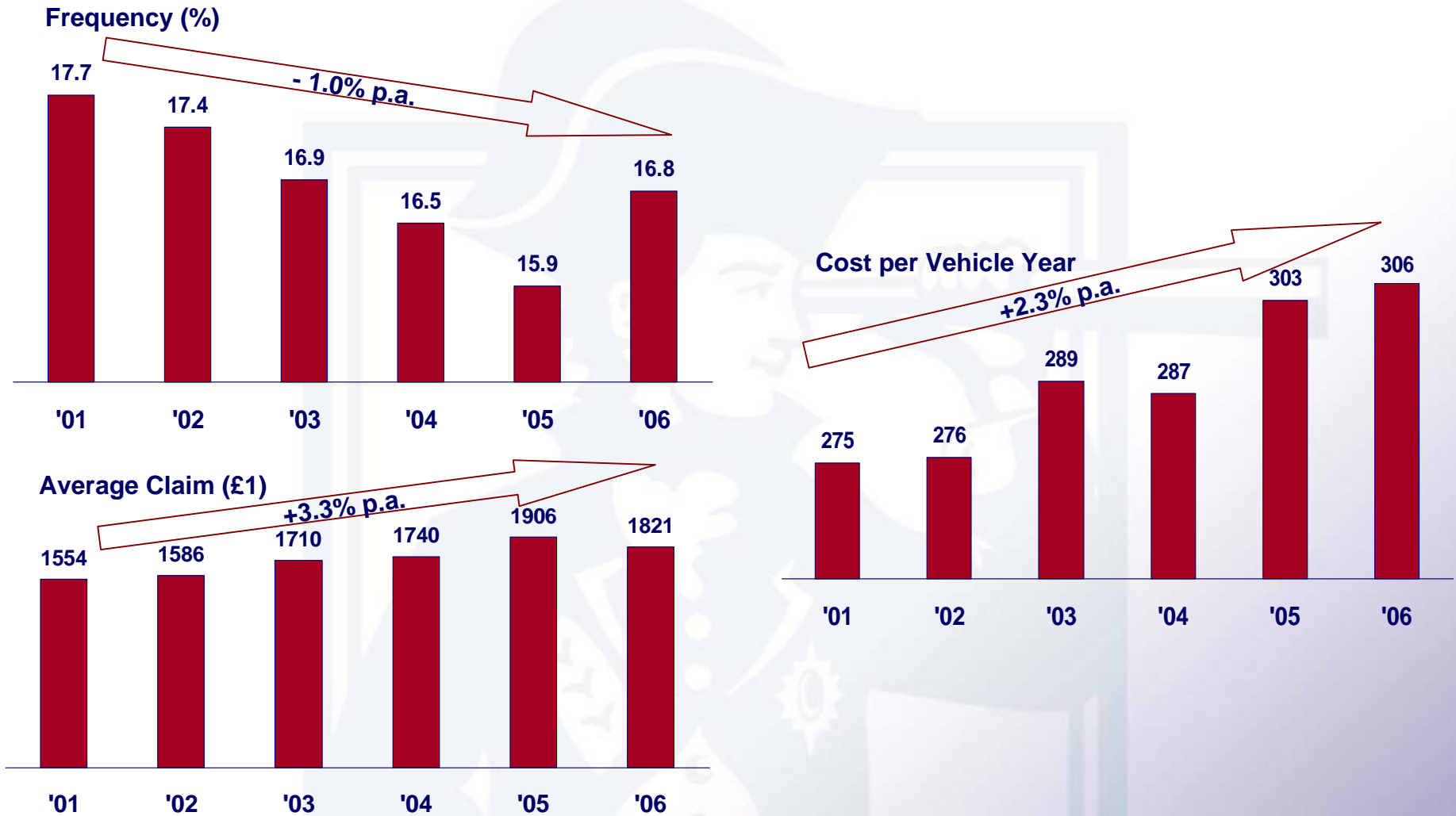
## Combined Ratio Excluding Reserve Releases (%)



Source EMB Analysis of Treasury Returns (2006 excluding CIS)



# Frequency & Cost – Long-Term Trends



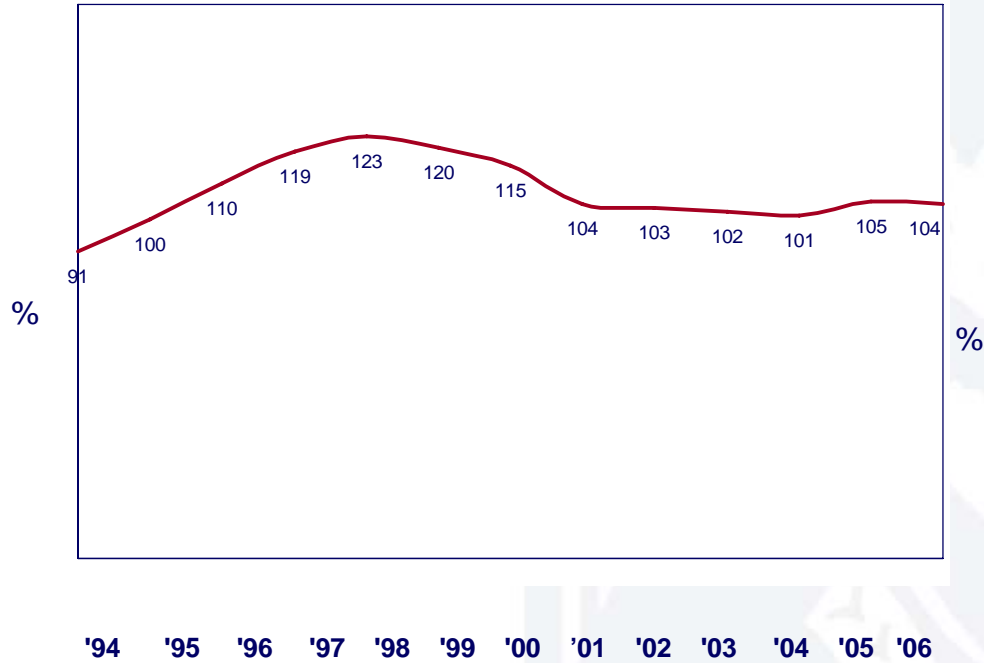
Source: EMB Analysis of Treasury Returns. Comprehensive cover only.



# Private Motor Profitability

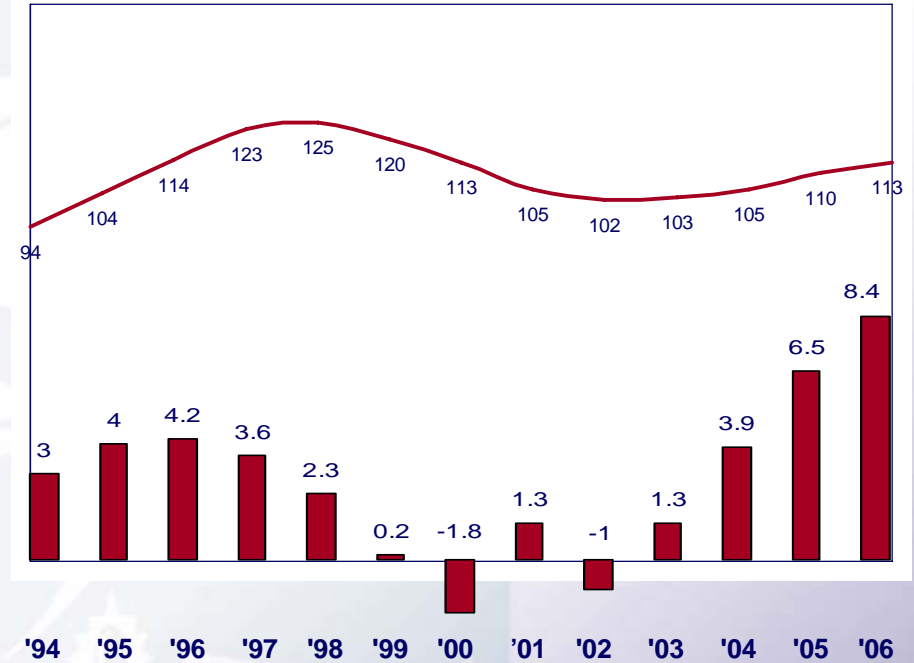
## The Cycle is Dead

Combined Ratio After Releases (% Premium)



## Long Live The Cycle

Combined Ratio Before Releases (% Premium)



■ = Reserve Releases (% Premium)

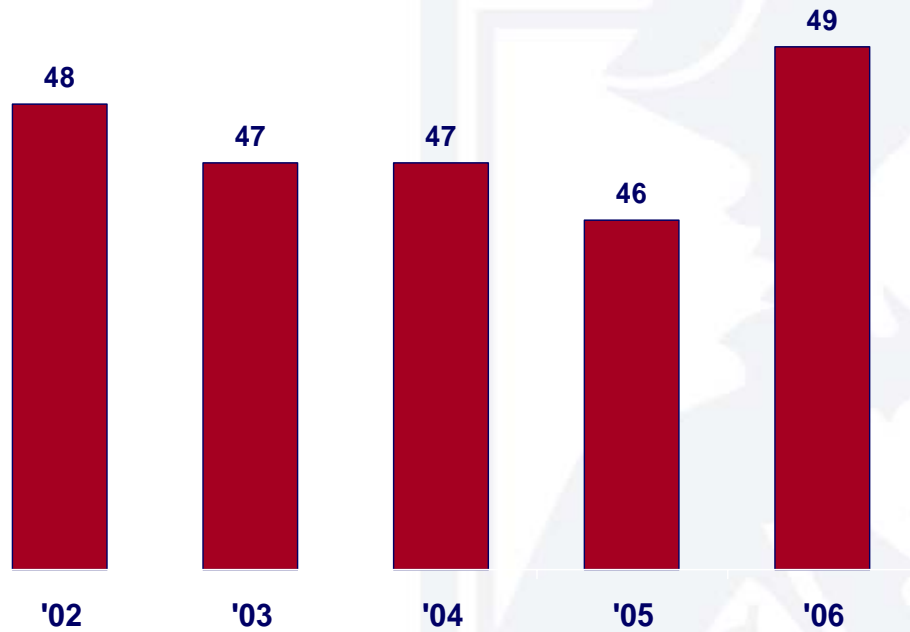
Market: 1994-2004 Motor Market, 2005-2006 Private Motor Market., excludes CIS.





# When Will Reserve Releases Reduce?

## Private Motor – Paid / Incurred\*



## First Half Results Announcements

	Reserve Releases (£m)		
	H107	H106	
<b>Aviva</b>	245	140	+ 75%
<b>RSA</b>	175	67	+ 161%

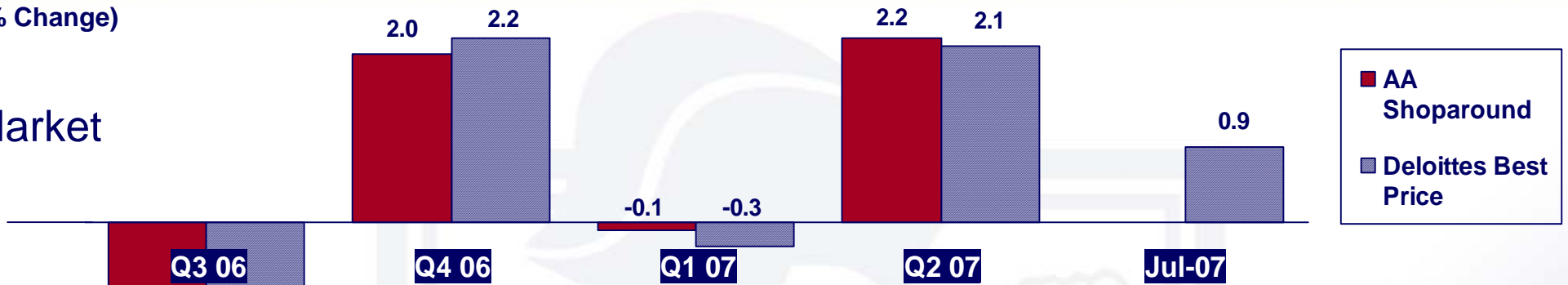
\* Source: EMB Analysis of Treasury Returns. Comprehensive cover only.



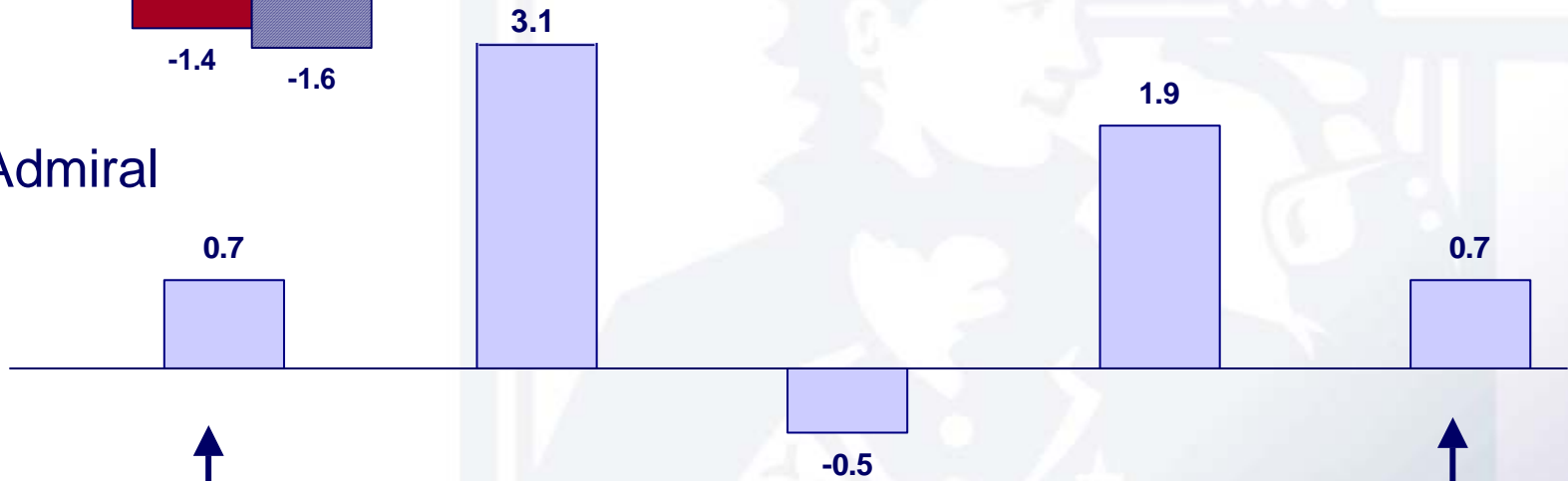
# Pricing Activity

(% Change)

## Market



## Admiral



Conversion\* - July 06

Non-Price Comparison 100

Conversion\* - July 07

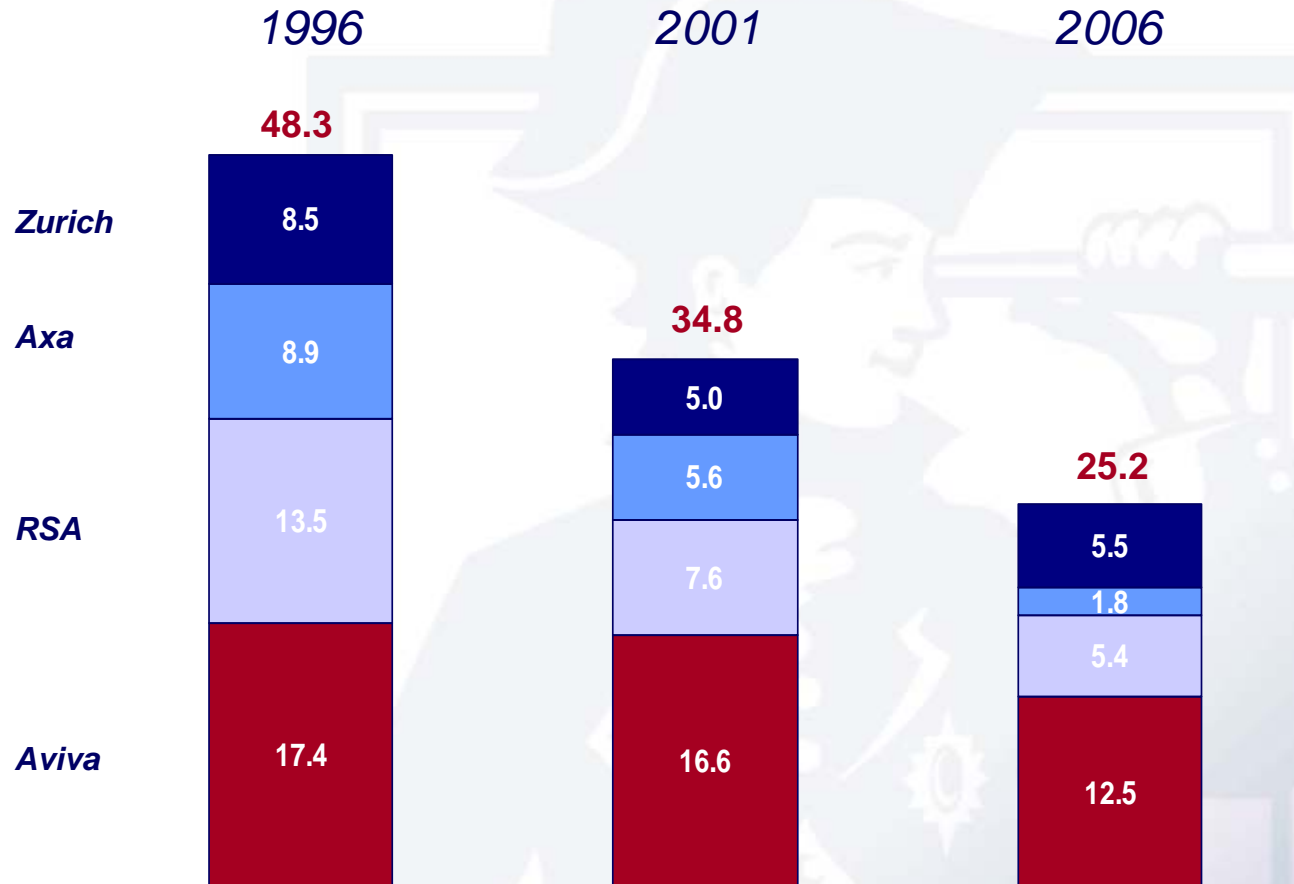
Non-Price Comparison 103

\* Average of direct to site conversion and phone conversion (July 06 = 100).



# The Long View

## Market Share (units) 1996-2006 - Shrinkers

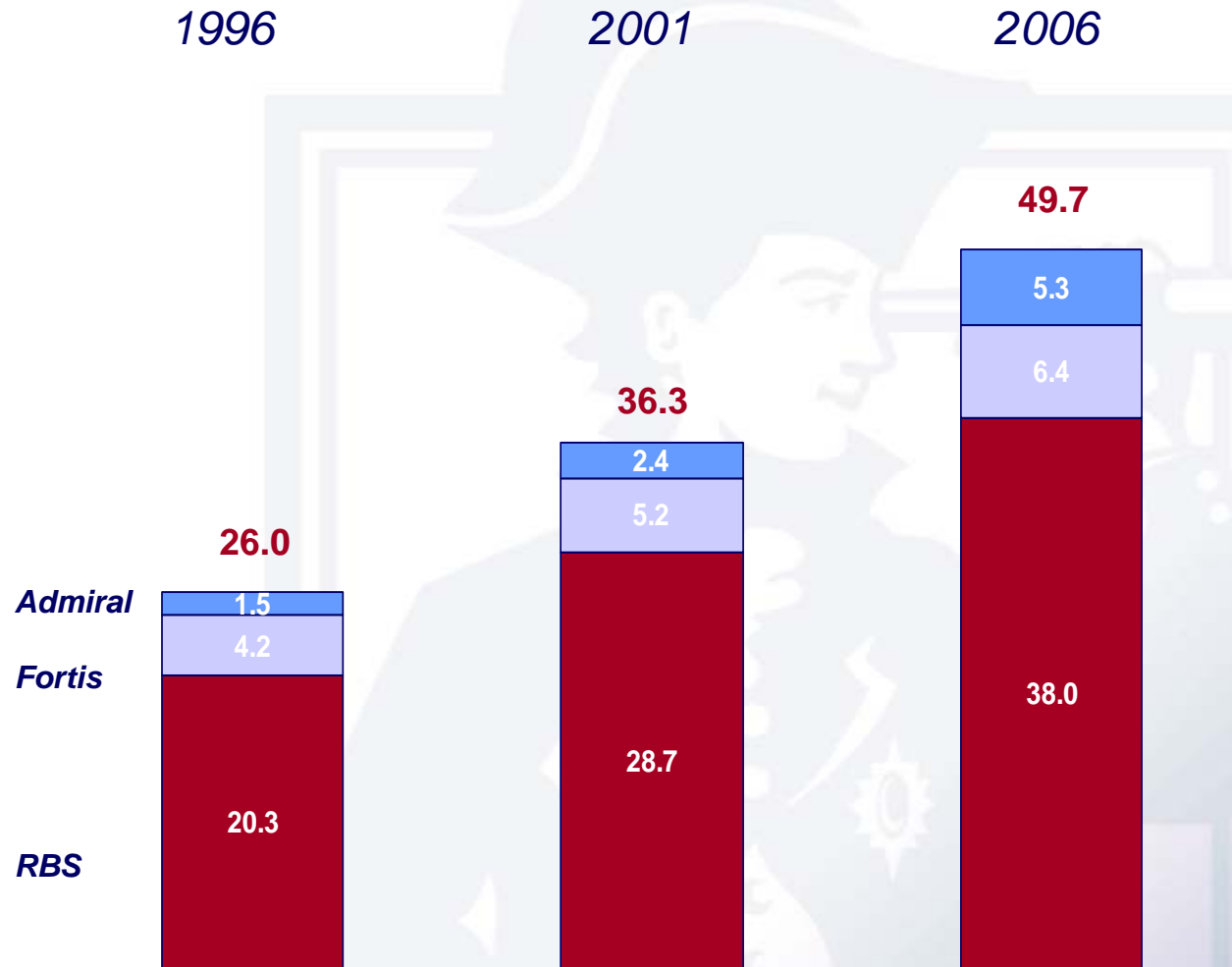


\* Market share of FSA reporting firms plus Admiral. Allocation of companies to their 2006 owners. (e.g. Guardian in 1996 to "Axa").



# The Long View

## Market Shares (units) 1996-2006\* - Growers

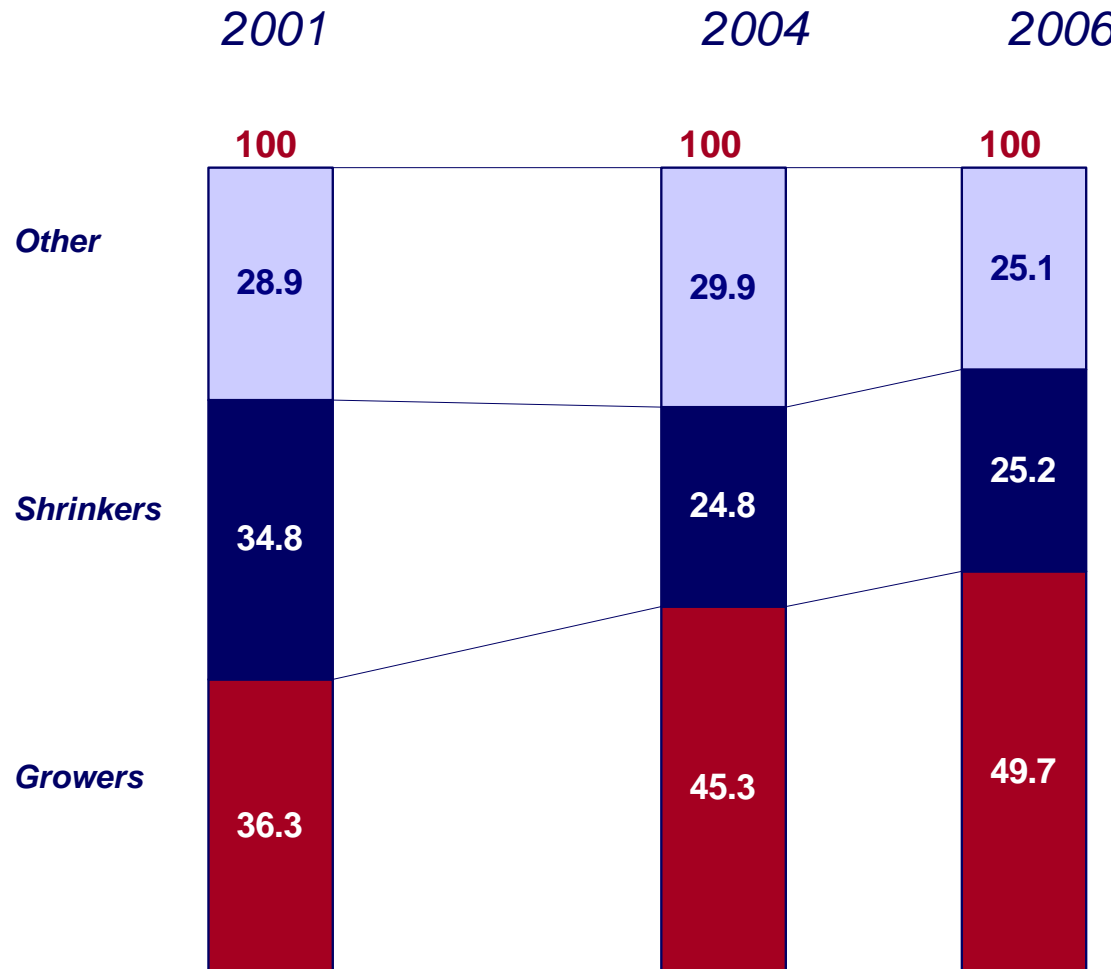


\* Market share of FSA reporting firms plus Admiral. Allocation of acquired companies to their 2006 owners. (e.g. Churchill in 1996 to "RBS").



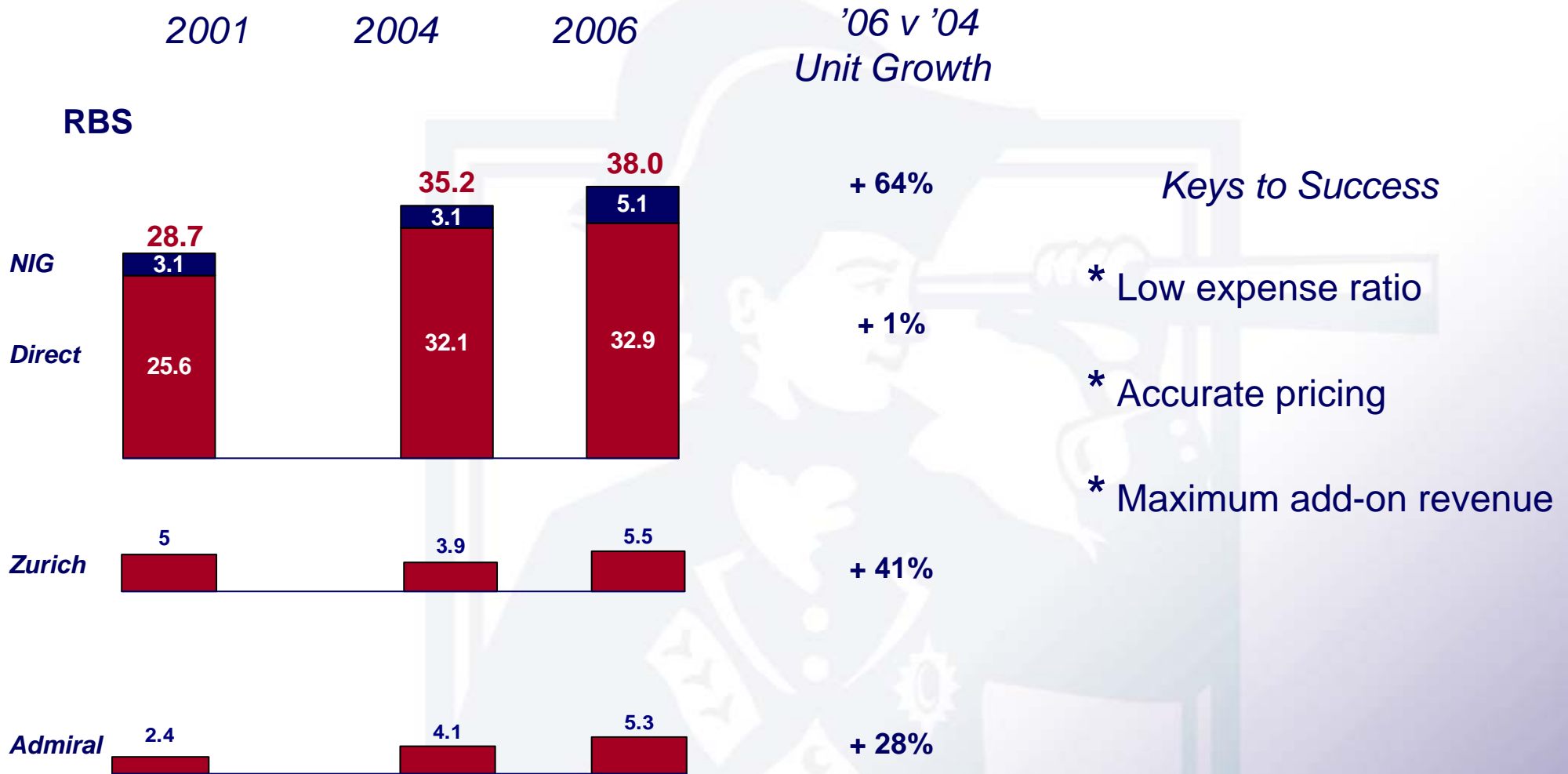
# Price Comparison – New Growers & Shrinkers ?

Market Share (units)\*



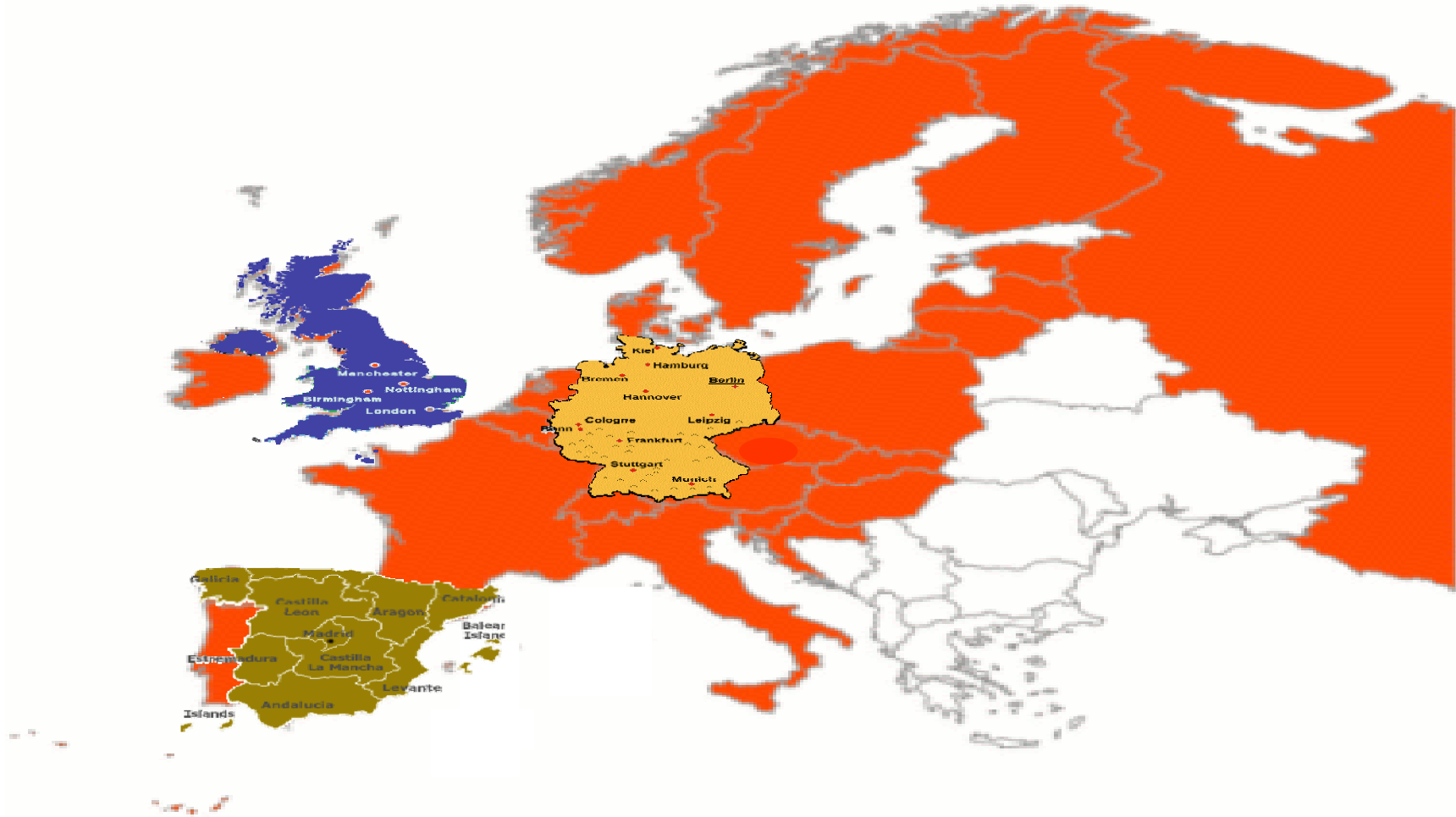


# Price Comparison – New Rules





# Admiral goes international





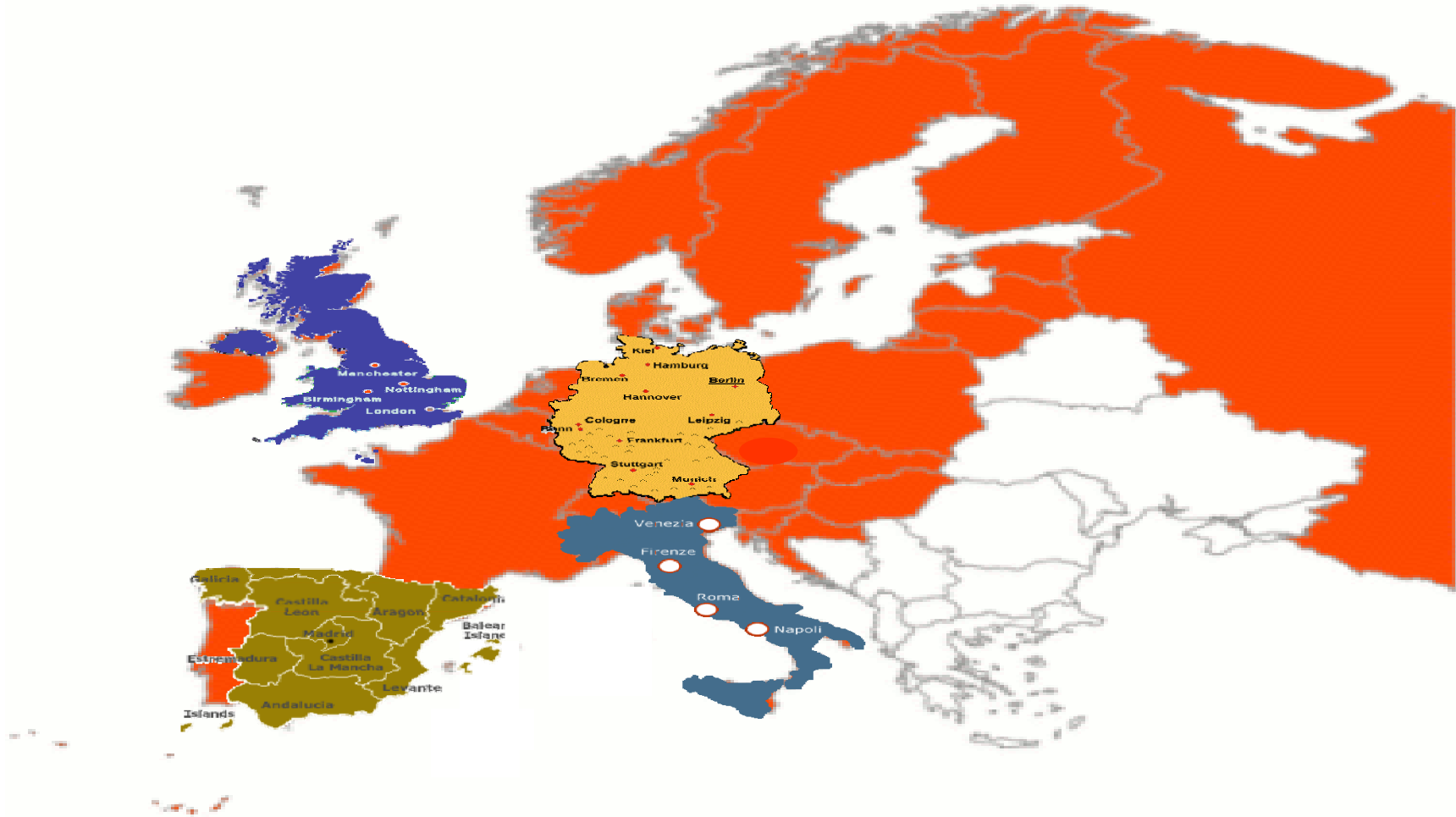
**AdmiralDirekt.de**





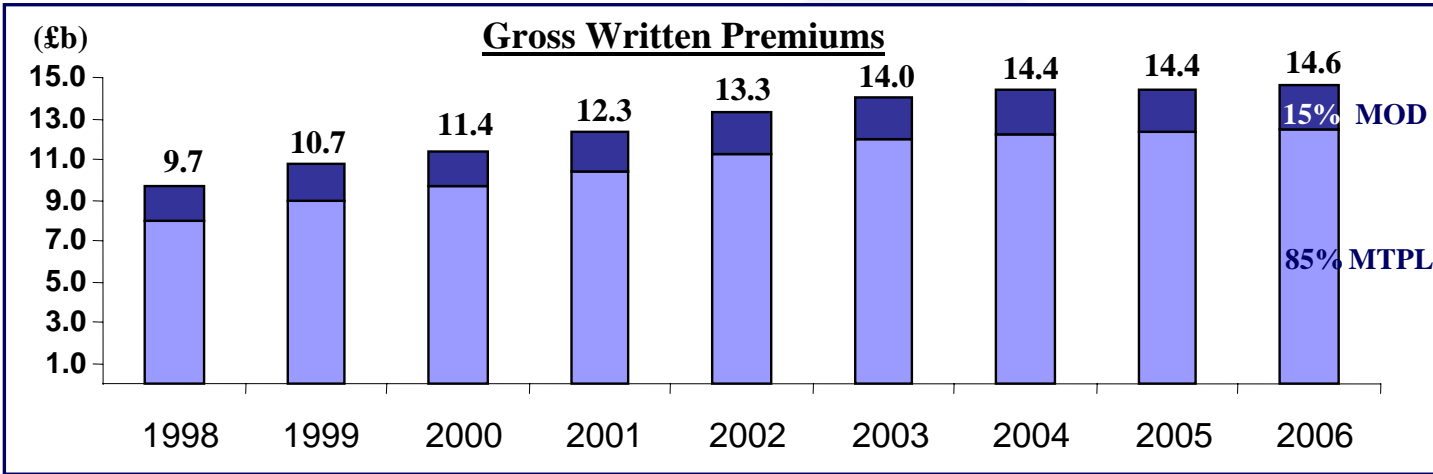


# Admiral goes international





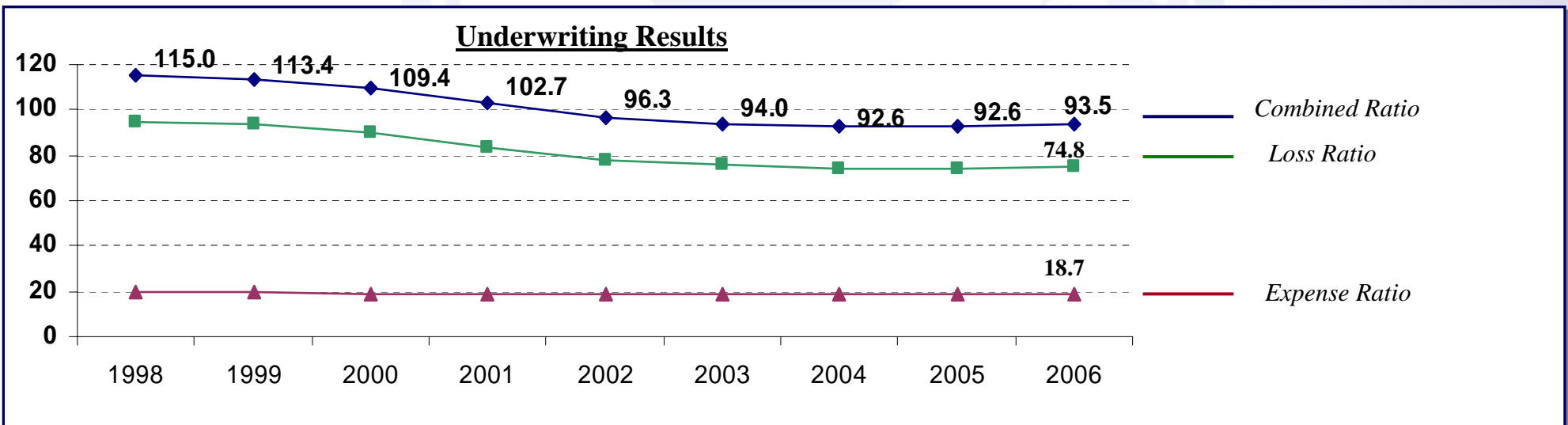
# Italy: a large profitable market



- Second biggest market in Europe:  
**£14.6 b**

- Highest vehicle density:  
**0.86 per person**

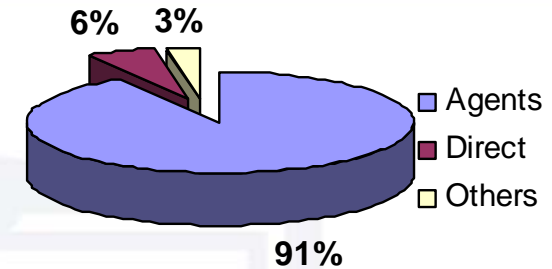
- High average private car premium:  
**£ 330**





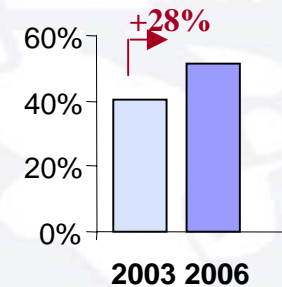
# Italian market evolution

*Italy is still dominated by tied agents,*

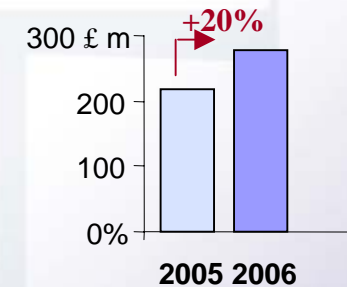


*but online business is growing fast*

Internet Penetration



Online Insurance B2C



*and new regulations aim at increase number of switchers and price sensitivity!*

Direct Indemnity / reduced litigation costs

No tied-agents mandates allowed

Stricter transparency requirements

Customer education initiatives

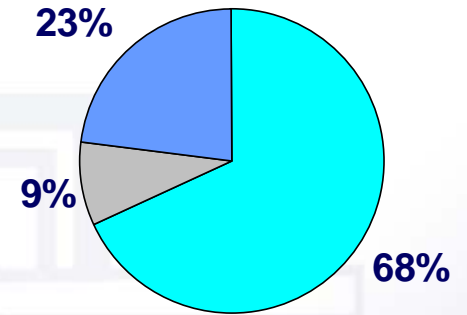
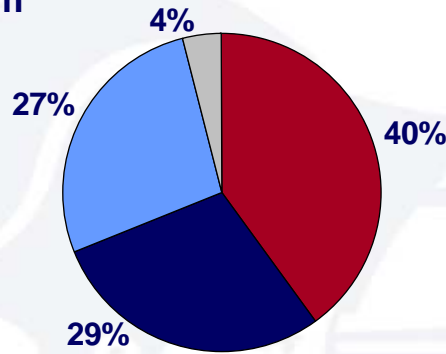
Authorities restructuring



# Investments

H1 06 £408m

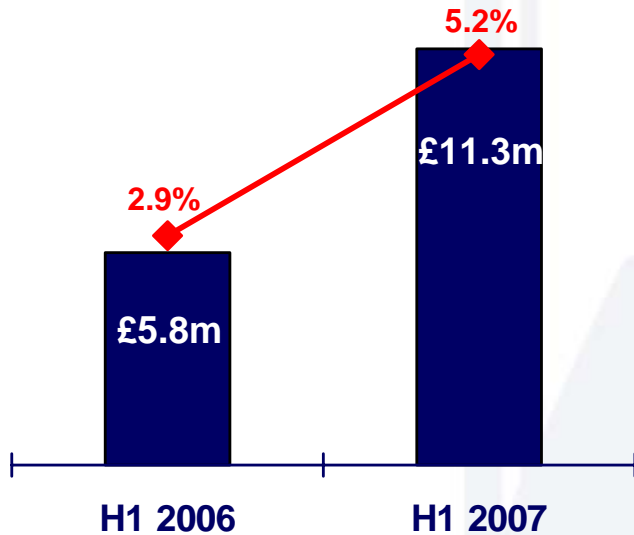
H1 07 £460m



■ Gilts  
■ Cash

■ Bonds  
■ Other deposits

■ Money Market Funds  
■ Other deposits  
■ Cash



H1 2006

H1 2007

■ Investment Income

◆ Return on Investment Funds

## Money Market Funds

SWIP (Lloyds) Global Liquidity

Insight (HBOS) Liquidity Fund

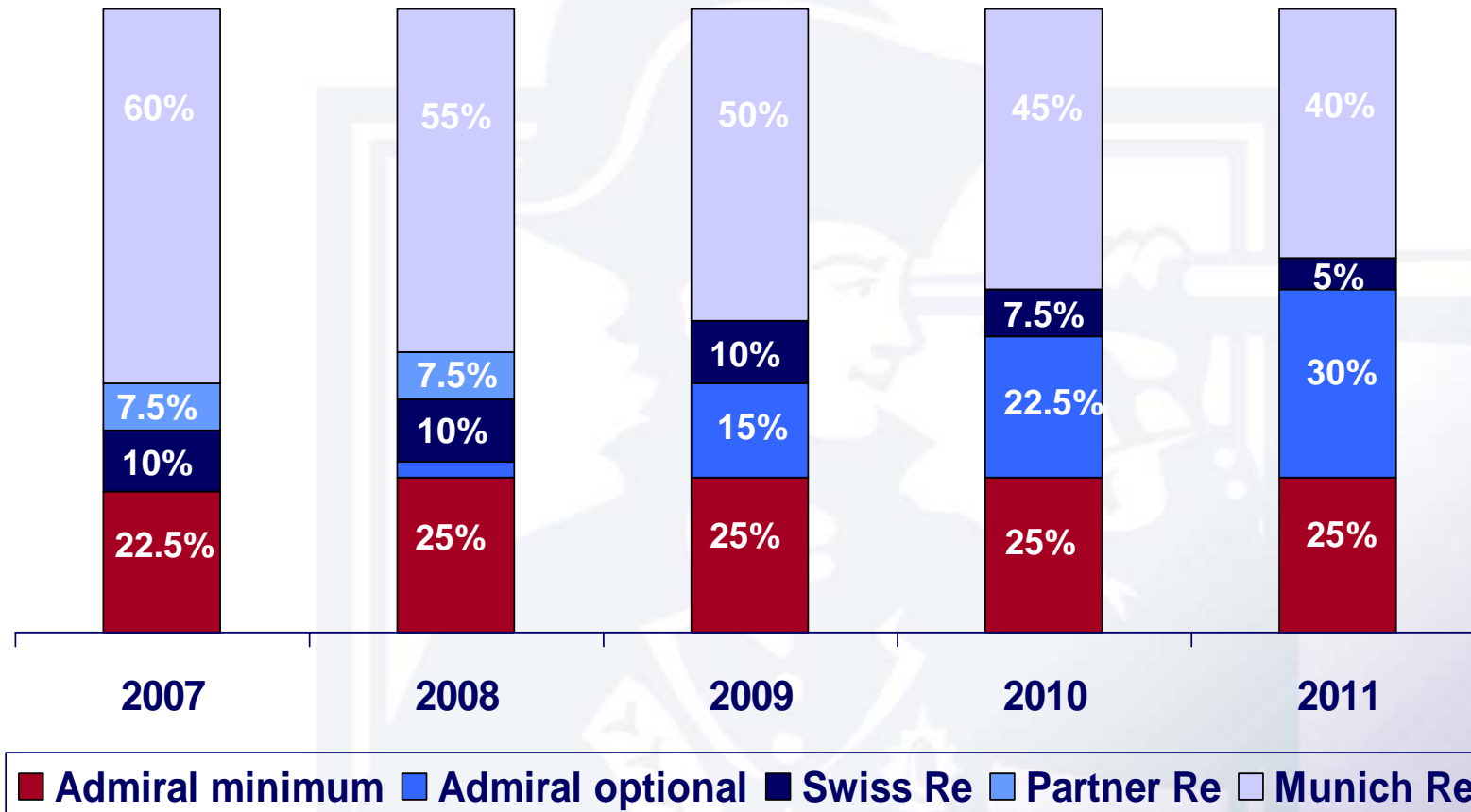
HSBC Sterling Liquidity Fund

- AAA Rated
- 7-day LIBID benchmark
- Maximum 60 day maturity



# Solvency Capital

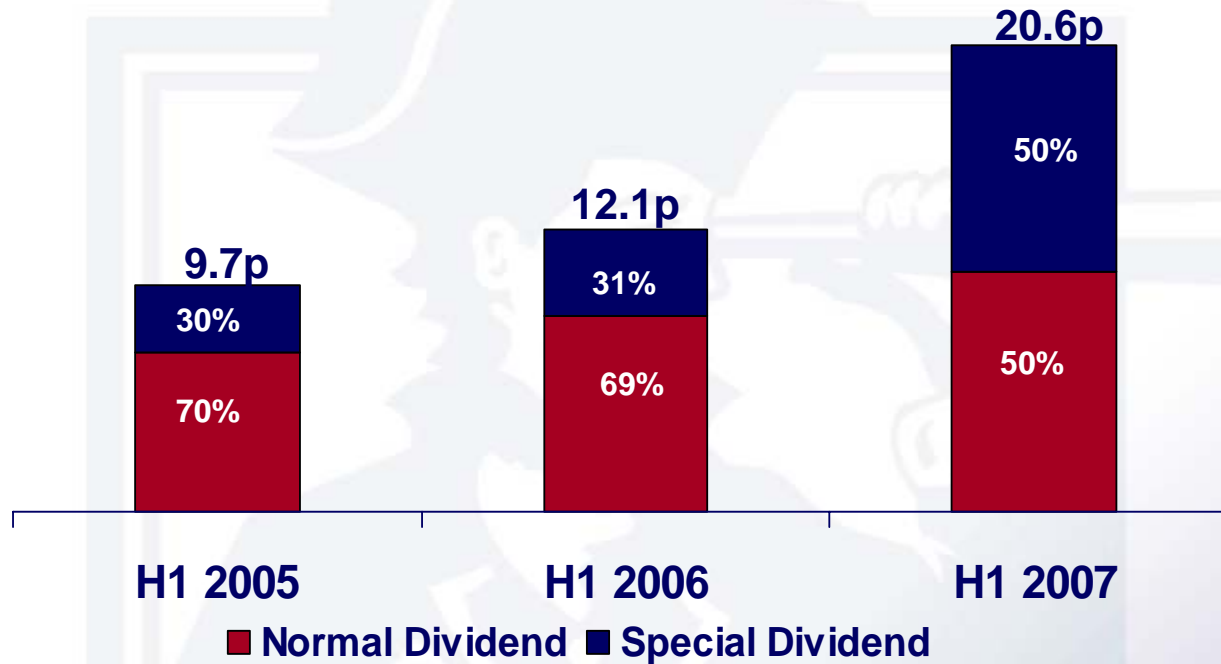
## Admiral option on UK premium retention



- Must be at least 25% from 2008
- Spain and Germany premium - split 35% Admiral; 65% Munich Re



# Dividends



**H1 2007 dividend = £54m**



# Strongly Cash Generative - Dividend

	£m
Total equity	220
Goodwill	(62)
Solvency capital	(74)
	<hr/>
	84
Buffer	(25)
International expansion	(5)
	<hr/>
<b>Dividend</b>	<b>54</b>

Interim dividend 20.6p per share:

Ex-dividend – 19 September 2007 Record date – 21 September 2007 Payment date – 17 October 2007



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# Supplementary Information



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# Financials



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# Admiral Key Performance Indicators – UK Motor

	KPI	2003	2004	2005	2006	H1 06	H1 07
Premiums	Quote volumes	4.7m	6.2m	9.8m	15.4m	7.6m	11.2m
	Conversion rate	8.1%	8.9%	5.8%	4.0%	4.2%	3.2%
	Active vehicles at end of period	777,611	1,007,571	1,104,480	1,240,169	1,168,002	1,335,196
	% of premiums retained by Admiral	25%	25%	30%	25%	25%	22.5%
Claims	Reported earned loss ratio	52%	67%	70%	72%	72%	73%
	Current best estimate earned loss ratio <sup>(1)</sup>	54%	62%	67%	76%	76%	77%
Expenses	Acquisition expense ratio <sup>(2)</sup>	5.4%	5.4%	4.9%	5.1%	4.6%	5.3%
	Non-acquisition expense ratio <sup>(2)</sup>	8.2%	7.0%	7.4%	7.8%	7.4%	7.5%
	MIB & other levies ratio <sup>(2)</sup>	2.0%	2.6%	2.8%	2.9%	2.7%	3.0%
	Total operating expense ratio <sup>(2)</sup>	15.6%	15.0%	15.1%	15.8%	14.7%	15.8%
Other Income	Ancillary per average active vehicle	£61.4	£66.3	£68.5	£69.3	£69.2	£68.4
	Ancillary margin <sup>(4)</sup>	80.2%	81.9%	81.5%	82.2%	82.0%	83.2%
	Instalment income as % of NWP	1.4%	2.2%	2.4%	4.1%	3.4%	3.7%
	Profit commission <sup>(5)</sup>	£7.4m	£15.7m	£14.7m	£19.9m	£9.6m	£9.4m

(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 EUI Ltd expenses attributable to ancillaries expressed as a % of ancillary contribution

(5) Adjusted for 2003 PC £6m



# Summary Income Statement

	<b>H1 06</b>	<b>H1 07</b>
	<b>£m</b>	<b>£m</b>
Group Turnover	359.2	417.8
<b>Total premiums written</b>	<b>294.0</b>	<b>324.6</b>
Gross premiums written	102.9	132.5
Net premiums written	72.9	72.8
<b>Net earned premium</b>	<b>74.9</b>	<b>71.6</b>
Investment income	3.7	7.3
Net insurance claims	(55.6)	(54.2)
Insurance related expenses	(9.5)	(10.1)
<b>Underwriting profit</b>	<b>13.5</b>	<b>14.7</b>
Total Profit commission	9.6	9.4
Gross ancillary revenue	40.1	45.4
Ancillary costs	(7.2)	(7.6)
Instalment income	2.5	2.7
Gladiator contribution	1.0	1.0
Confused.com contribution	8.7	19.7
Other charges	(0.5)	(1.3)
Share scheme charges	(0.4)	(1.5)
<b>Operating profit</b>	<b>67.2</b>	<b>82.5</b>
Interest income	2.1	4.0
Interest payable	(0.6)	(0.2)
<b>Profit before tax</b>	<b>68.7</b>	<b>86.3</b>

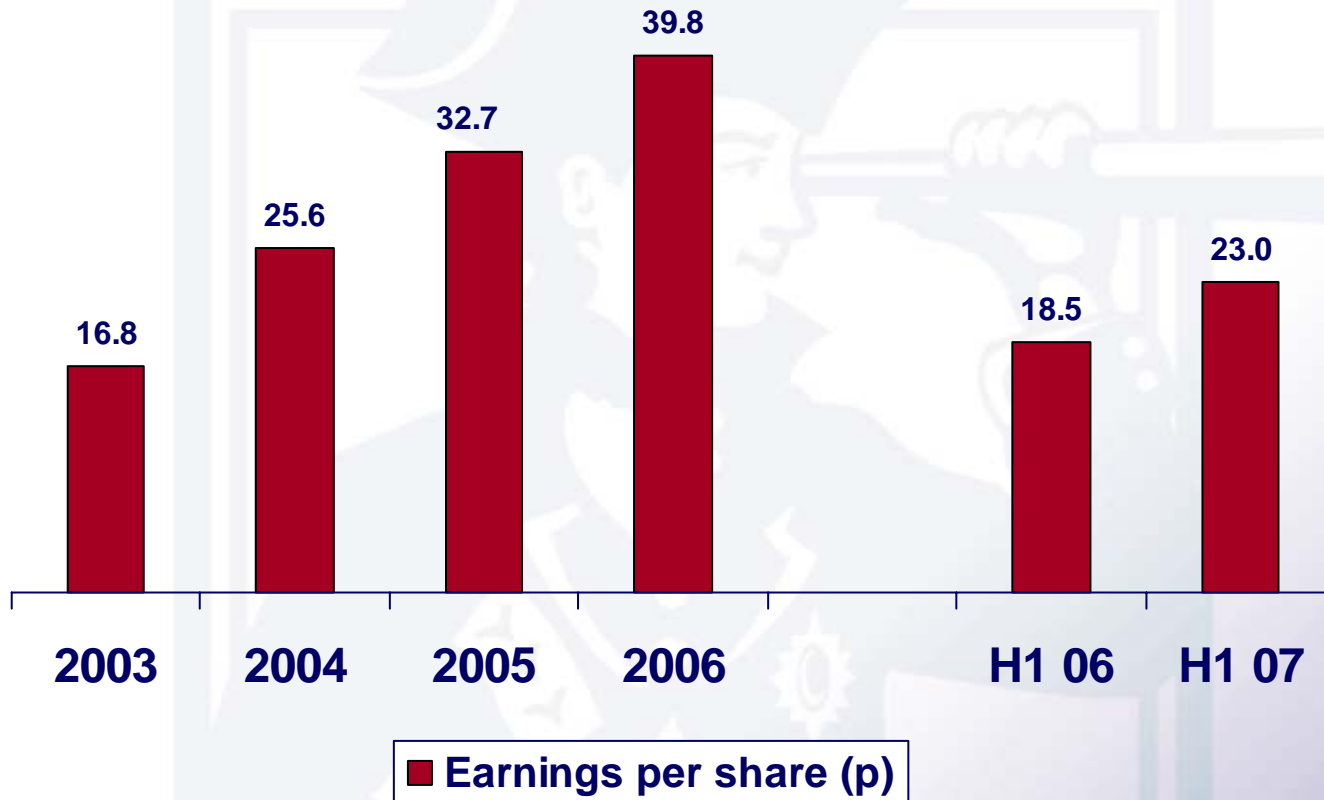


# Summary Balance Sheet

	December 2005 £m	December 2006 £m	June 2007 £m
<b>ASSETS</b>			
Property, plant and equipment	4.6	7.5	7.2
Intangible assets	66.5	66.8	67.6
Financial assets	378.7	395.9	470.1
Deferred tax asset	-	-	0.4
Reinsurance assets	54.2	74.7	108.5
Trade and other receivables	9.4	16.9	20.6
Cash and cash equivalents	150.2	191.2	144.8
<b>Total assets</b>	<b>663.6</b>	<b>753.0</b>	<b>819.1</b>
<b>EQUITY</b>			
Share capital	0.3	0.3	0.3
Retained earnings	168.0	205.7	206.2
Other reserves	13.1	13.1	13.1
<b>Total equity</b>	<b>181.4</b>	<b>219.1</b>	<b>219.6</b>
<b>LIABILITIES</b>			
Insurance contracts	254.1	294.4	337.8
Financial liabilities	22.0	-	-
Trade and other payables	182.9	215.2	234.5
Deferred income tax	3.6	1.0	-
Corporation tax liabilities	19.6	23.4	27.2
<b>Total liabilities</b>	<b>482.2</b>	<b>534.0</b>	<b>599.5</b>
<b>Total liabilities and equity</b>	<b>663.6</b>	<b>753.0</b>	<b>819.1</b>



# Earnings per share (eps)





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