

ADMIRAL
GROUP plc



2010 Half Year Results

25 August 2010



Agenda

- ❑ **Kevin Chidwick, Finance Director**

- ❑ Group results
- ❑ Confused
- ❑ Dividend

- ❑ **David Stevens, Chief Operating Officer**

- ❑ UK Market
- ❑ Admiral vs Market

- ❑ **Henry Engelhardt, Chief Executive Officer**

- ❑ International businesses

- ❑ **Alastair Lyons, Chairman**

- ❑ Summary
- ❑ Questions



Admiral is STILL different





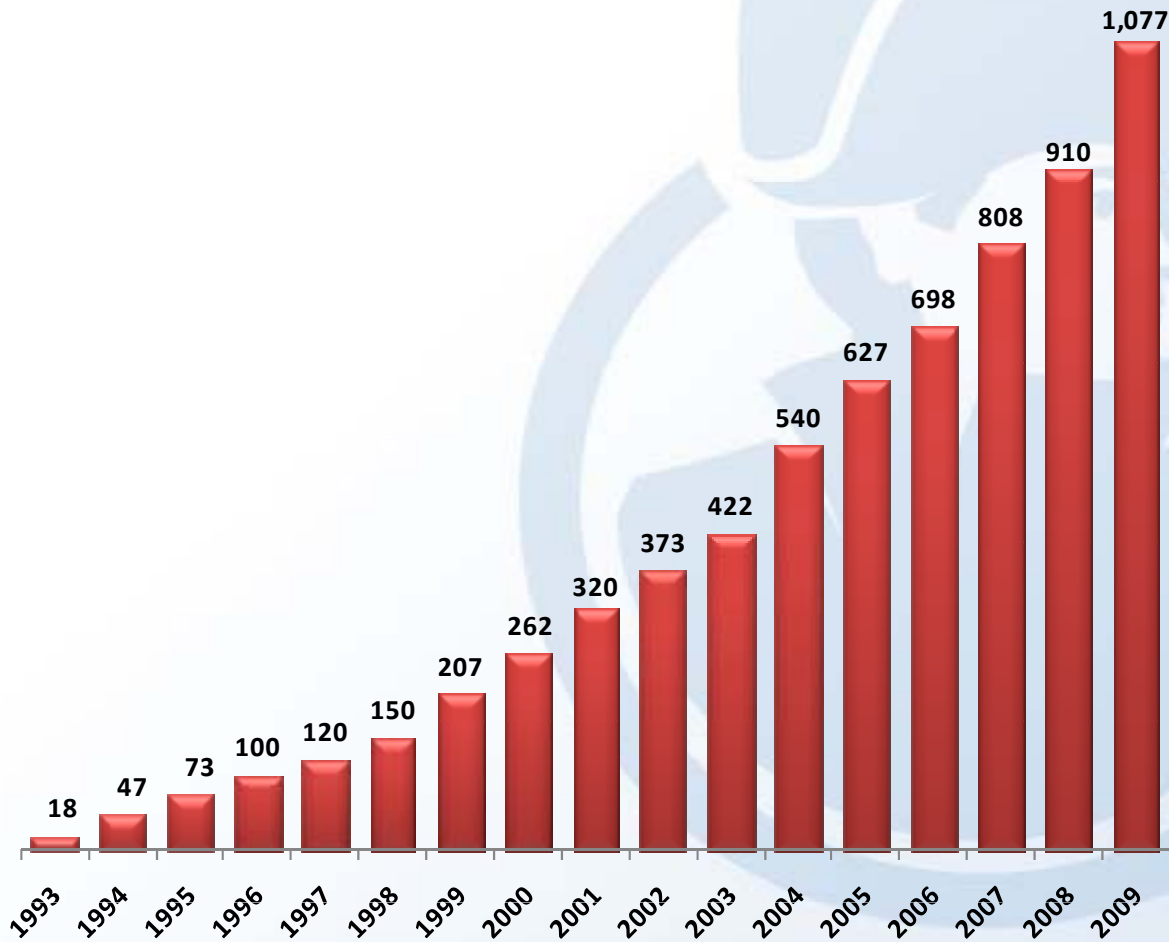
Highlights

- ❑ Profit before tax up 21% at £126.9 million (H1 2009: £105.3 million)
- ❑ Turnover up 33% at £720.5 million (H1 2009: £540.1 million)
- ❑ Vehicle count up 23% to 2.37 million from 1.92 million at 30 June 2009
- ❑ Profit from UK car insurance up 30% to £131.5 million (H1 2009: £101.2m)
- ❑ UK ancillaries per vehicle up 5% to £74.50 (H1 2009: £70.80)
- ❑ Balumba makes a profit (of €25k) for the first time
- ❑ Interim dividend of 32.6p per share (2009 interim: 27.7p)

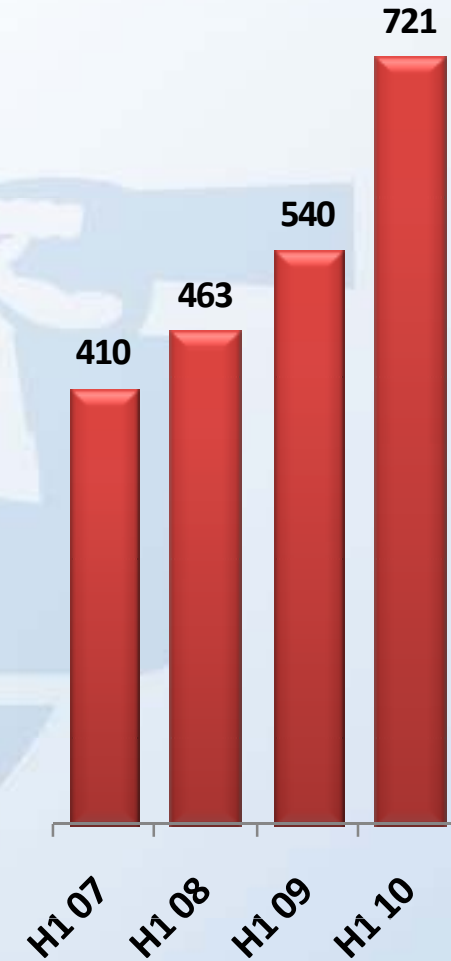


Fast growing

Historical annual revenue (£m)⁽¹⁾



Half yearly revenue (£m)⁽¹⁾



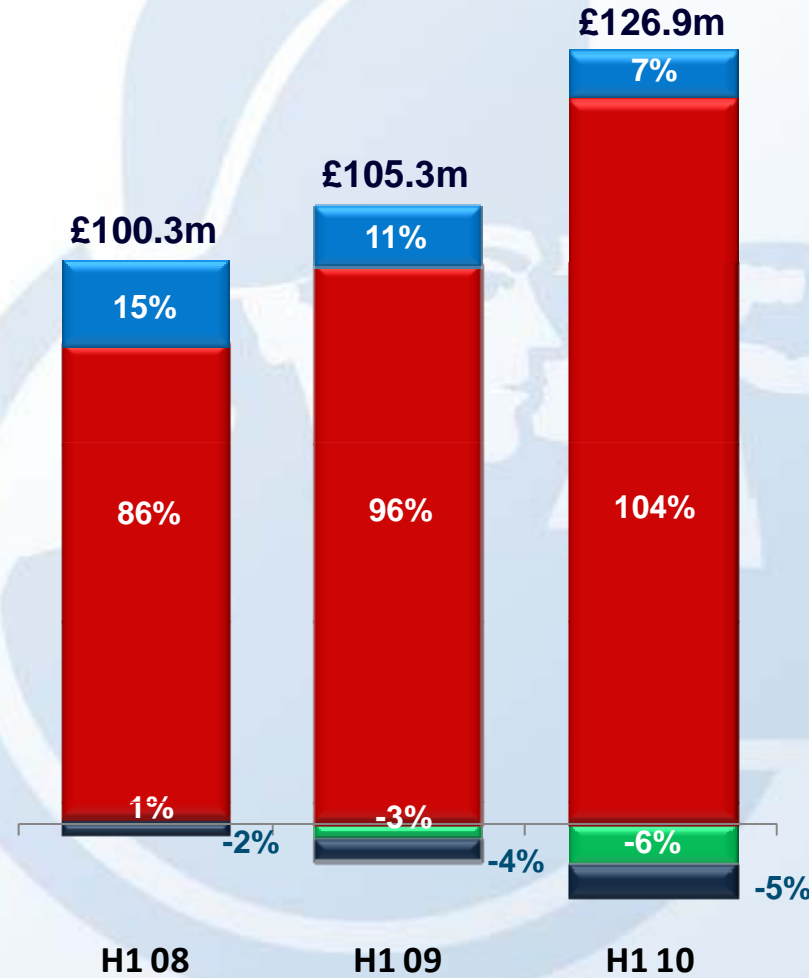
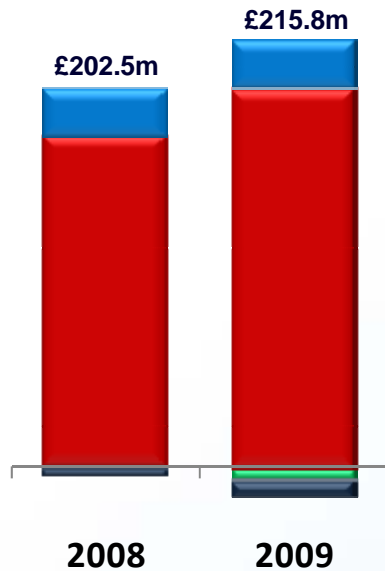
(1) Revenue comprises total premiums written + other revenue



Admiral Group profits

Half yearly profit before tax (£m)

Annual profit before tax (£m)



Key drivers

Price comparison



UK car insurance



Non UK car insurance



Overall result



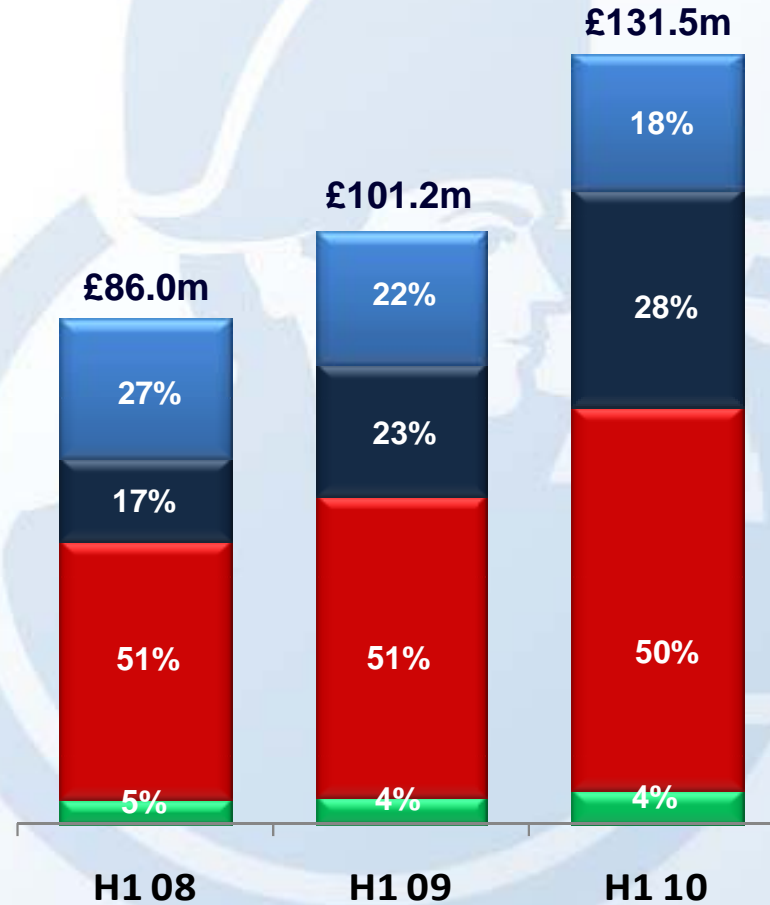
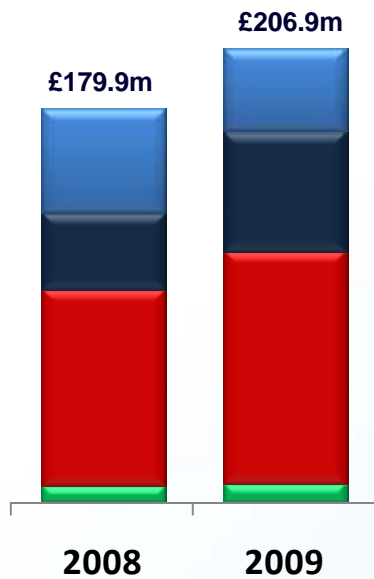
■ Confused
 ■ UK car insurance
 ■ International
 ■ Other



UK car insurance profits

UK car insurance Half yearly profit before tax (£m)

UK car insurance Annual profit before tax (£m)



Key drivers

Underwriting result



Profit commissions



Ancillaries



UK car insurance

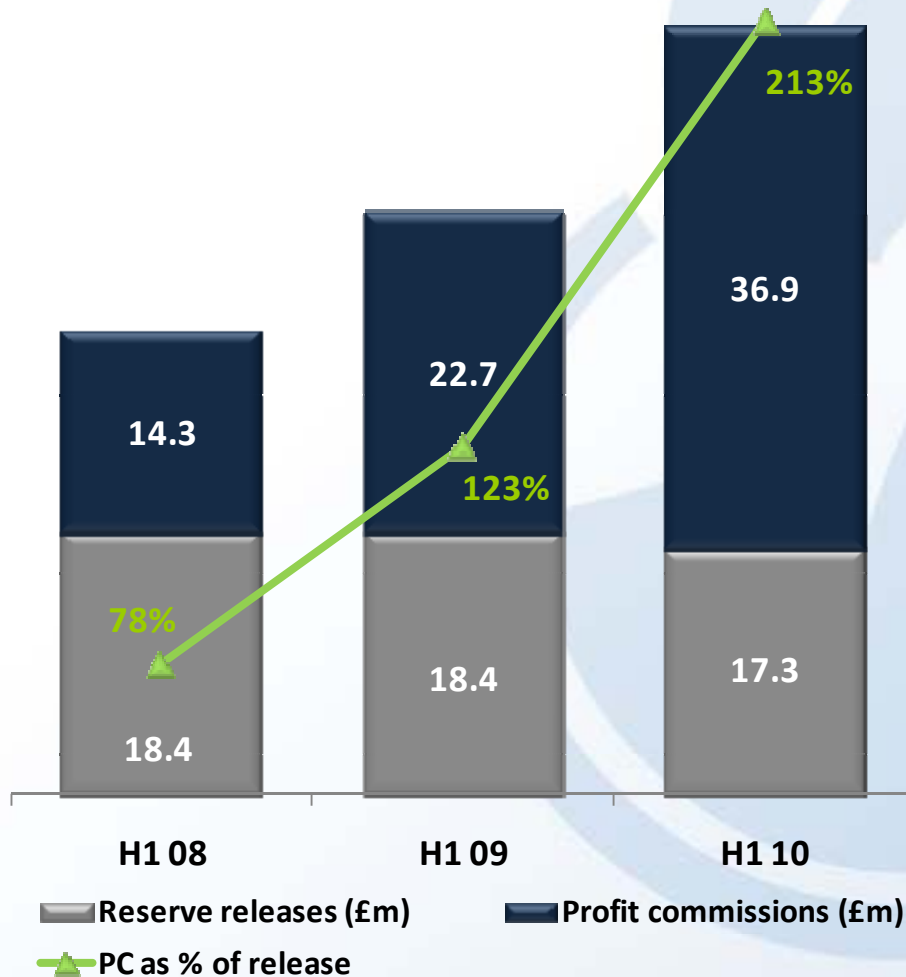


■ Underwriting
 ■ Profit Commission
 ■ Ancillary
 ■ Other



UK car insurance – profit commissions increasing due to improved reinsurance terms

Half yearly profit commissions & reserve releases



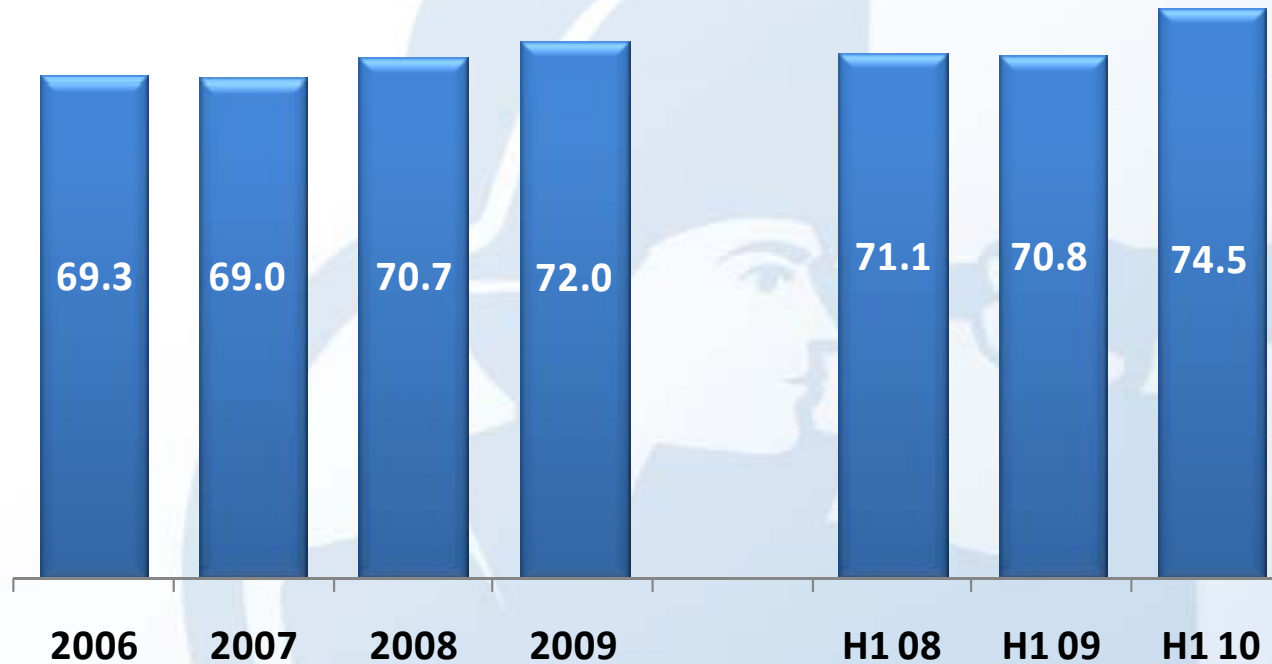
Improved reinsurance terms:

- ❑ Driving the increase in profit commissions
- ❑ Consistent conservative reserving: we consider both profit commissions and our retained share of underwriting



UK car insurance – strong ancillary income growth

Ancillary contribution per active vehicle⁽¹⁾



Active average active vehicles increased 18% to 1.91m



Ancillary contribution per active vehicle⁽¹⁾ increased 5% to £74.50



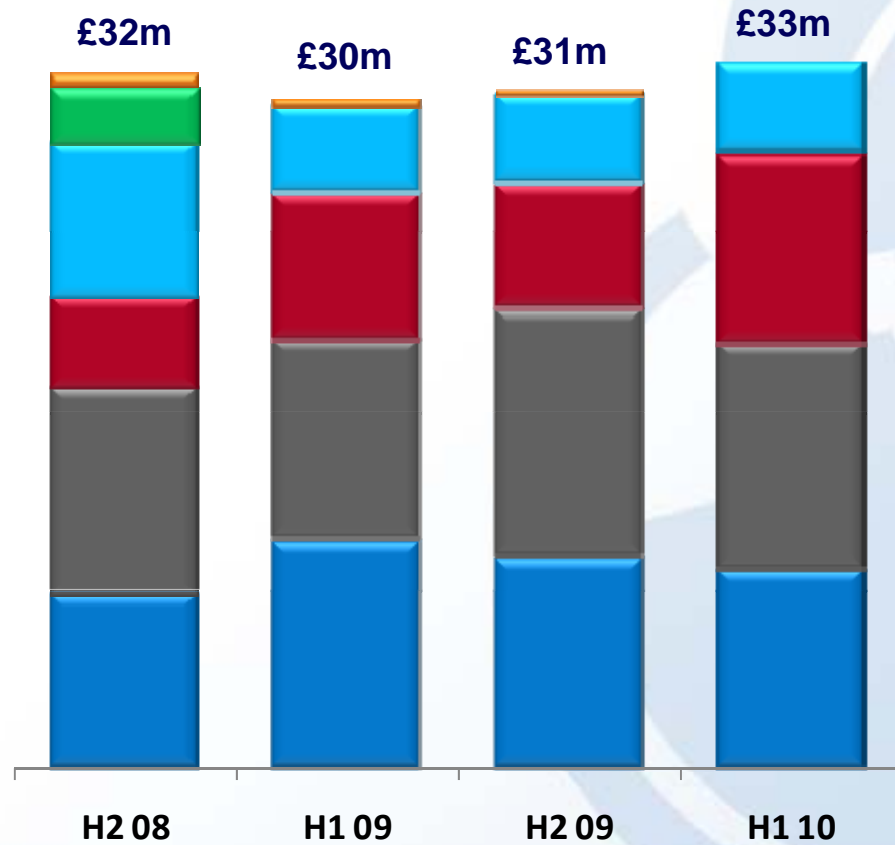
Ancillary contribution⁽¹⁾ up by 27% to £77.7 million

⁽¹⁾ Before allocation of overhead expenses

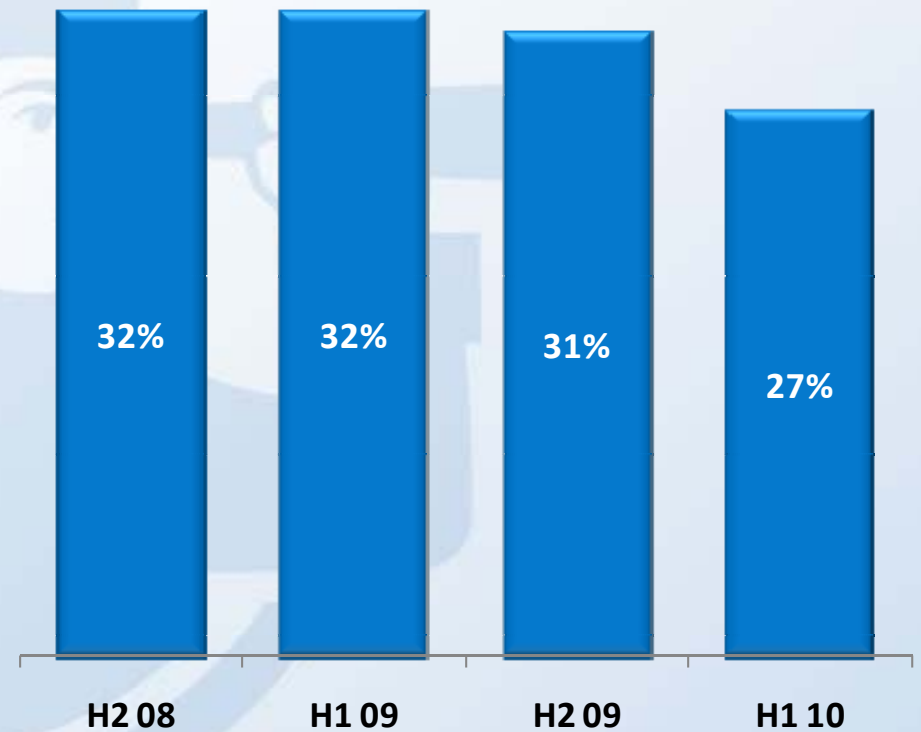


UK price comparison – tough competition, advertising remains the main differentiator

Media spend* (£m)



Confused market share**



- Confused
- Go Compare
- Compare The Market
- Moneysupermarket*
- Tesco
- Other

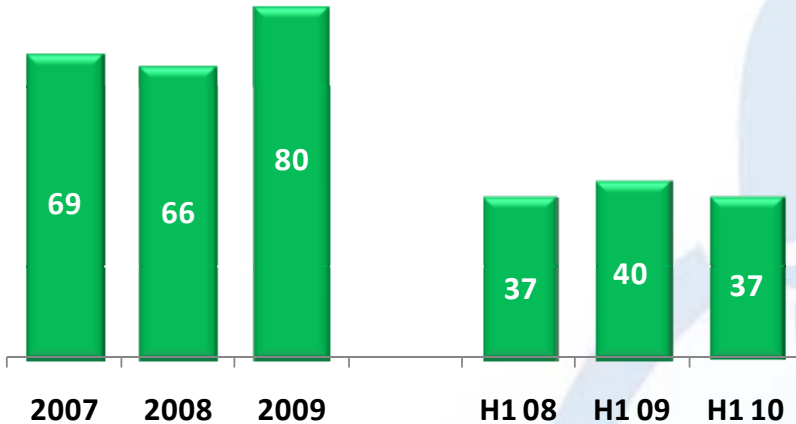
* Source: Neilson, 50% of Moneysupermarket and Uswitch allocated to car insurance

** Source: Management estimate

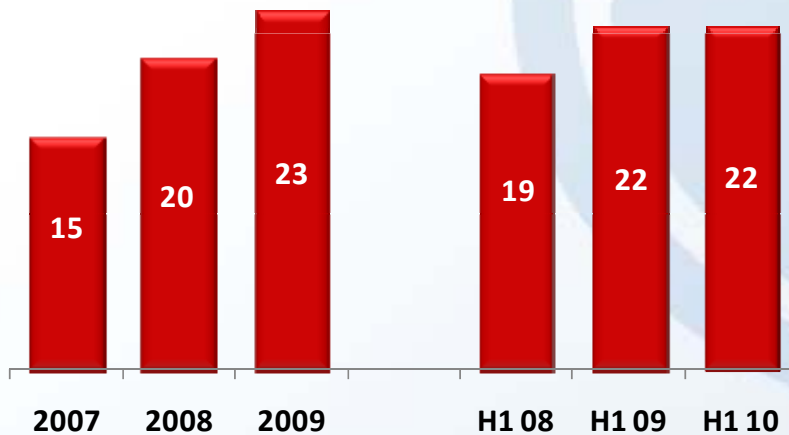


UK price comparison, Confused H1 2010 TV advertisement lacked the required impact

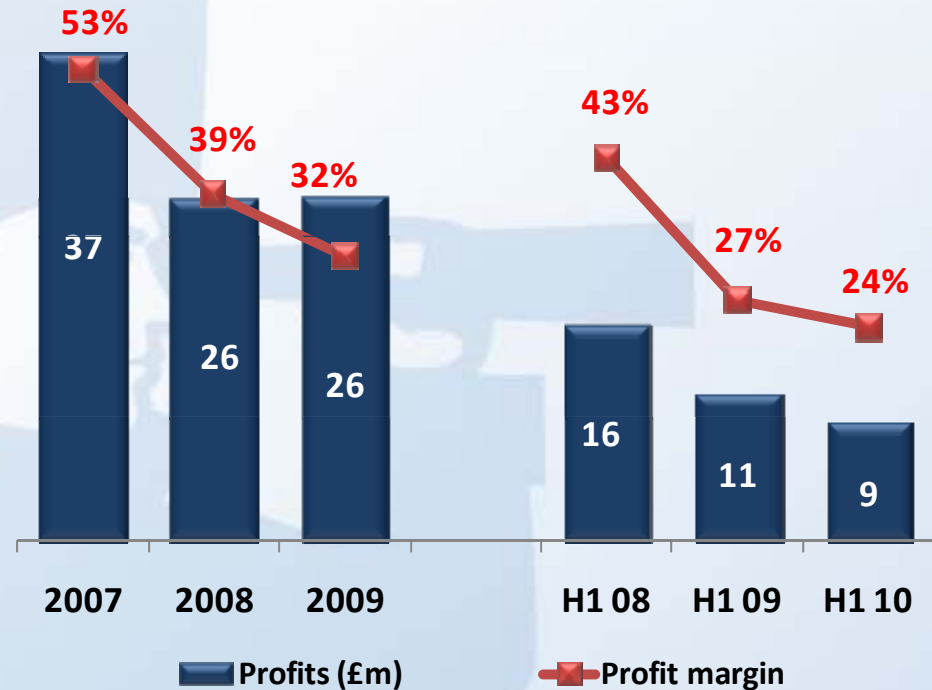
Confused revenue (£m)



Confused non-car insurance revenues as % total revenue



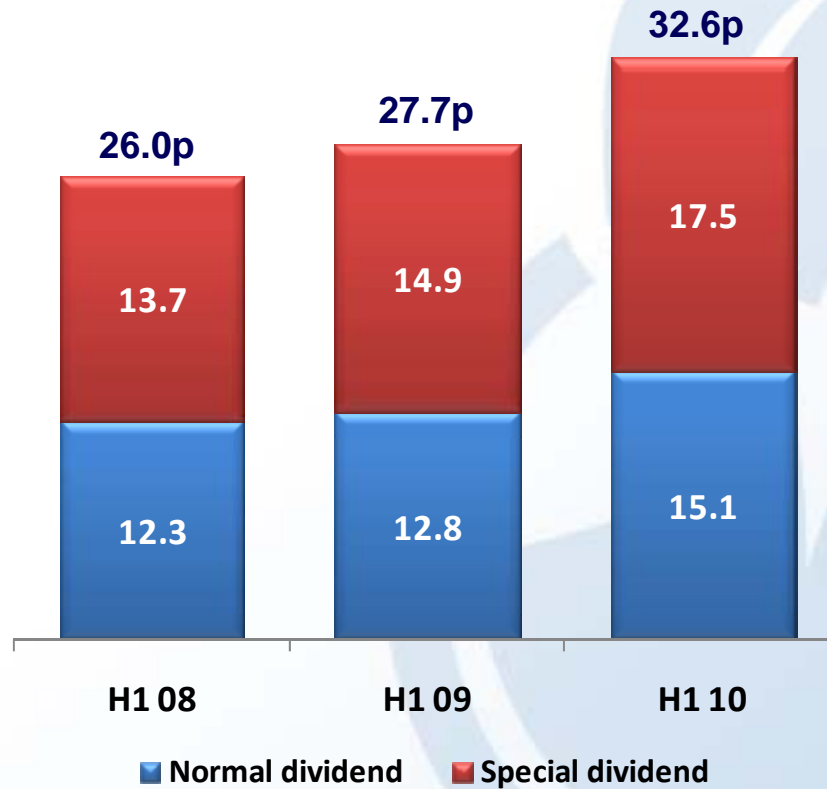
Confused profits (£m)



- Expect continued pressure on margins
- Will defend market share
- New TV campaign for Q3/Q4 2010



Dividend



	H1 08	H1 09	H1 10
	£m	£m	£m
Total equity	256	282	322
Goodwill	(62)	(62)	(62)
Solvency capital	(95)	(116)	(142)
	99	104	118
Buffer	(30)	(30)	(30)
Dividend	69	74	88

H1 2010 – 32.6p per share

Ex-dividend – 6 October 2010 Record date – 8 October 2010

Payment date – 20 October 2010



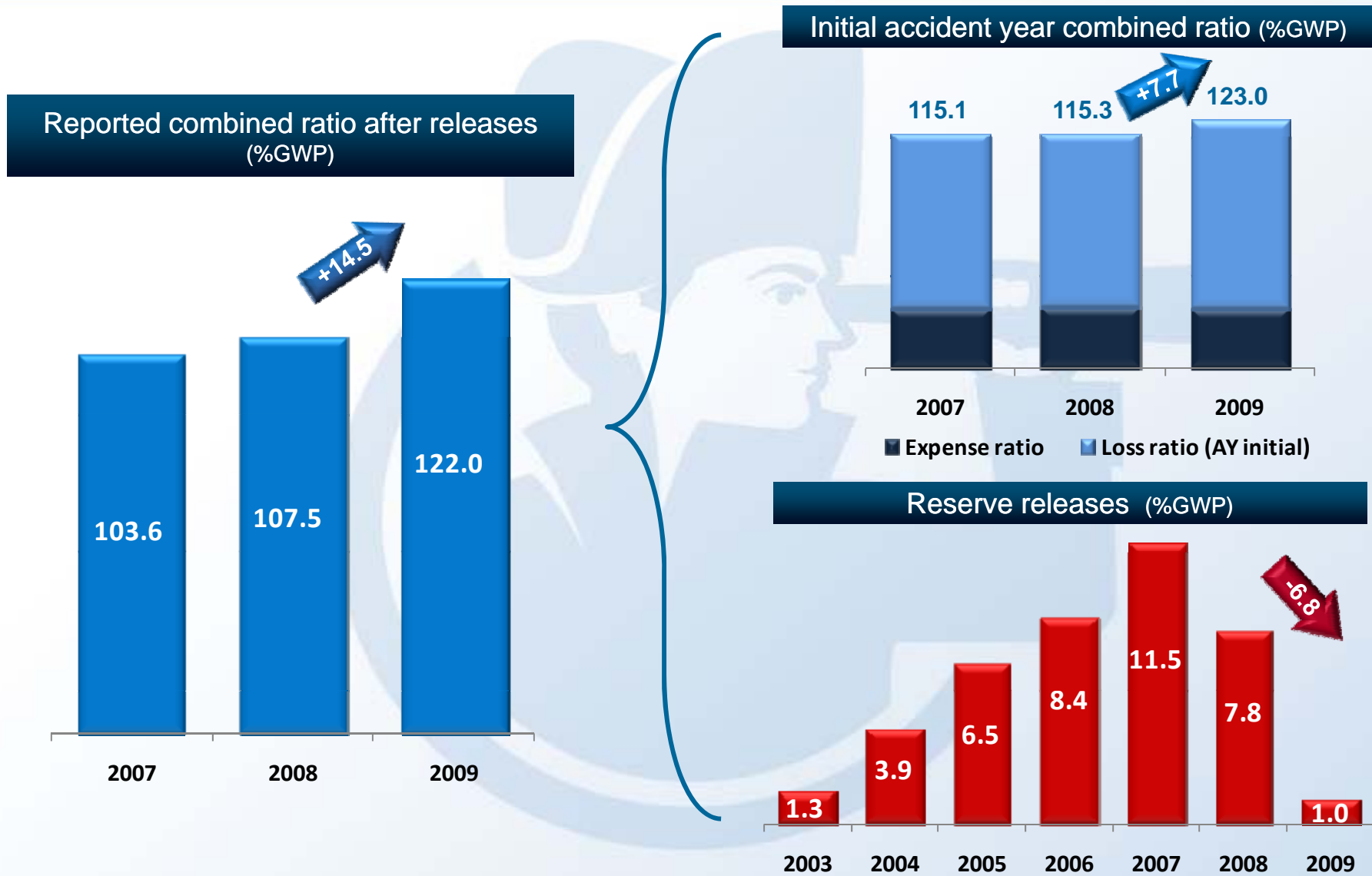
UK car insurance market



1. UK Market
2. Admiral vs Market



UK Market – 2009 headline results significantly worse

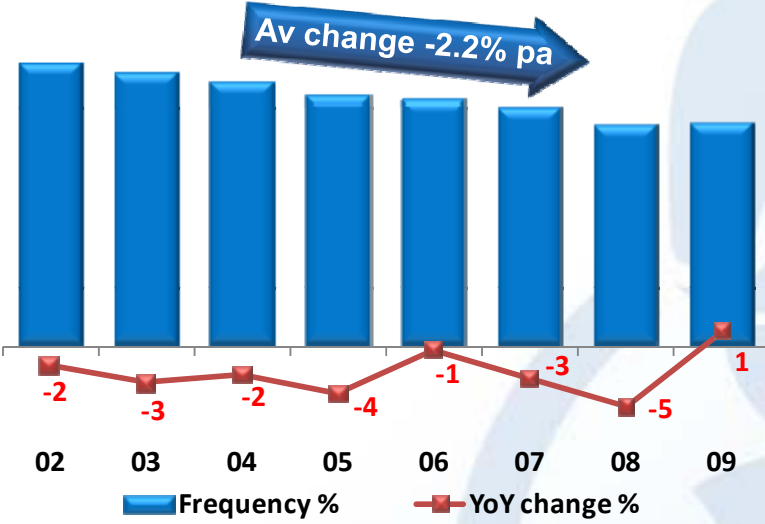


Source: EMB analysis of FSA returns

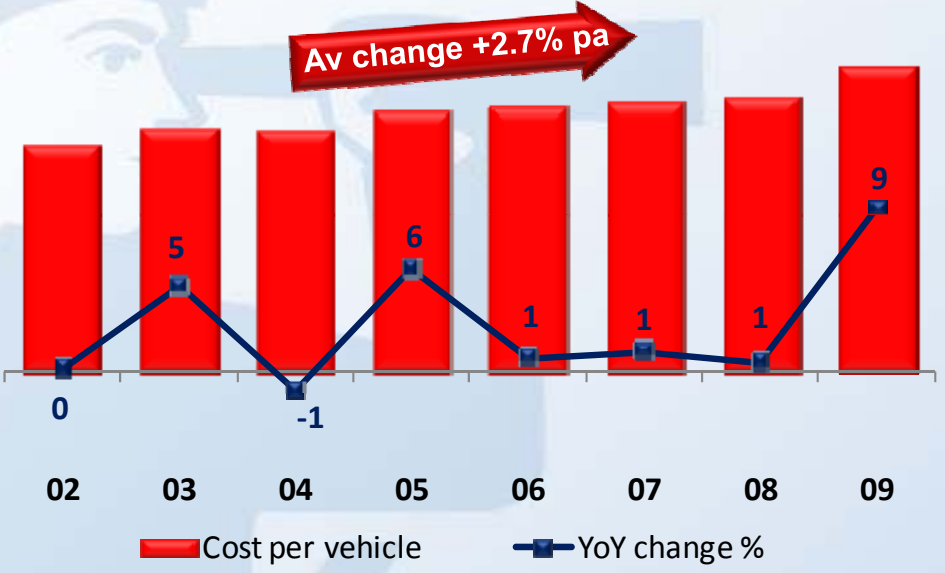


UK Market – significant claims cost inflation in 2009 in contrast to recent benign experience

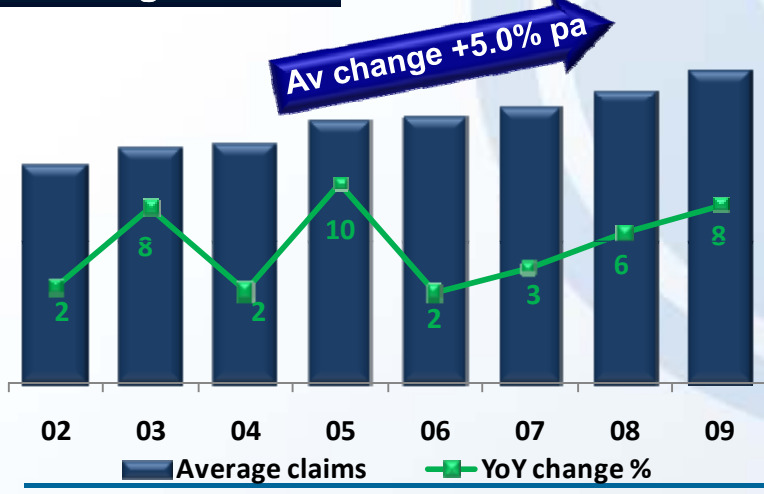
Frequency (%)



Cost per insured vehicle



Average claim

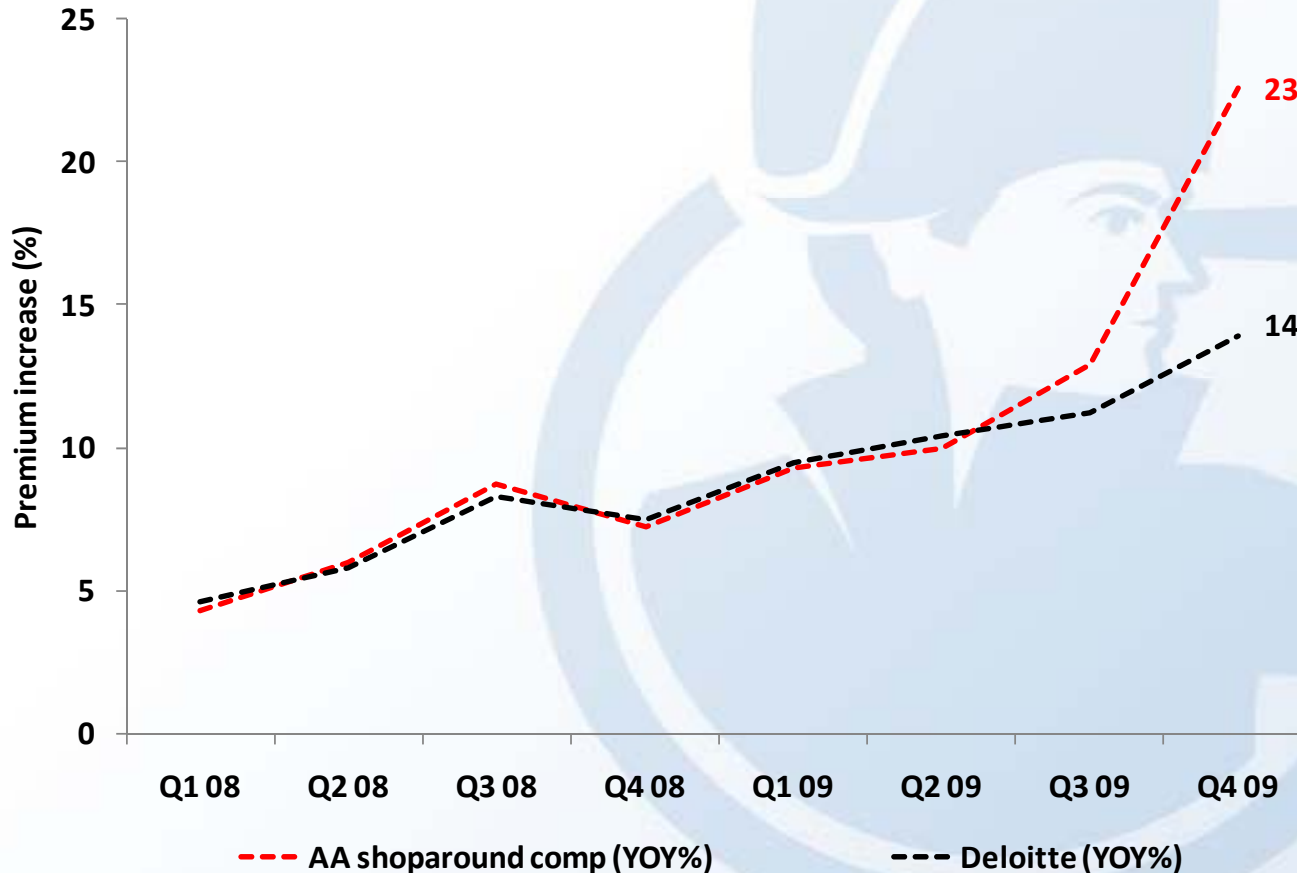


Source: EMB analysis of FSA returns



But shouldn't the claims inflation have been offset by high reported premium increases?

2008 & 2009 – premium Increases



Time lag for announced increases to flow through into earnings:

	Implied earned equivalent* 2009 premium increase (%)
AA shoparound (comp)	9.1
Deloitte	8.8

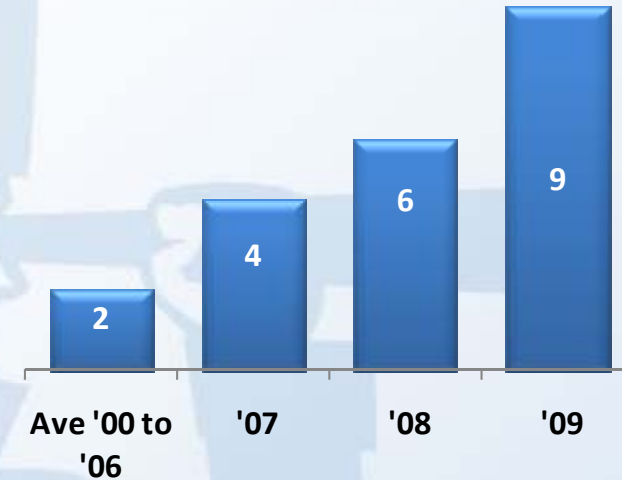
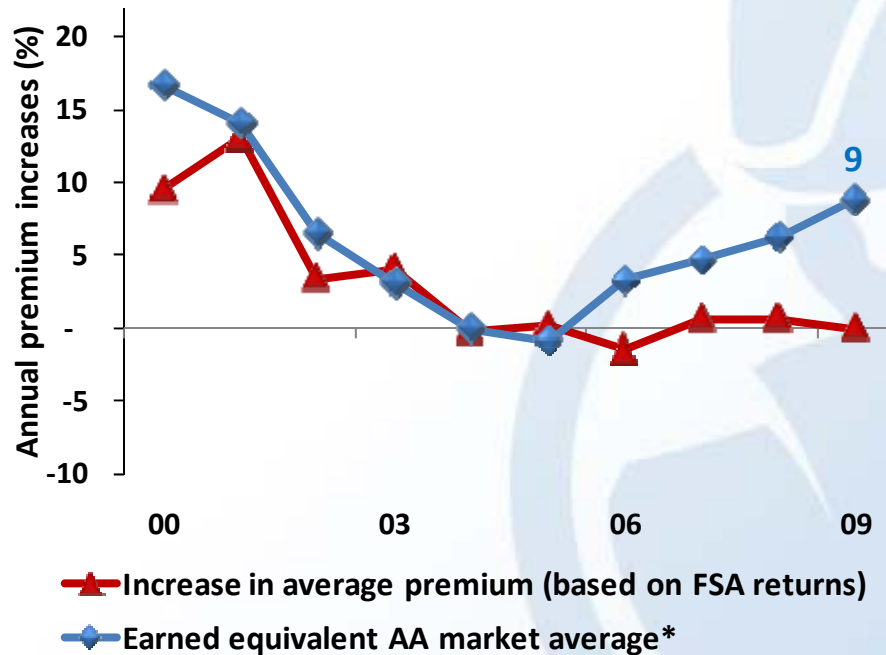
* Implied earned equivalent is a weighted average of the quarterly YoY% indices increases. It is weighted by the number of months expected to be earned in 2009 (assuming all 12 month policies). For example, of business written in Q1 08, on average 1.5 months will earn in 2009, for Q2 08 4.5 months will earn in 2009, and so on.



So what happened to the 2009 premium increases?

Headline increases (per market indices) versus actual increases (per FSA returns)

Difference between headline increases and actual increases (%)**



- ❑ Indices overstate premium increases
- ❑ Overstatement has widened

Suggests 2009 PC drag in the region of 5% – 10%

- ❑ Traditional indices misleading:
 - Underweight on PC prices
 - Only new business prices
- ❑ PC is changing the rules for renewals prices

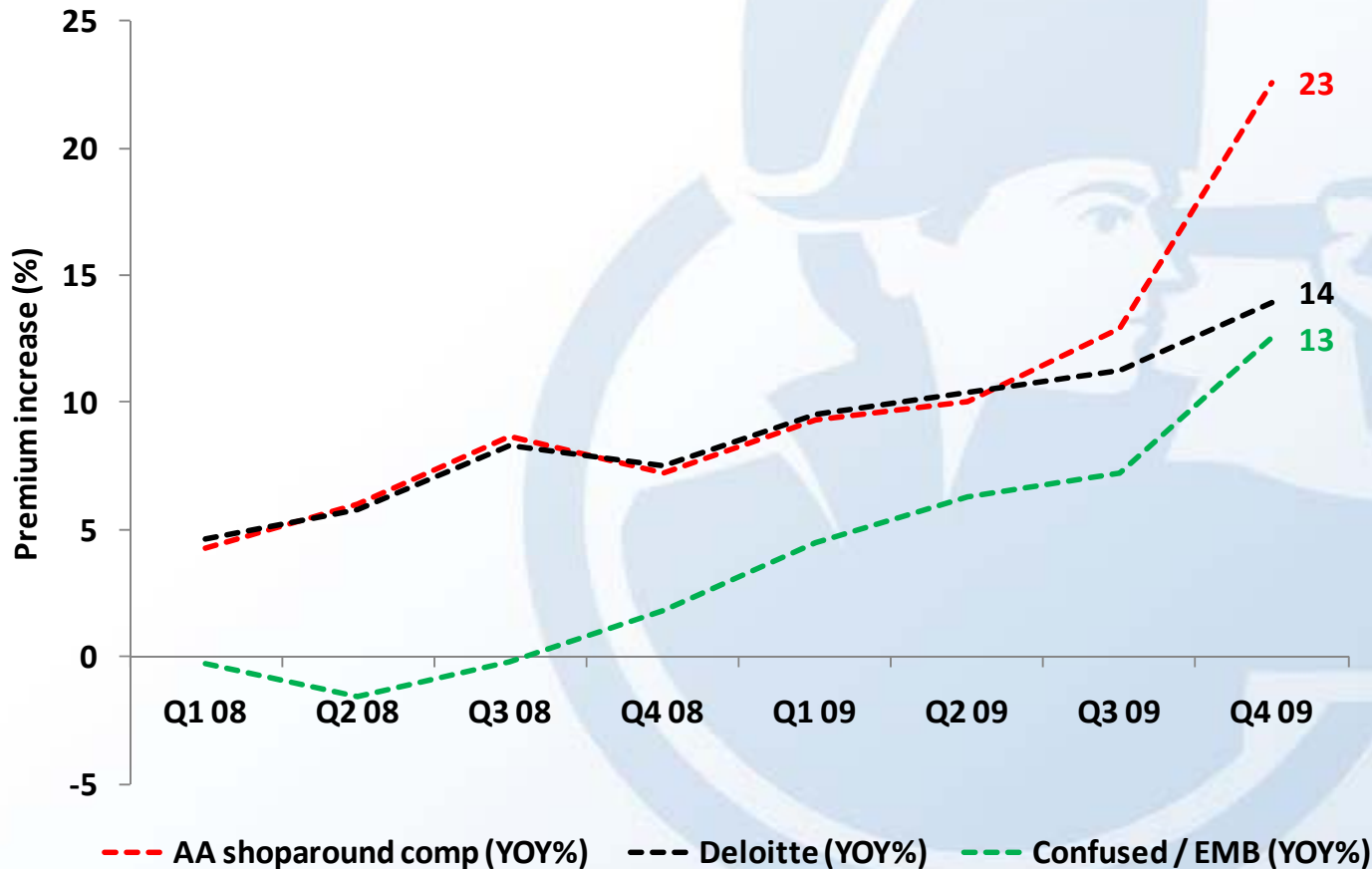
* AA market average = AA market average (comp) 00 to 08,, earned equivalent (EE) for premium indices for any given year is the average of increases for that year and the prior year. The 2009 earned equivalent figure is calculated on a quarterly basis from the AA shoparound / Deloitte as outlined on previous page.

** Difference between the earned equivalent AA market average (as defined above) and the actual increase per market FSA returns (as per EMB analysis of FSA returns)



Indices following price comparison prices give a more realistic view

2008 & 2009 – premium increases



Time lag for announced increases to flow through into earnings:

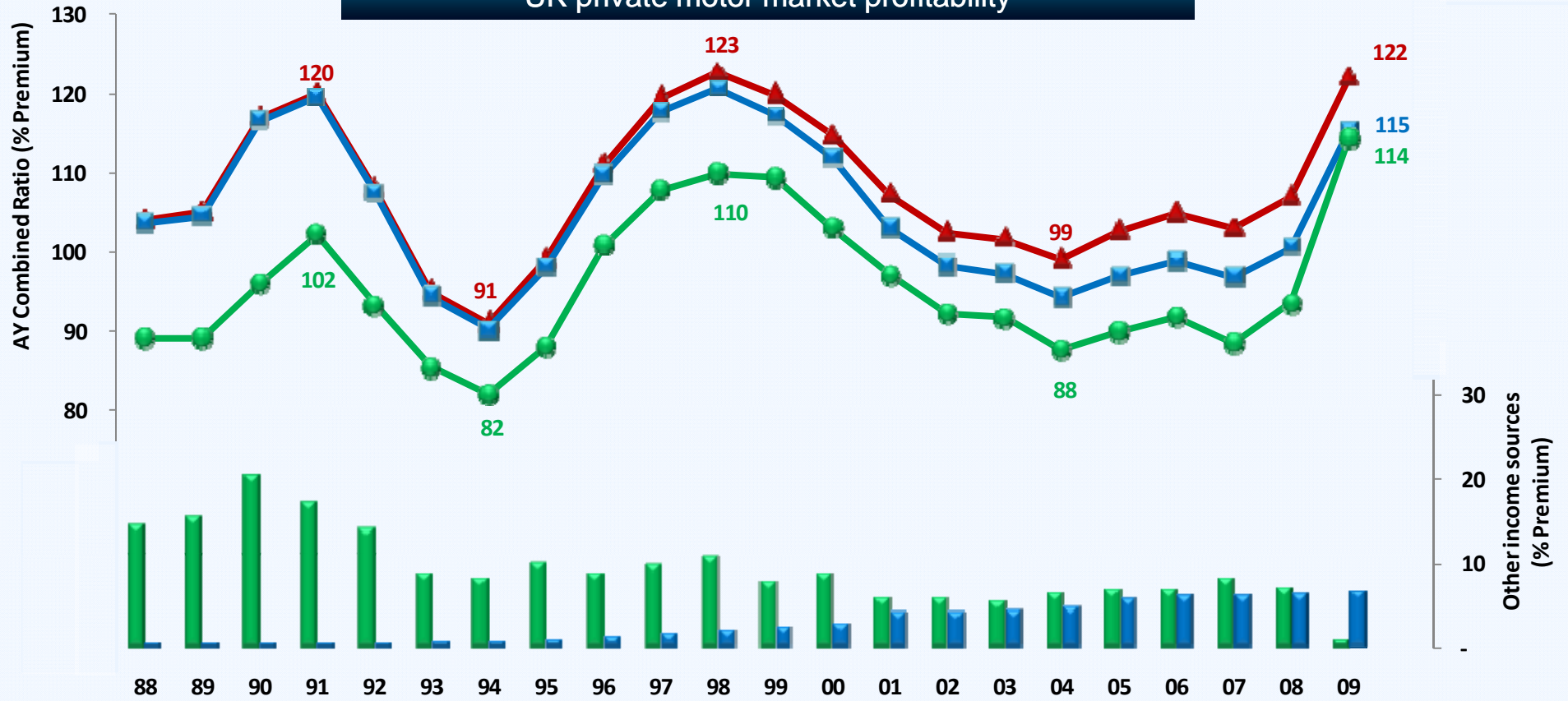
	Implied earned equivalent* 2009 premium increase (%)
AA shoparound (comp)	9.1
Deloitte	8.8
Confused / EMB	3.2

* Implied earned equivalent is a weighted average of the quarterly YoY% indices increases. It is weighted by the number of months expected to be earned in 2009 (assuming all 12 month policies). For example, of business written in Q1 08, on average 1.5 months will earn in 2009, for Q2 08 4.5 months will earn in 2009, and so on.



UK Market profitability: low investment income means a worse “peak of pain” than in the past, even allowing for the growth of ancillary revenues

UK private motor market profitability



ROCE****
(peaks & troughs)

-5%

43%

-24%

30%

-34%

Investment income*** (% premium) RHS

AY COR reported (net releases)* LHS

AY COR reported less ancillary income & investment income LHS

Total ancillaries for insurers for market as a whole** (% premium) RHS

AY COR reported less ancillary income LHS

* Accident year combined ratio is per FSA returns

** Ancillary income assumed to be earned by direct insurers only, who track the growth in Admiral's ancillaries (as % premium) but with a 2 year delay, and assuming 25% of ancillary is included in CoR

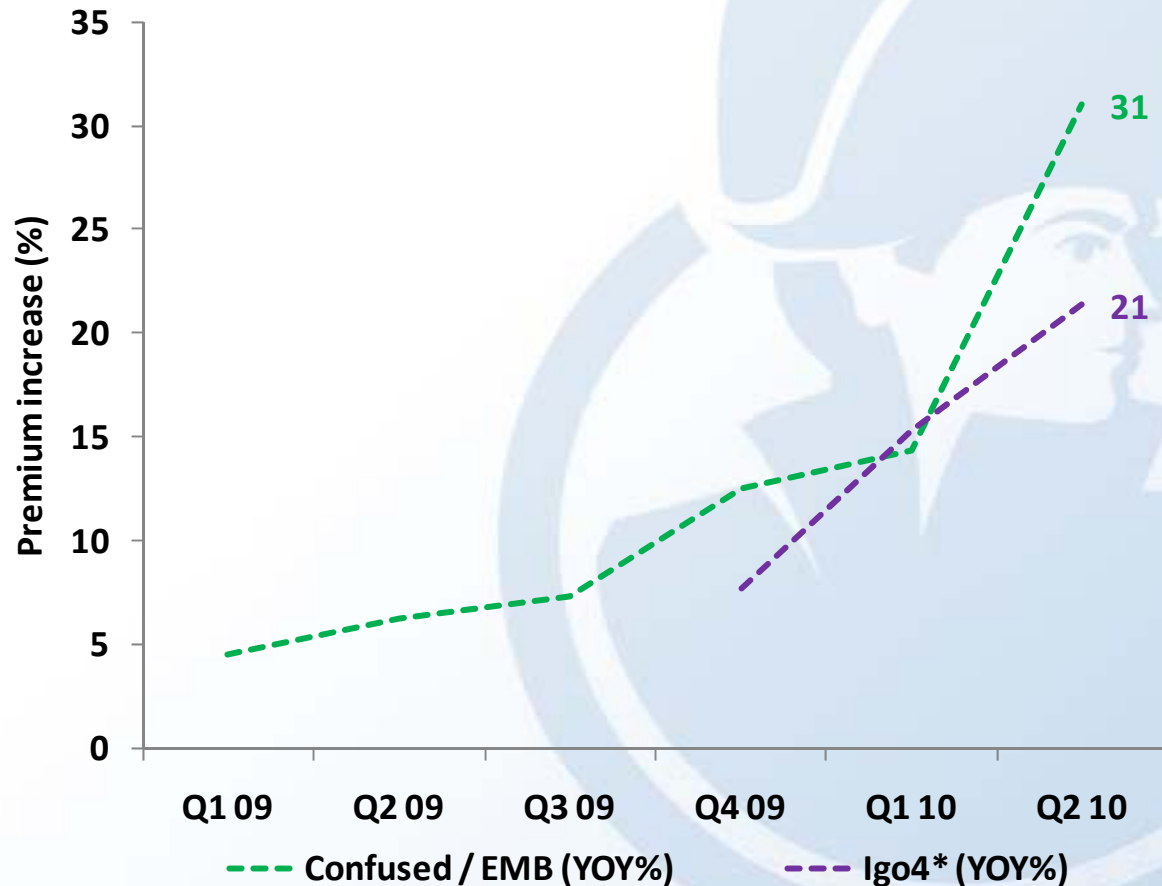
*** Investment income assumed to be base rate * GWP * 1.5

**** ROCE assumes 30% capital requirement and 28% corporation tax charge



UK Market – the pain is triggering a substantial increases in headline premiums in H1 2010

Market indices premium increases
Jan 09 to Jun 2010 (NB only)



	Cumulative increases 6 months to Jun 2010 (%)	Cumulative increases 12 months to Jun 2010 (%)
Confused / EMB	18.5	31
Igo 4	13.5	21
Average	16.0	26

*IGO4 %YOY premium increases only available from Q4 09 as this index only started in Q1 09.

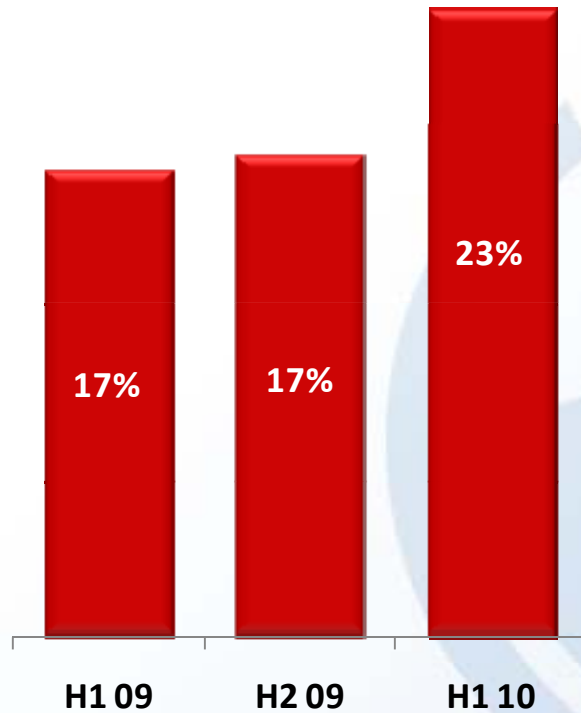


Admiral vs Market



Admiral's rate of growth has accelerated during 2010

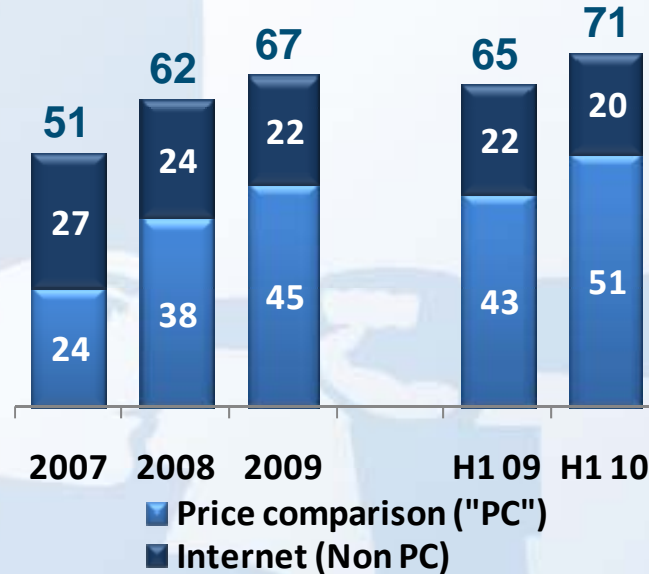
Admiral's vehicle growth rate (YoY%)



Closing Vehicles ('000)

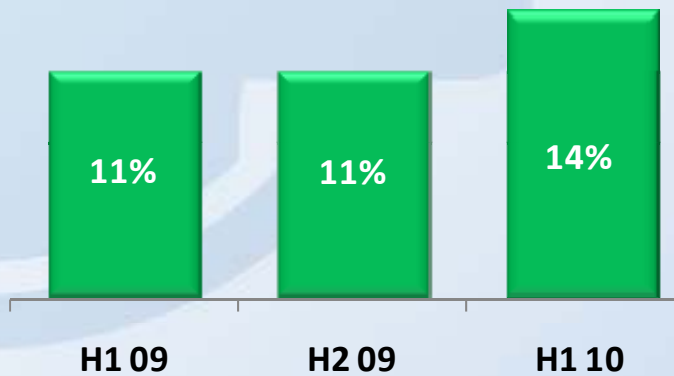
Period	Closing Vehicles ('000)
H1 09	1,732
H2 09	1,862
H1 10	2,123

UK Market: PC share of new business* (%)



PC growth of ~17% YOY

Admiral's % times top on PC



* Source: Management estimate



What's driven Admiral's increased share of PC business?

- ❑ Many of our competitors have reduced their footprint:
 - Reducing quotability
 - Pricing themselves out of certain segments
- ❑ Quinn's partial withdrawal significantly reduced competitiveness for young drivers
- ❑ We've followed rather than led on price increases, our increases slightly lagged the market

	Admiral's net gain or loss of customers to competitor*		
	Dec 2008	Dec 2009	Jun 2010
RBSI**	-5%	+4%	+14%
Quinn	+1%	+1%	+6%
Esure***	-5%	+3%	+1%
AXA / Swiftcover	-4%	-3%	-6%

Some significant reductions in competitiveness

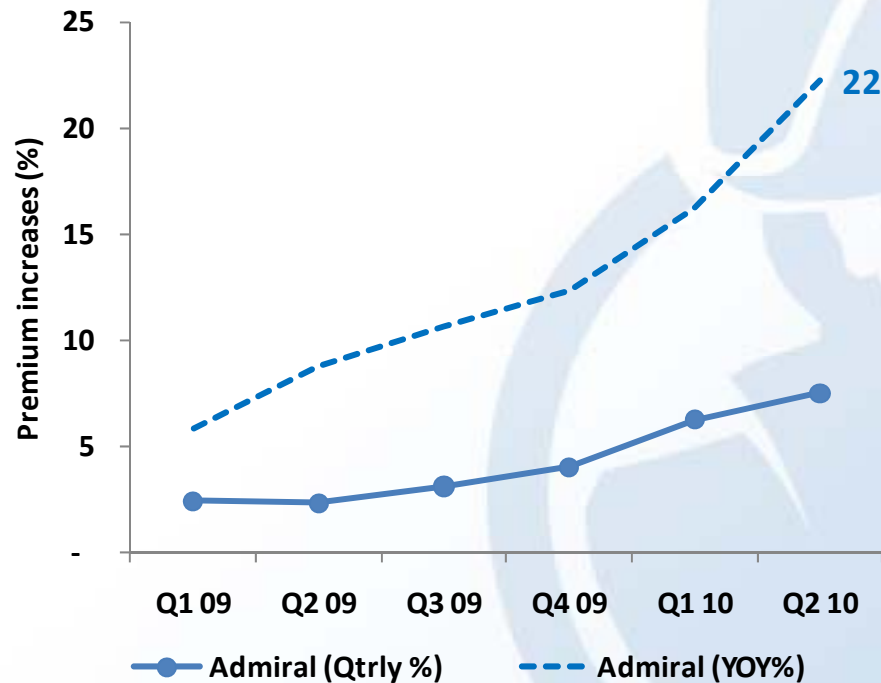
Though not all players are reducing share

*Net Gain or Loss of customers to competitor = Share of Admiral new customers from competitors less share of Admiral lapses to competitors (per customer surveys for each of the months shown) **Includes Direct Line, Churchill and Privilege *** Includes Sheila's Wheels



Admiral has put through significant price increases

Admiral's rate increases (NB & RN)



- ❑ 14% in H1 2010
- ❑ 22% year on year

Changes to Admiral's average premium (NB & RN)

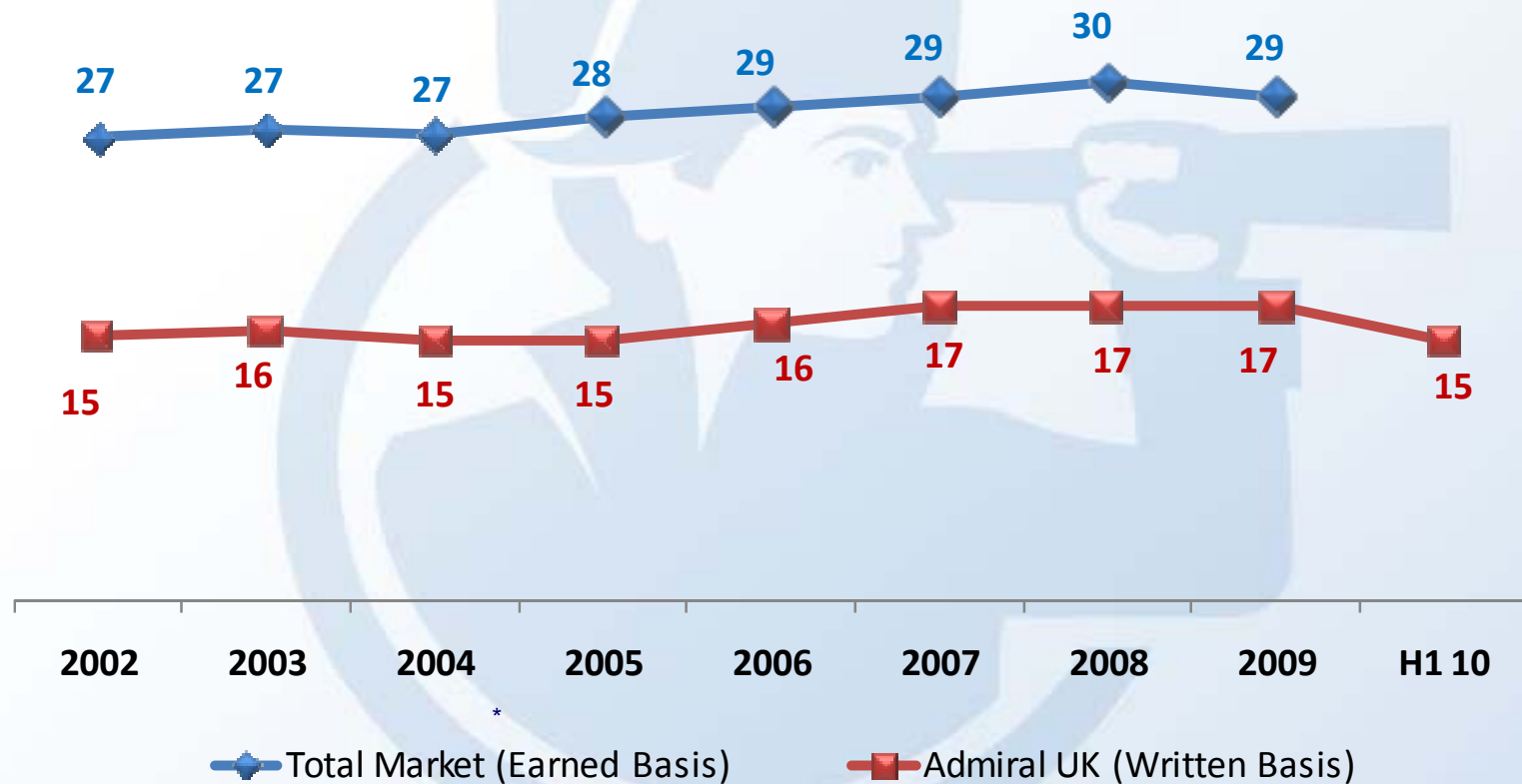
	2009	6 mths to June 2010	3 mths to Mar 2010	3 mths to June 2010
Average written premium (per vehicle)	£432	£463	£436	£490
YoY increase (%)	-1%	10%	5%	15%
Average earned premium (per vehicle)	£427	£438	£425	£449
YoY increase (%)	-3%	3%	0%	5%

Average premium changes reflect:

- ❑ Increases are starting to stick
- ❑ Changes to mix of business

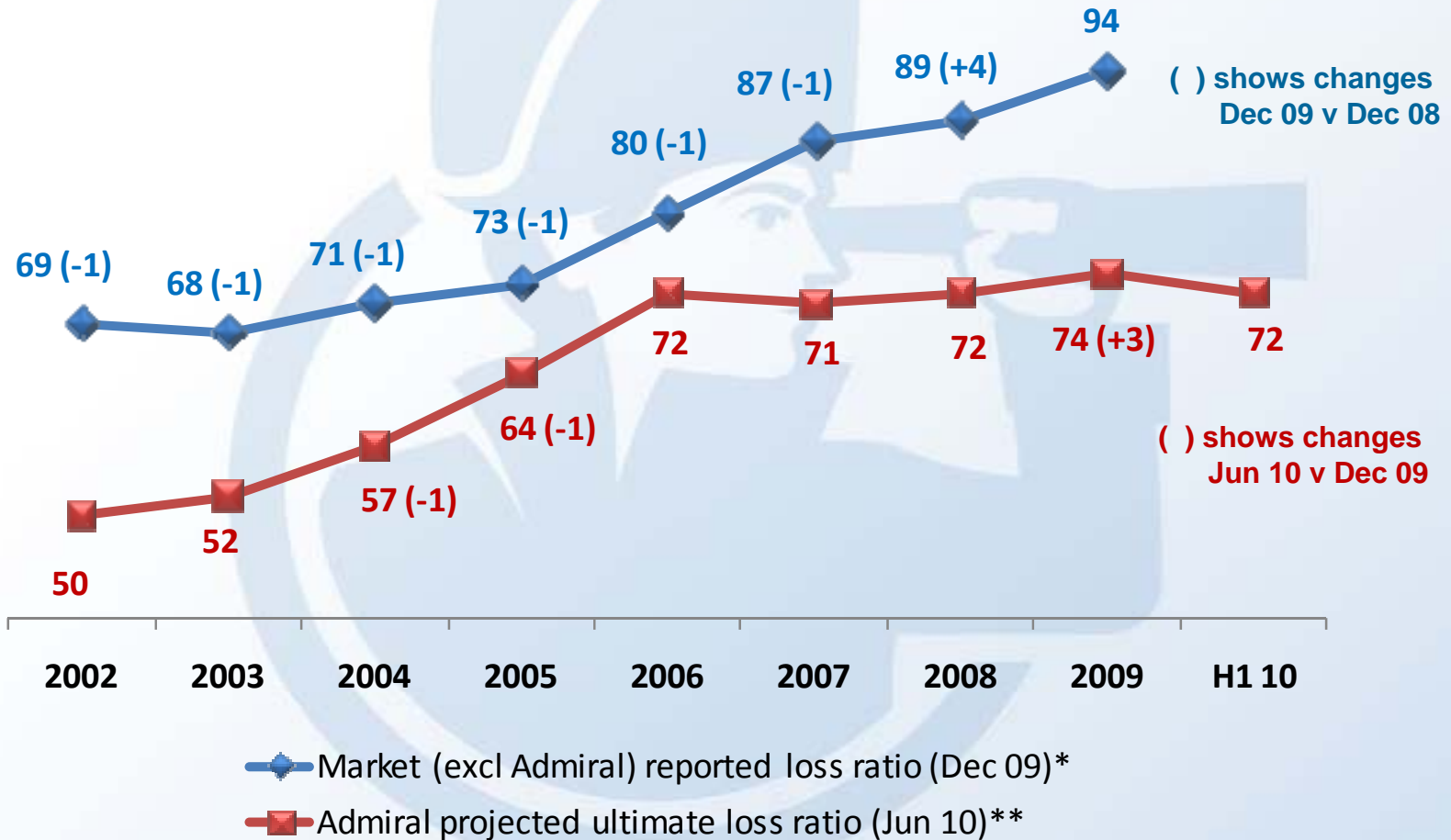


Admiral's expense ratio performance vs market





Admiral's loss ratio performance vs market



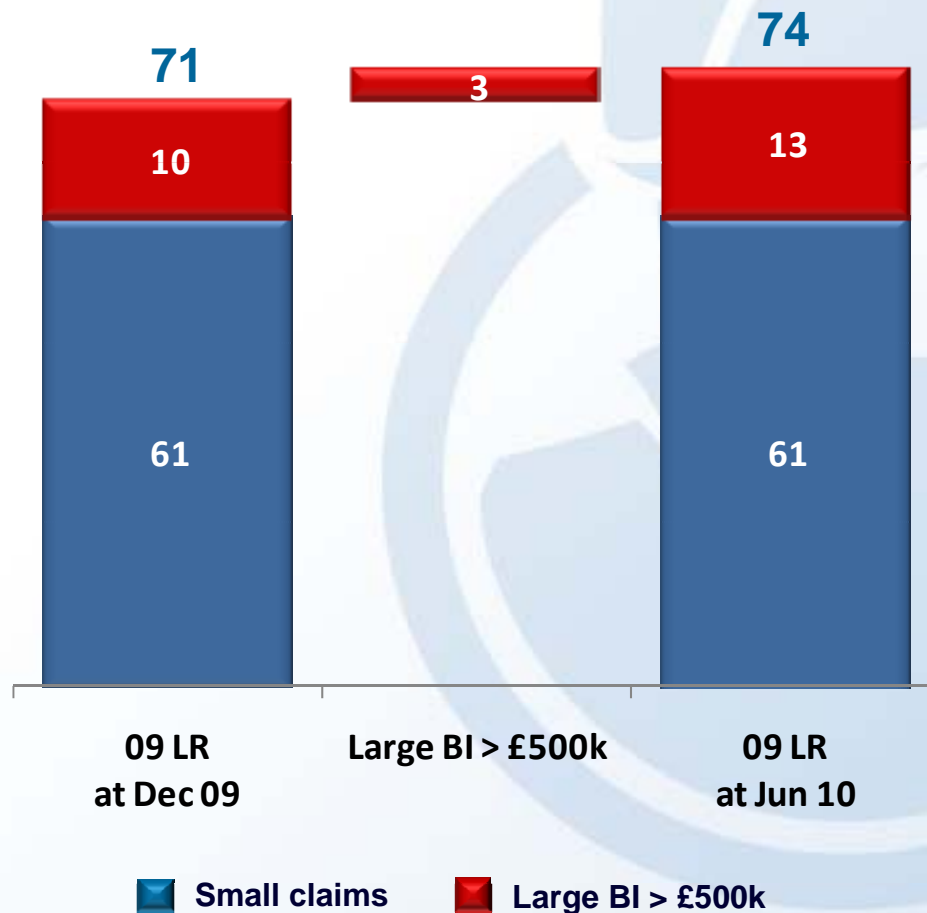
* Reported accident year loss ratio with reserve releases allocated back to relevant accident year, source: EMB & Synthesis analysis of FSA returns

** Ernst & Young projected ultimate loss ratios



What caused a change in the best estimate ultimate loss ratio for 2009?

Roll forward of 2009 Ernst & Young projected ultimate loss ratio (% GWP)

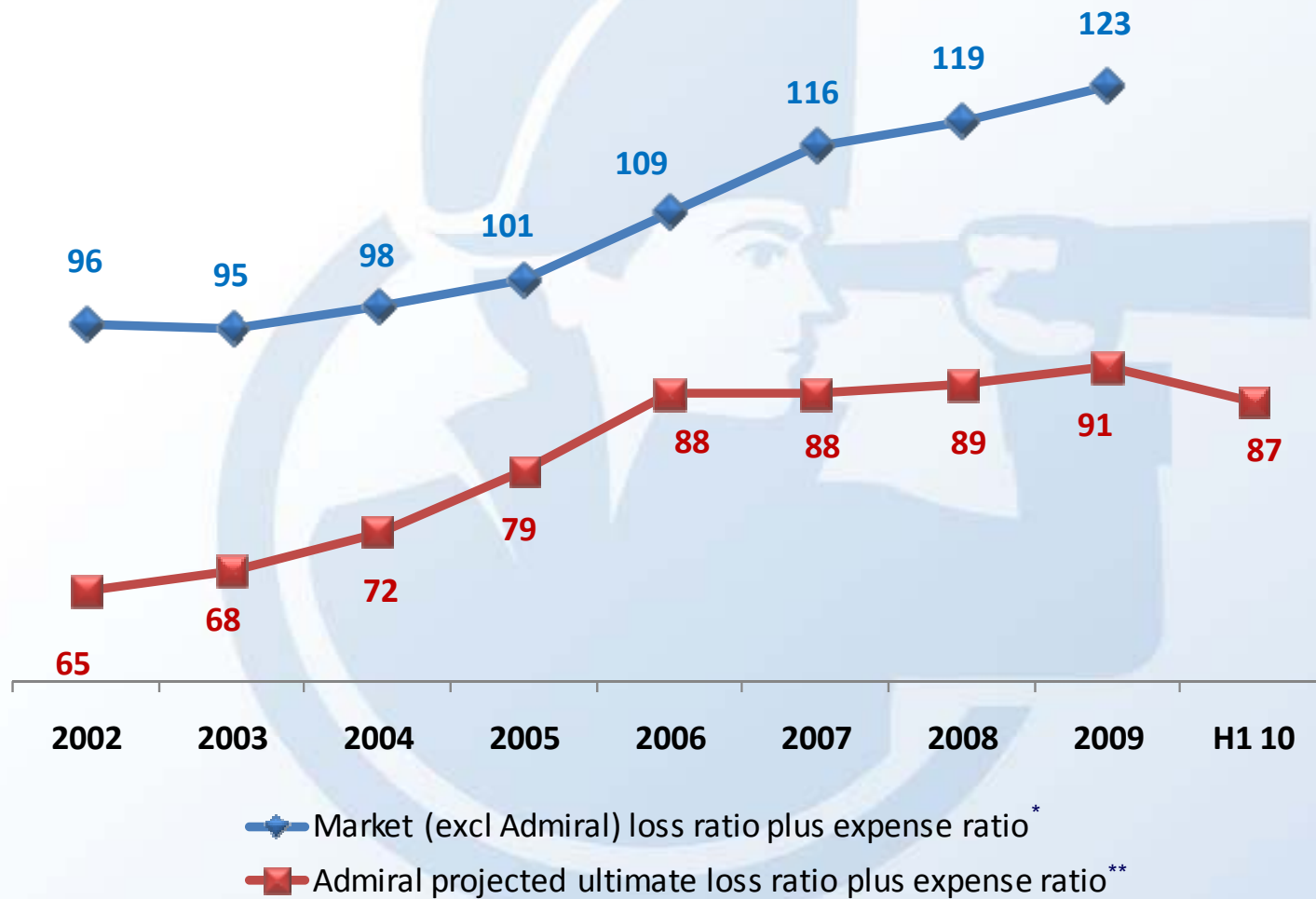


Large BI development

- ❑ Subject to a degree of volatility
- ❑ Varied within a range of 8%-13% of GWP between '05 and '09



The size of Admiral's combined ratio outperformance has increased in recent years



* Earned expense ratio plus reported accident year loss ratio with reserve releases allocated back to relevant accident year, source: EMB & Synthesis analysis of FSA returns

** Admiral's written expense ratio plus Ernst & Young projected ultimate loss ratios



There's a lot going on.... the key points to take away

- ❑ H1 saw rapid premium increases and there's probably more to come
- ❑ Admiral is taking share whilst increasing rates
 - 23% year-on-year vehicle growth
 - 14% increase in rates in H1 2010
- ❑ Near-term growth potential looks good
 - PC is still growing
 - We've increased our share of PC as others retrench
 - Our combined ratio advantage has increased

Non-UK in 2008

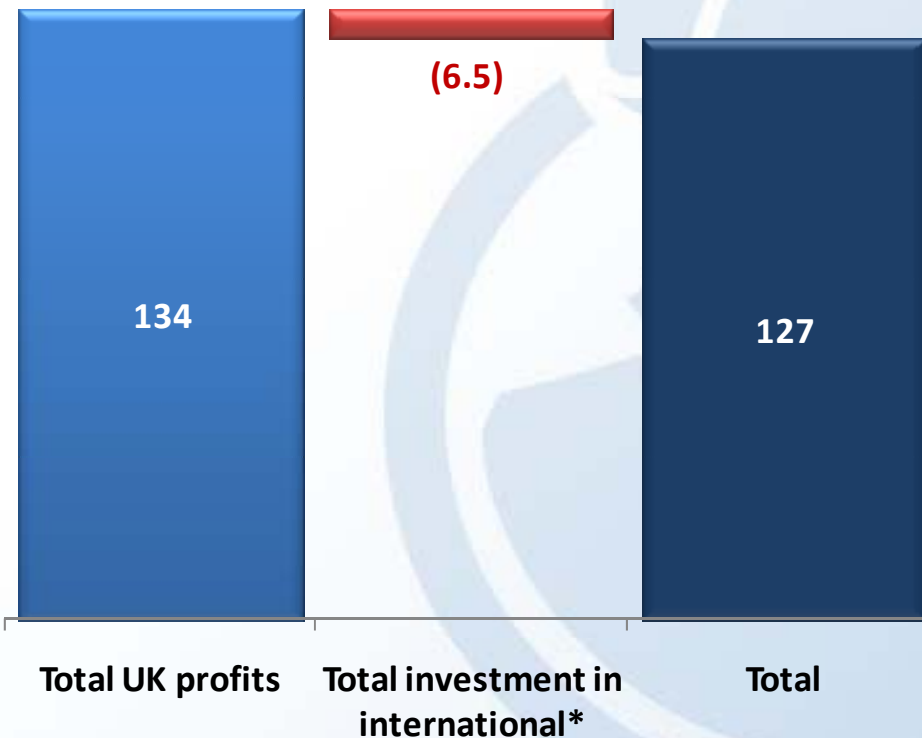


International



Still a modest investment

H1 2010 profit before tax (£m)



Admiral investment in international:

- ❑ 4 insurance operations
- ❑ 3 price comparison sites
- ❑ Pre-launch costs (France)

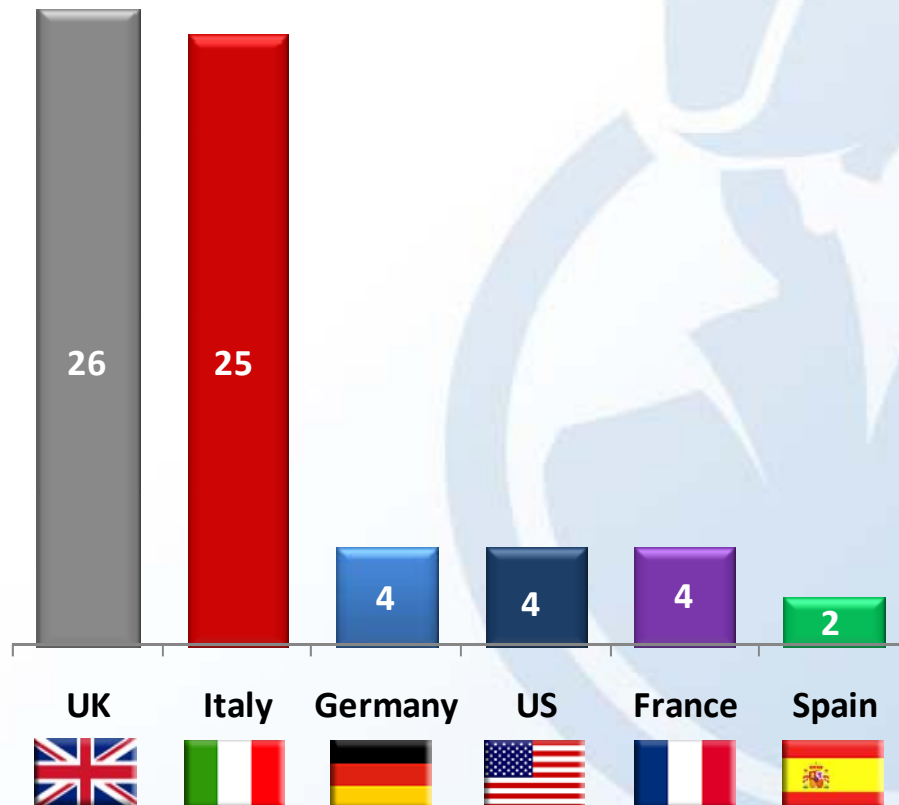
Total is less than 5% of UK profits

* Total UK profits includes everything except specific investments in international which total to £6.5m and include £4.1m Non UK car insurance, £1.5m non UK price comparison (which is net of Mapfre's share of 25% of Rastreator's result) and £0.9m pre launch costs.



It's not just the UK market that's seen rate increases

Estimates of private motor market price increases in 12 months to June 2010*



It's difficult to get reliable pricing data in all of these markets...

...but 2010 looks promising:

- UK & Italy are seeing significant rate increases
- Positive early signs for Spain, Germany and France as rates are starting to increase
- USA continues to see moderate increases

* Management estimates, utilising market experience combined with indices where available.



A milestone - Balumba breaks into profit!



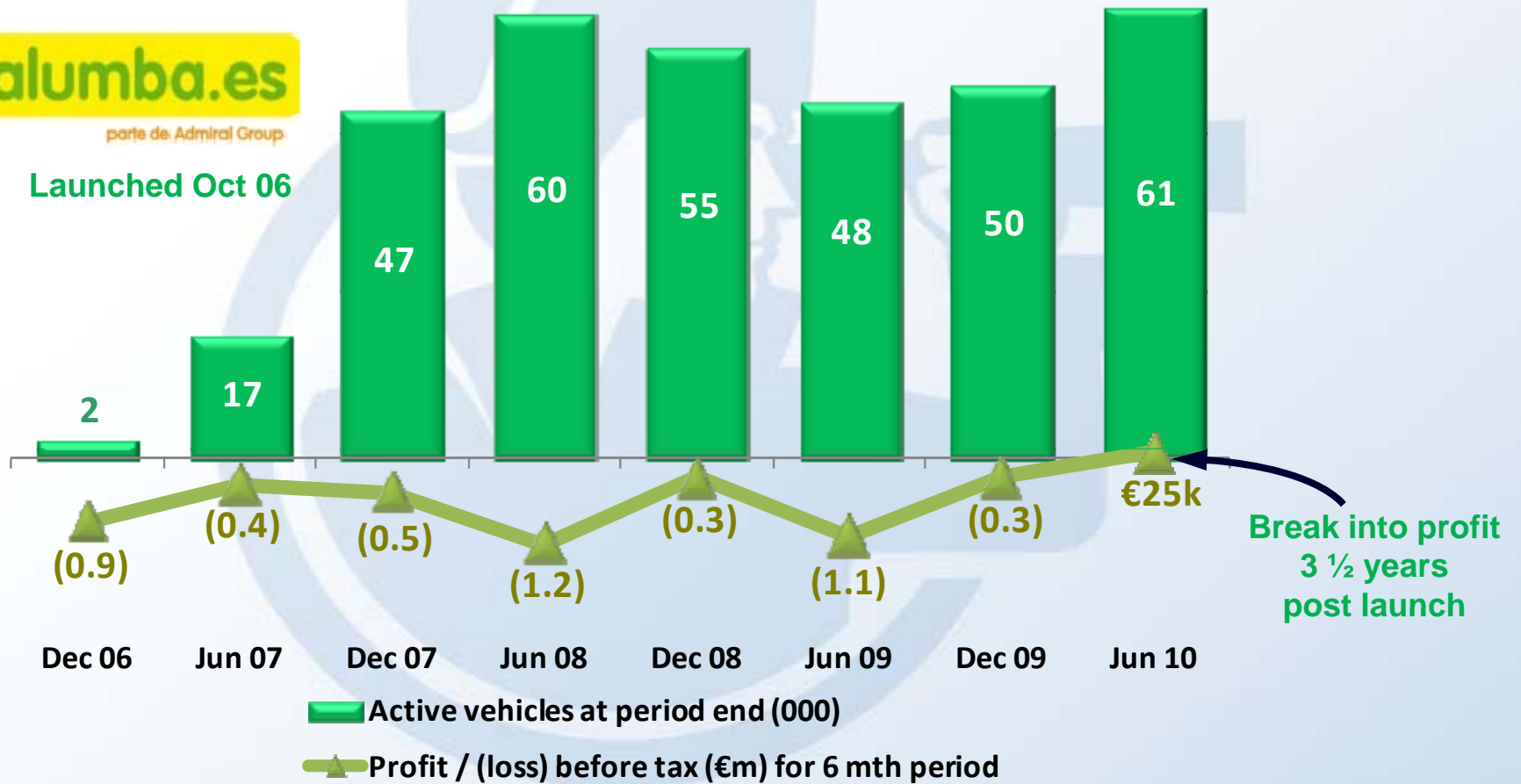
Balumba vehicle count and profit/(loss) since launch



balumba.es

parte de Admiral Group

Launched Oct 06

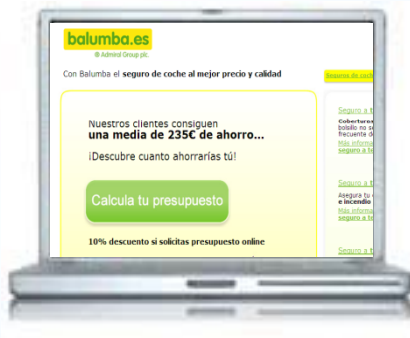
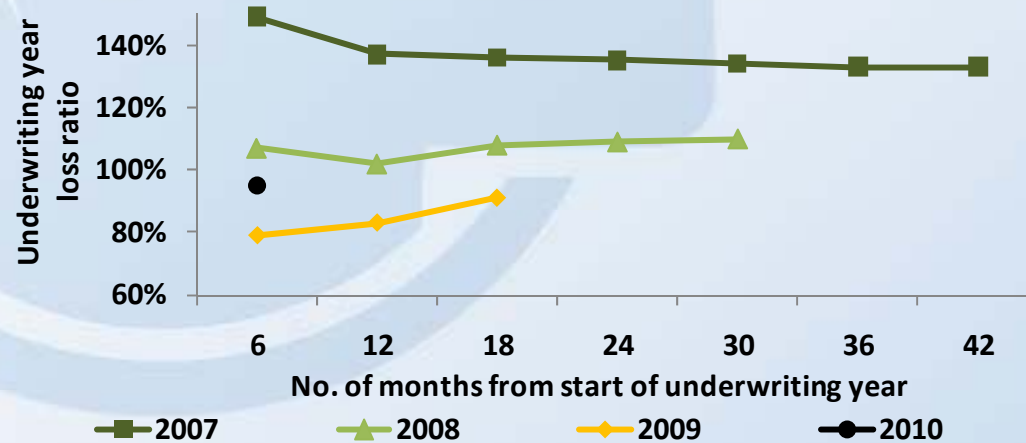




	Jun 09	Jun 10
Active vehicles at period end	48,100	61,400
Total written premium (6 months)	€9.1m	€12.2m
Underwriting year loss ratio (after 6 months)	79%	95%
Written expense ratio	56%	53%
Combined ratio	135%	148%
Ancillary contribution per vehicle	€73	€81
Admiral result (before tax)	(€1.1m)	€25k



Underwriting year loss ratio development

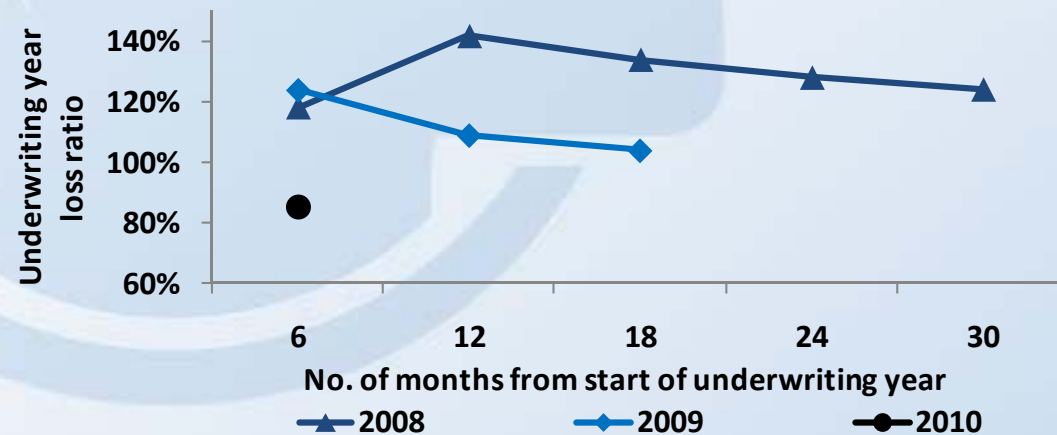




	Jun 09	Jun 10
Active vehicles at period end	37,500	31,300
Total written premium (6 months)	€12.5m	€9.9m
Underwriting year loss ratio (after 6 months)	124%	85%
Written expense ratio*	92%	89%
Combined ratio	216%	174%
Admiral ancillary contribution per vehicle	€6	€2
Admiral result (before tax)	(€2.5m)	(€1.9m)



Underwriting year loss ratio development



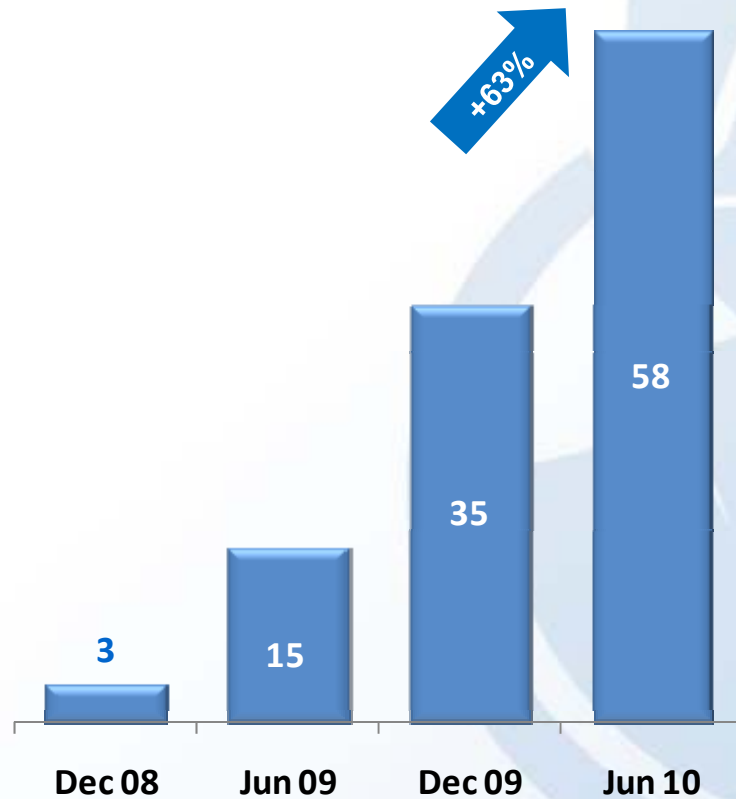
* Written expense ratios are based on policies incepted in the last 12 months to avoid distortion due to seasonality of German market (majority of policies incepting on 1st January).



ConTe – Rate increases AND growth

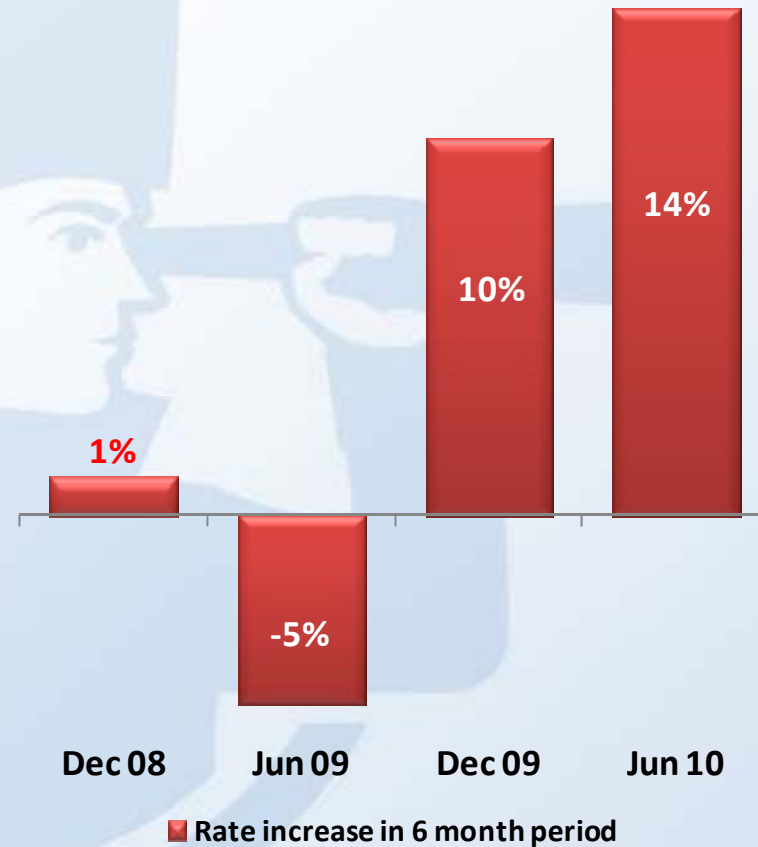


ConTe's active vehicles at period end



■ Active vehicles at period end (000)

ConTe's base rate premium increases (in each 6 month period)



24% year-on-year at end June 2010



Active vehicles at period end
Total written premium (6 months)

	Jun 09	Jun 10
Active vehicles at period end	14,800	57,900
Total written premium (6 months)	€4.6m	€14.5m

Loss ratio - underwriting year (after 6 months)
Written expense ratio
Combined ratio

	Jun 09	Jun 10
Loss ratio - underwriting year (after 6 months)	59%	83%
Written expense ratio	139%	51%
Combined ratio	198%	134%

Admiral ancillary contribution per vehicle

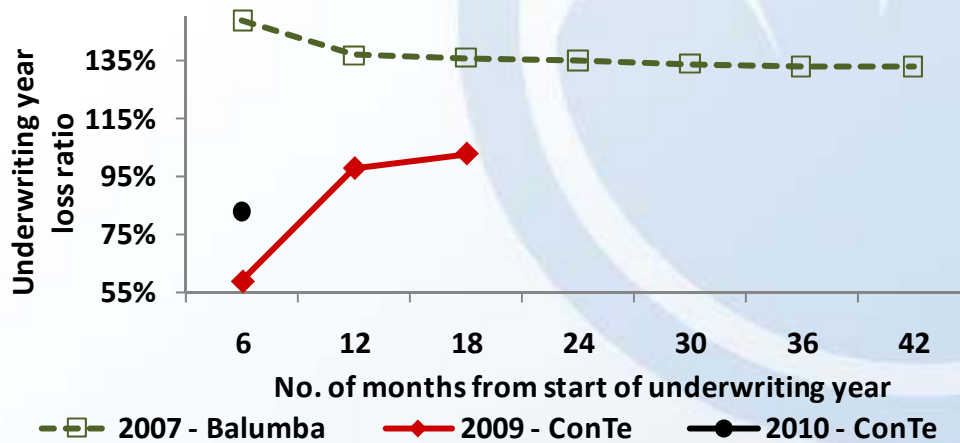
	Jun 09	Jun 10
Admiral ancillary contribution per vehicle	€10	€12

Admiral result (before tax)

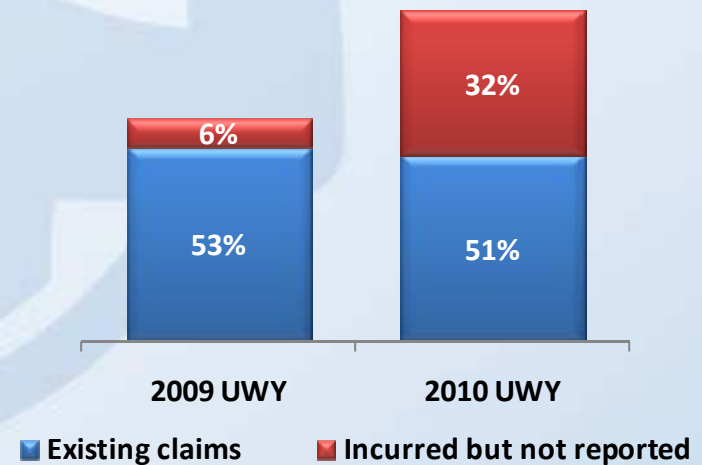
	Jun 09	Jun 10
Admiral result (before tax)	(€1.0m)	(€2.0m)



Underwriting year loss ratio development



Split of ConTe loss ratio at 6 months





Elephant



	Jun 10
Active vehicles at period end	3,500
Total written premium (6 months)	\$3.3m
Loss ratio - underwriting year (after 6 months)	70%
Written expense ratio	123%
Combined ratio	193%
Admiral ancillary contribution per vehicle	\$12
Admiral result (before tax)	(\$1.3m)





Non-UK price comparison



Spain

Jun 10

€000

Total revenue

1,500

Total expenses

(2,400)

Result (before tax)*

(900)

Launch

Mar-09

TV Launch

Sep-09



France

Jun 10*

€000

100

(800)

(700)

Jan-10

Jun-10



Italy

Jun 10*

€000

10

(400)

(390)

Feb-10

Not yet



Total non-UK price comparison

Jun 10

€000

1,610

(3,600)

(1,990)

* Revenue and expenses are post launch

** Shows the 100% result, for Rastreator.com Admiral Group plc owns 75% and takes a 75% share of any profit or loss.



The future... car insurance in France

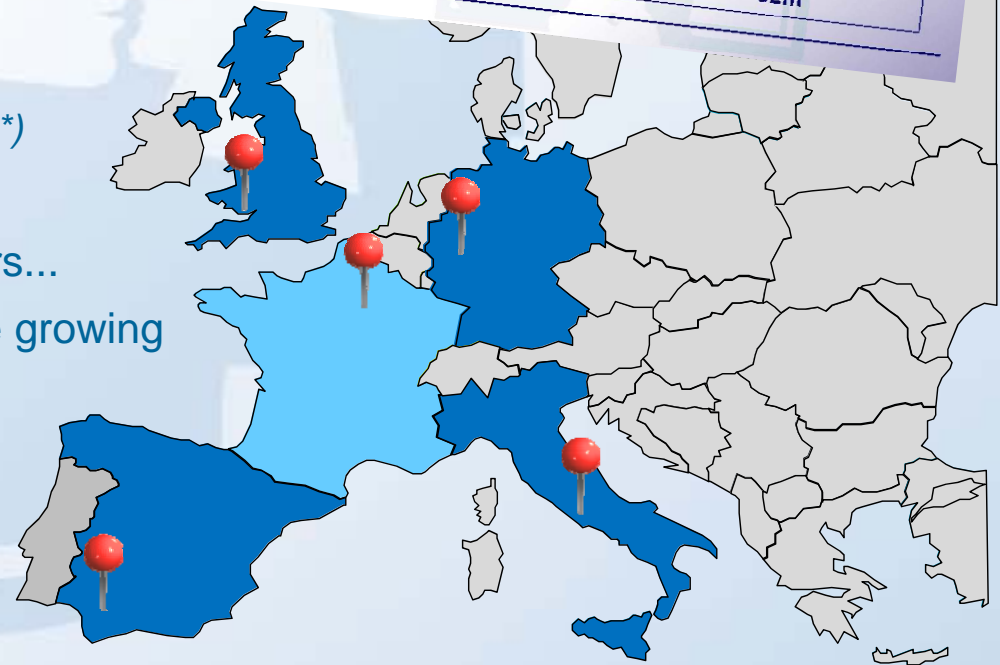


- ❑ Plan to launch Q1 2011
- ❑ Estimate pre-launch costs <€1m
- ❑ Some facts about the French market*:
 - 31 million private vehicles (UK: 26 million)
 - €14.7bn private motor premium (UK: €14bn**)
 - 2008 combined ratio of 102% (UK: 115%)
 - Dominated by mutuals and agent-led insurers...
...but direct, online and price comparison are growing

Admiral goes international

The obvious targets: **2005 Results, Mar '06**

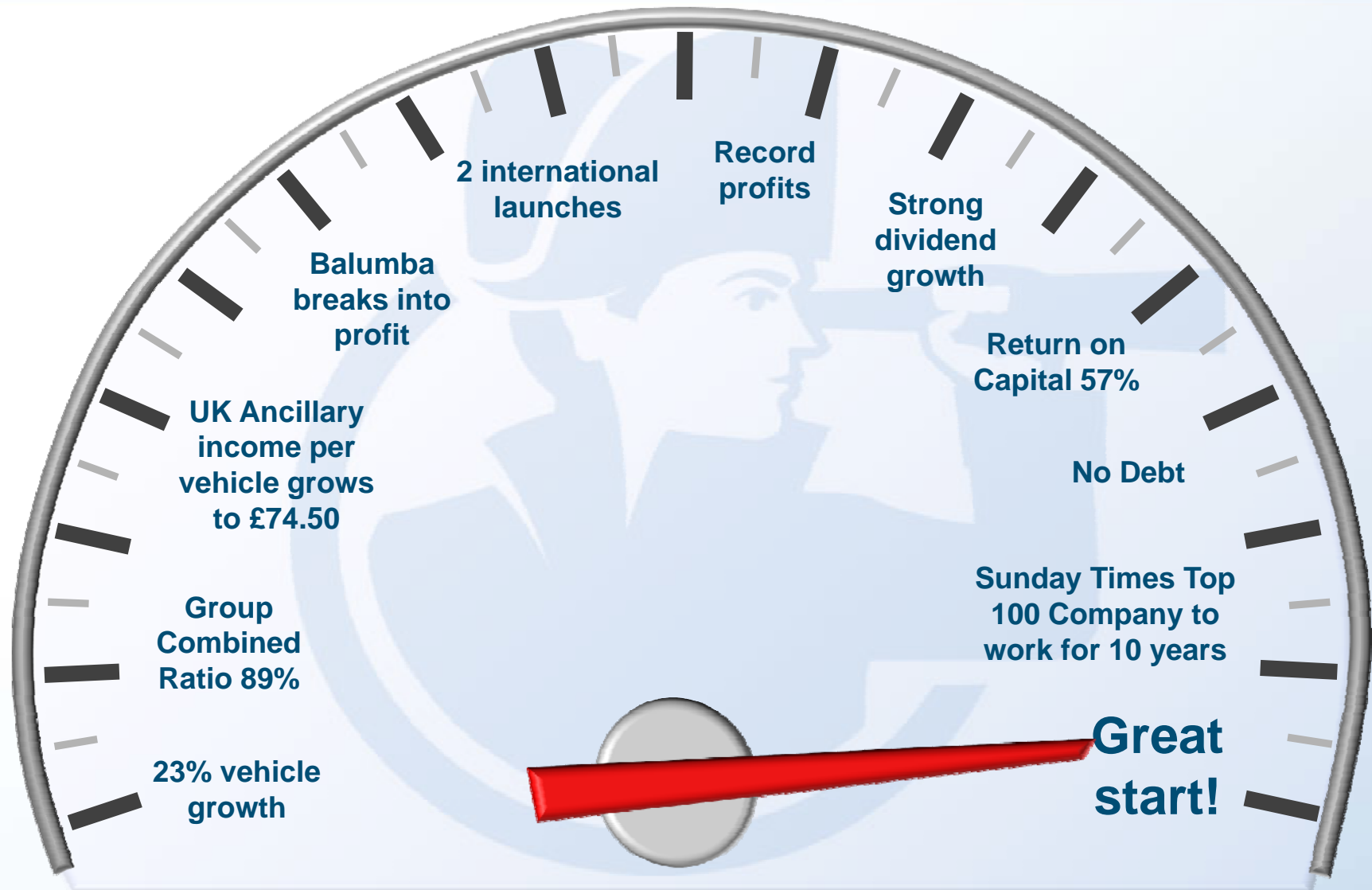
	GWP	No of vehicles
France	£12bn	31m
Germany	£15bn	45m
Italy	£14bn	34m
Spain	£8bn	20m
USA	£110bn	236m
UK	£13bn	32m



*Source: FFSA (French Federation of Insurance Companies)
 ** Exchange rate of £:€ 1:1.15



2010 – a great start!



Non-UK in 2008



Appendix



Appendices

- ❑ Summary income statement
- ❑ Balance sheet
- ❑ Group key performance indicators
- ❑ UK car insurance – Admiral’s claims experience
- ❑ UK car insurance – reserving
- ❑ UK car insurance - underwriting
- ❑ UK car insurance coinsurance and reinsurance 2010
- ❑ UK car insurance – 2009 result for 10 largest car insurers
- ❑ Admiral Group’s brands
- ❑ Disclaimer notice



Summary income statement

	UK car insurance			Price comparison			Non-UK car insurance			Other			Admiral Group		
	H1 08	H1 09	H1 10	H1 08	H1 09	H1 10	H1 08	H1 09	H1 10	H1 08	H1 09	H1 10	H1 08	H1 09	H1 10
Turnover	407.2	470.1	639.3	36.6	40.2	38.0	14.7	24.5	37.2	4.9	5.3	6.0	463.5	540.1	720.5
Total premiums written	350.1	404.6	555.8				13.0	22.6	34.1				363.2	427.1	589.9
Gross premiums written	157.6	202.3	305.7				12.7	19.9	29.4				170.2	222.2	335.1
Net premiums written	94.6	109.5	150.5				4.4	7.8	11.7				99.0	117.2	162.2
Net earned premium	73.5	94.6	117.2				3.5	5.9	8.2				77.0	100.6	125.4
Investment income	8.9	5.7	3.2				0.2	0.1	0.0				9.1	5.8	3.2
Net insurance claims	(48.0)	(63.6)	(81.0)				(4.5)	(6.6)	(7.8)				(52.5)	(70.2)	(88.8)
Insurance related expenses	(10.9)	(14.2)	(16.1)				(2.7)	(5.2)	(7.1)				(13.6)	(19.4)	(23.2)
Underwriting result	23.5	22.5	23.3				(3.5)	(5.7)	(6.7)				20.0	16.8	16.6
Profit commission	14.3	22.7	36.9										14.3	22.7	36.9
Gross ancillary revenue	53.0	61.0	77.7				1.6	1.8	2.9				54.6	62.8	80.6
Ancillary costs	(8.8)	(9.6)	(12.2)				(0.3)	(0.3)	(0.5)				(9.1)	(9.9)	(12.7)
Instalment income	4.1	4.5	5.8				0.1	0.2	0.2				4.2	4.7	6.0
Gladiator contribution										1.5	1.4	1.5	1.5	1.4	1.5
Price comparison revenue				36.6	40.2	38.0							36.6	40.2	38.0
Price comparison expenses				(21.0)	(29.2)	(30.9)							(21.0)	(29.2)	(30.9)
Interest income										3.5	1.1	0.3	3.5	1.1	0.3
Other (mainly share scheme)										(4.3)	(5.2)	(9.4)	(4.3)	(5.2)	(9.4)
Profit / (loss) before tax	86.1	101.1	131.5	15.6	11.0	7.1	(2.1)	(4.1)	(4.1)	0.7	(2.7)	(7.6)	100.3	105.3	126.9



Balance sheet

	June 09 £m	Dec 09 £m	June 10 £m
ASSETS			
Property, plant and equipment	11.5	12.1	11.7
Intangible assets	78.2	77.0	79.1
Financial assets	688.2	630.9	827.7
Reinsurance contracts	195.7	212.9	283.0
Deferred income tax	0.0	0.0	1.2
Trade and other receivables	36.2	32.7	45.9
Cash and cash equivalents	96.2	211.8	165.4
Total assets	<u>1,106.0</u>	<u>1,177.4</u>	<u>1,414.0</u>
EQUITY			
Share capital	0.3	0.3	0.3
Share premium	13.1	13.1	13.1
Retained earnings	264.4	281.8	306.3
Other reserves	3.8	5.6	2.7
Total equity	281.6	300.8	322.4
LIABILITIES			
Insurance contracts	491.2	532.9	643.8
Trade and other payables	293.1	306.8	407.8
Deferred income tax	12.2	5.7	0.0
Corporation tax liabilities	27.9	31.2	40.0
Total liabilities	824.4	876.6	1,091.6
Total liabilities and equity	<u>1,106.0</u>	<u>1,177.4</u>	<u>1,414.0</u>



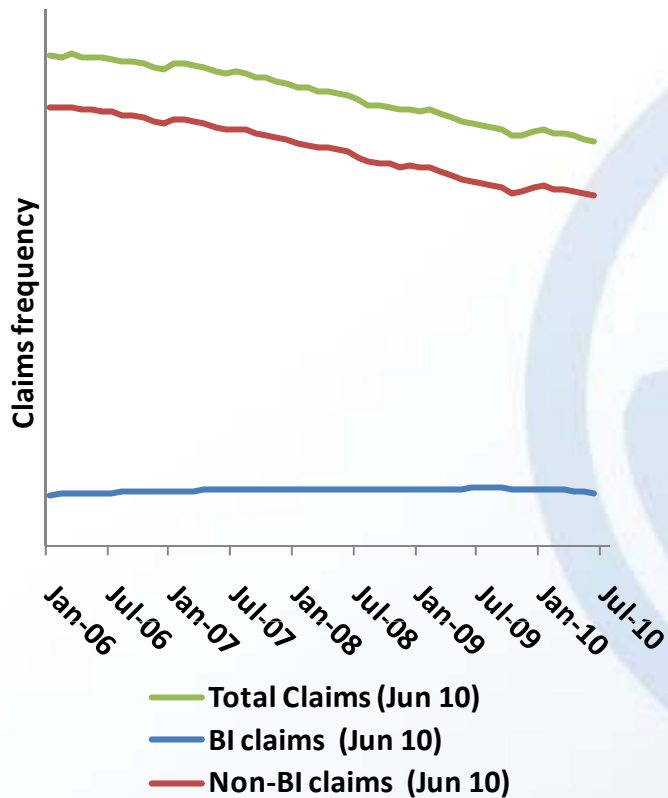
Admiral Group key performance indicators

KPI	2004	2005	2006	2007	2008	2009	H1 08	H1 09	H1 10	
Group Financial	Revenue £m	540	627	698	808	910	1,077	463	540	721
	Customers	1,040,700	1,141,000	1,284,700	1,490,800	1,745,800	2,076,000	1,629,500	1,921,500	2,372,500
	Group pre-tax profit £m	98.1	119.5	147.3	182.1	202.5	215.8	100.3	105.3	126.9
	Earnings per share	28.4p	32.7p	39.8p	48.6p	54.9p	59.0p	27.3p	28.5p	33.7p
	Dividend	9.3p	24.6p	36.1p	43.8p	52.5p	57.5p	26.0p	27.7p	32.6p
UK Car Insurance	Vehicles covered	1,007,600	1,104,500	1,240,200	1,381,700	1,587,200	1,861,800	1,483,900	1,731,600	2,122,800
	Total premiums £m	470.4	533.6	566.0	617.0	690.2	804.7	350.1	404.6	555.8
	Reported combined ratio	82.0%	84.9%	87.2%	83.4%	81.0%	84.9%	80.1%	82.1%	82.9%
	Ancillary contribution per policy £	66.3	68.5	69.3	69.0	70.7	72.0	71.1	70.8	74.5
	UK car insurance pre-tax profit	94.7	110.0	121.1	142.2	179.9	206.9	86.0	101.3	131.5
Price Comparison	Total revenue £m	3.2	12.0	38.5	69.2	66.1	80.6	36.6	40.2	38.0
	Operating profit £m	1.3	6.9	23.1	36.7	25.6	24.9	15.6	11.0	(30.9)
	Operating margin - Confused.com only	41%	58%	60%	53%	39%	32%	43%	27%	24%
Non-UK Car Insurance	Vehicles covered			2,200	46,900	73,700	121,000	69,900	100,500	154,100
	Total premiums £m			0.6	14.2	26.0	43.0	13.0	22.6	34.0
	Reported combined ratio			0	232%	198%	204%	206%	199%	183%
	Non-UK car insurance result £m			(0.1)	(0.7)	(4.1)	(9.5)	(2.1)	(4.1)	(4.1)

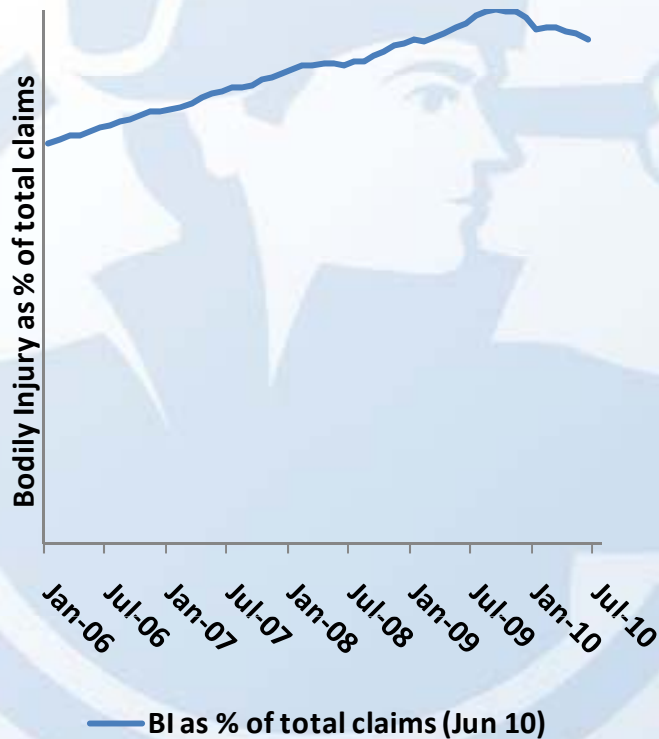


UK car insurance: Admiral's claims experience

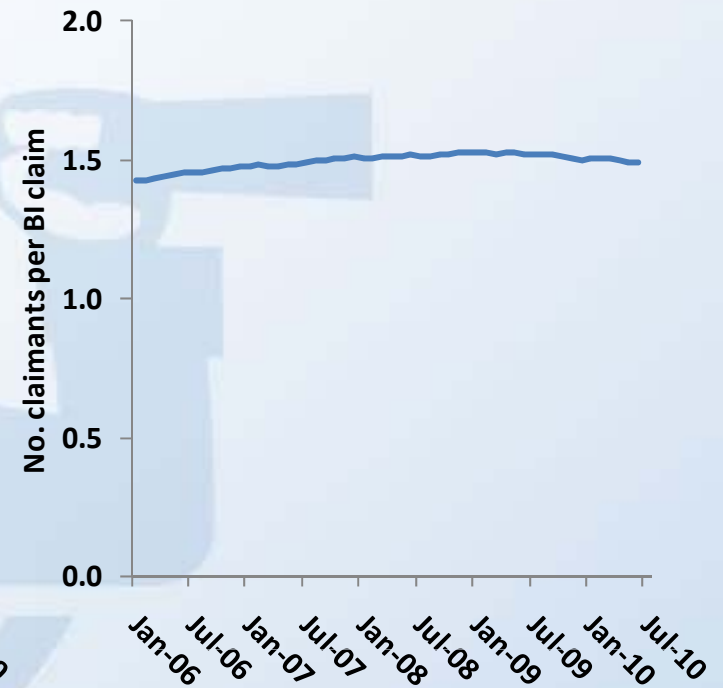
Admiral's 12 month rolling average claims frequency



Admiral's bodily injury claims as % total claims (on 12 month rolling average basis)



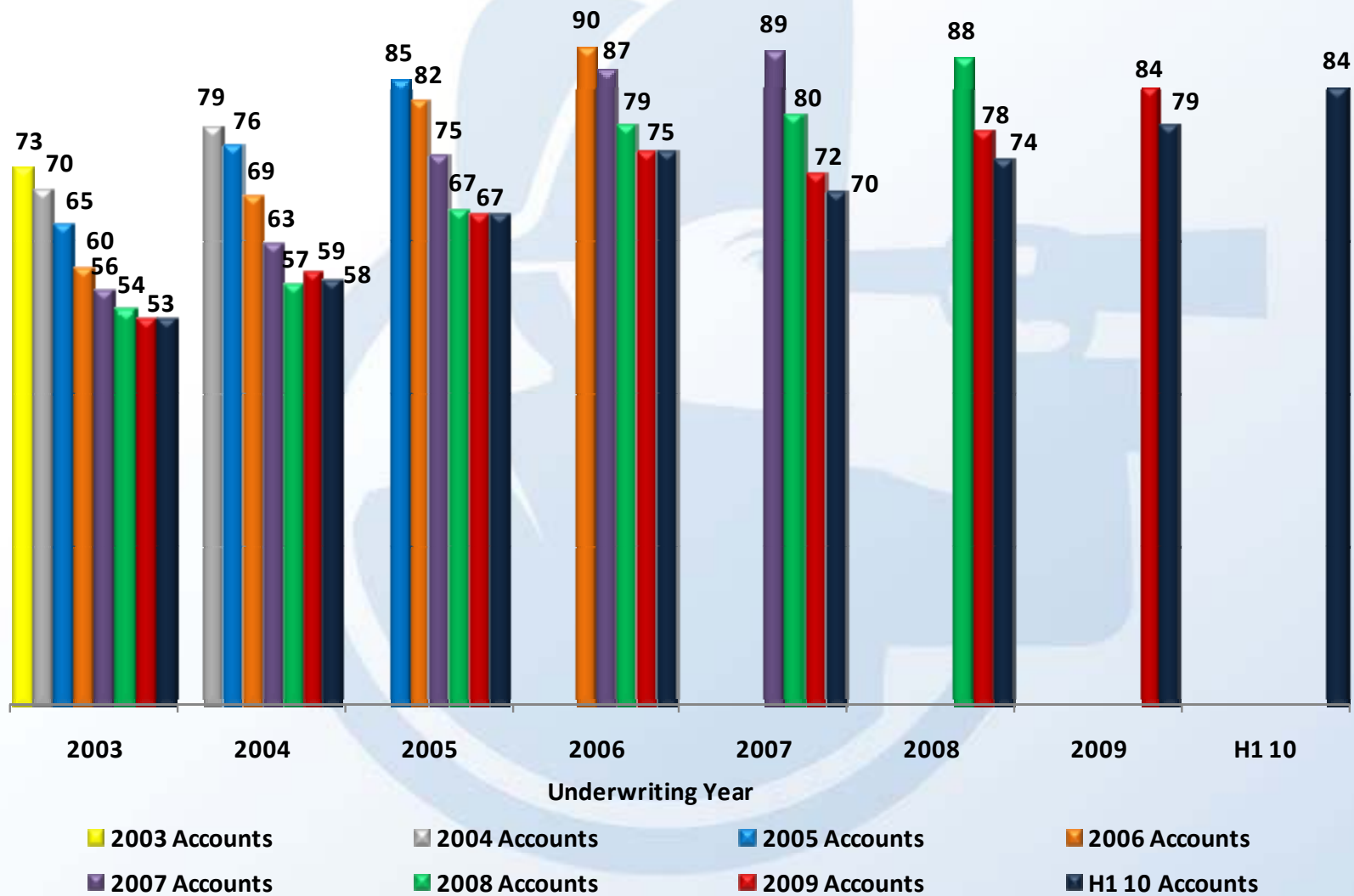
Number of claimants per bodily injury claim (on 12 month rolling average basis)





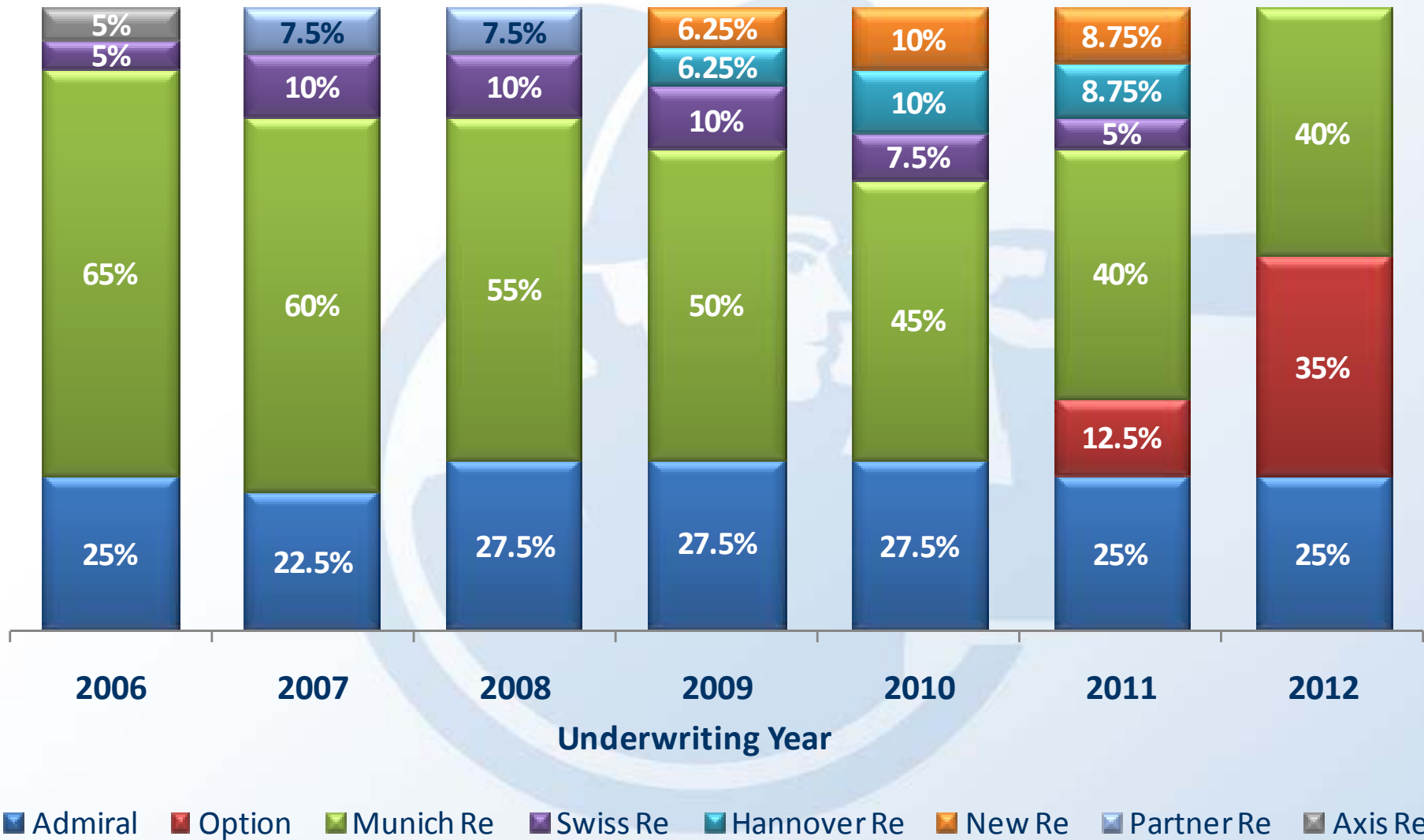
More questions: UK car insurance – reserving

Loss ratio development by underwriting year





UK car insurance – underwriting



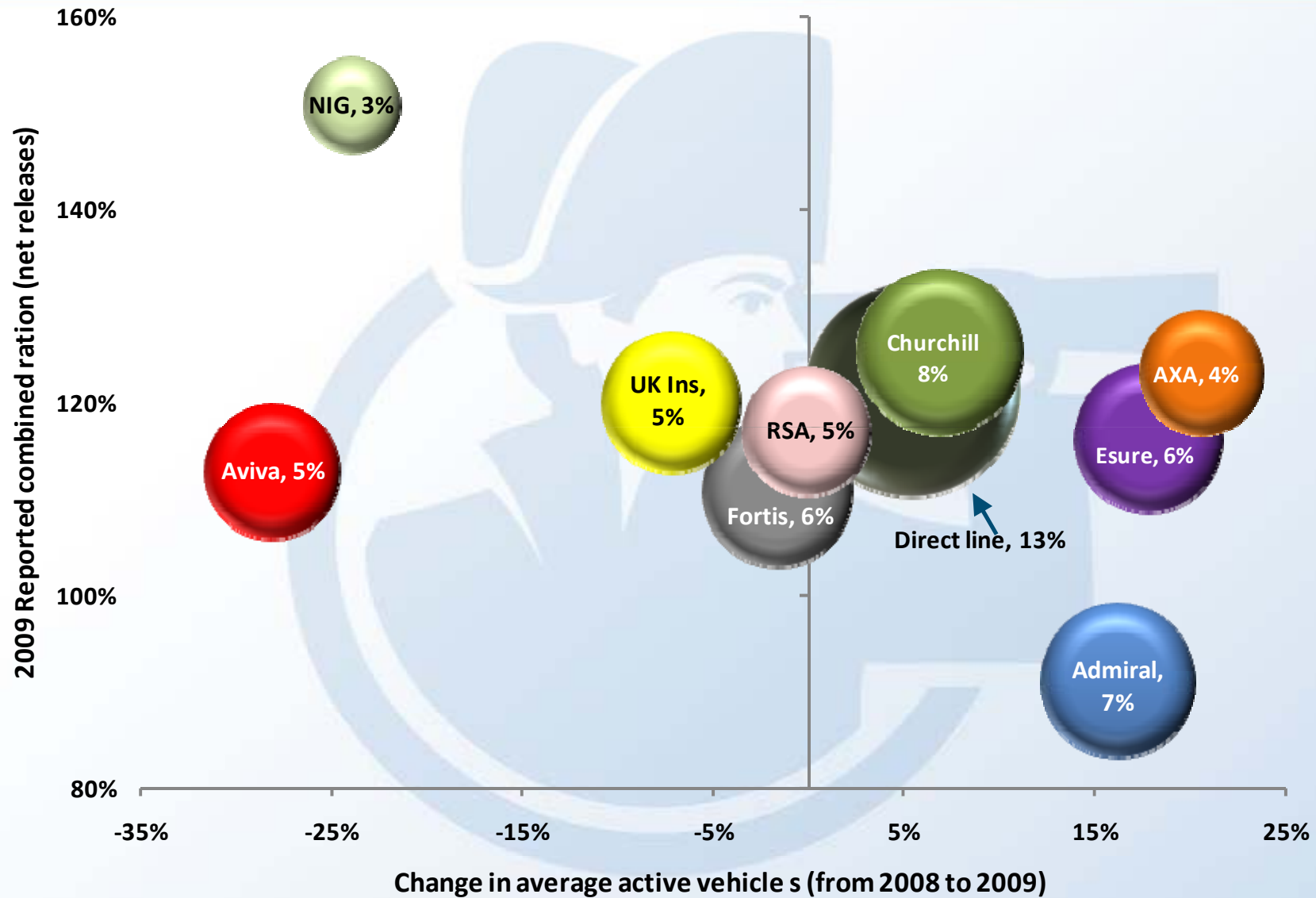


UK car insurance co-insurance and reinsurance 2010

	Munich Re	Swiss Re	New Re	Hannover Re	Munich Re (pre 2007)
Share of premium	45%	7.5%	10%	10%	65%
Term	To at least Dec 2016	Ends December 2011			2002 to 2006
Cost to Admiral	Variable, depending on combined ratio	Fixed (not disclosed)	Fixed – 1.7% of premium	Fixed – 1.7% of premium	Variable, depending on combined ratio
Risk protection	Co-insurance	Starts at approximately 104%			Co-insurance
Profit commission	Profit share % based on combined ratio. Different %'s operate in tranches	Starts at 100%. Fixed allocation to Swiss Re, then 100% profit rebate to Admiral thereafter Below "x"% = 100%	Same as Swiss Re (though at different cost) Below 98.3% = 100%		Profit share % based on combined ratio Maximum = 29.5%
Funds withheld	No	No	Yes	Yes	No
Investment income	Munich Re	Admiral (provided combined ratio <100%)			Munich Re
Instalment income	Munich Re	Admiral			Munich Re
Ancillary income	Admiral	Admiral			Admiral
Other terms	Reduces to 40% in 2011. Improved PC terms from 2010	Reduces to 5.0% in 2011	8.75% in 2011 and Admiral have an option to give further 5% (which would increase share to 13.75%)		



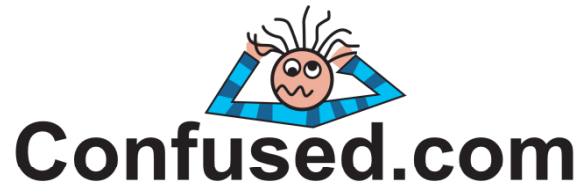
UK Car insurance – 2009 result for the 10 largest private motor insurers



Source: EMB analysis of FSA returns



Admiral's brands





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