

ADMIRAL
GROUP plc



2012 Half Year Results

30th August 2012

Henry Engelhardt, Chief Executive Officer

- Overview

Kevin Chidwick, Finance Director

- Results

David Stevens, Chief Operating Officer

- UK Car Insurance

Henry Engelhardt, Chief Executive Officer

- International

Q&A



A reminder of what makes us different

Profitable



- ✓ Profit before tax up 7% to £172 million
- ✓ Focused on delivering profit growth

Growing



- ✓ Over 3.5 million vehicles insured
- ✓ 100% organic, long term approach
- ✓ Growth adjusted according to market conditions

Low risk



- ✓ No debt
- ✓ Cash balances conservatively managed
- ✓ Loss protection through use of co- and reinsurance

Cash generative



- ✓ Strong cashflow
- ✓ Record interim dividend of 45.1 pence per share
- ✓ High dividend payout ratio

Aligned interests



- ✓ Significant share distributions throughout organisation
- ✓ Significant level of share ownership among executives

High return on capital



H1 2012 Overview

- ❑ Strong financial position with return on capital of 61%
 - Highly capital efficient
 - Cautious investment approach

- ❑ Sustained performance in the UK with profit before tax up 9%
 - In H1 2012 it made sense to grow more modestly than in the past
 - No repeat of 2011's abnormal claims experience in H1 2012
 - Improvement in prior year claims

- ❑ Strong growth in international businesses with vehicles up 63%
 - Customers are increasingly shopping through price comparison
 - Improved expense ratios in each geography



Results

Kevin Chidwick

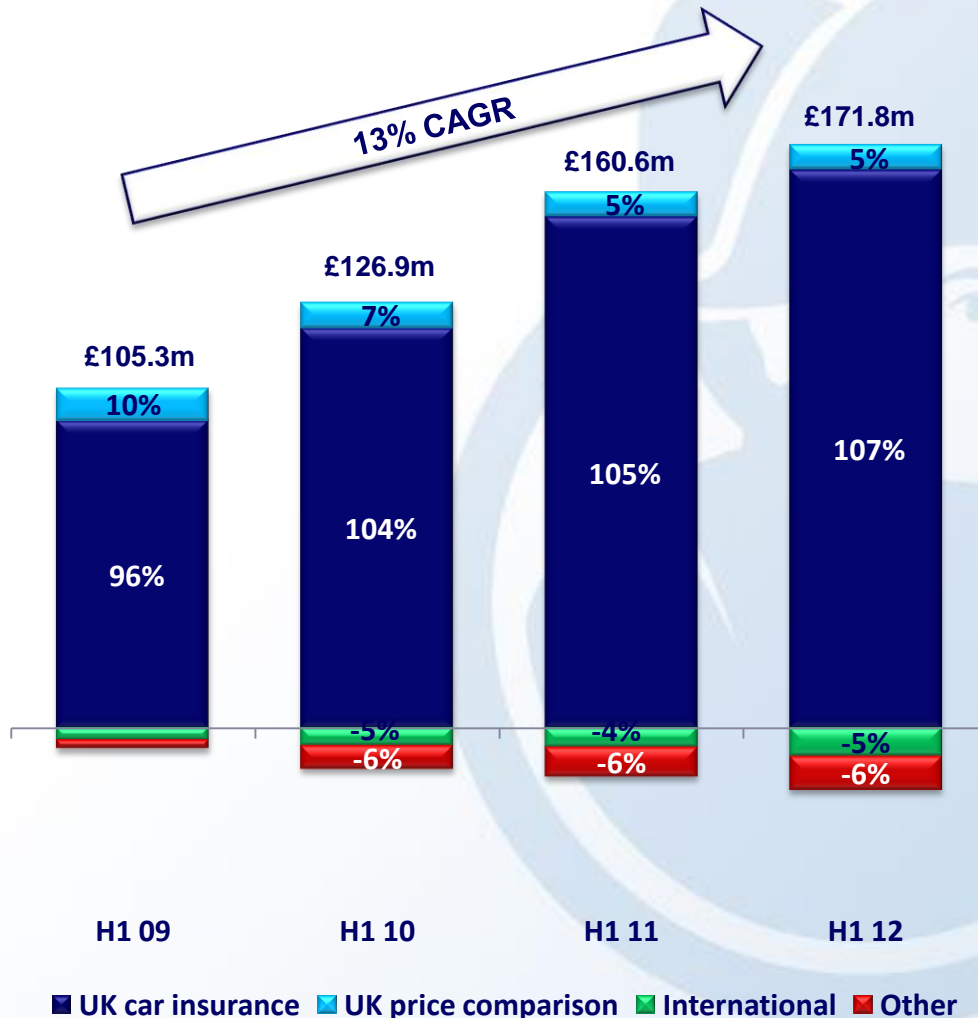


H1 2012 Results

- Profit before tax up 7% at £171.8 million (H1 2011: £160.6 million)
- Return on capital 61% (H1 2011: 63%)
- Turnover up 6% at £1.2 billion (H1 2011: £1.1 billion)
- Group vehicle count up 11% to 3.50 million (H1 2011: 3.15 million)
- Group combined ratio 95% (H1 2011: 94%); UK combined ratio 89% (H1 2011: 90%)
- Basic earnings per share rose by 9% to 47.3 pence (H1 2011: 43.3 pence)
- Interim dividend per share up 15% to 45.1 pence (H1 2011: 39.1 pence)



Group profit before tax has increased 7% to £172 million

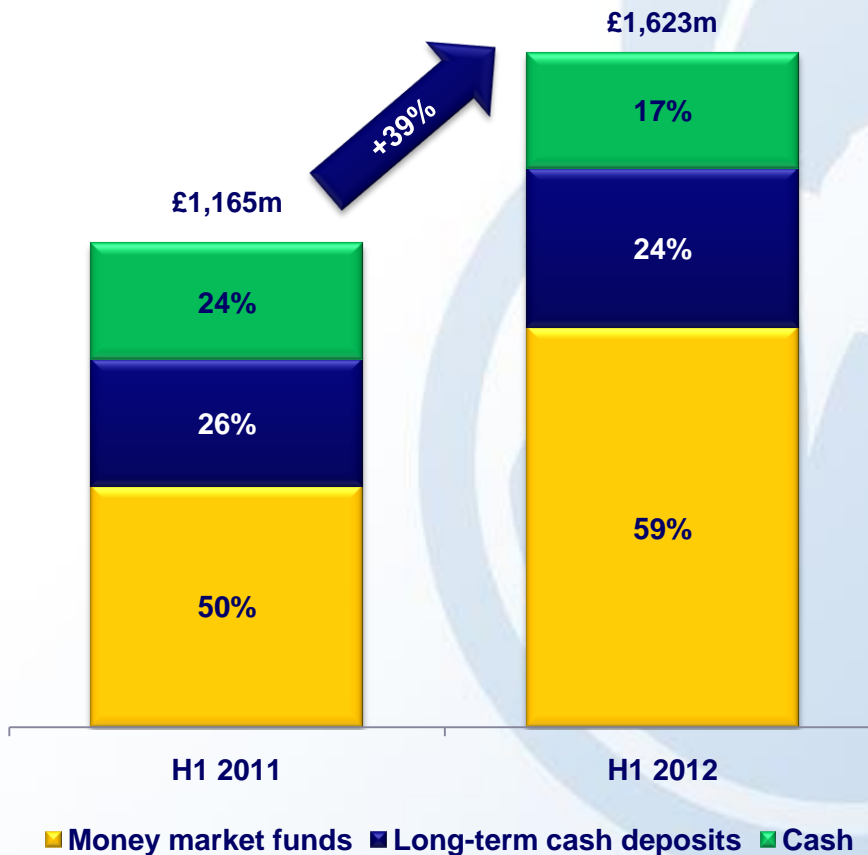


- The Group's core UK Car Insurance operation accounted for £183 million of Group profit before tax
- The Group continued to invest and make progress in overseas expansion in car insurance and price comparison
- Confused.com performed well in a highly competitive environment contributing £8 million to profit before tax
- The Group's employee share scheme costs account for the majority of "Other" category. 6,500 employees participate in the scheme



Admiral's investment strategy is low risk

Admiral Group Cash & Investments

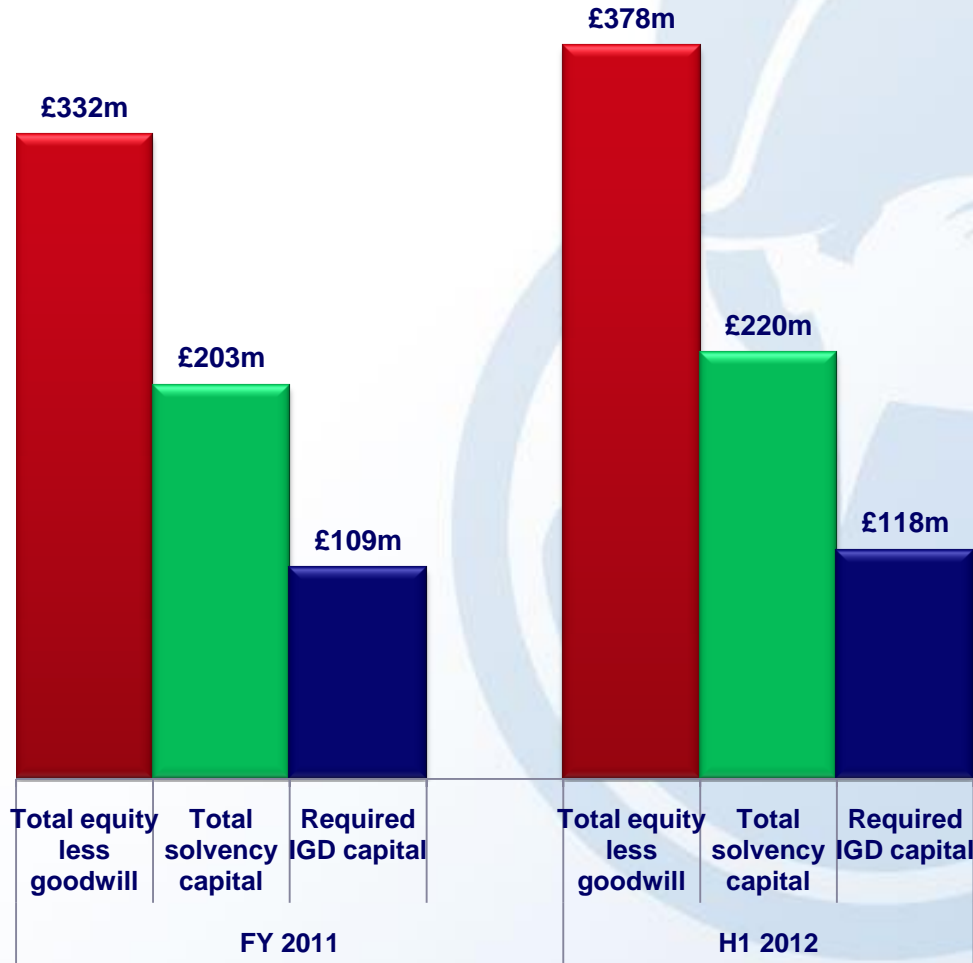


- ❑ Funds continue to be held in money market funds, term deposits or as cash
- ❑ Our key focus is capital preservation, with an additional priority being a focus on low volatility of investment return
- ❑ As at 30th June 2012 the Group held only 2% of total funds in Spain and Italy to operate our businesses there



Admiral generates a significant surplus of capital

Admiral Group Solvency

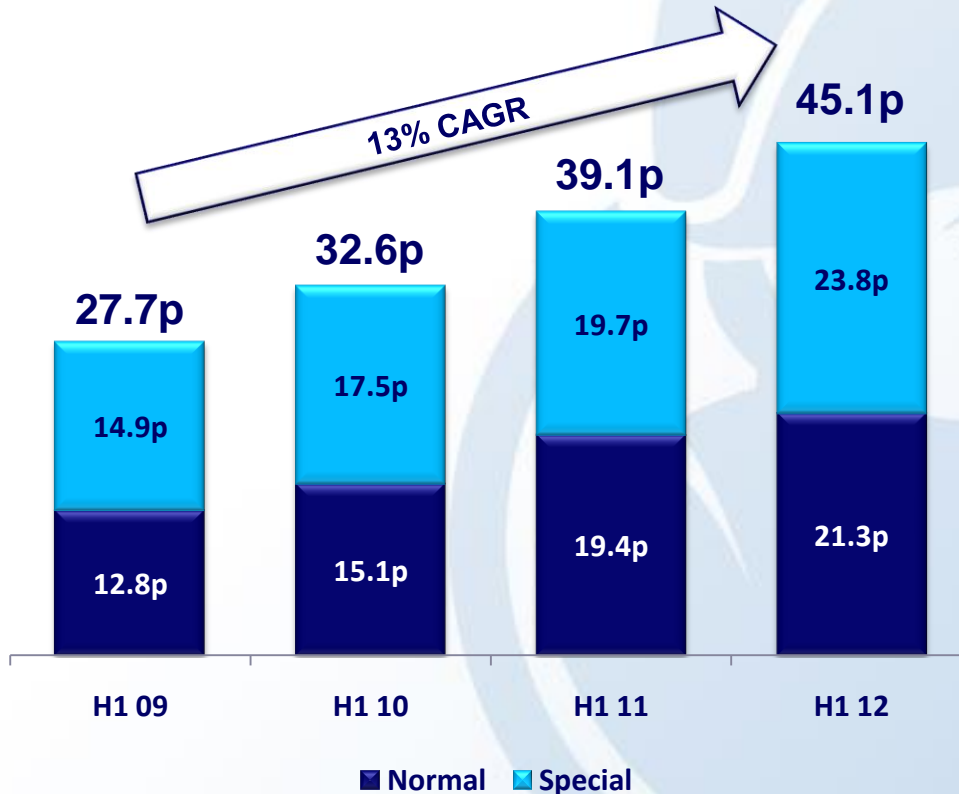


- There are a number of measures of solvency – the minimum required capital is set by the Insurance Groups Directive (IGD)
- Admiral holds capital above IGD requirements in accordance with each operation's local regulatory risk-based rules
- As the Solvency II regulation currently stands, we expect there to be no material change to the level of capital required to run the business



Admiral is paying an interim dividend of 45.1 pence per share

Admiral Group Half Year Dividend Per Share



H1 Dividend Calculation

	H1 11 £m	H1 12 £m
Shareholder equity	392	435
Goodwill	-62	-62
Solvency capital	<u>-194</u>	<u>-220</u>
	136	152
Buffer	<u>-30</u>	<u>-30</u>
Dividend	106	122

H1 2012 – 45.1 pence per share

Ex-dividend date – 12th September 2012

Record date – 14th September 2012

Payment date – 12th October 2012

% Payout	H1 09	H1 10	H1 11	H1 12
	98%	98%	90%	95%

Note: Normal dividend is calculated as 45% of post tax profits.



UK Car Insurance

David Stevens



Overview of H1 2012 for UK car insurance

- ❑ UK Profit Before Tax up 9% at £183 million (H1 2011: £168 million)
- ❑ UK vehicle count up 7% to 3.0 million (H1 2011: 2.8 million)
 - H1 annualised growth rate in the order of 4%
- ❑ Combined ratio 89% (H1 2011: 90% and H2 2011: 92%)
 - No repeat of 2011's abnormal claims experience in H1 2012
 - Improvements in prior year ultimate loss ratio projections
 - Prudently not taken the full credit for improved loss ratios
- ❑ Other revenue per vehicle £82 (H1 2011: £86)
 - Lower, due to change in recognition of contribution from Legal Cover

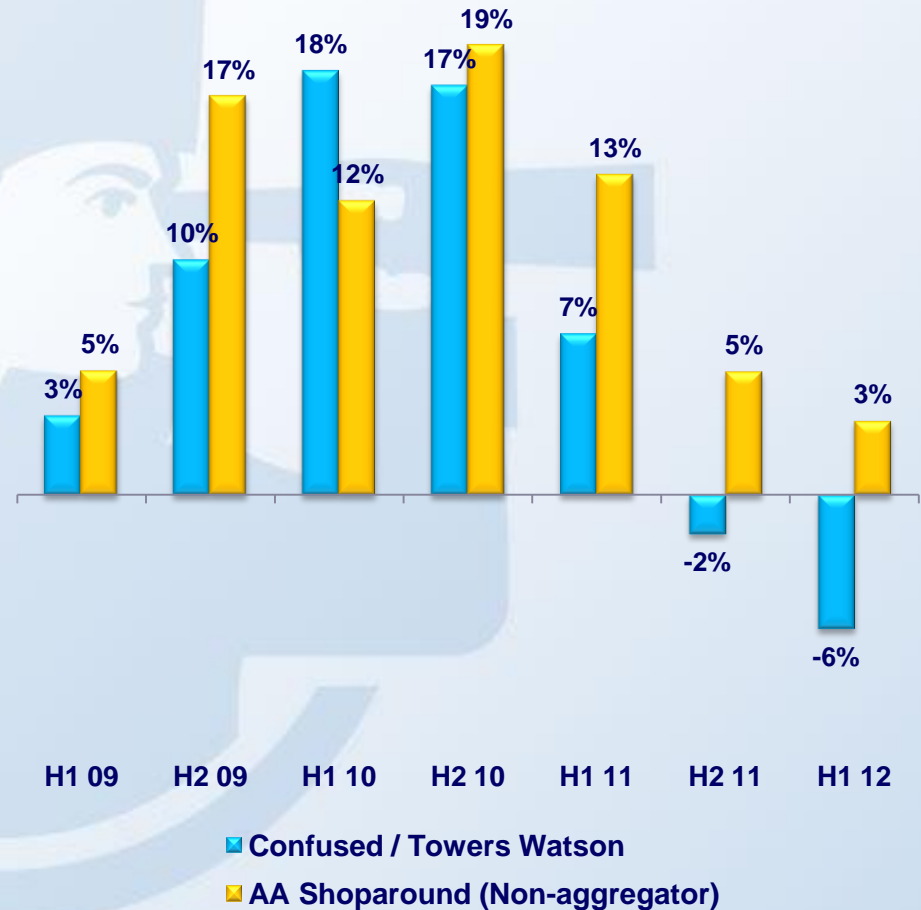


The UK car insurance market has returned to profitability

Market Combined Ratio* (excludes Admiral)



Market Rate Movements 2009 to H1 2012 (New Business Only)



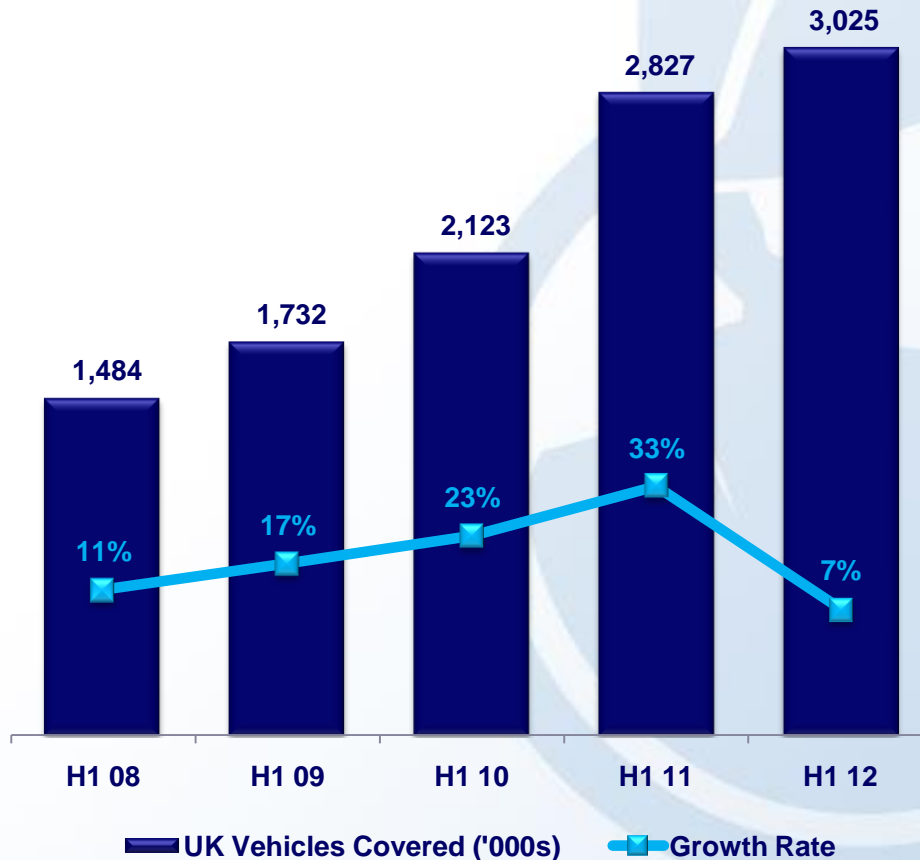
- Improvement in combined ratio primarily driven by premium increases
- Long term market trend of falling claims frequency continues
- Share of claims with bodily injury element continues to rise

*Source: Towers Watson analysis of FSA returns as at 31 December 2011. Pure accident year loss ratio plus expense ratio.



In H1 2012 it made sense to grow more modestly than in the past

Admiral Total UK Vehicles and Growth Rate



- 2010 and 2011 was an optimum time to grow
- Modest growth was sensible in H1 2012
 - As we gained increasing certainty over claims evolution
 - And avoided the risk of chasing market rates down



Claims trends have been encouraging

Movement in 2010 and 2011 Accident Year Ultimate Loss Ratio Projections



- In H1 2012 there have been improvements in ultimate loss ratio projections
- We have prudently not taken the full credit for these improvements into H1 2012 income statement

Admiral UK Reserve Releases as % of Earned Premium

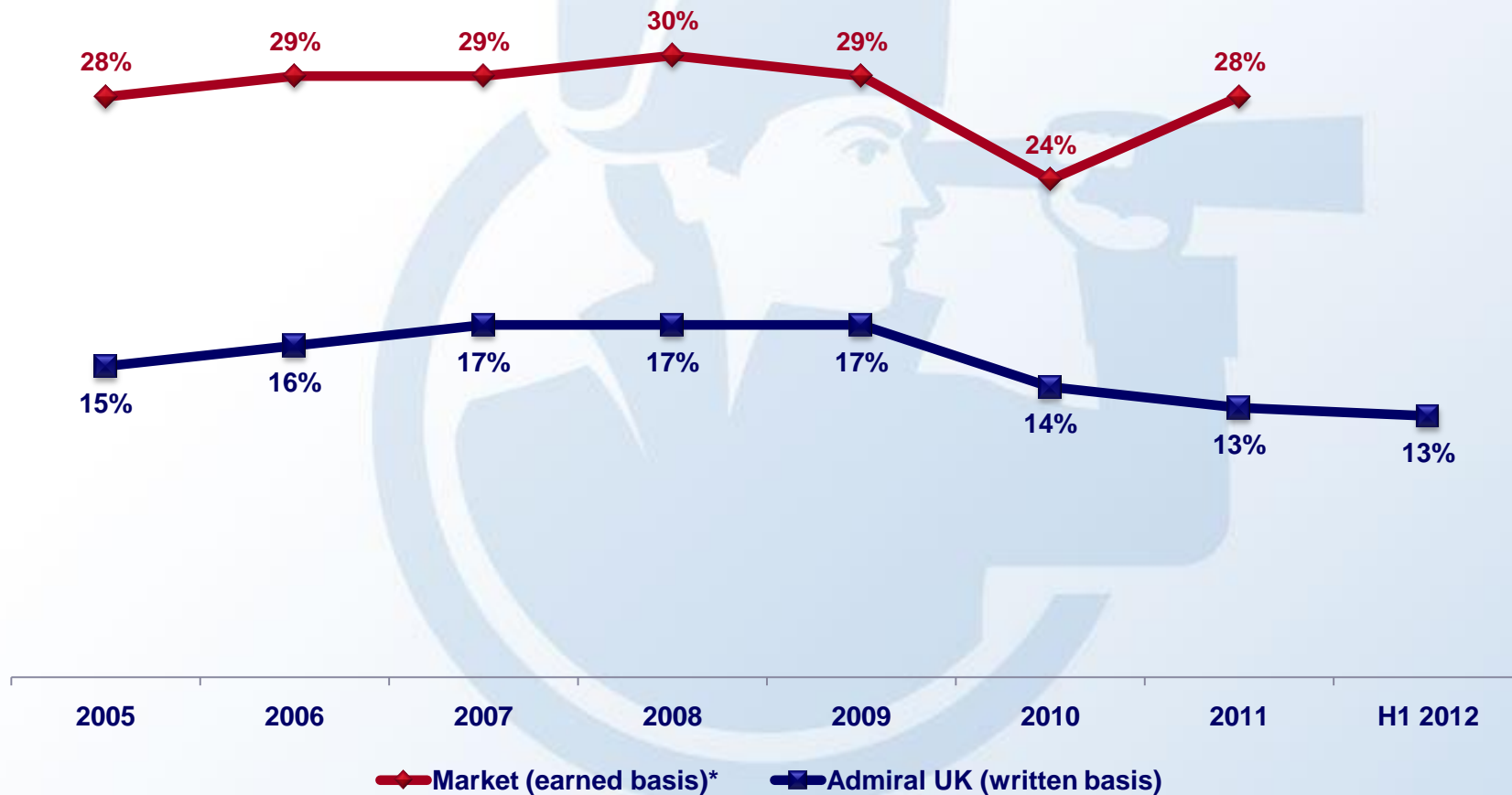


- In addition back year reserve releases have slightly increased
- As previously flagged reserve releases are unlikely to return to their historic levels



Admiral is focused on keeping costs low

Expense Ratio Admiral vs Market*



* Source: Towers Watson analysis of FSA returns as at 31 December 2011. Market excludes Admiral. If the expense ratio is adjusted to exclude UKI the 2010 and 2011 results would be 27% and 26% respectively.



Average premiums are falling, mainly due to portfolio changes

Admiral's average premium

Changes to Admiral's portfolio over time
(Indexed to 100 in 2009)

	2010	2011	H1 2012
Average Premium*	£573	£637	£616
Movement	23%	11%	-3%

Over 35 years	2010	2011	H1 2012
	98	99	106

Zero No Claims Bonus	2010	2011	H1 2012
	110	107	93

*Calculation: total written premium divided by average of opening and closing vehicle count. H1 2012 vehicle count divided in two.



Regulatory changes have been well flagged

Regulatory changes	Implications for Admiral
Personal injury referral fees <ul style="list-style-type: none">➤ A ban was announced in September 2011➤ Implementation of ban due in April 2013	<ul style="list-style-type: none">➤ Already well understood potential reductions in “Other Revenue” per vehicle <p>Mid-2013 - c£7 at risk for personal injury referrals Mid-2014? - c£6 at risk for credit hire referrals</p>
Credit hire referral fees <ul style="list-style-type: none">➤ OFT identified credit hire as an area of focus➤ Considering referral to Competition Commission, decision to be made in October 2012	<ul style="list-style-type: none">➤ Offsetting improvements in claims costs➤ Impacts all insurers and brokers
Add-on products and services receiving increased attention <ul style="list-style-type: none">➤ FCA stated it is their intention to review this area	<ul style="list-style-type: none">➤ Impacts all insurers and brokers

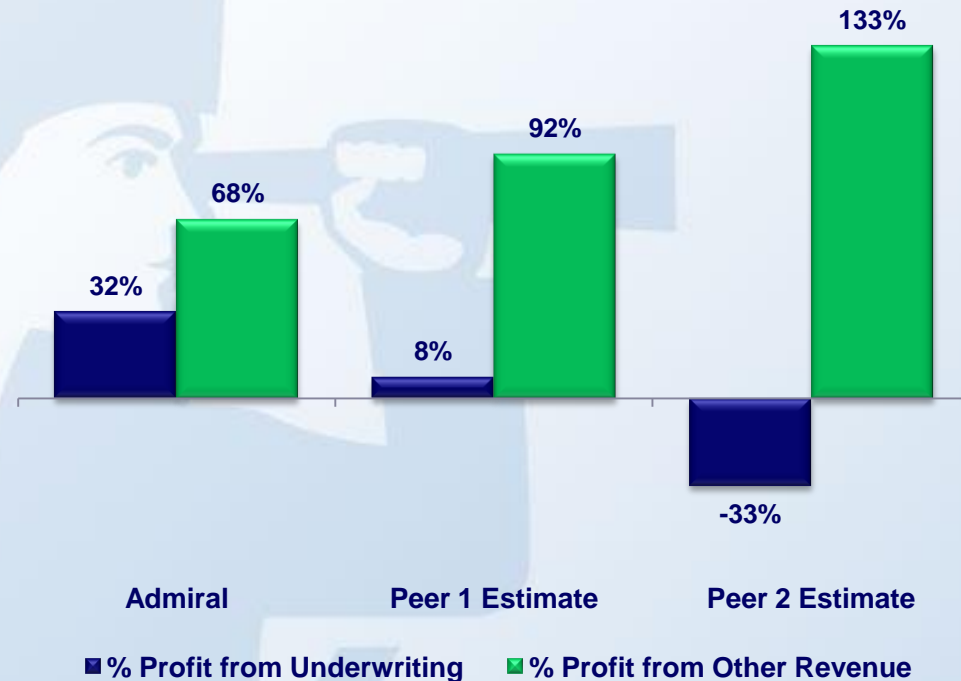


Admiral is less reliant on “other revenue” than other insurers

**% 2011 Profit from Underwriting and Other Revenue
Admiral vs Peers (UK Motor Insurance Only)****

Admiral Share Of Total Available*		
	Other Revenue	Underwriting Profit
2001	83%	46%
2006	89%	59%
2011	93%	89%

- Admiral’s use of co- and reinsurance means that Admiral receives the majority of underwriting profit
- In 2011 Admiral ceded 72.5% of total premiums and costs to co- and reinsurers and received 89% of total underwriting profit available



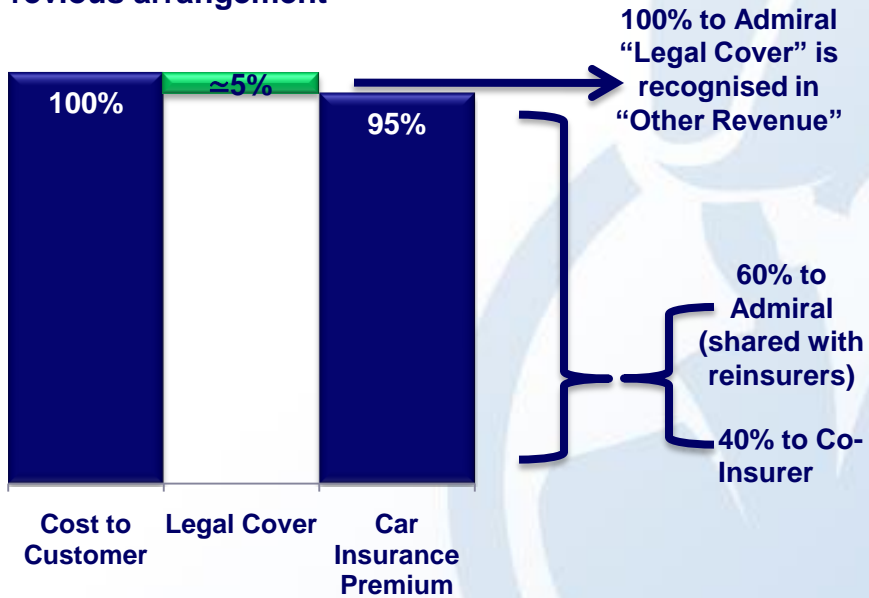
*Notes: Other Revenue includes instalment income which is shared with the co-insurer Munich Re. As Munich Re’s share of the underwriting has reduced over time, Admiral’s share of the instalment income has increased. Underwriting Profit is calculated using a combined ratio of 85%.

**Notes: Investment income has been excluded from the calculations; % Profit from Other Revenue is the total of add-on products and instalment income.

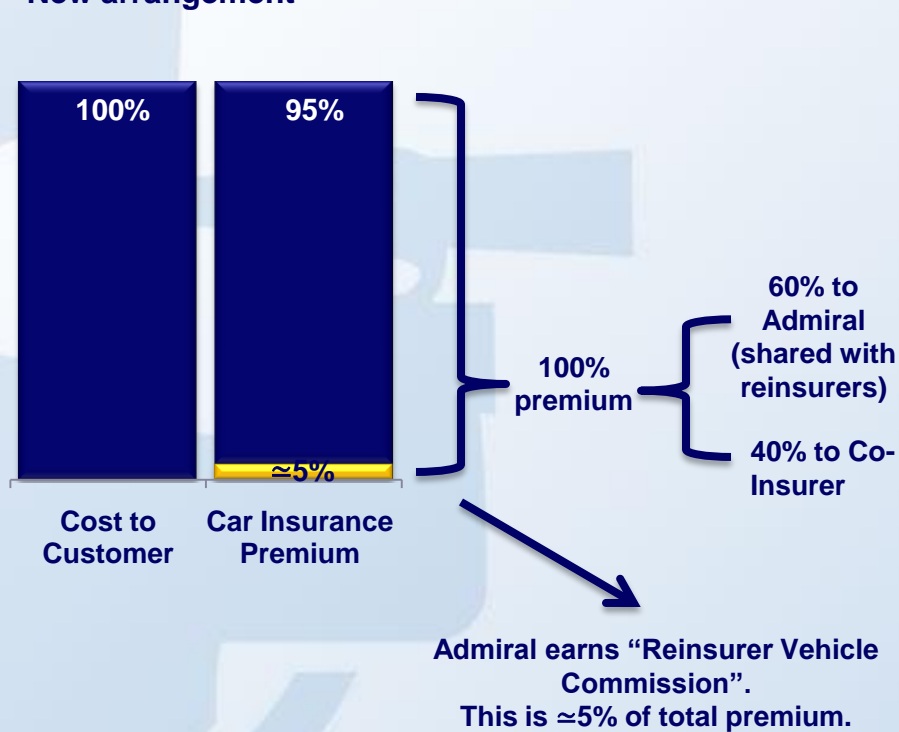


There has been a change to recognition of “Legal Cover” and an introduction of a “Reinsurer Vehicle Commission” charge

Previous arrangement



New arrangement



Note: “Legal Cover” provides help for our policyholders in recovering uninsured losses in the event of a non-fault claim. It is underwritten outside of the Group.



Admiral is starting to underwrite core add-on products in-house

- ❑ Better to underwrite in-house now:
 - Familiarity
 - Scale

- ❑ Benefits include:
 - Improving the features of the products for our customers
 - Increasing our control and flexibility over the provision of the products

- ❑ Risk profile unchanged:
 - Known claims drivers / processes
 - Non-cyclical
 - Capped claims costs

- ❑ No short term impact on profitability



Note: the income from these products will continue to be recognised in "Other Revenue".



In 2012 Admiral was first

2010



2011



2012





❑ Market

- Potentially an accelerated cycle
 - Higher than anticipated premium reductions
 - Continued claims inflation

❑ Admiral

- Encouraging loss ratio trends
- Modest growth from a larger base



International

Henry Engelhardt

Key rationale

- ❑ The internet is an irresistible force
- ❑ Take what we do well and do it elsewhere

Long term investment

- ❑ Target large, mature markets
- ❑ Create profitable, growing, sustainable businesses
- ❑ Amongst peers 5-10 years to break-even is common

Low risk approach

- ❑ Organic growth
- ❑ Long term partners
- ❑ Modest investment, historically c5% profit before tax





Our price comparison sites go from strength to strength

Number of Quotes Generated



International Price Comparison
Six Month Results

	H1 2011	H2 2011	H1 2012
Turnover	£5.0m	£7.8m	£10.0m
Result	(£3.2m)	(£2.4m)	(£0.3m)

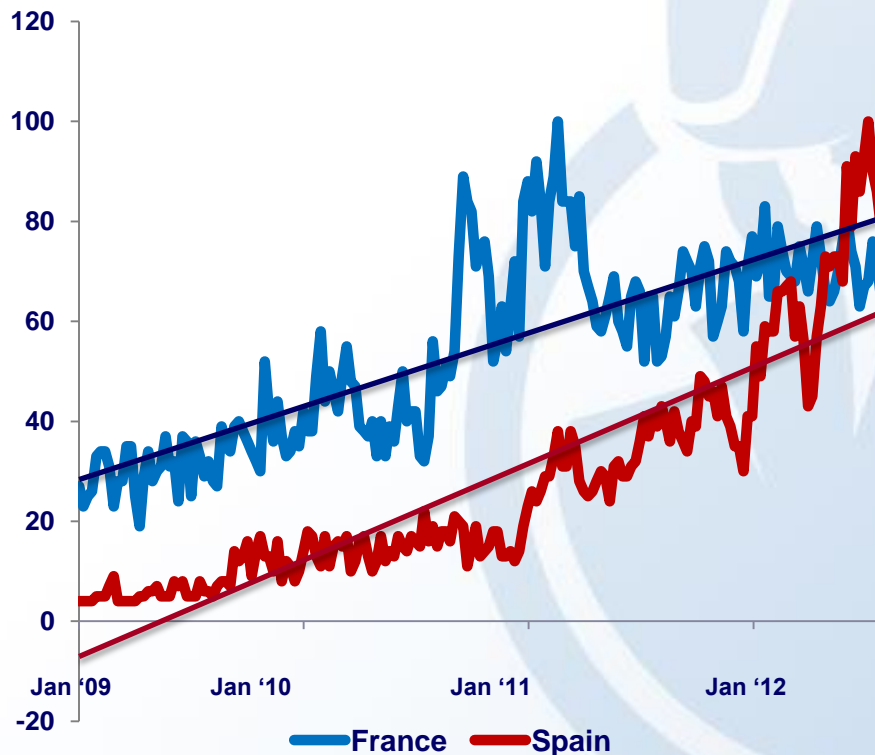


Note: On April 13th 2012 Admiral sold Chiarezza (an Italian price comparison site) to BlackFin Assurance Courtage. Both Full Year and Half Year Results include Chiarezza, the number of quotes generated does not include Chiarezza.



Customers are embracing price comparison

Trend in web searches for “compare insurance” and “compare car insurance”



Indexed quote volumes

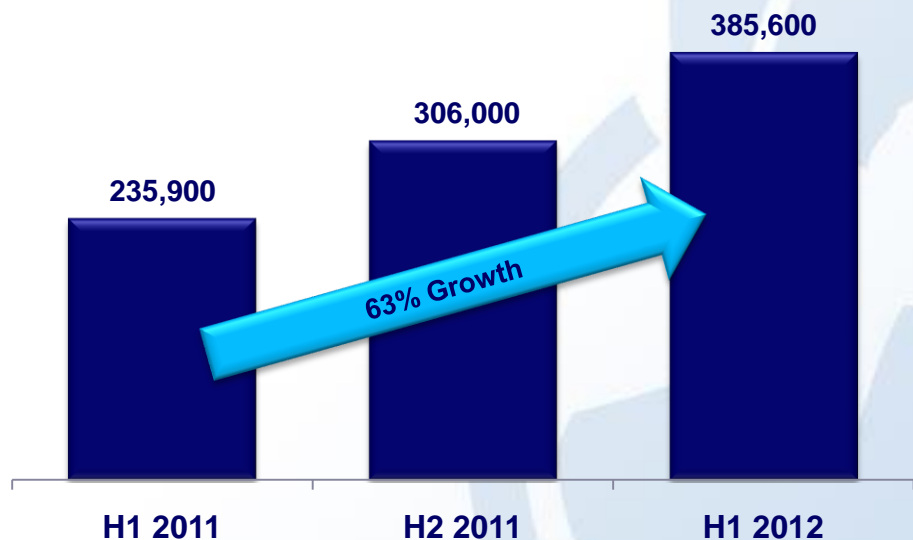


Sources: Google Insights for Search, management information



We are growing our car insurance operations in every geography

Number of Vehicles Insured



International Car Insurance Six Month Results

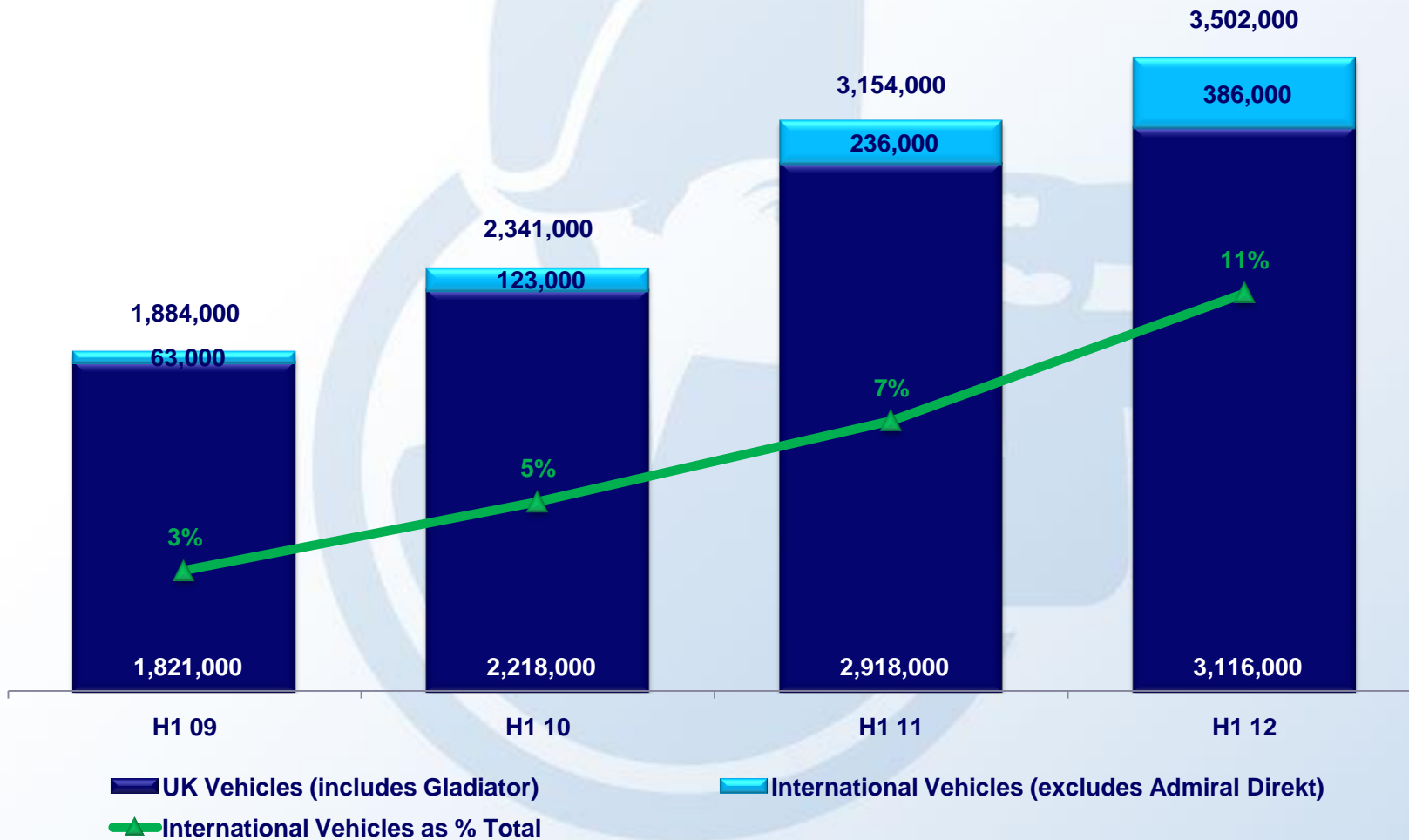
	H1 2011	H2 2011	H1 2012
Result	(£3.2m)	(£6.3m)	(£8.9m)
Total Premiums	£49.5m	£63.0m	£74.4m
Loss Ratio	97%	110%	104%
Expense Ratio	60%	59%	64%





International operations contribute 11% of Group vehicles

Admiral Group Vehicles





We are successfully exporting the Admiral culture

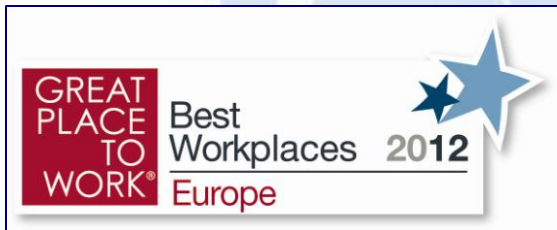
2010



2011



2012



Note: Admiral UK has a call centre operation in Canada



H1 2012 Recap

- ❑ Profit before tax up 7% at £171.8 million (H1 2011: £160.6 million)
- ❑ Return on capital 61% (H1 2011: 63%)
- ❑ Turnover up 6% at £1.2 billion (H1 2011: £1.1 billion)
- ❑ Group vehicle count up 11% to 3.50 million (H1 2011: 3.15 million)
- ❑ Group combined ratio 95% (H1 2011: 94%); UK combined ratio 89% (H1 2011: 90%)
- ❑ Basic earnings per share rose by 9% to 47.3 pence (H1 2011: 43.3 pence)
- ❑ Interim dividend per share up 15% to 45.1 pence (H1 2011: 39.1 pence)
- ❑ On track to meet our 2012 expectations



And this time next year you will be able to buy your home insurance from us...





Q&A



Appendix



- ❑ **Admiral Group Key Performance Indicators**
- ❑ **Summary Income Statement**
- ❑ **Balance Sheet**
- ❑ **Return on Capital**

UK Car Insurance

- ❑ Underwriting Arrangements
 - ❑ Co-insurance and Reinsurance 2012 Terms
 - ❑ Booked Loss Ratio Development
 - ❑ Ultimate Loss Ratio and Combined Ratio - Admiral vs Market
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- ❑ **Admiral's Brands**
 - ❑ **Disclaimer Notice**



Admiral Group Key Performance Indicators

KPI	2004	2005	2006	2007	2008	2009	2010	2011	H1 08	H1 09	H1 10	H1 11	H1 12
Group Financial													
Turnover £m	540	627	698	808	910	1,077	1,585	2,190	463	540	721	1,104	1,169
Vehicles (000)	1,041	1,141	1,285	1,491	1,746	2,076	2,748	3,360	1,630	1,922	2,373	3,154	3,502
Group pre-tax profit £m	98.1	119.5	147.3	182.1	202.5	215.8	265.5	299.1	100.3	105.3	126.9	160.6	171.8
Earnings per share	28.4p	32.7p	39.8p	48.6p	54.9p	59.0p	72.3p	81.9p	27.3p	28.5p	33.7p	43.3p	47.3p
Dividend	9.3p	24.6p	36.1p	43.8p	52.5p	57.5p	68.1p	75.6p	26.0p	27.7p	32.6p	39.1p	45.1p
UK Car Insurance													
Vehicles covered (000)	1,008	1,105	1,240	1,382	1,587	1,862	2,459	2,966	1,484	1,732	2,123	2,827	3,025
Total premiums £m	470.4	533.6	566.0	617.0	690.2	804.7	1,237.6	1,728.8	350.1	404.6	555.8	881.7	922.8
Reported combined ratio	82.0%	84.9%	87.2%	83.4%	81.0%	84.9%	83.5%	91.3%	80.1%	82.1%	82.9%	90.4%	88.9%
Other revenue per vehicle £*						77	84	84	-	-	80	86	82
Ancillary contribution per policy £*	66	69	69	69	71	72	77	76	71	71	75	79	-
UK car insurance pre-tax profit £m	94.7	110.0	121.1	142.2	179.9	206.9	275.8	313.6	86.0	101.3	131.5	168.2	183.3
Price Comparison													
Total revenue £m	3.2	12.0	38.5	69.2	66.1	80.6	75.7	90.4	36.6	40.2	38.0	45.4	53.3
Operating profit £m	1.3	6.9	23.1	36.7	25.6	24.9	11.7	10.5	15.6	11.0	7.1	5.0	8.1
Operating margin – Confused.com only	41%	58%	60%	53%	39%	32%	24%	21%	43%	27%	24%	20%	19%
International Car Insurance													
Vehicles covered			2,200	46,900	73,700	121,000	195,000	306,000	69,900	100,500	154,100	236,000	385,600
Total premiums £m			0.6	14.2	26.0	43.0	71.0	112.5	13.0	22.6	34.0	49.5	74.4
Reported combined ratio			-	232%	198%	204%	173%	164%	206%	199%	183%	157%	168%
Non-UK car insurance result £m			(0.1)	(0.7)	(4.1)	(9.5)	(8.0)	(9.5)	(2.1)	(4.1)	(4.1)	(3.2)	(8.9)

*Note: Ancillary contribution per policy is being phased out as a KPI and is being replaced by Other Revenue per vehicle. Other Revenue per vehicle includes instalment income.

**Note: International vehicles covered includes Admiral Direkt



Summary Income Statement

	UK Car Insurance			International Car Insurance			Price Comparison			Other			Admiral Group		
	H1 10	H1 11	H1 12	H1 10	H1 11	H1 12	H1 10	H1 11	H1 12	H1 10	H1 11	H1 12	H1 10	H1 11	H1 12
Turnover	639.3	999.3	1,030.0	37.2	53.9	79.7	38.0	45.4	53.3	5.3	6.0	6.3	719.8	1,104.6	1,169.2
Total premiums written	555.8	881.7	922.8	34.1	49.5	74.4							589.9	931.2	997.2
Gross premiums written	305.7	529.0	553.7	29.4	39.0	60.0							335.1	568.0	613.7
Net premiums written	150.5	238.8	228.7	11.7	16.4	24.7							162.2	255.2	253.5
Net earned premium	117.2	190.0	226.8	8.2	11.5	19.7							125.4	201.5	246.5
Investment income	3.2	3.4	5.9	0.0	0.1	0.1							3.2	3.5	6.0
Net insurance claims	(81.0)	(151.0)	(179.7)	(7.8)	(11.1)	(20.5)							(88.8)	(162.1)	(200.2)
Insurance related expenses	(16.1)	(20.7)	(21.9)	(7.1)	(6.9)	(12.5)							(23.2)	(27.6)	(34.5)
Underwriting result	23.3	21.7	31.1	(6.7)	(6.4)	(13.3)							16.6	15.3	17.8
Profit commission	36.9	45.3	47.8										36.9	45.3	47.8
Gross ancillary revenue	77.7	107.1	108.0	2.9	4.2	5.1							80.6	111.3	113.1
Ancillary costs	(12.2)	(16.4)	(17.9)	(0.5)	(0.6)	(0.8)							(12.7)	(17.0)	(18.7)
Instalment income	5.8	10.5	14.3	0.2	0.2	0.2							6.0	10.7	14.5
Gladiator contribution										1.5	1.2	1.3	1.5	1.2	1.3
Price comparison revenue							38.0	45.4	53.3				38.0	45.4	53.3
Price comparison expenses							(30.9)	(40.4)	(45.2)				(30.9)	(40.4)	(45.2)
Interest income										0.3	1.6	0.9	0.3	1.6	0.9
Other (mainly share scheme)					(0.6)	(0.1)				(9.4)	(12.2)	(12.9)	(9.4)	(12.8)	(13.0)
Profit / (loss) before tax	131.5	168.2	183.3	(4.1)	(3.2)	(8.9)	7.1	5.0	8.1	(7.6)	(9.4)	(10.7)	126.9	160.6	171.8



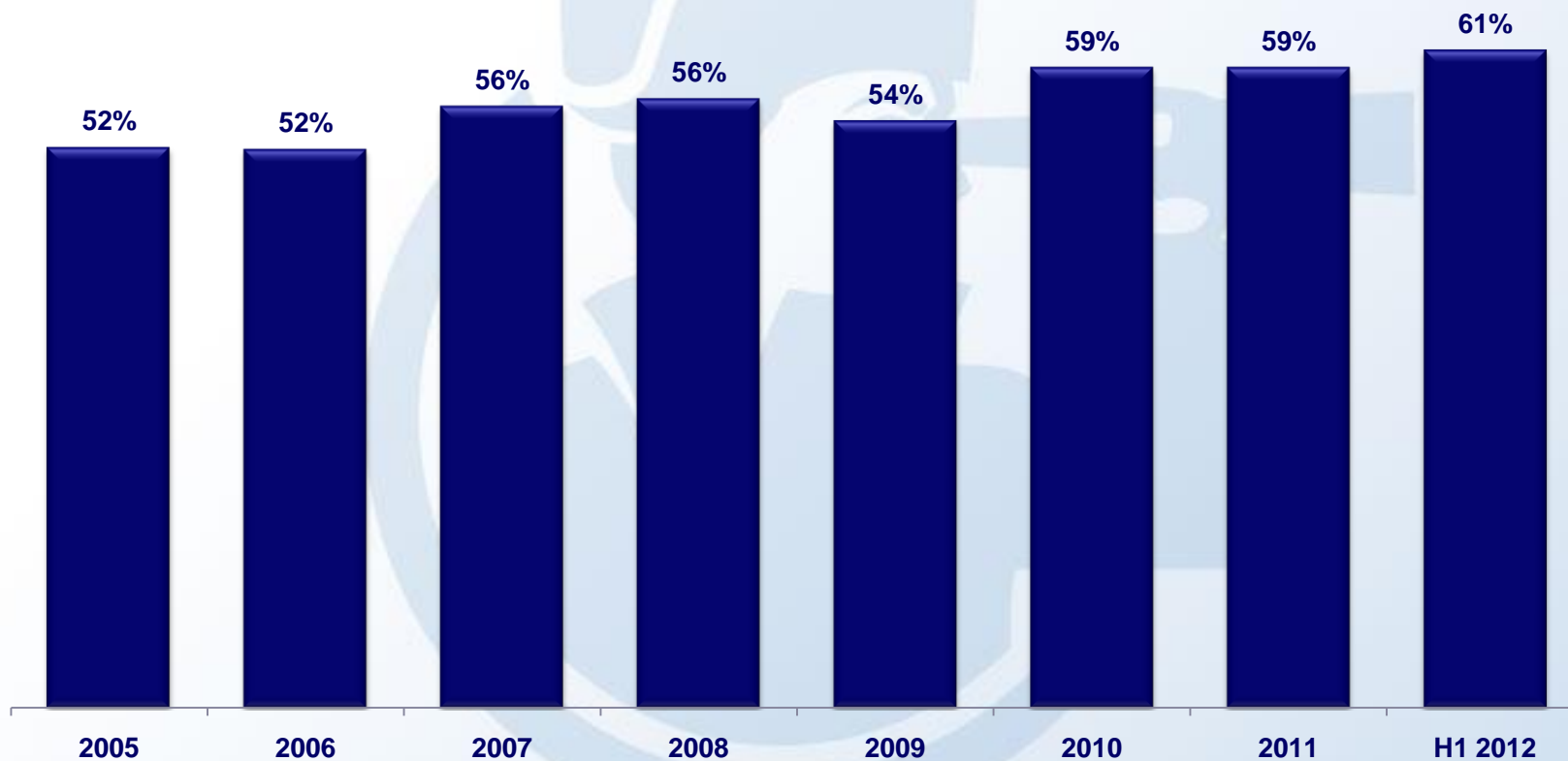
Balance Sheet

	June 2011 £m	December 2011 £m	June 2012 £m
ASSETS			
Property, plant and equipment	14.1	17.6	16.4
Intangible assets	84.2	87.5	88.9
Reinsurance contracts	479.7	639.8	723.6
Financial assets	1,319.3	1,583.0	1,793.6
Deferred income tax	11.7	10.3	10.0
Trade and other receivables	75.5	52.1	65.7
Cash and cash equivalents	<u>281.4</u>	<u>224.6</u>	<u>277.1</u>
Total assets	<u>2,265.9</u>	<u>2,614.9</u>	<u>2,975.3</u>
EQUITY			
Share capital	0.3	0.3	0.3
Share premium	13.1	13.1	13.1
Retained earnings	371.1	377.3	419.6
Other reserves	<u>7.2</u>	<u>3.7</u>	<u>7.3</u>
Total equity	391.7	394.4	440.3
LIABILITIES			
Insurance contracts	1,083.9	1,333.7	1,586.4
Trade and other payables	747.6	856.6	910.0
Corporation tax liabilities	<u>42.7</u>	<u>30.2</u>	<u>38.6</u>
Total liabilities	1,874.2	2,220.5	2,535.0
Total liabilities and equity	<u>2,265.9</u>	<u>2,614.9</u>	<u>2,975.3</u>



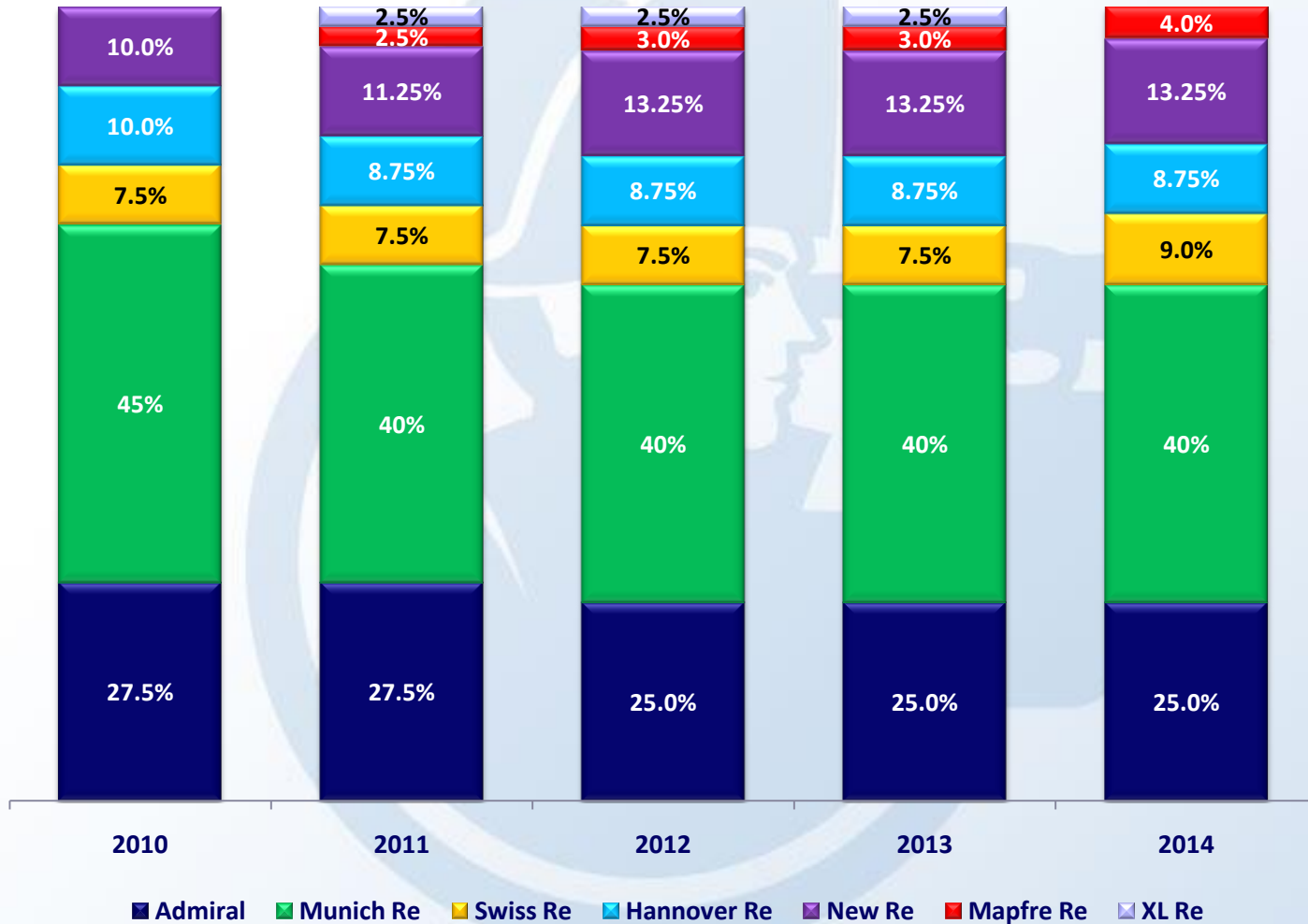
Admiral delivers a high return on capital

Admiral Group Return on Capital





UK Car Insurance - UK Underwriting Arrangements





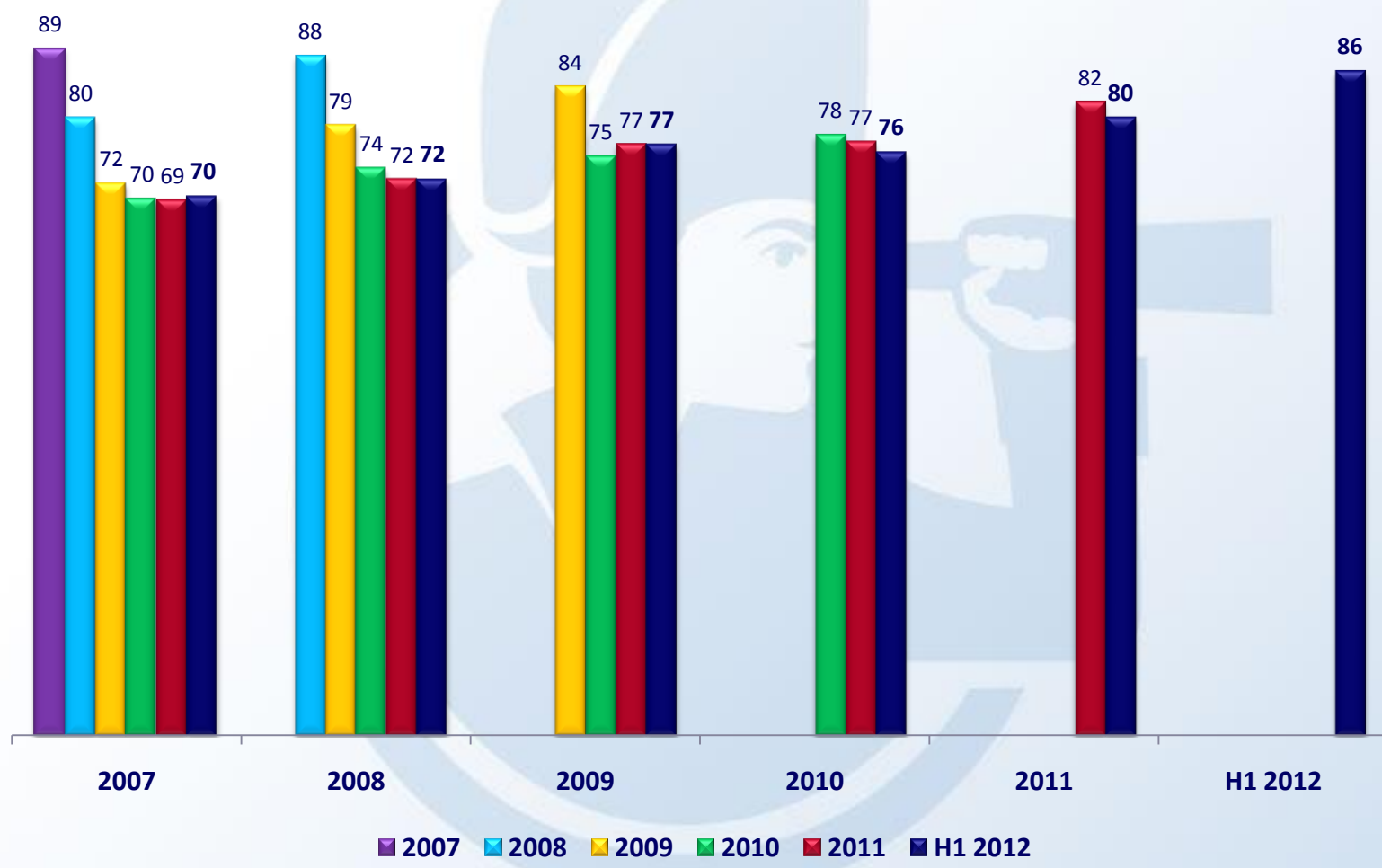
UK Car Insurance - Co-insurance and Reinsurance 2012 Terms

	Munich Re	Swiss Re	New Re	Mapfre Re	Hannover Re	XL Re
Type	Proportional* co-insurance	Proportional* reinsurance				
Share of premium	40%	7.5%	13.25%	3.0%	8.75%	2.5%
Term	At least to December 2016	At least to December 2014				To end December 2013
Cost to Admiral	Variable, depending on combined ratio	Fixed (not disclosed)	Fixed – c2% of premium			
Risk protection	Co-insurance	Starts at 100% + Investment Income				
Profit commission	Profit share % based on combined ratio Different %'s operate in tranches Calculated with written basis expense ratio	Starts at 100%. Fixed allocation to Swiss Re, then 100% profit rebate to Admiral thereafter Below "x"% = 100% Calculated with earned basis expense ratio	Same as Swiss Re (though at different cost) Below 98.3% = 100% Calculated with earned basis expense ratio			
Funds withheld	No	No	Yes			
Investment income	Munich Re	Admiral (provided combined ratio <100%)				
Instalment income	Munich Re	Admiral				
Other terms	Improved PC terms from 2010	In 2014 Swiss Re increases from 7.5% to 9.0% and Mapfre Re from 3.0% to 4.0%, replacing XL Re's 2.5% share. Admiral has option to commute contracts and typically does this after 2 years.				

*Proportional means that every policy written by Admiral is shared between the co- and reinsurers according to the % share of premium. Eg policyholder A is 40% co-insured by Munich Re, 7.5% reinsured by Swiss Re, 13.25% reinsured by New Re etc.



UK Car Insurance - UK Booked Loss Ratio Development By Underwriting Year

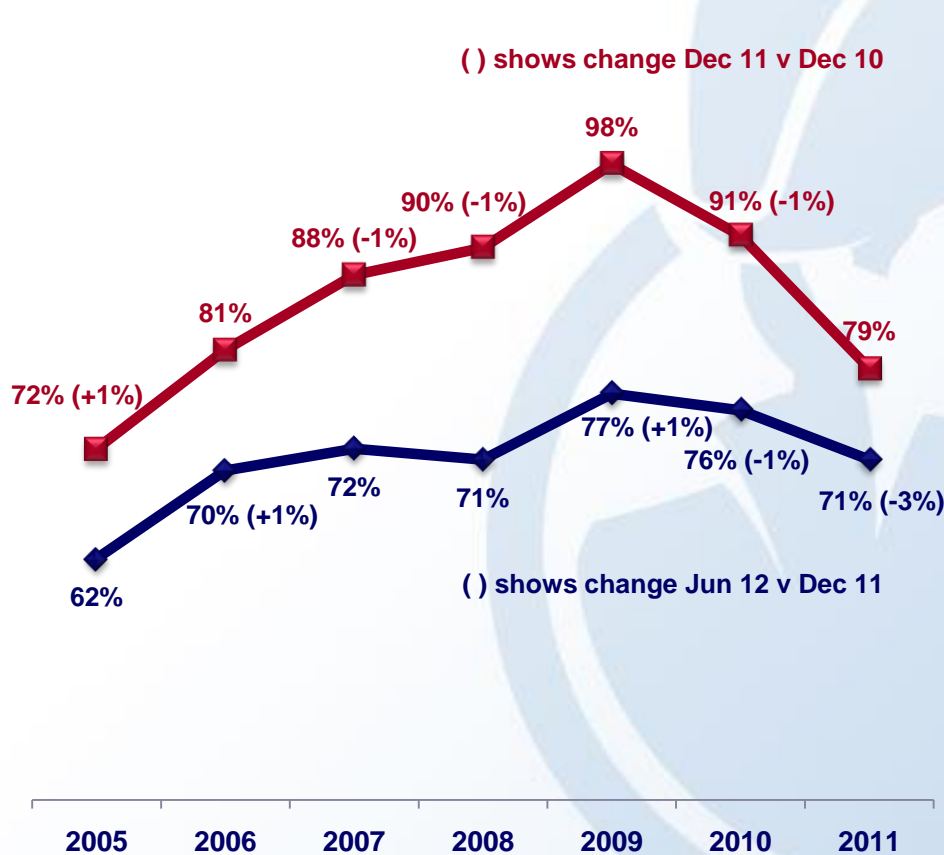


Note: underwriting year basis, therefore direct comparison to ultimate loss ratios on accident year basis is inappropriate.

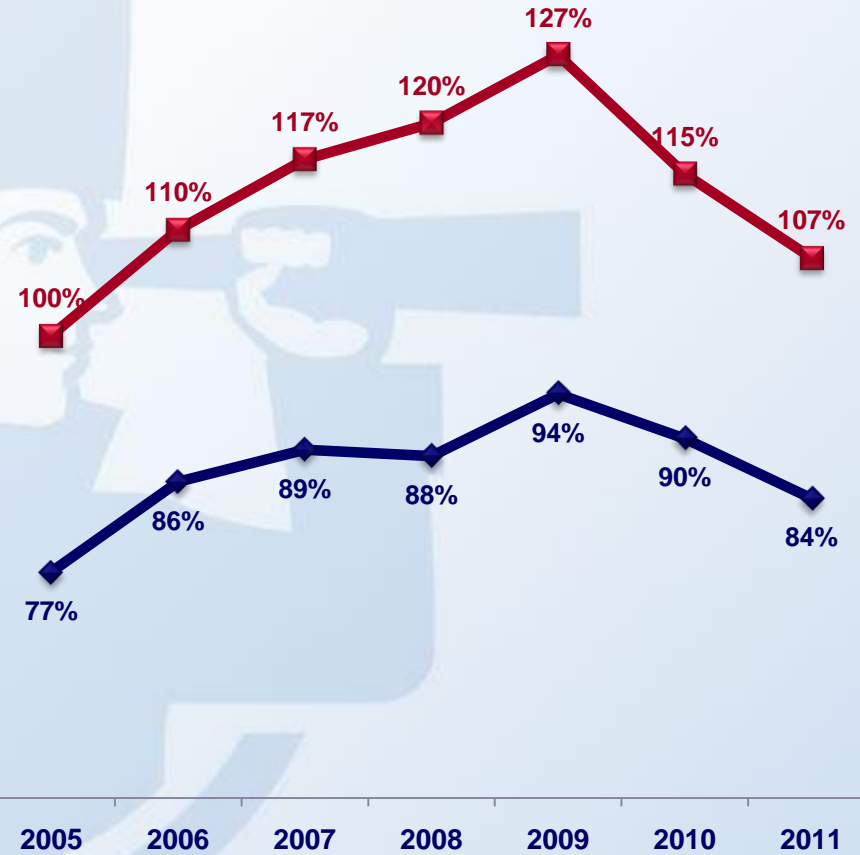


UK Car Insurance - Admiral vs Market

Loss Ratio: Admiral vs Market**



Combined Ratio: Admiral vs Market***



◆ Admiral UK projected ultimate loss ratio (Jun 12)*
 ■ Market Loss Ratio**

◆ Admiral Combined Ratio ■ Market Combined Ratio***

*Source: Independent actuarial projection of ultimate loss ratio on accident year basis.

**Source: Towers Watson analysis of FSA returns as at 31 December 2011, pure accident year loss ratio. Market excludes Admiral.

*** Source: Analysis of FSA returns as at 31 December 2011, pure accident year loss ratio plus expense ratio. Market excludes Admiral.



Admiral's Brands





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The financial information set out in the presentation does not constitute the Company's statutory accounts in accordance with section 423 Companies Act 2006 for the half year ended 30 June 2012. The statutory accounts for the six months ended 30 June 2012 will be finalised on the basis of the financial information presented by the directors in the interim announcement.