OLD MUTUAL | plc

Preliminary Results 2005

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Johannesburg & London

Jim Sutcliffe

OK, good morning everybody. Good morning ladies and gentlemen. And welcome to our presentation of Old Mutual's results for 2005. As usual, we are presenting this jointly from Johannesburg and London, linked by satellite and we are also webcasting the event live. A copy of the presentation will be available on our website later today. I have with me here in London our Chairman, Chris Collins. Chris, welcome. And from our management team I have with Bob Head, over there, who looks after our South African businesses, Guy Barker, from the US Life business, John Deane, who did so much on the Skandia transaction, and Richard Hoskins, who is going to stand in as Finance Director, when Julian moves off to Stockholm.

In Johannesburg, Julian Roberts is hosting things. Good morning, Julian. And he has with him, Roddy Sparks from our South African Life business, and Bruce Campbell, who looks after M&F. Tom Boardman who looks after Nedbank unfortantely is away on the Nedbank Roadshow. But welcome to everybody in Jo'burg.

This has been an important period for Old Mutual. So let me get straight down to business.

These are strong results, which are shown on your screens in both Sterling and in Rand. We have delivered good organic growth with EPS up 22% in Sterling or 20% in Rand. So 18.2p and 211c respectively.

Funds under management (FuM), which are a key leading indicator, have shown a substantial increase in the year, 31%, up to £183bn or just under R2 trillion. This has been delivered by strong net cash flow, from our asset management business in the United States in particular, where net cashflow was $26bn, but also in the UK. This growth is an endorsement of our business model and is driven by the fund managers' excellent investment returns for their clients.

EVPS rose 26% to 176p, or R19.12, reflecting both the strong profitability and the stock market in South Africa, and particularly the recovery of Nedbank.

RoE is a key indicator that we use for measuring our businesses, in fact the key indicator. And at 18.5%, we continue to show a return in the upper quartile of our industry with our South African Life business producing its traditional excellent result. RoEV, although lower, continues to be at a high level relative to our European competitors.

As a result of this strong growth in earnings, the directors are pleased to recommend an increased final dividend of 3.65p per share, for a toal of 5.5p for the year, which is an increase over the last year of about 4%. For South African shareholders this will, of course, be translated into Rand at a late a little bit later in March. But at Friday's exchange rate the final dividend would be 38.9c per share.

The next two slides are a progress report on the objectives that we laid out this time last year. And in the main, I am pleased with what has been achieved in the period.

OMSA has delivered a 12% growth in life insurance sales. And that is a welcome return to growth. But this in turn was far eclipsed by the result in Unit Trusts where sales increased by 87%. I was also particularly pleased to see that our focus on bancassurance had produced an increased positive contribution, with a 92% growth in sales of OMSA's products through Nedbank to R2.4bn gross in 2005.

Nedbank has made progress on many fronts, including lower cost to income ratios, but we must continue to focus on improving our market share.

Mutual & Federal again had an excellent underwriting result.

In the United States, our Life business profits were reduced by one-off reserve adjustments which Julian will go through in detail. We have work to do to get the RoE to acceptable levels, but underlying earnings have followed a steady relationship to FuM. And profitability of new sales and our EV results were above our long run expectations.

In the US Asset Management business those record client inflows of $26bn included $1.9bn from our new retail business in its first year.

In the United Kingdom, both OMAM and Selestia performed ahead of expectations. We now have a respectable £6bn under management, up over 50% during the year. These businesses have clearly left the start up nursery and are an excellent foundation for the future.

Now to the strategic objectives.

I think one of the big events of 2005 was the BEE transaction in April, which covered all three South African businesses. And the benefits are already becoming apparent, with an acceleration in the transformation of these businesses as demonstrated by the 47,000 retail customers who took up the discounted share offer at Nedbank. BEE will play a major part in the future for all three businesses and we have received good support from our partners at Wiphold and Brimstone.

At Mutual & Federal, the new systems that are now up and running and will enhance underwriting performance in the future.

In the United States we are on target to generate a dividend from our Life business from 2007. and on the asset management side, we will continue to manage the component parts of what is undoubtedly a high performance business actively. You can see the gaps that we filled in 2005, and are now on the look out to fill the large cap growth slot.

Asia will be a future market for us. And our Indian joint venture, as you can see on the slide, continues to grow. And Skandia now brings us a business in China.

And that does bring me to Skandia, which, of course, the acquisition of Skandia was a major activity during the year. As of last Tuesday, we not only have ownership of 89.5% of Skandia's equity, but now have a new board, with Old Mutual members, and Julian Roberts has been installed as its Chief Executive. We expect to be able to embark on the compulsory purchase process very shortly and we will take into account any changes in Swedish legislation as we do so. Our main challenge now in fact is to ensure that the business is operating well in its normal spheres, and delivering good sales at good margins, and that the targeted synergies are delivered. We are looking forward to working with our new colleagues to exploit the exceptional opportunity offered by our combined strength.

This is a strong set of results, but we are not complacent. There is much more to do in each of our businesses and we remain focussed on continuing to drive organic growth in earnings, in RoE and RoEV from each of them.

I will now turn over to Julian to go through the financials. Julian.

Julian Roberts

Thank you Jim. Good morning everyone.

You have heard Jim provide a summary of progress in 2005. As usual I will take you through the results in more detail, starting with the group position.

Old Mutual delivered strong results in 2005 in both in Sterling and in Rand.

We are now starting to build up a trend of IFRS and European EV numbers, with both 2005 and 2004 comparatives restated onto the same basis.

Strong organic growth across all our regions contributed to a very pleasing increase in the IFRS adjusted operating profit, up 30% to £1.244 bn or up 28% to R14.431 bn, resulting in an adjusted EPS up 22% to 18.2p or 20% to 211.2c.

The difference in the growth rate of adjusted operating profit and EPS is driven by an increase in minority interests as a result of the significantly higher Nedbank profits and also the higher weighted average shares, resulting from the BEE transactions.

On the right hand column, the EV adjusted profit increased by 23% to £1.387 bn or R16.067 bn, reflecting strong non-life profits, particularly with respect to Nedbank and our asset management businesses and EVPS rose to 175.6p.

ROE remained strong at 18.5%.

Our rather colourful slide shows the breakdown and movement in EV, increasing 33% from £5.4 bn to £7.2 bn, driving a 26% increase in the EVPS to 175.6p.

This growth is attributed to four key drivers:

Increased Life EV earnings, £500 m.

An increase in Nedbank and Mutual & Federal share prices, £600 m.

Short-term life fluctuations driven by strong equity returns in South Africa, £400 m.

And exchange rate movements, reflecting the strengthening of the US Dollar, £500 m. On this slide we have included Skandia to show the combined EV for the group on a proforma basis. We have simply added the Old Mutual and the Skandia’s 2005 published EV on a basis of 100% ownership of Skandi, making no changes at all at this stage to the underlying valuation assumptions or methodology. The aggregation including the capitalised value of synergies and excluding Skandia goodwill moves to 165p.

We have been active in 2005 as we strengthened our capital base in readiness for the Skandia acquisition. Our total debt has risen to £1.991 bn, with lengthened maturity and an average interest rate of 6.4%. Interest cover remains robust at 16 times. The group's gearing level remains comfortably within our target range. Our economic capital position has strengthened with our estimate of available financial resources now significantly in excess of the capital required to meet the group's target 'A' rating. The group's external debt ratings have all been affirmed post Skandia, with the agencies acknowledging the strategic logic for the transaction, in particular the enhanced geographic diversification and earnings generation.

I will not go through this slide but wanted to give you the composition of our funding. We have also at the bottom included the lower Tier 2 public debt raising of £300m post year end. This, of course, associated with the Skandia acquisition. And I have included that to give a complete picture.

So let's move on to look at the individual businesses by geography, starting with South Africa.

The South African economy is in a growth phase, with GDP at 5% in 2005, strong equity markets, lower inflation and a lower interest rate environment. The Rand trend has also remained stable over the last few years.

South African demographics are changing with the black middle-income market increasing nearly five fold in the last six years and 1,500 jobs created every working day.

Our businesses continue to benefit from these conditions, with OMSA and Mutual & Federal results reflecting the substantial growth of the JSE during the year, whilst Nedbank profited from the positive credit environment through lower impairment levels and increased retail advances growth following high levels of consumer spending.

So let's focus on the results of our African businesses, starting with OMSA.

Our major focus, as you know, this year, has been growing sales volumes, with strong action being taken in 2005 to develop our distribution capability and improve the attractiveness of our products. These efforts have had the desired effect on sales, but do create more new business strain, affecting profit.

Underlying profits benefited from improved mortality and disability experience, as well as increased asset based charges flowing from the strength in the JSE. But, of course, profits are prepared on a smoothed investment return basis.

SA Life adjusted operating profit growth at only 2% to R3.8 bn, hides the underlying growth due to the impact of a number of one-off factors. The major item was a charge of R716m in relation to the industry-wide agreement on minimum early termination values for retirement annuity and endowment customers. However new business strain on investment products, group scheme product improvements and the impact of IFRS2 on both employee and BEE schemes impacted profit.

This has, to some extent, been offset by expense valuation assumption changes of R900m, driven by a significant reduction in unit maintenance costs for retail products and lower expense inflation.

The long term investment return was down 13% to R1.453 bn, reflecting lower interest rates and reduced equity exposure in shareholders funds.

Asset management profits, however, increased by a strong 48% to R801m, reflecting strong equity markets, good performance fees compared with growth….good performance fees combined with growth in unit trust profits.

EV adjusted operating profit declined by 13%, driven by the one-off impacts on profit, including the lowering of interest rates, partially offset by the positive effect of the decrease in corporation tax rates from 30% to 29%. EV has grown by a pleasing 17% to R30.944 bn, also reflecting the impact of the strong equity markets.

Life sales increased by 12% to R3.932 bn. The turnaround in sales is the payback for our efforts to grow headcount in both our own agency channel and the group schemes sales force, as well as improvements in our products' value for money. A detailed breakdown of our sales numbers are, as usual, outlined in the Appendix included in your slide packs.

Exceptional growth of 87% was experienced in unit trust sales, increasing to a record R9.348 bn, helping, as I have said, to boost our asset management profits. The effect of more competitive product pricing and the positive actions we have taken to accelerate our new business growth have, however, come at a cost of lower value of new business and margins. We achieved a margin of 16% in 2005, with long-term margins now anticipated in the 15% to 20% range, as I have outlined previously.

OMSA made good progress over the year in delivering on its key objectives. Sales force numbers increased by 10%. Bancassurance growth through Nedbank increased significantly, with sales on an APE basis up 92%. Investment performance remains strong which bodes well, of course, for the future.

Net client cash flows continue to present a challenge. The withdrawal of R10 bn by PIC in the first half of the year undoubtedly hurt the business's cash flows. The situation in the second half was much improved but we still have more to do. The main area of outflows has been OMAM, which, although delivering good investment performance, has suffered from the widespread trend to break up balanced mandates and direct funds into specialist investment boutiques.

On costs, we have been re-visiting our processes in order to reduce unit maintenance costs. This work is making good progress, with maintenance costs for retail products on a unit basis falling in real terms. Further ongoing reductions are planned to maintain attractive returns to shareholders, whilst improving value for money for customers.

I will only summarise the Nedbank results as the webcast of their year end results announcement is available on their website.

Nedbank's recovery is progressing well. Financial performance is ahead of management expectations, with adjusted operating profit increasing by 78% to R5 bn. Strategic action taken at Nedbank has moved the business into the next phase of development, with the majority of the recovery programme benefits now firmly in place and the business becoming more externally focussed.

Nedbank significantly increased its dividend to 290c per share, reflecting reduced earnings volatility from the actions that have been taken and also the strengthening of its capital position.

The operating divisions' headline earnings have risen by 25% to R4 bn, with solid growth experienced in all three key divisions of Nedbank and Imperial Bank. This has driven the bank's RoE from 11% to 15.5%, as you can see on the bottom right hand corner of the slide.

Headline earnings in Nedbank Capital, are up 18% to just over R1 bn, benefiting from favourable market conditions and the solid platform established in 2004.

Nedbank Corporate's results reflect the combined close management of costs and strong private equity investment re-evaluations, driving a 12% increase in headline earnings to just under R2 bn.

Nedbank Retail's results have benefited from a turnaround strategy, with headline earnings growing 66% to R938m and return on average equity improving from 12.1% to 18.4%.

The RoEs for each division still lag those of our competitors and reflect the challenges that Nedbank faces. We are confident, however, that they are heading in the right direction.

So, as you can see, Nedbank's business objectives are being delivered.

On asset growth, although Nedbank continued to lose market share in total advances, the decline in the important homeloans area slowed significantly during the second half of 2005.

Good progress has been made towards achieving our 55% cost to income ratio. And at the end of the year that was at 65.1%, an improvement on the previous year.

A range of initiatives have been implemented to drive transactional revenue growth with some significant successes in 2005.

The improvement in Nedbank Retail is shown by the improving RoE. Further benefits are expected, not least now the integration of Peoples Bank has been completed.

And as Jim has mentioned, Nedbank is already reaping the benefits from its BEE transaction, with the Eyethu scheme attracting over 47,000 participants with R741m of deposits.

Mutual & Federal have continued to deliver excellent results despite the gradual softening of the short term insurance market.

Gross Premium Income grew 9% to R8 bn, although this was strongly influenced by the first time consolidation of Credit Guarantee.

Adjusted Operating Profit was maintained at about R1.2 bn, reflecting the healthy underwriting surplus of 8.4%. Outstanding listed equity performance also contributed to this positive result.

Return on capital remained above our hurdle rate at 20.2%, despite the strong capital position. The solvency ratio at 74% has allowed a 48% increase in the dividend to 155c, reinforcing our confidence in this business. The business is, however, reviewing its current capital requirements, following the strong performance in 2005.

So let's move on to the US, which contributed a total of $376m of operating profit this year.

The Life business continued its strong growth trend as it develops towards maturity and capital self-sufficiency but had a hiccup in profits this year. For the last two years we have been committed to ensuring that adequate infrastructure is in place to support this fast growing business, which has now trebled in size since acquisition in 2001. As part of this programme, we are implementing a new financial and actuarial system, working closely with Ernst & Young and also Watson Wyatt to build our new actuarial models.

During the latter part of this year, we have uncovered historical errors in the calculation of our valuation reserves, resulting in net adjustments totalling $40m, and causing a 9% decrease in adjusted operating profit to $162m.

Whilst we are extremely disappointed to discover these errors, we believe that the procedures and checks we have put in place, through the conversion process, will leave us on a much sounder footing moving forwards as this business grows.

We have been successful though in growing underlying profits in line with FuM. And despite the drop in profits in 2005, we do expect this long-term profit trend to continue.

The continuation of strong sales growth has resulted in an increase in FuM to $20.2 bn, placing the business now within the $20bn - $25bn range required for capital self-sufficiency.

EV adjusted operating profit increased strongly by 48% to $147m, with the adjusted RoEV, excluding investment variances, increasing to 8%. The EV increases illustrate that the reserve adjustments I have just outlined, impact the IFRS profit, and are largely an issue of the timing of profit recognition. The EV results recognise that whilst the higher reserves depress net worth, they are gradually released in line with higher profit in future years, thus increasing the value of in force to compensate.

In terms of sales and margin growth, 2005 was another successful year for the US life team. Total APE grew by 5% to $528m. We could have expanded more rapidly but took the opportunity in the final quarter to prune distribution down, prune distribution and also to prune products evolving the business to a more efficient distribution network.

The after-tax value of new business of $93m was 13% higher, with a corresponding increase in margin from 16% to 18%. The increased margin is at the upper end of our long-term expectations under European EV methodology and reflects the strengthening of our pricing disciplines, positive investment yields, and a favourable product mix.

Whilst our RoE progression has temporarily dipped due to the impact of our one-off reserving errors, we are confident that an improvement in RoE will be seen from this point forward. The migration to a new third party administrator has been successfully executed, contributing to a reduction of 49% in per policy outsource costs compared with 2003.

With respect to new business, we continue to maintain strong pricing disciplines to deliver target returns of 12% on new product sales. The increasingly efficient use of outsourced underwriting and administration services continues to differentiate our US operations.

Our capital management disciplines remain in place with the business on track to deliver dividend payments in 2007.

So let's move on to the Asset Management in the USA. This business, as you can see, has had an excellent year, delivering an operating profit of $214m, an increase of 34%, despite the considerable expenditure we have had this year on new initiatives. The result benefited from a $38m increase in transaction and performance fees, with the increase primarily sourced from real estate and natural resource-based funds.

The combined effect of strong investment performance, positive equity markets and record net cash inflows of $26.3 bn resulted in a 23% increase in FuM.

Towards the end of the year, some FuM were lost following the restructure of Pacific Financial Research, one of the last remaining revenue share affiliates. We were, however, able to somewhat reduce the impact of losing these higher margin assets with strong inflows from other affiliates in the group, albeit that these assets are generally lower in margin.

We anticipate, therefore, that this will have a modest downward impact on our earnings moving forward.

The continued delivery of excellent investment performance is an objective to which we remain firmly committed. The record net fund inflows achieved in 2005, with 86% and 95% of assets outperforming their benchmarks over both three and five years respectively, are a testament to the strong investment performance achieved by our member firms.

We continued to expand our portfolio offering, with four new open-end mutual funds and two closed-end fund product launches during 2005. Over 300 new institutional client accounts were opened during the year, 150 of these with an individual value over $25m.

Our retail initiative gathered momentum with gross sales for the year of $1.9 bn, with just under $500m of this relating to retail initiative fund sales.

We continued to broaden our product range, establishing an alternative investments business with the launch of 2100 Capital in early 2005 and acquiring Larch Lane, a New York-based hedge fund specialist, in late October.

So let's move forward on to the results for the UK and ROW segment.

As a reminder, life assurance and asset management business located in parts of Africa other than South Africa are now reported not here but in the African segment.

The success of the UK organic growth strategy is firmly reflected in this excellent result, turning operating profit from a loss of £5m last year to a profit of £24m, with particularly strong contributions from Old Mutual International and Old Mutual Asset Managers in the UK.

2005 marked OMAM's most successful year. Exceptional hedge fund and retail unit trust performance helped drive the 39% increase in FuM to £2.719 bn, resulting in £13m of profit, up from £5m in 2004.

Selestia also continued to build critical mass as the investment platform attracted new funds, with sales of £704m increasing the FuM to £1.544 bn.

As Jim has said, our joint venture in India continues to grow exponentially. The business has 45 branches in 31 cities, and has a sales force of around 10,500 tied-agents with an APE of around $75m.

The group and each of our businesses face a full agenda of activity in the year ahead. Skandia's results will be consolidated from February, a challenge not least as our holding in the business continues to increase.

Whilst Skandia will most likely report their Quarter 1 new business numbers as usual in April, we will present a trading statement for the group on 10 May, the same day as our Annual General Meeting.

Our interim results will be published as usual in August and will include Skandia for the first time.

To meet the requirements of our Stockholm Stock Exchange listing, we will be required to move to quarterly reporting from November, starting with our third quarter results.

I hope that you will be able to join us in June where we will give an update on the

Skandia business and then again during the last quarter of the year in Sweden and in South Africa.

As I move on to my new role as Chief Executive of Skandia, something that I am really looking excited, I would like to thank all of you that have challenged me, disagreed with me, and supported me over the last five years. And I suppose for some of you in London for an even longer period than that. It has been a challenge and a pleasure dealing with all of you.

Old Mutual has a great team of finance professionals, here in South Africa, in the UK, and the USA, and I would like to thank them all for their help and contribution. I would also like to wish Richard Hoskins, who takes over as Acting Group Finance Director, my best wishes as the group moves on to this, a new challenging state of development. I move to my new role, confident in the knowledge that actions we have taken across all our businesses have created a platform for long-term, sustainable growth.

Now back to Jim who will be looking forward to the challenging year ahead.

Jim Sutcliffe

Thank you very much Julian.

Looking ahead, Old Mutual remains very much focused from here, on making sure that our operations are in tiptop condition to deliver consistent organic growth. Ultimately, of course, all our goals, our goals for all our businesses meet in the production of high RoEs and increased EPS. But with more life insurance in the mix, I think our shareholders are likely to be paying a little bit more attention to EV earnings generation. And our management incentive schemes as a result now cover both IFRS and EV measures as key performance indicators.

But for all that, the simple fact is that our business has a very simple profit algorithm at its heart, which is assets times the margin, minus expenses equals profit. So what that means is that the management activity is always focused on three simple things, gather more assets, getting the margins right and keeping expenses under control.

We have a full agenda of activity in each of our businesses to drive them forward. In South Africa, as you have heard from Julian, buoyant conditions and our exceptional positioning to service the fast emerging middle-class mean that our high RoE insurance businesses can steam ahead. You have seen Nedbank's progress towards its 2007 target come through strongly in 2005. And at OMSA the growth in sales, particularly in Unit Trusts, of course, has now returned. In the United States, in the Life business, we will focus on generating those cash earnings from 2007, and we will maintain our multi boutique asset management model. And we will be, as we have indicated, trying to fill the gaps both in product and in distribution.

Clearly, the implementation of the Skandia acquisition will be a very major area of management attention, not least for Julian, as he indicated, particularly focussing on accelerating those sales, gathering those assets under the simple algorithm, getting the margins right to produce high VNBs, as well producing the synergies that are available through the acquisition.

And to say again, the simple profit algorithm remains true for them all.

Although it is for others to judge, I do believe that we are fortunate with the depth and breadth of management talent….excuse me, the depth and breadth of management talent available around the Old Mutual Group. And our structure remains a decentralised one.

Last week, last Tuesday in fact, the new Board of Skandia was created, after the AGM. And Julian was appointed Chief Executive. We now have a mix of Old Mutual board members and highly regarded representatives of the Swedish business community on the Skandia Board.

Julian has been busy assembling his core operating team and the various working groups that he will need to drive his five-stream plan, which I will touch on in the next slide. The Skandia management that we have met have all been of a very high calibre and I am pleased that the senior Skandia team has agreed to stay on. Highly professional and ambitious, we look forward to working with them.

Here in the UK, Brett Williams, as you know, has done a great job in building Selestia. And he and Nick Poyntz-Wright are already working on the integration of the UK businesses, and making the whole product range available to the IFAs.

We do have a simple geographic focus to our management structure. Bob Head is charged with bringing our South African businesses closer together. And by that I mean the practical things, selling each other's products, co-operating in the market place, excuse me, market place, to leverage Old Mutual's scale and pre-eminent position, and to use our combine leverage to reduce costs.

Julian is responsible for the Skandia operations, Europe if you like. Scott Powers and Guy Barker look after the US businesses. We are, as you have seen, building our presence in Asia and through Skandia now have a business in China, which Hasan will have responsibility for. We have an experienced team in charge of each Business Unit, and the Head of each Business Unit…excuse me, the Head of each Business Unit will join our Management Board.

Of course, we intend to appoint a successor to Julian. And that person will also be part of the team.

Turning to Skandia and the next steps. And as you would expect, work has already begun.

Our first task to make sure that Skandia joins the Old Mutual family in good shape is to make sure, as I have indicated and want to say over and over again, the first job is to make sure that we do our business as usual, that we look after the customers and their IFAs and brokers. Julian and his team have this at the very top of their agenda. We were pleased to see the full year sales results and indeed the profit results achieved by the Skandia businesses. As we had suspected, the deal had not interfered with progress and these good results are evidence of the potential for the future.

Implementation of the acquisition started in earnest last week, after the EGM. There are five streams of work underway, above and beyond those 'business as usual' targets.

Firstly, we have to ensure, and we will ensure that robust governance systems are in place. We place extremely high value throughout our business on strong governance and Skandia will be no exception. We know that customer and IFA confidence is greatly dependent on this.

Next, secondly, we are revisiting the work that we did as part of our due diligence. That was back in June or July as you will recall. And we will be reviewing the various strategic issues, the risks and the opportunities that we face, to bring ourselves up to date and make sure that we can go forward with confidence. And that is what we will be focusing on in the third job, which is to make sure that we have the business plan in place.

Now, of course, the existing Skandia management already have a plan that they have agreed, and I am sure most of that will remain exactly as laid out. But we, of course, want to satisfy ourselves that the plan is at least as progressive as we had assumed when valuing the business as part of the acquisition. And we want understand and be satisfied in particular with the cash and capital implications.

Fourthly, we set out a target of £70m per annum of synergies that we thought were available as part of this acquisition. And that remains our target. Work is underway to realise these synergies on a run rate basis by the end of 2007.

And lastly, you won't expect, you won't be surprised rather to hear us say that communication throughout this process is vital. I think particularly in the UK, but around Skandia, the staff have felt 'in transition' for a long time. And the fact that this transaction has ended gives us the opportunity to provide them with the stability they need to push the business forward as fast as they can.

We aim to finish the bulk of this work in time to present to you in June our strategy for maximising Skandia's potential. And until then, I hope you will understand that we won't answer specifics about Skandia.

But what is clear today, as we speak, is that Old Mutual is different. The dynamic in our results for 2005, coupled with the acquisition of Skandia, and the BEE deal, make for a new business profile for Old Mutual. I will elaborate further on the next slide, but I think it's clear that with our exposure to the demography of five big markets, in South Africa, in Sweden, the United Kingdom, elsewhere in Europe and indeed the United States, we have exciting growth opportunities. In South Africa we are helped by the fact that the economy is in better condition than it has been for a long time, probably ever. And the black middle income market has increased nearly five fold over the past six years. In Sweden, the work commenced by the Skandia management, indeed you have seen the market shares achieved in 2005, assisted and supported by our stable ownership, can return the company to pre-eminence. In the United Kingdom, our combined operations have an enviable position in the open architecture market, which is increasingly favoured by customers and IFAs. In the United States, the momentum that has been established in our businesses over the past years has the potential to take us much further. And around the other countries in Europe, the young businesses that Skandia has built are well positioned to grow much further under our ownership.

But it's not just about growth. It's also about reducing our operating risk profile. The structure of the company post Skandia broadens our exposure to a range of individual currency and market risks, currency and market opportunities perhaps more likely, with a balanced portfolio of businesses and the critical mass and scale to take on our competitors. We are pleased to see this reflected in the affirmation of our credit ratings recently, and perhaps also widely commented on, that the increase in the ratings, the upgrade in the ratings that Skandia has.

Our business is now set up for a considerable period into the future, with a good balance. And we do look at the business in these three categories.

In the first block, we have a set of secure profit generators with high market shares and leading brands, in South Africa and Sweden, and throwing off a lot of cash in South Africa in particular.

Our South African insurance businesses in 2005 again produced high RoEs. And with unit trust sales up 87%, you can see the potential that the positive environment that exists in South Africa has for us. In Nedbank and in Sweden, we expect growing earnings as these businesses drive through their recovery programmes and start to deliver on the potential of their leading business franchises.

In the second block, we have got a series of businesses that have established great growth trajectories. In the United States and the United Kingdom and many other European countries, you can see it from the results we are presenting today.

They have products and service standards that the customers and intermediaries like, baby-boomers and their retirement are out there in large numbers and retirement is looming large. And these are businesses that we expect to grow very significantly over the next three years.

And finally, there are the businesses that are tomorrow's world, in the far distance, maybe small today, but from these businesses we expect high growth in the future. And all of them, and India and China, in particular, have the potential to be substantial contributors in the next decade. These fledgling operations can fly as they mature.

So ladies and gentlemen, 2005 was first and foremost a year of delivery for Old Mutual shareholders. RoE and RoEV maintained at their market leading levels of 18.5% and 15.6% respectively, with EPS growing at 22%, and EV reaching 176p or R19.12.

And assets under management, the key leading indicator, were up sharply to £183bn. And with Skandia joining the family, the assets that we are managing on behalf of our customers, the assets we are overseeing will be some £224bn which will make us one of the largest in Europe, the same sort of order of magnitude as the PRU or Agon.

2005 was undoubtedly a defining year for Old Mutual, a step change. And we couldn't be more excited by the scale of the opportunity nor more committed to delivering on its potential for our shareholders.

Ladies and gentlemen, that is the end of our presentation today, and we will take questions in a moment. I would like just to finish by responding in a sense to Julian's words there and to say thank you to Julian for his tireless efforts over the past five years. He has obviously played his part as Finance Director on occasions like this. But he has also played a big part in the broader management of Old Mutual, in driving through the very considerable changes that you can see in the results today.

Julian, thank you very much. I hope you can hear us, we can't see you. You have been a great support for these last few years and I will miss your company on the roadshows. But on the other hand, I am very grateful to you for taking up the reins at Skandia. I know you'll do a wonderful job for Old Mutual in this capacity and I wish you every success in realising the fullest potential from the businesses for which you are now responsible.

We will now take questions. We will start in London. We will take two questions in London, and then we will go to Johannesburg. Could you please make sure you get a microphone before you speak, so that the people in the other centre can hear you, and say who you are.

And I can see, I think that's Mickey, but I can't see in the light….back there.

Mickey O'Sha, Fox-Pitt Carlton

Can you just talk about what ….talk about the issue of equity indexed annuities in the US and what the impact of the current issue there is on your business.

Jim Sutcliffe

Yes, I am not sure, which issue are you particularly referring to Mickey?

Mickey O'Sha, Fox-Pitt Carlton

Well in terms of……

Jim Sutcliffe

Regulatory.

Mickey O'Sha, Fox-Pitt Carlton

Yes, yes, regulatory.

Jim Sutcliffe

Yes, OK. I have got Guy here, but I will just tell you the ….if someone can get a microphone to Guy. But while that is happening…oh you have got it, OK, Guy, carry right on then.

Guy Barker

Watching this quite carefully in the States, we are not feeling threatened by this. The LESD has brought up an issue….the LESD is largely a trade association of security dealers, the regulator behind is the SEC. The SEC has in the past examined the question whether equity indexed annuities should be regulated as securities their domain or insurance policies which is the Insurance Commissioner's domain. And because of the underlying guarantees of principle for the customer, came down four years ago, five years ago on the side of, it's an insurance product not a security. The LESD has seen its business flowing away from variable annuities which are securities which security dealers gain an income into the equity indexed market and this led them to not unsurprisingly challenge and has asked for the position to be reviewed. It is under review. We are not feeling that there is going to be any new thinking by the SEC that comes out of this one, maybe some tidying around the edges. And we don't feel threatened by it. The second point about it is, if it does get to re-classified or any part of the business were to get re-classified as a security, we are well positioned to operate in that market aswell. Our agents sell both securities and insurance. Our expertise in Bermuda is in variable annuities. And we ourselves can move to the new area should it happen. So all in all there is going to be little movement we suspect. But whatever movement there is, we are well situated for and balanced to respond to. I hope that answers the question. James.

James

Just a couple of questions again on the US.

Jim Sutcliffe

Yes.

James

Could you elaborate a little bit more as to what was behind the reserve addition. And secondly, can you explain how that affected EV margins and does it account for the deterioration in second half new business profit in the US.

Jim Sutcliffe

OK, I will get Guy to help out aswell. But let's start at the end. The second half change was nothing to do with that. That was what Julian spoke about, that we operate in the US in a corridor of sales. We were a bit ahead of our targets there earlier in the year, so we started to say, look we need to think about how we feel with that. And what Guy and his team did was to say, look there are some parts of the market that we don't need to operate in, that don't have quite as good characteristics as the others, so we closed off some MGAs and some products. So on the margin or excuse me the growth issue, it's nothing to do with the reserve issue. I think overall we were very happy with the margins and the margins being above our long run expectations is really a function of product mix and some good investment conditions during the year. On the reserve adjustment, you know the company is three times the size that it was, I think, as Julian said, when we bought it. And we were going through, started as much as 18 months ago in some cases, and I know we talked about it this time last year, a review of all the systems. And there were a long list of things that were going to be improved. And we have dealt with the bulk of those things already, and made estimates for everything else. So we are pretty comfortable it's just a one-off shot. But it was a series of different issues that we are….you know, there was a statutory reserve difference from a GAAP reserve, for example, and it was …it was a number of different issues. But they are all dealt with in that one shot. I don't know if you want more James?

James

(??) have any impact….does the $40m of (??) have any impact on the new business profit or not?

Jim Sutcliffe

No, no it doesn't. It's $40m just for completeness. And it's $40m pre-tax if you want to just make sure we have got all the details of it. But no, it's nothing to do with the margins at all. OK, any more in London or else I am going to go to South Africa. Julian, let's take a couple of questions in Jo'burg.

Julian Roberts

Any questions here from anyone?

Stephen

Can I just throw a bit of a curve ball. The unit trust sales in South Africa are largely 98% single premium. So surely if you do an AP adjustment on that, you will probably find unit sales would be sort of R930m rather than R9.2bn. I know one doesn't tend to look at unit trusts in APE terms, but the fact of the matter is, in South Africa, maybe they don't realise in the UK, unit trusts has become a single premium industry, not a recurring.

Jim Sutcliffe

Stephen, that's absolutely right. Sorry, Julian are you going to answer that.

Julian Roberts

You are correct, Stephen. There is nothing really to add on that. Your calculations are fine. Yes, Johnny.

Jim Sutcliffe

Good thing Julian and I think alike isn't it.

Johnny

Hi Julian. I see in one of the last slides you provided an enlarged group proforma value of new business, where the UK is 23% and the SA is 23%. Skandia at the moment records pre-tax VNB, so I just want to know what tax rate you had used, if any, to net those down to compare it to Old Mutual's post tax numbers.

Julian Roberts

Overall, in the calculation we have used the Skandia tax rate. And I am just searching exactly for that amount. There may be somebody in London, Andrew, who could confirm what rate we used.

Jim Sutcliffe

And if that's the …..sorry, Andrew is claiming to be Australian today, Julian. Johnny we will get an answer for you, we will come back to you. We will find out.

Julian Roberts

Is there another one, yes.

Dave Daniel Lovett, JP Morgan

Just probably a question to Guy in London again. Just following up….obviously there is the looking at the regulation of equity indexed annuities. Is that changing his view on going into the VA space and has there been any change from that perspective?

Jim Sutcliffe

Guy.

Guy Barker

No, Dave, I remember this coming up when we were talking in the roadshows a few months ago. We are very well geared to go into the VA space. I think it's a natural transition of the business over time. We find that 40% of our current agents actually sell in the VA space as well as in our space. It's not going to be a great big deal for us to move when the time is right. So it's a matter of tactics rather than strategy, we have all the timing to move into the VA space. But I am not saying the timing is going to be current or immediate, it will take a little bit of time and a little bit of sorting out, once we have started to go down fully that route.

Jim Sutcliffe

Dave, can I just add aswell that just don't forget that we look at our US businesses as a whole. And we have got the mutual fund business being built up there. And the overlap between mutual fund and VA is much tighter. So I think we are well positioned, as Guy has indicated, whatever the market is, and we can fill in the gap as we get the opportunities. Julian I will just take questions in London, if you can get yours to hold on for a second. Are there any more in London? OK, Mickey O again.

Mickey O'Sha, Fox-Pitt Carlton

How far advanced are you in finding a new Finance Director?

Jim Sutcliffe

We have got the headhunting process well underway. I think it's likely to be a few weeks. But we are well down the track. Any more in the room. I have got one on the telephone which I am going to come to next if there are no more in the room. OK, Andrea, a question on the telephone I think.

Operator

Our question comes from Andrew McNally, please go ahead, sir.

Andrew McNulty, UBS

Hi, good day, it's Andrew McNulty, not McNally, and I am from UBS. I have got three questions mainly pertaining to South Africa. One on the charge, one on the costs and one on group business. Starting with the charge of the R716m with the agreement with the South African Finance Ministry, I wonder if you can just explain some of the mechanics and make up of that number. And if you wouldn't mind, when you answer it, I think I do understand the background, so you don't need to bother about going through that. If you can just tell us what type of business incurred what costs, the impact from the retrospective part of the calculation, the prospective impact, and why that number was so different from what you originally indicated back in December. So that's the charge. The cost question. I see you have got a R900m positive release of reserves because your unit maintenance costs on the individual life side were a lot better. It does look as if you are experience variances weren't actually that fantastic affecting the values in force. I just want to understand why you feel so comfortable to be able to do that on top of the fact that you had R1.4bn release to support your numbers in 2004, also from weakening the valuation basis. And if I could just sort of add to this one….I see your…you say there was a temporary increase in acquisition costs, and your sales force has gone up on the individual life side by 10%. Are you just maybe playing around with splitting your distribution and maintenance costs to improve your results? And then the final question, on the group business side, Brimstone, your BEE partner committed to contribute at least R1bn per annum on EEV support, and I think R2.5bn was secured for this year. Can you just confirm that in the numbers and that….or is this a sustainable contribution to new business that we can look at going forward. Thanks.

Jim Sutcliffe

Yes, thank you, Andrew. Julian, just to get the answers straight. I suspect you have got Roddy or Gary Palser with you in Jo'burg, and can you just deal with the first question for the moment, the R716m and retrospective versus prospective mechanics and difference versus what we said earlier.

Julian Roberts

Roddy will answer the first question, Jim.

Roddy Sparks

OK, hi Andrew. Andrew, on the R716m, first of all it's not different from what we indicated in December. We gave a range in December which I recall was I think R625m to R900m. So it's in the range. The mechanics….we haven't given a breakdown of what is historic, what is future, and the split between endowments and RAs, but we cover all of those. What we have done in addition to what is required in terms of the settlement arrangements is set aside a further R20m for claims which fall outside the Pensions Fund Adjudicator's ruling and that's in respect of pre-2001 paid up values.

Jim Sutcliffe

OK, thanks Roddy. Just keep that microphone. Because the second question was about costs. And are we comfortable with the experience variances versus the assumption. And are we, I think in your words, playing around with the splitting of new versus maintenance? I am just going to give an overview comment and then

Roddy can you pick up. I think, just the governance of this, Andrew, to give you comfort, is that there is an actuarial review committee in Old Mutual and this was a subject that was very carefully thought through there, and it received a specific presentation from the group Chief Actuary on this. And the key thing if you remember is that we split out the whole back office under (??) at the beginning of '04. Roddy, just check my time there. But…and if you look at the maintenance costs per policy, they have come down quite nicely. But Roddy can you pick up the other generalities of new versus maintenance and the comparisons with the '04 release and so on.

Roddy Sparks

And I am going to look to Gary to come in here aswell. First of all, Andrew, absolutely, we have stayed with the same assumptions and the same basis for new business and maintenance costs. So there has been no messing around and blurring of those two. And we are very strict about that. Gary if you want to just pick up on a little bit of the detail on the maintenance costs.

Gary Palser

OK, the ….certainly, I mean when we examine our expense experience we certainly look at both the ….all the business units in the same way we have always done. And there is no doubt that on our….on retail maintenance expenses particularly for our older products, we were finding that the current experience was better than our assumptions. I think you also need to bear in mind, Andrew, that a big portion of that R900m was in respect of expense inflation assumptions, where previously our FSV or liability basis had a very conservative inflation assumption of about 8% in it. And what we have done this year is to align our liability and EV inflation assumptions. So a big portion, about R600m of the R900m is actually in respect of bringing the inflation assumptions in line. I don't know, if we need any more we can always discuss this offline.

Jim Sutcliffe

And then the third question was about the Brimstone commitment to corporate business sales and are they in the numbers. I think, Andrew, you will recall that the measurement period for the partners was different from the calendar year. So the commitment doesn't relate precisely to the numbers you are seeing today. But all the sales are in the numbers. OK, does Andrew want to ask follow up or anything.

Andrew McNulty, UBS

No, that's fine, thanks very much.

Jim Sutcliffe

OK, good. Alright, let's….Julian, questions in Jo'burg?

Julian Roberts

I think Risto you had a question earlier we didn't get to.

Risto, Deutsche Bank

Two questions on US. For instance, asset management I see that performance transaction and other revenues totalled $172m last year. Now that's historically in below $100m and in basis points, that's about 8-9bps of assets. Now I assume that is way above sustainable levels of these types of fees. So maybe if somebody could give an indication of what the normalised level of that would be, as a percentage of assets. The second one is US Life, there was a very large negative experience variation in the second half. Now it seems that that is separate from the $40m reserving issue, which seemed to have gone through on the operating assumption line. So if somebody could maybe shed a bit of light on that experience variation.

Jim Sutcliffe

Julian, I mean you or I can talk to the first point. Why don't you go ahead.

Julian Roberts

Yes, the performance fees are high this year. Gradually year on year the transaction and performance fees are higher. This particular year it was buoyed by a certain timber related transaction fee. But I don't think you should read our expectation that transaction fees are going to come off significantly next year. I mean they are a significant part of the business and we would expect them to be there.

Jim Sutcliffe

OK. And then Guy the second part, negative experience variance, which I think does actually relate to the $40m, but there you go.

Guy Barker

It's all part and parcel of the same matter. We have been cleaning up all the bases and looking into the back experience and the front experience. I want to have a completely clean sheet going into 2007. So there is no particular large element of experience that is shooting us. We tidied up the life mortality. We have tidied up the annuity mortality. Expenses have been a source of profit but we haven't recognised those yet in the current experience. But as it comes to them in the future, it's really a tidying up exercise, part and parcel of the same $40m.

Jim Sutcliffe

Sorry, just specifically, the $40m is in there.

Guy Barker

Oh yes, yes.

Jim Sutcliffe

Yes, that's right. Risto, I hope that's OK.

Julian Roberts

Anything else here from Jo'burg. Jim that's our questions from Johannesburg.

Jim Sutcliffe

OK. James in London.

James

Could you please just explain why the rate of dividend growth is so much slower than the rate of earnings growth?

Jim Sutcliffe

Yes, the Board thought about this quite heavily, and decided that the average rate of growth in the industry in the UK was in that range, that sort of 3-5. I think clearly when we have just undertaken a big acquisition and we have not been able to yet complete the thorough under the covers look at the company, there is a little bit of care being taken. But we tried to provide an increase that was in line with the market. Any more in London? Julian last call?

Julian Roberts

No, none from here, Jim.

Jim Sutcliffe

OK, thank you very much everybody for coming along. And I know there is….oh hang on, excuse me, there is one more on the telephone if you don't mind.

Operator

Please go ahead.

Andrew McNulty, UBS

I just wanted to ask a question on the Nedcor, the embarking on a share buyback and increasing…..sorry, decreasing the dividend cover quite substantially. In the environment where it is still pretty buoyant in South Africa to grow, especially in terms of credit extension, and things like that, and that given the improved capital strength, why the…why the caution on Nedbank to release capital? Is it just purely to deliver to you, Old Mutual, the main shareholder, to support the RoE? And what is…what is your connection in terms of Nedcor's new change strategy, to actually, you know, particularly lower the dividend cover?

Jim Sutcliffe

Andrew, I am not sure if I followed all the question, so forgive me if I don't quite answer it, and please ask a follow up. But in general, where Nedbank is, is that it believes that its capital position has now got some spare in it. And then there is the question of how exactly you deal with that. So it has announced the buyback programme. And for the same reason it has reduced the dividend cover. The dividend cover which, I think by memory, and someone will correct me if I get it a bit wrong. But the policy is between 2.5 -3 times now. And I think the actual number is 2.75 times, right in the middle. And that is in line with other participants in the South African banking industry. So we have comfort that Nedbank has got over its issues of the past couple of years. And with the additional capital that particularly arrived in Nedbank following the sale of Aplitech, or I think it got called, NetOne. Sorry, Bob is giving me a signal from back there. But in any event a lot of capital came through the capital gain on that sale. So the capital went up which can be released. The question of exactly how it happens is a matter for the Nedbank Board. Of course we make our position clear at that board. But it is a decision for the Nedbank Board. Does that answer the questions?

Andrew McNulty, UBS

Yes, I am just interested….I mean, in terms of ….you know, given the continued positive environment and their loss of market share relative to the other players, why are they not going to become more aggressive in trying to win market share, if they have got the capital strength, why release it to mainly you.

Jim Sutcliffe

Yes, they will be more aggressive.

Andrew McNulty, UBS

Is the objective purely to try and get the RoE target in 2007? Is that the principle objective of Nedcor, or is it to grow their business?

Jim Sutcliffe

Well just to be formal about it, you must ask Nedbank that question. But let me tell you, from our perspective, we take the public commitments of Nedbank very seriously. And therefore it is certainly our objective to deliver on those targets. But I don't see that as being in conflict with seeking to grow Nedbank in line with the market. I think there is room to do both at the same time.

Andrew McNulty, UBS

OK, thank you.

Jim Sutcliffe

And indeed faster than the market if we can. So it's not a constraint. OK. Alright, good. Thank you very much everybody. Please come and enjoy a cup of tea outside with us. Thanks Julian.

END.