# Old Mutual plc

## Results for the nine months ended 30 September 2006

### Highlights

- Adjusted operating profit* (IFRS** basis): £1,058 million, R12,676 million
- Profit for the period attributable to equity holders: £506 million, R6,062 million
- Adjusted operating earnings per share* (IFRS basis): 11.5p, 137.8c
- Basic earnings per share: 10.4p, 124.6c
- Adjusted embedded value per share (EV basis): 140.7p, R20.44 at 30 September 2006 (30 June 2006: 143.2p, R18.95)
- Total life assurance sales, on an Annual Premium Equivalent (APE) basis: £1,152 million, an increase of 7% (30 September 2005: £1,075 million)
- Total unit trust sales: £5,215 million, an increase of 60% (30 September 2005: £3,258 million)
- Net client cash flow: £14.7 billion
- Funds under management: £222 billion (30 June 2006: £218 billion), an increase of 1.8%, R3,218 billion (30 June 2006: R2,891 billion)

**Commenting on the results, Jim Sutcliffe, Chief Executive, said:**

**"We made steady progress in the third quarter, driven by strong sales and net cash flows from an increasingly international spread of businesses. Skandia is on track to deliver its targets for 2008. We are confident that we will continue to increase our client base and assets under management, the foundations for our future growth."**

Wherever the items asterisked in the Highlights are used, whether in the Highlights, the Chief Executive's Statement or the Group Finance Director's Review, the following definitions apply:

* For long-term assurance and general insurance business, adjusted operating profit is based on a long-term investment return, includes investment returns on life funds' investments in Group equity and debt instruments and is stated net of income tax attributable to policyholder returns. For all businesses, adjusted operating profit excludes goodwill impairment, the impact of acquisition accounting, initial costs of Black Economic Empowerment schemes, profit / (loss) on disposal of subsidiaries, associated undertakings and strategic investments and dividends declared to holders of perpetual preferred callable securities. Adjusted operating earnings per ordinary share are calculated on the same basis as adjusted operating profit, but are stated after tax and minority interests and exclude income attributable to Black Economic Empowerment Trusts. The calculation of the adjusted weighted average number of shares includes own shares held in policyholders' funds and Black Economic Empowerment Trusts.

** The financial information has been prepared on the basis of the recognition and measurement requirements of International Financial Reporting Standards as set out in the basis of preparation note on page 36 of this document

.

# Old Mutual plc

## Results for the nine months ended 30 September 2006

### Enquiries:

**Old Mutual plc UK**

Media:

| | |
|---|---|
| Katie Bell (UK) | Tel: +44 (0) 20 7002 7163 |
| Nad Pillay (SA) | Tel: +27 (0) 21 504 8026 |

Investors:

| | |
|---|---|
| Malcolm Bell (UK) | Tel: +44 (0) 20 7002 7166 |
| Deward Serfontein (SA) | Tel: +27 (0) 21 509 8709 |

College Hill (UK):

| | |
|---|---|
| Tony Friend | Tel: +44 (0) 20 7457 2020 |
| Gareth David | |


**Notes to Editors:**

Jim Sutcliffe, Chief Executive, will host a conference call for analysts and investors at 9.00 a.m. (UK time), 10.00 a.m. (CET) and 11.00 a.m. (SA time) today. The call will include a brief overview of the results and an opportunity to ask questions. Analysts and investors who wish to participate in the conference call should dial the following toll-free numbers:

| | |
|---|---|
| UK participants: | 0800 953 1444 |
| Swedish participants: | 0200 895 350 |
| SA participants: | 0800 994 090 |

International dial-in (not toll-free): + 44 (0) 1452 542 300

The full 2006 third-quarter results release, together with the Financial Disclosure Supplement, can be found on the Company's website at www.oldmutual.com.

**Forward-looking statements**

This announcement contains certain forward-looking statements with respect to the financial condition and results of operations of Old Mutual plc and its group companies, which by their nature involve risk and uncertainty because they relate to events and depend on circumstances that may occur in the future. Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, global, national and regional economic conditions, levels of securities markets, interest rates, credit or other risks of lending and investment activities, and competitive and regulatory factors.

**28 November 2006**

## Chief Executive's Statement

Old Mutual's sales (life up 7%, unit trusts up 60%) and net client cash flows (£14.7 billion) have been strong in the first 9 months of 2006 and our Skandia acquisition continues to run ahead of our expectations.

Funds under management grew strongly and reached £222 billion, which reflects growth of 5% for the year to date for our continuing businesses.

Embedded value per share (140.7p, R20.44 at 30 September 2006) and the value of new business (£167 million for the nine months) are consistent with the results shown at the half-year stage.

The positive impact on IFRS earnings of the underlying growth has been offset by some historical adjustments and currency movements as well as reserve strengthening in the US and margin reductions in our core South African life business. Adjusted IFRS earnings per share (EPS) of 11.5p, 137.8c for the nine months ended 30 September 2006 compared with 8.5p, 96c for the first half of 2006.

### South Africa

Old Mutual South Africa (OMSA) has continued to put a great deal of effort into building its retail distribution systems, and was successful in regaining the top spot in the market, although group products and particularly healthcare sales continued to disappoint. Under the new management of Paul Hanratty, we are steadily shifting our business away from the traditional capital-intensive life assurance model to a lower-charge, lower-capital model based on unit trust products, and we are planning to migrate our healthcare business on to a single platform so that it can build economies of scale to compete in the market.

Retail life sales grew by 17% and continued to produce margins within our target range. Despite lower sales of the high-margin group products and distribution costs continuing to exceed our goals, the value of new business for the three quarters increased to R425 million, compared to R252 million for the first two quarters combined. Unit trust sales have grown by 26% year-on-year at R11,453 million for the nine months as this product line benefits from its greater transparency and tax advantages.

Third-quarter net cash flow was lower as investment performance was not as strong, and we lost some large multi-manager mandates. We are introducing a multi-boutique style structure, along the lines of our US operation, to ensure that we are well placed to benefit from industry trends and that our investment performance returns to its long-term strength.

Client funds under management have risen by 13% to R440 billion since the start of the year, benefitting from an expanding South African economy.

Overall earnings were affected by a number of historical adjustments totalling R276 million, together with the cumulative effect of lower margins, lower mortality profits in Group Schemes, the IFRS2 costs of share-based incentives and lower asset management earnings offsetting the strong performance of the JSE.

Nedbank continued on its recovery path. Pleasing growth was shown across all our operating divisions and we have maintained our expense discipline, with Return On Equity (ROE) of 18.6% for the three quarters to 30 September 2006, as shown in its recent results announcement. Nedbank is continuing to invest in its retail banking franchise and has stabilised its market share position in key sectors of the South African banking market. Our confidence in and support of this important subsidiary has now been rewarded with ROE well in excess of the cost of capital, and Nedbank is on track to meet its 2007 commitment of 20% ROE.

Our South African general insurer, Mutual & Federal, has experienced a return to more normal levels of weather-related claims after the unusually benign conditions of 2005, but has maintained its underwriting disciplines against the softer market background, raising gross premiums by 7% and achieving an underwriting ratio of 4.4%.

## United States

In the US, our asset management affiliates have continued to attract new client mandates, and we have benefitted from the recovery in the local equity market during the third-quarter. As previously reported, funds under management (FUM) rose to $237 billion at 30 September 2006, compared to $231 billion at 30 June 2006, which represents a 7% growth in continuing businesses after the sale of FPA. We were successful in acquiring Ashfield, a San Francisco-based growth manager with an excellent performance record. Mutual fund sales totalled $944 million, showing the benefits of our investment in distribution and expansion of our product offering in the retail space. Earnings remain at the same level as in previous quarters, with revenue from the higher asset base being offset by the removal of eSecLending earnings following its sale and lower performance fees being accrued. The timing of performance fee receipts is difficult to predict, however our investment performance remains excellent, with a new high of 91% of assets outperforming their benchmarks over a three-year period.

Earnings at our US Life business rose to $169 million and are on target to exceed the 2005 full-year earnings comfortably, and our sales will not be far short of our $4 billion target, with net client cash flow on track. Margins continued to be higher than our long-term expectations, as interest rates remained higher than in recent years. However, these conditions have also led us to expect higher surrenders of Multi-Year Guaranteed Annuities (MYGA) than originally assumed. We have strengthened our assumptions and this has reduced earnings by some $20 million pre-tax in the quarter. Mortality experience on Single Premium Immediate Annuities (SPIA) was poorer than expected.

## Europe

In the UK, life sales have increased 27% and mutual fund sales by 67% as Selestia and Skandia Multifund have benefitted from the industry shift to open architecture platforms, and the positive impact of A-Day has continued. Skandia Investment Management Ltd (SIML) products, particularly the "Best Ideas" funds, were particularly well received. As a result, FUM grew further to £33 billion, up from £31 billion at 30 June 2006. Margins were a little lower as a result of changes in product mix, but have been similar to the first half at a product level. Earnings have continued to grow as a result of the growth in assets, although we did not benefit from the favourable tax movements in the third quarter as we had in the second quarter, and our planned spending on the back office outsourcing projects has started to increase. We were very pleased that Skandia UK was voted "Company of the Year" at the recent IFA awards ceremony.

In the Nordic region, net client cash flow continued to be positive, with lower sales being offset by lower surrenders. Single premium sales were down 29% compared to the equivalent period in 2005 as the cycle of Kapitalpension sales came to an end and the market awaited the arrival of the new ITP (collective agreement for corporate pension savings for white-collar workers) agreement. We adjusted our Long-term Investment Return (LTIR) methodology in the third quarter to reflect more accurately the amount and constitution of the Nordic shareholder assets. First half results were SEK135 million lower under the revised methodology and this has been recognised in the third quarter. We have some considerable work to do in Nordic to improve systems over the next 18 months, and to put the company on sound footing for the future.

Our "ELAM" (European and Latin American) business continued to make excellent progress, with net cash flow of €1.4 billion driven by sales of both life and unit trust business well ahead of last year, at steady margins. The third-quarter saw particularly strong growth in Poland, as in the first half, and in Colombia, where Skandia has a long-standing and successful business.

## Asia Pacific

Our businesses in India and China continued their rapid rates of growth and are well set to contribute in the future. We acquired Intech in Australia to complement our existing fund platform business, and expect a good contribution from this business in the coming years.

## Outlook

With strong sales and net client cash flow for the nine months to date, Old Mutual continues to make progress. We aim to create value for our shareholders by improving the businesses that form the Group and we have a full agenda under way, most notably the synergy and IT programmes in Skandia, but also changing the shape of our South African life business.

Our business has proved resilient in the face of changing economic environments and, although the market and exchange rate factors that have affected our third-quarter IFRS results are likely to continue into the fourth quarter, we expect to be able to continue to grow our client base and assets under management as the foundation of our future success.

**Jim Sutcliffe**
**Chief Executive**

28 November 2006

# Group Finance Director's Review

| Highlights (£m) | Q3 2006 YTD | Q3 2005 YTD | % change |
|---|---|---|---|
| Life assurance sales (APE) | **1,152** | 1,075 | 7% |
| Unit trust sales | **5,215** | 3,258 | 60% |
| Net client cash flows (bn) | **14.7** | | |
| Funds under management (bn) | **222** | 214 | 4% |

| Highlights (£m) | H1 2006 | Q3 2006 YTD |
|---|---|---|
| IFRS adjusted operating profit, pre tax | 771 | **1,058** |

## GROUP RESULTS

Old Mutual continued to make sound progress during the third quarter of 2006, building on the strong growth experienced in the first half of the year. Strong net cash flow from clients, underlying growth in funds under management, and positive life and mutual fund sales growth overall across our major businesses contributed to a solid underlying performance for the nine months to 30 September 2006.

### Underlying performance strong but affected by one-off items

The Group's adjusted operating profit on an IFRS basis increased to £1,058 million for the first nine months of 2006. We continued to benefit from a more internationally diversified earnings base, with growth in earnings from Europe, steady progress in the US and continued positive momentum at Nedbank. Year to date earnings were affected by the depreciation in the Rand and the US dollar, reducing operating earnings per share by 0.5p.  In addition, earnings were affected by a number of adjustments at our South African life assurance and asset management company (OMSA) and at our US Life business.  In total, these adjustments reduced earnings per share by 0.4p.

Adjusted operating earnings per share for the nine months to 30 September 2006 was 11.5p, compared to 8.5p at 30 June 2006.

### Embedded value per share

The Group's embedded value per share was 140.7p at 30 September 2006. This is a decrease of 1.7% from 143.2p at 30 June 2006, caused primarily by foreign exchange impacts.

The value of new business increased by 50% from £111 million at the half year to £167 million for the nine months, and up 1% on the equivalent period of last year (30 September 2005: £166 million) (including Skandia on a pro forma basis).

### Unit trust sales up 60%

The strong momentum in unit trust sales continued, increasing by 60% to £5,215 million (30 September 2005: £3,258 million) (including Skandia on a pro-forma basis). We experienced growth across all our geographic segments, with increases of 278% in the USA, 26% in South Africa, and 39% in Europe, where our businesses continued to benefit from the industry switch to open architecture platforms.

## Life sales up 7%

Life sales for the combined Group on an APE basis increased by 7% overall to £1,152 million compared to the prior year (30 September 2005: £1,075 million) (including Skandia on a pro-forma basis). Despite the industry switch in preference away from traditional life products, modest growth was achieved across a number of our products and countries, particularly within savings, pensions and fixed annuity products.

## Strong net client cash flows and growth in funds under management

Funds under management increased by 21% to £222 billion from the year-end position (31 December 2005: £183 billion) (excluding Skandia). Overall strong net cash inflows, particularly within our US and Europe businesses, and a general improvement in equity market conditions across all our diversified geographies contributed to this result. The benefit was partially diluted by currency impacts, caused by the weakening of the US dollar and Rand.

## Capital Position

Our capital position remains strong, with FGD surplus of £1 billion.

**Jonathan Nicholls**
**Group Finance Director**

28 November 2006

## COMPARATIVE INFORMATION

Following the acquisition of Skandia by Old Mutual plc, and the resultant listing of Old Mutual plc shares on the Stockholm Stock Exchange, Old Mutual plc has adopted quarterly reporting from the period ended 30 September 2006. The Stockholm Stock Exchange has exempted Old Mutual plc from disclosing comparative information for this quarter. Therefore, the reporting format for the first quarterly reporting period is as follows:

- All sales and trading information (such as life sales, unit trust / mutual fund sales, and funds under management) is compared against prior year to date performance with Skandia included on a pro-forma basis
- Profit is compared against current half year results with Skandia included from the date of acquisition
- From first quarter 2007, we will provide comparative quarterly reporting information on earnings including Skandia from date of acquisition

# SOUTH AFRICA

## Retail life sales up 17%

## Unit trust sales and strong equity markets drive growth in funds under management

## Continued advance at Nedbank

| IFRS adjusted operating profit (£m) | Q3 2006 YTD | H1 2006 |
|---|---|---|
| Life Assurance | **285** | 224 |
| Asset Management | **71** | 55 |
| Banking | **402** | 274 |
| General Insurance | **58** | 42 |
| South Africa | **816** | 595 |

| IFRS adjusted operating profit (Rm) | Q3 2006 YTD | H1 2006 |
|---|---|---|
| Life Assurance | **3,408** | 2,531 |
| Asset Management | **852** | 622 |
| Banking | **4,829** | 3,096 |
| General Insurance | **696** | 475 |
| South Africa | **9,785** | 6,724 |

| Highlights | Q3 2006 | H1 2006 |
|---|---|---|
| Funds under management (£bn) | **38** | 39 |
| Funds under management (Rbn) | **548** | 514 |

Includes results for Namibia, Old Mutual International and income from associated undertakings

## LIFE ASSURANCE & ASSET MANAGEMENT- OLD MUTUAL SOUTH AFRICA (OMSA)

| Highlights (Rm) | Q3 2006 YTD | Q3 2005 YTD | % change |
|---|---|---|---|
| Life assurance sales (APE) | **2,927** | 2,917 | 0.3% |
| Unit trust sales | **11,453** | 9,084 | 26% |
| Value of new business | **425** | 502 | (15%) |
| Life new business margin | **15%** | 17% | - |
| Net client cash flow (Rbn) | **1.6** | (18.3) | |
| Funds under management (Rbn) | **440** | 378 | 16% |

| Highlights (Rm) | H1 2006 | Q3 2006 YTD |
|---|---|---|
| IFRS adjusted operating profit, pre tax | 2,846 | **3,817** |

### Life business being restructured, but ROE remains over 20%

The South African economy is strong and the stock market has been booming, and this has generally been a positive backdrop for our life and asset management businesses. However, this has been countered by the need to remodel our business as inflation, and nominal investment returns, reduce. We are steadily shifting our business away from the traditional capital intensive life assurance model to a lower charge, lower capital model based on unit trust products. In tandem, we are midway through a three year project to address back office administration costs and efficiency. This will ensure that our administration costs are appropriate for a lower charge environment. Earnings are likely to be flat over the coming months and years, but this will not be at the expense of ROE which we expect, if anything, to be higher as this switch takes place. Indeed OMSA produced a ROE in the nine month period that again exceeded its 20% target.

### Overall sales up strongly

Life sales, which on an Annual Premium Equivalent (APE) basis are R2,927 million, were on a par with the equivalent period of last year (R2,917 million). This masks a significant change in the composition of sales with strong growth in our individual business offset by a decline in the traditionally lumpy Group business.

By contrast, unit trust sales increased to R11,453 million for the year to date, up 26% compared to the same period last year, as customers and our sales focus moved away from traditional life products towards the more transparent unit trust savings vehicles.

## Retail life sales up 17% benefitting from investment in distribution

| Individual APE (Rm) | Q3 2006 YTD | Q3 2005 YTD | % change |
|---|---|---|---|
| Savings | **952** | 876 | 9% |
| Protection | **621** | 498 | 25% |
| Immediate annuity | **134** | 124 | 8% |
| Group schemes | **641** | 510 | 26% |
| **Total** | **2,348** | 2,008 | 17% |
| Single | **623** | 516 | 21% |
| Recurring | **1,725** | 1,492 | 16% |
| Unit trust sales | **11,453** | 9,084 | 26% |

Individual business life sales on an APE basis were R2,348 million, up 17% compared to 30 September 2005 (R2,008 million). Growth has been good across all our distribution channels and is particularly good given a shift in consumer preference to unit trust products. This reflects our continued investment in distribution as well as the attractiveness of our products.

Within this result, individual single premiums grew 21% to R623 million (30 September 2005: R516 million), as a result of strong sales of our Investment Frontiers and MAX products, with good growth experienced across all our distribution channels. Individual recurring premiums increased by 16% to R1,725 million compared to prior year (30 September 2005: R1,492 million). The increase is mainly due to Group Schemes, where we continued to grow our sales force, and the increased demand for our risk products (up 25%), especially higher credit life sales (higher demand for personal credit in Nedbank). Sales of recurring premium savings products remain under pressure as a result of the shift in consumer preference to unit trust products.

Sales through our banking channel continue to benefit from our focus on delivering cross-business sales growth, with gains in the first half of the year continuing into the third quarter. Bancassurance sales have increased by 35% over the quarter and constituted 15% of total life APE for the quarter.

We were particularly pleased to see that we regained the top spot on the life insurance market share rankings.

Unit trusts are sold through all our normal distribution channels, but also via the Multi-Managers and LISPS (Fund of Fund managers). Unit trust sales have been strong throughout the year, but were slower in Q3 as concerns over weaker investment performance led some of the latter distributors to withdraw funds. Assets placed by our own retail clients remained in line with expectations.

## Group sales disappoint

| Group APE (Rm) | **Q3 2006 YTD** | Q3 2005 YTD | % change |
|---|---|---|---|
| Savings | **202** | 227 | (11%) |
| Protection | **68** | 144 | (53%) |
| Annuity | **120** | 147 | (18%) |
| Healthcare | **190** | 391 | (51%) |
| **Total** | **580** | 909 | (36%) |
| Single | **293** | 340 | (14%) |
| Recurring | **287** | 569 | (50%) |

Group business sales are down 36% to R580 million compared to the same period last year (30 September 2005: R909 million). Group recurring premium sales suffered as competition remained fierce, particularly in the Group assurance market. Single premium sales, which tend to be lumpy, remained below last year's levels.

Healthcare sales continued to disappoint, down R201 million on prior year, and we have decided to migrate our open schemes and third party funds onto a single new platform to produce a more robust and competitive business. Old Mutual Healthcare embarked on the first phase of a project to migrate medical scheme member accounts to a new information technology platform, using up-to-date technology, that will enrich the service to members, doctors, hospitals, specialists and brokers. Nine other schemes administered by Old Mutual Healthcare will eventually be migrated to the new system. A total of about 170,000 medical scheme members and their beneficiaries stand to benefit from enhanced service levels and the additional functionality offered by the new system.

## Margin improvement since half year

Overall new business margin increased slightly from 14% at half year to 15%, although it was lower than this time last year. The after-tax value of new business was R425 million for the year to date after a stronger third quarter in which we delivered R173 million. This arose mainly because of an improvement in individual margins, which in turn arose from the greater proportion of Group Schemes and Protection recurring premium sales. Heavy distribution expenditure has benefitted sales volumes, but has held margins to the lower end of our long-term target range.

## Investment performance

Investment performance has always been a strength of the organization, and we continue to show good three-year investment performance. OMAM (SA) was ranked second out of the nine institutional asset managers in the Alexander Forbes South African Global Manager Watch (Large) Survey over the three years to September 2006. However, we have experienced some disappointment in the short-term. We have reviewed our investment process carefully, and have made some improvements, but overall we remain confident that our tried and tested investment processes will deliver results that meet our traditional standards in the future.

We are going to manage these processes under the new multi-boutique model that was announced in September. This follows the success of the same model in the US, both in terms of investment performance delivered to customers and asset growth. The new model is to be launched in 2007 and implementation is progressing according to plan.

## Positive net client cash flows and strong markets lead to 13% growth year to date in funds under management

Net client cash flows remain positive at R1.6 billion for the year to date compared with negative R18.3 billion in the equivalent period of last year. Net client cash flows in 2005 included a R10 billion withdrawal by the PIC. In 2006, net client cash flow has benefitted from an amount of R4.2 billion received from Mutual & Federal and strong unit trust fund inflows into the wholesale and retail market. Third-quarter cash flow was disappointing however, with net client cash flows for the quarter being negative by R4.8 billion. The poor third-quarter results resulted from outflows from OMAM and lower net inflows into unit trusts as described above.

Client funds under management increased by 13% to R440 billion from R390 billion at 31 December 2005, and by 7% from the half year, benefitting from sustained growth in the South African equity market and a weaker Rand.

## Challenging quarter for earnings

Operating profits for the nine months were R3,817 million. Higher asset values did pull through additional revenue, but third-quarter operating profit was impacted by new business strain arising from the increase in retail sales and the lower margins that the new generation of products carry (R70 million in the third quarter), by lower performance fees and mark-to-market gains in the asset management business (R100 million lower in the third quarter than the first half) and by provisions of R276 million made following a clean sweep review of historical data records conducted by Paul Hanratty, our new CEO.

Expenses were above normal. The IFRS 2 share-based payments charge was again heavy as a result of the movement in the Old Mutual share price since half year (R80 million in the third quarter). We hold shares to hedge these costs, but the gains they show are not allowed under IFRS accounting. Costs associated with the continuing investment in the growth and retention of our sales force and systems improvements in the back office also held earnings down. These are both designed to reduce our cost ratios in the future, but in the short run they have the opposite effect.

## BANKING - NEDBANK GROUP (NEDBANK)

| Highlights (Rm) | **Q3 2006 YTD** | Q3 2005 YTD | % change |
|---|---|---|---|
| Headline earnings* | **3,216** | 2,277 | 41% |
| Net interest income* | **7,928** | 6,155 | 29% |
| Non-interest revenue* | **6,786** | 5,949 | 14% |
| Net interest margin* | **3.94%** | 3.45% | - |
| Cost to income ratio* | **57.7%** | 65.7% | - |
| ROE* | **18.6%** | 15.4% | - |
| Total Assets (bn)* | **417.3** | 350.1 | 19% |
| ROA* | **1.1%** | 0.9% | - |

*As reported by Nedbank

| Highlights (Rm) | H1 2006 | **Q3 2006 YTD** |
|---|---|---|
| IFRS adjusted operating profit, pre tax | 3,247 | **5,064** |

### Good performance across all divisions

Performance for the nine months to 30 September reflects a continuation of the positive momentum shown at half-year. The overall environment for banks remains positive, despite increased levels of credit stress in parts of the retail environment, continued pressure on fees and greater market volatility.

### Growth of 29% in net interest income

Our net interest income (NII) grew by 29% to R7,928 million for the nine months to 30 September 2006 (30 September 2005: R6,155 million). NII growth is mainly attributable to an increase in interest-earning banking assets during the period, the endowment benefit from the increase in endowment and the rise in interest rates, and positive mix changes caused by growth in higher-margin retail and business banking advances, as well as a change in the advances mix within Nedbank Retail resulting from higher growth in personal loans.

### Continued growth in non-interest revenue

Our non-interest revenue (NIR) for the year to date is R6,786 million, up 14% on the same period last year (R5,949 million). This growth was driven by continued volume growth in Nedbank Corporate and Nedbank Retail, property revaluations and realisations in Nedbank Corporate, private equity revaluations and realisations in Nedbank Capital, and strong growth in Bond Choice origination fees. NIR growth has been offset by the price reduction strategy implemented in Nedbank Retail in July this year, together with a slowdown in trading income in Nedbank Capital in the third quarter.

### Cost to income ratio improved

The cost to income ratio improved to 57.7% from 65.7% at 30 September 2005 as a result of sound revenue growth and disciplined expense management. The cost of additional retail outlets, ATMs and frontline staff, combined with price reductions across a range of products, will benefit the group and its clients in the long-term, but makes the short-term efficiency ratio target of 55% in 2007 more challenging.

## Strong capital position

Nedbank is well capitalised and, including profit appropriations, the Tier 1 group capital adequacy ratio remained above target levels at 8.7% and group total regulatory capital adequacy ratio was 12.4% at 30 September 2006.

Nedbank 's return on average shareholders' equity (ROE) continued to improve, increasing from 18.3% at 30 June 2006 to 18.6% for the period under review.  Nedbank is on track to meet its ROE target of 20% in 2007.

## Sustained growth in earnings

Nedbank continues to deliver improved financial results with adjusted operating profit of R5,064 million for the nine months to 30 September 2006. This reflects the benefits of continued income growth across all operating divisions and increased operating efficiencies.

Performance in the last quarter of 2006 is likely to be influenced by growth in retail advances remaining robust, but slowing from current high levels. Consequently the group is currently expecting ROE and the efficiency ratio to show a slight decline in the last quarter from the levels reported for the period. ROE and the efficiency ratio are, however, anticipated to improve in 2007 as the group strives to meet its stated targets.

## GENERAL INSURANCE – MUTUAL & FEDERAL

| Highlights (Rm) | Q3 2006 YTD | Q3 2005 YTD | % change |
|---|---|---|---|
| Underwriting ratio* | **4.4%** | 9.3% | |
| Gross written premiums* | **6,426** | 6,003 | 7% |
| Net earned premiums* | **5,463** | 5,109 | 7% |
| Solvency ratio* | **44%** | 63% | |

* As reported by Mutual & Federal

| Highlights (Rm) | H1 2006 | Q3 2006 YTD |
|---|---|---|
| IFRS adjusted operating profit, pre tax | 475 | **696** |

### Underwriting ratio impacted by increased claims

The underwriting ratio of 4.4%, whilst benefitting from an increase in premium levels, has been impacted by a greater number of weather-related claims following heavy rains in Gauteng during February, hail storms in KwaZulu Natal in May and extensive floods in the Eastern Cape in August. Claim costs for the year to date were also affected by an increase in the severity and frequency of industrial fires in the commercial line of business and by increased repair costs for imported cars due to the decline in the value of the Rand in the motor lines of business.

### Premiums maintained in a softening cycle

Total gross written premiums increased to R6,426 million for the year to date, up 7% from R6,003 million compared to the comparative period in 2005. Mutual & Federal was successful in growing premiums despite the continued softening of the short-term insurance market and persistent pressure on premium income.

### Sustainable solvency margin achieved

A target solvency ratio of 40% at 30 September 2006 was achieved following the payment of a special dividend to shareholders in September (30 June 2006: solvency 75%). The return of capital to shareholders provides Mutual & Federal a level of solvency that is considered sufficient to support the current operations and facilitate the future development of the business.

### Earnings maintained in a challenging short-term insurance market

Adjusted operating profit increased to R696 million for the nine months to date. Third-quarter earnings are on a par with average year to date performance as Mutual & Federal despite the pricing pressure and intense level of competition experienced throughout the sector. Mutual & Federal remains committed to maintaining responsible underwriting standards in a challenging short-term insurance market.

## UNITED STATES

| Highlights (£m) | **Q3 2006 YTD** | Q3 2005 YTD | % change |
|---|---|---|---|
| Life assurance sales (APE) | **194** | 231 | (16%) |
| Mutual funds sales | **519** | 135 | 284% |
| Net client cash flow (bn) | **10*** | 15 | (33%) |
| Funds under management (bn) | **128** | 127 | 1% |

* Excludes eSecLending

| Highlights (£m) | H1 2006 | **Q3 2006 YTD** |
|---|---|---|
| IFRS adjusted operating profit, pre tax | 131 | **180** |

| Highlights ($m) | **Q3 2006 YTD** | Q3 2005 YTD | % change |
|---|---|---|---|
| Life assurance sales (APE) | **352** | 431 | (18%) |
| Mutual funds sales | **944** | 250 | 278% |
| Net client cash flow (bn) | **19*** | 27 | (30%) |
| Funds under management (bn) | **239** | 224 | 7% |

* Excludes eSecLending

| Highlights ($m) | H1 2006 | **Q3 2006 YTD** |
|---|---|---|
| IFRS adjusted operating profit, pre tax | 234 | **327** |

### Strong net inflows

Our US businesses achieved excellent net fund inflows and a good sales performance during the nine months to date, as a result of strong investment performance, a sustained focus on investing in distribution capabilities and an expansion of our product offering. Retail demand in the US is being driven by strong equity markets that have aided sales in all of our major lines of business: institutional accounts, life insurance products and mutual funds.

Adjusted operating profit for the quarter of $93 million was driven by an increase in funds under management across our business, which was generated through the combined effects of net cash flow from clients, positive equity markets and good investment performance by our affiliates, offset by the loss of income from sold businesses and some reserve strengthening in the life business.

## US LIFE

| Highlights ($m) | **Q3 2006 YTD** | Q3 2005 YTD | % change |
|---|---|---|---|
| Life assurance sales (APE) | **352** | 431 | (18%) |
| Value of new business | **68** | 80 | (15%) |
| New business margin | **19%** | 19% | - |
| Funds under management (bn) | **22** | 20 | 10% |

| Highlights ($m) | H1 2006 | **Q3 2006 YTD** |
|---|---|---|
| IFRS adjusted operating profit, pre tax | 129 | **169** |

### Sales on track

Life sales on an APE basis were $352 million and $2.8 billion on a gross basis for the nine months ended 30 September 2006. We expect sales for the full year to be close to our $4 billion gross sales target, with net client cash flows on track for a result in the $2.5 billion to $3 billion range. These targets are set in order to ensure an appropriate balance between sales growth and profitability. Third-quarter onshore sales (APE basis) were at a similar level to the previous quarter, and up 11% on the first quarter. Offshore sales of $84 million through Old Mutual Bermuda represents growth of 56% on an APE basis in the year to date (30 September 2005: $54 million), maintaining the momentum from the first half of 2006. This growth reflects a further strengthening of relationships in the existing bank distribution network and an expansion in the network throughout the year. Offshore annuity sales now represent a quarter of sales for our US Life business.

### New business margin continues to be strong

US Life achieved a healthy new business margin of 19%, up from 17% at the half year. This is at the upper end of our long-term expectations and reflects a change in discount rates, strong investment performance and overall improvements in our pricing disciplines.

### Funds under management

Strong growth in funds under management was achieved, with a 10% increase to $22 billion (31 December 2005: $20 billion), benefitting from favourable net inflows, and positive market movements. Funds under management are therefore within the $20 to $25 billion range required to meet our target of releasing cash in 2007.

### Strengthening of assumptions

US Life's adjusted operating profit increased to $169 million in the nine months to date. However, there was a slowing of profits growth in the third quarter, due to the impact of higher interest rates leading us to expect higher surrenders of our Multi-Year Guaranteed Annuities (MYGA) than originally anticipated, and a consequent strengthening of our capitalised assumptions in this area. This resulted in a reduction in IFRS earnings for the quarter of $20 million pre-tax. Mortality experience on Single Premium Immediate Annuities (SPIA) was also poorer than expected.

## US ASSET MANAGEMENT

| Highlights ($m) | Q3 2006 YTD | Q3 2005 YTD | % change |
|---|---|---|---|
| Funds under management (bn) | **237** | 224 | 6% |
| Net client cash flows (bn) | **19*** | 27 | (28%) |

* Excludes eSecLending

| Highlights ($m) | H1 2006 | Q3 2006 YTD |
|---|---|---|
| IFRS adjusted operating profit, pre tax | 105 | **158** |

### Excellent net fund inflows - $9.5 billion in third quarter

Our US Asset Management business achieved net fund inflows of $9.5 billion for the third quarter, up 74% on prior quarter ($5.6 billion), as international/emerging markets equity, core equity and global fixed income products continued to attract large inflows. Year to date net fund inflows reached a new record and grew to $29.5 billion ($19.2 billion[1]), an increase of 10% on 30 September 2005 ($26.7 billion).

Funds under management increased by 6% to $237 billion (30 September 2005: $224 billion). In September 2006, First Pacific Advisors, (FPA) was sold and $10.4 billion of funds were consequently transferred out. Funds under management increased during the third-quarter by $6.5 billion, an increase of 3% from 30 June 2006, due to the excellent net fund inflows and favourable fixed income and equity market movements ($7.4 billion), offset by transfer of the FPA funds.

The record net fund inflows reflect the excellent investment performance delivered by our member firms. As at 30 September 2006, 91% and 92% of assets outperformed their benchmarks over three and five years respectively. Over the same three and five year time periods, 61% and 65% of assets respectively were ranked in the first quartile of their peer group.

### Building retail distribution

Old Mutual Capital continued to gather momentum, with year to date gross sales of $1.7 billion (30 June 2006: $1.2 billion). Of this $944 million related to mutual fund sales, which are significantly ahead of prior year (30 September 2005: $250 million) following strong product performance as well as expansion in our product offering and wholesaler network.

### Expanding the product offering

The US Asset Management business continues to pursue opportunities to expand its product offering. In September 2006, we announced an agreement to acquire a majority stake in Ashfield Capital Partners, a boutique firm focused on managing growth stocks for institutional and private investors. The agreement represents a strong growth-oriented addition to our affiliate line-up, and complements the purchase of a majority stake in Copper Rock Capital Partners in February 2006.

[1] Excludes eSecLending

## Operating profit

Our adjusted operating profit for the nine months to 30 September 2006 of $158 million reflected a third-quarter operating profit of $53 million, which was in line with half-year results. The impact of higher funds under management was offset by the timing of performance and transaction fees, and a reduction in securities lending revenue following the sale of eSecLending in May 2006.

We are confident that the overall operating margin in 2007 should be at or above the 26% reported in our interim results statement, as there were very high net inflows into Acadian at the end of last year that will have a counteracting effect on the loss of the PFR and FPA revenues in 2007. In addition, hedge fund and retail growth initiatives also continue to add high basis point FUM.

## EUROPE

| Highlights (£m)* | **Q3 2006 YTD** | Q3 2005 YTD | % change |
|---|---|---|---|
| Life assurance sales (APE) | **686** | 573 | 20% |
| Unit trust / mutual funds sales | **2,553** | 1,836 | 39% |
| Net client cash flow (bn) | **4.3** | | |
| Funds under management (bn) | **49** | 40 | 23% |

| Highlights (£m)* | H1 2006 | **Q3 2006 YTD** |
|---|---|---|
| IFRS adjusted operating profit, pre tax | 120 | **167** |

* All current and prior year to date numbers reflect 8 months of results and are adjusted to Old Mutual accounting policies.

### Strong operating results

Our European businesses made good progress in the eight months to date, starting from 1 February to end of September, with strong sales, net client inflows, and the increasing scale of the business in the UK and our ELAM region. Our European business, which forms a very important part of the Group's operations and international diversification, is well on track to achieve the 2008 targets communicated on 20 June 2006 and continues to exceed our expectations in underlying performance.

Our European business achieved adjusted operating profit of £167 million for the eight months to 30 September 2006, building on earnings from the half year (30 June 2006: £120 million). Underlying performance was strong, but earnings were at a lower rate than the first five months because of a change in calculation of long-term investment returns (LTIR) for our Nordic business, and the exceptionally high contribution from tax charges in our UK business in the second quarter.

## UNITED KINGDOM

| Highlights (£m)* | **Q3 2006 YTD** | Q3 2005 YTD | % change |
|---|---|---|---|
| Life assurance sales (APE) | **461** | 364 | 27% |
| Mutual fund sales | **1,668** | 999 | 67% |
| Value of new business ** | **39** | 30 | 30% |
| New business margin ** | **8.5%** | 8.2% | |
| Net client cash flow (bn) | **3.1** | | |
| Funds under management (bn) | **33** | 26 | 27% |

** VNB and margins for Q3 2005 are calculated on a pro-forma basis with HO allocations and tax rates

| Highlights (£m)* | H1 2006 | **Q3 2006 YTD** |
|---|---|---|
| IFRS adjusted operating profit, pre tax | 67 | **96** |

* All current and prior year to date numbers reflect 8 months of results and are adjusted to Old Mutual accounting policies.

### Annualised net client cash flow 18% of funds under management

Skandia UK's open architecture platform, and award winning service, delivered strong new business growth, with life sales on an APE basis up 27% to £461 million and mutual fund sales up 67% to £1,668 million in the eight months to 30 September 2006. In contrast to the industry as a whole, which appears to have zero net cash flow, we had net inflows of £3.1 billion for the year to date, with FUM reaching £33 billion, a 15% increase since 31 December 2005 (£29 billion) and a 6% growth since 30 June 2006 (£31 billion).

### Pension sales substantially higher

Onshore sales were £312 million up 59% on prior year, as Skandia continued to benefit from increased transfer activity and higher regular premium investments following the implementation of Pensions 'A' Day regulations, with 123% growth in pension sales to £208 million of this increase 57% was due to one institutional client.

Offshore sales of £149 million in the eight months to date are broadly level with last year (30 September 2005: £166 million). UK-sourced offshore sales recovered from weaker sales in the first half, driven by uncertainty surrounding the tax treatment of trusts, while Royal Skandia's competitive position in international markets remains strong.

### Mutual fund sales up 67%

Mutual fund sales increased by 67% compared to the prior year, as momentum experienced in the first half of the year continued into the third-quarter. Our Selestia and Skandia Multifunds businesses continue to benefit from the industry shift to open architecture investment platforms and SIML products, particularly the "Best Ideas" funds, sold strongly.

## Margins improved

The life new business margins at a product level remained constant and averaged 8.5% for the eight months. The margin is reduced because of large sales of some low margin, low capital pensions product in the third quarter.  Action is now well advanced to deliver the synergies required to halve administrative costs per policy and to achieve our target margin in the 11 to 12% range from mid 2008.

## Growing IFRS profits

Adjusted operating profit for the UK business increased to £96 million for the eight months to 30 September 2006, driven by increased premium-based and fund-based fee income from net client inflows and a higher level of funds under management compared to last year. The third-quarter run rate was lower, as windfall policyholder tax gains boosted the first five months. We are well ahead of our expectations in this business and the business is producing cash. The synergy capture process is under way and expenditure has commenced, and will increase over the coming months in line with our 20 June presentation.

## Winning Awards

Last week, Skandia was awarded “Company of the Year” and 5-Star status at the IFA Awards, for both the life and pensions category and for investment products, a clear vote of confidence in our products and our strategy. Skandia has regularly won these awards and we have embarked on a programme to update our systems, as part of the synergy programme, to ensure this remains the case into the future.

## NORDIC

| Highlights (SEKm)* | **Q3 2006 YTD** | Q3 2005 YTD | % change |
|---|---|---|---|
| Life assurance sales (APE) | **1,276** | 1,360 | (6%) |
| Unit trust sales | **1,022** | 1,331 | (23%) |
| Value of new business ** | **339** | 426 | (20%) |
| New business margin ** | **27%** | 31% | |
| Net client cash flow (bn) | **2.7** | | |
| Funds under management (bn) | **101** | 90 | 12% |

** VNB and margins for Q3 2005 are calculated on a pro-forma basis with HO allocations and tax rates

| Highlights (SEKm)* | H1 2006 | **Q3 2006 YTD** |
|---|---|---|
| IFRS adjusted operating profit, pre tax | 572 | **701** |

* All current and prior year to date numbers reflect 8 months of results and are adjusted to Old Mutual accounting policies.

### Continued net client cash inflows

Our Nordic business achieved life sales on an APE basis of SEK1,276 million for the eight months to 30 September 2006. Although Swedish sales were 13% lower than the prior year, comparatives for 2005 were boosted by Kapitalpension sales, (surrenders show the same pattern for the same reason) and the market awaits the arrival of the new ITP agreement. In Denmark conditions were very favourable and life sales increased 116% compared to prior year.

The investment performance of our unit-linked products in Sweden has continued to be excellent following a return of 26.6% in 2005[1]. Our strategy remains to regain market share and we will be investing in upgraded IT systems to support sales and product development. Overall funds under management increased 6% to SEK101 billion from 31 December 2005 (SEK95 billion), driven by markets and SEK2.7 billion net client fund inflows.

### Margins strong

Life new business margins of 27% remain strong, but slightly lower than the 31% recorded for the first eight months of last year, due to increased expenses and changes in the sales mix. We expect that structural changes over time in the Swedish market will cause margins to stabilise within the 22 to 25% range, in line with our projections on 20 June.

### Skandiabanken growing strongly

Our banking business, Skandiabanken, continues to achieve growth in both lending and deposits, with lending up 20% on the prior year, mainly due to strong mortgage sales in Norway. Skandiabanken continues to attract new customers and creates valuable synergies with the rest of the Nordic business. We are starting our preparation for Basel II.

[1] Source: Risk & Försäkring Journal no. 14

## Strong growth in funds under management

Funds under management increased to SEK101 billion, up 6% from 31 December 2005 (SEK95 billion), and up 2% from 30 June 2006 (SEK99 billion) following an improvement in market conditions and higher net inflows from customers into unit-linked funds. A small movement back to equity-based funds was observed as stock markets recovered from the downturn in May and June 2006.

## Continued strong cash generation

Adjusted operating profit for the Nordic business was SEK701 million for the eight months to 30 September 2006, benefitting from higher fund-based fee income from increased funds under management. Refinements were made to the LTIR calculations in the third-quarter. This meant that the half one LTIR was overstated by SEK135 million, and this correction has been made in the third quarter.

## EUROPE AND LATIN AMERICA (ELAM)

| Highlights (€m)* | **Q3 2006 YTD** | Q3 2005 YTD | % change |
|---|---|---|---|
| Life assurance sales (APE) | **192** | 158 | 22% |
| Mutual fund sales | **1,181** | 1,077 | 10% |
| Value of new business ** | **35** | 23 | 52% |
| New business margin ** | **18%** | 14% | |
| Net client cash flow (bn) | **1.4** | | |
| Funds under management (bn) | **13** | 11 | 18% |

** VNB and margins for Q3 2005 are calculated on a pro-forma basis with HO allocations and tax rates

| Highlights (€m)* | H1 2006 | **Q3 2006 YTD*** |
|---|---|---|
| IFRS adjusted operating profit, pre tax | 16 | **28** |

* All current and prior year to date numbers reflect 8 months of results and are adjusted to Old Mutual accounting policies.

### Life sales up 22% despite seasonal slowdown

New life sales (APE) grew by 22% to €192 million for the eight months to 30 September 2006, compared to prior year, as a result of strong sales growth in the first half of the year (30 September 2005: €158 million). Year to date performance was particularly strong in Poland, France and Italy. The third-quarter includes the holiday period for continental European businesses, but was mitigated to some extent by an encouraging performance in Germany and continued growth in Poland.

### Mutual fund sales up 10%

Mutual fund sales for the year to date of €1,181 million were 10%, or €104 million, ahead of the 2005 equivalent period (30 September 2006: €1,077 million), building on the particularly strong growth at the start of the year in Spain. There were also strong contributions from Colombia over the entire period.

### Margin in line with target

The new business margin of 18% achieved for the year to date is in line with our target medium-term range. The value of new business of €35 million is 52% ahead of last year, reflecting the good growth in sales and market share in a number of countries and the increasing maturity of our operations.

## Continued growth in funds under management

Funds under management have grown by 18% over the last year to €13 billion (30 September 2005: €11 billion). During the third-quarter of 2006 funds increased by €0.7 billion from 30 June 2006 (€13 billion), aided by net fund inflows of €0.4 billion and the market recovery €0.3 billion.

## Positive growth in underlying operating result

The operating results reflect the benefits of organic growth in life and mutual funds business and improved cost control in the year to date. Operating profit increased to €28 million for the eight months to 30 September 2006, driven by higher fund-based fee income, as funds under management continue to grow, and higher premium-based fees as premium sales rose.

## OTHER

| Highlights (£m)* | Q3 2006 YTD | Q3 2005 YTD | % change |
|---|---|---|---|
| Funds under management (bn) | **7** | 6 | 16% |
| Unit trust sales | **1,136** | 740 | 54% |

| Highlights (£m)* | H1 2006 | Q3 2006 YTD |
|---|---|---|
| IFRS adjusted operating profit, pre tax | 9 | **13** |

* 2006 result includes eight months of Australian Skandia Limited and Skandia-BSAM (China)

### A year of strong organic growth

Our other businesses (including Old Mutual Asset Managers (OMAM (UK)), Australian Skandia Limited, Palladyne Asset Management, Old Mutual Asset Managers Bermuda and our Asian operations) continued to benefit from our strategy to take our business skills into other developing markets.

OMAM (UK) produced solid results, with adjusted operating profit of £8 million for the nine months driven by hedge fund and retail unit trust performance, and higher asset values as the company starts to benefit from enhancements to distribution capability and product diversity. In September 2006, OMAM (UK)'s three small and mid cap funds were awarded a AAA-rating from Standard and Poor's.

Unit trust sales of £1,136 million for the nine months (30 September 2005: £740 million) also reflected strong sales at Australian Skandia Limited and Palladyne where the business benefitted from increased success of activity in the Netherlands and the implementation of its Middle Eastern sales strategy.

Our life associate in India, Kotak Mahindra Old Mutual (KMOM) and our joint venture in China, Skandia-BSAM, continue to make strong progress. KMOM sales on an APE basis totalled INR6,136 million (£73 million) for the nine months ended 30 September 2006 (2005: INR2,989 million or £35 million), representing an increase of 105%. Skandia-BSAM has already exceeded its budgeted full year sales plan by 22% as at 30 September 2006.

We announced in October 2006 the acquisition of Australian investment consultant, Intech. The acquisition of this business allows us to develop scale, expand our research capabilities, enhance our product range and move into the institutional market. Combined Australian funds under management now exceed AUD$13 billion.

### Growth in operating profit tracks expansion

Adjusted operating profit increased to £13 million for the nine months ended 30 September 2006.

# Summary Consolidated Income Statement

## for the nine months ended 30 September 2006

The following table summarises the Group's results in the consolidated income statement on page 31. Adjusted operating profit represents the Directors' view of the underlying performance of the Group. This summary does not form part of the interim financial statements.

| | Notes | 3 months ended 30 September 2006 £m | 9 months ended 30 September 2006 £m |
|---|---|---|---|
| South Africa | | | |
| Long-term business | | 61 | 285 |
| Asset management | | 16 | 71 |
| Banking | | 128 | 402 |
| General insurance | | 16 | 58 |
| | | 221 | 816 |
| United States | | | |
| Long-term business | | 21 | 93 |
| Asset management | | 28 | 87 |
| | | 49 | 180 |
| Europe | | | |
| Long-term business | | 42 | 153 |
| Asset management | | - | 3 |
| Banking | | 5 | 11 |
| | | 47 | 167 |
| Other | | | |
| Long-term business | | 1 | - |
| Asset management | | 3 | 13 |
| | | 4 | 13 |
| Finance costs | | (23) | (86) |
| Other shareholders' income/(expenses) | | (11) | (32) |
| **Adjusted operating profit*** | 3(ii) | 287 | 1,058 |
| Adjusting items | 4 | (50) | (90) |
| **Profit before tax (net of income tax attributable to policyholder returns)** | | 237 | 968 |
| Total income tax expense | 5 | (112) | (408) |
| Less: income tax attributable to policyholder returns | | 57 | 141 |
| Income tax attributable to shareholders | | (55) | (267) |
| **Profit for the financial period** | | 182 | 701 |
| **Profit for the financial period attributable to:** | | | |
| Equity holders of the parent | | 126 | 506 |
| Minority interests | | | |
| Ordinary shares | | 39 | 152 |
| Preferred securities | | 17 | 43 |
| | | 182 | 701 |

* For long-term and general insurance business, adjusted operating profit is based on a long-term investment return, includes investment returns on life funds' investments in Group equity and debt instruments and is stated net of income tax attributable to policyholder returns. For all businesses, adjusted operating profit excludes goodwill impairment, the impact of acquisition accounting, initial costs of Black Economic Empowerment schemes, profit / (loss) on disposal of subsidiaries, associated undertakings and strategic investments and dividends declared to holders of perpetual preferred callable securities.

# Summary Consolidated Income Statement *continued*

## for the nine months ended 30 September 2006

Adjusting items comprise:

| | Notes | 3 months ended 30 September 2006 | £m<br>9 months ended 30 September 2006 |
|---|---|---|---|
| **Income / (expense)** | | | |
| Goodwill impairment and impact of acquisition accounting | 4(i) | (70) | (205) |
| Profit on disposal of subsidiaries, associated undertakings and strategic investments | 4(ii) | - | 97 |
| Short-term fluctuations in investment return | 4(iii) | 63 | 136 |
| Investment return adjustment for Group equity and debt instruments held in life funds | 4(iv) | (51) | (148) |
| Dividends accrued for holders of perpetual preferred callable securities | 4(v) | 8 | 30 |
| **Adjusting items** | | (50) | (90) |

Adjusted operating profit after tax attributable to ordinary equity holders is determined as follows:

| | Notes | 3 months ended 30 September 2006 | £m<br>9 months ended 30 September 2006 |
|---|---|---|---|
| **Adjusted operating profit** | | 287 | 1,058 |
| Tax on adjusted operating profit | 5 | (60) | (256) |
| | | 227 | 802 |
| Minority interests – ordinary shares | | (44) | (163) |
| Minority interests – preferred securities | | (17) | (43) |
| **Adjusted operating profit after tax attributable to ordinary equity holders** | | 166 | 596 |

| Earnings per share attributable to ordinary equity holders | Notes | 3 months ended 30 September 2006 | Pence<br>9 months ended 30 September 2006 |
|---|---|---|---|
| Adjusted operating earnings per ordinary share* | 6(ii) | 3.1 | 11.5 |
| Basic earnings per ordinary share | 6(i) | 2.5 | 10.4 |
| Diluted earnings per ordinary share | 6(i) | 2.3 | 9.8 |
| **Adjusted weighted average number of ordinary shares – millions** | 6(ii) | 5,368 | 5,166 |
| **Weighted average number of ordinary shares – millions** | 6(i) | 4,852 | 4,650 |

* Adjusted operating earnings per ordinary share is calculated on the same basis as adjusted operating profit. It is stated after tax attributable to adjusted operating profit and minority interests. It excludes income attributable to Black Economic Empowerment trusts of listed subsidiaries. The calculation of the adjusted weighted average number of shares includes own shares held in policyholders' funds and Black Economic Empowerment trusts.

# Independent Review Report by KPMG Audit Plc to Old Mutual plc

**Introduction**

We have been engaged by the company to review the financial information for the nine months ended 30 September 2006, which comprises the consolidated income statement, consolidated balance sheet, consolidated cash flow statement, statement of changes in equity and related notes as set out on pages 31 to 49. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with guidance contained in Bulletin 1999/4 “Review of interim financial information” issued by the Auditing Practices Board. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

**Directors' responsibilities**

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors and has been prepared to meet the requirements of the Stockholmsbörsen AB ("Stockholm Stock Exchange").

**Review work performed**

We conducted our review in accordance with guidance contained in Bulletin 1999/4 *Review of interim financial information* issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Statements on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

**Review conclusions**

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the nine months ended 30 September 2006.

**KPMG Audit Plc**

Chartered Accountants

8 Salisbury Square, London EC4Y 8BB

28 November 2006

# Consolidated Income Statement

## for the nine months ended 30 September 2006

| | Notes | 3 months ended 30 September 2006 | 9 months ended 30 September 2006 |
|---|---|---|---|
| | | | £m |
| **Revenue** | | | |
| Gross earned premiums | 3(iii) | 1,110 | 3,521 |
| Outward reinsurance | | (69) | (198) |
| Net earned premiums | | 1,041 | 3,323 |
| Investment income (net of investment losses) | | 2,640 | 6,301 |
| Banking interest and similar income | | 645 | 1,949 |
| Fee and commission income, and income from service activities | | 575 | 1,649 |
| Other income | | 73 | 200 |
| Share of associated undertakings' profit after tax | | 5 | 8 |
| **Total revenues** | | 4,979 | 13,430 |
| **Expenses** | | | |
| Claims and benefits (including change in insurance contract provisions) | | (1,825) | (5,584) |
| Reinsurance recoveries | | 67 | 176 |
| Net claims incurred | | (1,758) | (5,408) |
| Change in provision for investment contract liabilities | | (1,373) | (2,205) |
| Losses on loans and advances | | (18) | (91) |
| Finance costs (including interest and similar expenses) | | (17) | (59) |
| Banking interest expense | | (357) | (1,069) |
| Fees, commissions and other acquisition costs | | (186) | (567) |
| Other operating and administrative expenses | | (670) | (2,084) |
| Change in provision for third party interest in consolidated funds | | (204) | (657) |
| Goodwill impairment | 4(i) | (1) | (3) |
| Amortisation of PVIF and other acquired intangibles | | (101) | (275) |
| Profit on disposal of subsidiaries, associated undertakings and strategic investments | 4(ii) | - | 97 |
| **Total expenses** | | (4,685) | (12,321) |
| **Profit before tax** | | 294 | 1,109 |
| Income tax expense | 5 | (112) | (408) |
| **Profit for the financial period** | | 182 | 701 |
| **Profit for the financial period attributable to:** | | | |
| Equity holders of the parent | | 126 | 506 |
| Minority interests | | | |
| Ordinary shares | | 39 | 152 |
| Preferred securities | | 17 | 43 |
| **Profit for the financial period** | | 182 | 701 |

| Earnings and dividend per share | | 3 months ended 30 September 2006 | 9 months ended 30 September 2006 |
|---|---|---|---|
| | | | Pence |
| Basic earnings per ordinary share | 6(i) | 2.5 | 10.4 |
| Diluted earnings per ordinary share | 6(i) | 2.3 | 9.8 |
| **Weighted average number of ordinary shares – millions** | | 4,852 | 4,650 |

# Consolidated Balance Sheet

## at 30 September 2006

| | At 30 September 2006 | £m At 31 December 2005 |
|---|---|---|
| **Assets** | | |
| Goodwill and other intangible assets | **5,266** | 1,570 |
| Investments in associated undertakings | **70** | 93 |
| Investment property | **668** | 847 |
| Property, plant and equipment | **447** | 538 |
| Deferred tax assets | **420** | 458 |
| Reinsurers' share of insurance contract provisions | **1,410** | 455 |
| Deferred acquisition costs | **1,434** | 1,089 |
| Current tax receivable | **53** | 29 |
| Loans, receivables and advances | **20,796** | 18,456 |
| Derivative financial instruments – assets | **1,199** | 1,604 |
| Financial assets fair valued through income statement | **67,333** | 35,378 |
| Other financial assets | **12,609** | 12,265 |
| Short-term securities | **949** | 1,764 |
| Other assets | **3,668** | 2,409 |
| Assets held-for-sale | **1,129** | - |
| Cash and balances with the central banks | **2,136** | 3,051 |
| Placements with other banks | **697** | 568 |
| **Total assets** | **120,284** | 80,574 |
| **Liabilities** | | |
| Insurance contract provisions | **21,892** | 23,258 |
| Financial liabilities fair valued through income statement | **53,823** | 21,187 |
| Third party interests in consolidation of funds | **2,638** | 966 |
| Borrowed funds | **1,847** | 1,433 |
| Provisions | **351** | 285 |
| Deferred revenue | **252** | 138 |
| Deferred tax liabilities | **1,192** | 611 |
| Current tax payable | **278** | 178 |
| Deposits from other banks | **1,313** | 2,577 |
| Amounts owed to other depositors | **18,698** | 15,509 |
| Other money market deposits | **2,673** | 3,059 |
| Derivative financial instruments – liabilities | **1,310** | 1,634 |
| Liabilities held-for-sale | **1,073** | - |
| Other liabilities | **4,585** | 3,320 |
| **Total liabilities** | **111,925** | 74,155 |
| **Net assets** | **8,359** | 6,419 |
| **Shareholders' equity** | | |
| Equity attributable to equity holders of the parent | **6,926** | 4,751 |
| Minority interests: | | |
| Ordinary shares | **759** | 1,012 |
| Preferred securities | **674** | 656 |
| Total minority interests | **1,433** | 1,668 |
| **Total equity** | **8,359** | 6,419 |

# Consolidated Cash Flow Statement

## for the nine months ended 30 September 2006

| | £m<br>9 months ended 30 September 2006 |
|---|---|
| **Cash flows from operating activities** | |
| Profit before tax | 1,109 |
| Non-cash movements in profit before tax | (2,106) |
| Changes in working capital | 6931 |
| Taxation paid | (165) |
| **Net cash inflow from operating activities** | 5,769 |
| | |
| **Cash flows from investing activities** | |
| Acquisition net of disposals of financial investments | (5,015) |
| Acquisition net of disposals of investment properties | (41) |
| Acquisition net of disposals of other fixed assets | (109) |
| Acquisition of interests in subsidiaries | (1,426) |
| Disposal of interests in subsidiaries, associated undertakings and strategic investments | 88 |
| **Net cash outflow from investing activities** | (6,503) |
| | |
| **Cash flows from financing activities** | |
| Dividends paid to: | |
| Equity holders of the parent | (171) |
| Ordinary minority interests and preferred security interests | (159) |
| Interest payable (excluding banking interest payable) | (53) |
| Net proceeds from issue of ordinary shares (including by subsidiaries to minority interests) | 50 |
| Repayment of convertible debt | |
| Issue of subordinated debt | 267 |
| Other debt issued | 67 |
| Issue of perpetual preferred callable securities | - |
| **Net cash inflow from financing activities** | 1 |
| | |
| **Net decrease in cash and cash equivalents** | (733) |
| Effects of exchange rate changes on cash and cash equivalents | (523) |
| Cash and cash equivalents on acquisition of new subsidiaries | 167 |
| Cash and cash equivalents at beginning of the period | 3,303 |
| **Cash and cash equivalents at end of the period** | 2,214 |
| | |
| Consisting of: | |
| Cash and balances with the central banks | 2,136 |
| Placements with other banks | 697 |
| Other cash equivalents | 463 |
| | 3,296 |
| Cash and cash equivalents subject to consolidation of funds | (1,082) |
| | 2,214 |

Cash flows presented in this statement include all cash flows relating to policyholders' funds for the long-term business.

# Statement of Changes in Equity

## for the nine months ended 30 September 2006

| Nine months ended 30 September 2006 | Millions<br>Number of shares issued and fully paid | Attributable to equity holders of the parent | Total minority interest | £m<br>Total equity |
|---|---|---|---|---|
| **Equity holders' funds at beginning of the period** | 4,090 | 4,751 | 1,668 | 6,419 |
| **Change in equity arising in the period** | | | | |
| Fair value gains / (losses): | | | | |
| Property revaluation | - | 10 | - | 10 |
| Available-for-sale investments | - | (101) | - | (101) |
| Net investment hedge | - | 92 | - | 92 |
| Shadow accounting | - | 33 | - | 33 |
| Currency translation differences / exchange differences on translating foreign operations | - | (934) | (248) | (1,182) |
| Other movements | - | 48 | (45) | 3 |
| Aggregate tax effect of items taken directly to or transferred from equity | - | 9 | - | 9 |
| **Net expense recognised directly in equity** | - | (843) | (293) | (1,136) |
| Profit for the period | - | 506 | 195 | 701 |
| **Total recognised expense for the period** | - | (337) | (98) | (435) |
| Dividend for the period | - | (193) | (137) | (330) |
| Net purchase of treasury shares | - | 1 | - | 1 |
| Issue of ordinary share capital by the Company | 1,389 | 2,670 | - | 2,670 |
| Net acquisition of interests in subsidiaries | - | - | (1) | (1) |
| Exercise of share options | 9 | 15 | 1 | 16 |
| Fair value of equity settled share options | - | 19 | - | 19 |
| **Equity holders' funds at end of the period** | 5,488 | 6,926 | 1,433 | 8,359 |

# Statement of Changes in Equity *continued*

## for the nine months ended 30 September 2006

£m

| Nine months ended 30 September 2006 | Share capital | Share premium | Other reserves | Translation reserve | Retained earnings | Perpetual preferred callable securities | Total |
|---|---|---|---|---|---|---|---|
| **Attributable to equity holders of the parent at beginning of the period** | 410 | 730 | 374 | 357 | 2,192 | 688 | 4,751 |
| **Changes in equity arising in the period:** | | | | | | | |
| Fair value gains / (losses): | | | | | | | |
| Property revaluation | - | - | 10 | - | - | - | 10 |
| Available-for-sale investments | - | - | (101) | - | - | - | (101) |
| Net investment hedge | - | - | - | 92 | - | - | 92 |
| Shadow accounting | - | - | 33 | - | - | - | 33 |
| Currency translation differences / exchange differences on translating foreign operations | - | - | - | (934) | - | - | (934) |
| Other movements | - | - | (3) | - | 51 | - | 48 |
| Aggregate tax effect of items taken directly to or transferred from equity | - | - | 11 | (9) | 7 | - | 9 |
| **Net expense recognised directly in equity** | - | - | (50) | (851) | 58 | - | (843) |
| Profit for the period | - | - | - | - | 506 | - | 506 |
| **Total recognised income and expense for the period** | - | - | (50) | (851) | 564 | - | (337) |
| Dividend for the period | - | - | - | - | (193) | - | (193) |
| Net purchase of treasury shares | - | - | - | - | 1 | - | 1 |
| Issue of ordinary share capital by the Company | 138 | - | 2,532 | - | - | - | 2,670 |
| Exercise of share options | 4 | 11 | - | - | - | - | 15 |
| Fair value of equity settled share options | - | - | 19 | - | - | - | 19 |
| **Attributable to equity holders of the parent at end of the period** | 552 | 741 | 2,875 | (494) | 2,564 | 688 | 6,926 |

| Other reserves | £m At 30 September 2006 |
|---|---|
| Merger reserve | 2,716 |
| Available-for-sale reserve | 20 |
| Investment property revaluation reserve | 38 |
| Share-based payments reserve | 101 |
| **Attributable to equity holders of the parent at end of the period** | 2,875 |

Retained earnings have been reduced by £711 million at 30 September 2006 in respect of own shares held in policyholders' funds, ESOP trusts, Black Economic Empowerment trusts and other related undertakings.

Included in the dividend for the period is £22 million of dividends paid to holders of perpetual preferred callable securities.

# Notes to the Consolidated Interim Financial Statements

## for the nine months ended 30 September 2006

### 1 Basis of preparation

Old Mutual plc ("the Company") is a company incorporated in the UK.

These interim financial statements consolidate the results of the Company and its subsidiaries (together referred to as the "Group") and equity account the Group's interest in associates and jointly controlled entities.

The Group's results for the three month and nine month periods ended 30 September 2006 and the position at that date have been prepared using accounting policies consistent with those applied in the preparation of the Group's 2005 Annual Report, except as set out below. The information presented in these interim financial statements is consistent with that presented in the Group's financial statements for the year ended 31 December 2005 except for revised segment presentation.

These interim financial statements have been produced to meet the Group's obligation as a member of the Stockholm stock exchange.  The interim financial statements have been prepared on the basis of presentation, recognition and measurement requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRS"). However, the Group has opted not to disclose prior period information for these interim financial statements, following the granting of an exemption from this requirement by the Listing Authorities in Sweden.

The interim financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified as fair valued through income statement, available-for-sale financial instruments and investment property. Non–current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

The results for the three month period and nine month periods ended 30 September 2006 are unaudited, but have been reviewed by the Auditors whose report is presented on page 30. The Auditors have reported on the statutory accounts for the year ended 31 December 2005 and those accounts have been delivered to the Registrar of Companies. The Auditors' report in respect of the year ended 31 December 2005 was unqualified and did not contain a statement under section 237(2) or (3) of the UK Companies Act 1985. These interim financial statements do not constitute statutory accounts as described in section 240 of the UK Companies Act 1985. Consequently these interim financial statements should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2005.

**Segment presentation**

Segment information presented in the summary consolidated income statement on page 28 and note 3 to the interim financial statements on pages 38 to 43, has been amended to facilitate the reporting of the enlarged operations of the Group following the acquisition of Skandia, which was effective on 1 February 2006.

The Group's results are analysed across four geographic segments. This segmentation is consistent with the Group's management structure. The primary geographic segments are South Africa, United States, Europe and Other. The Europe and Other segments principally comprise the operations of Skandia. 'Europe' includes Skandia operations in the UK, Nordic, Continental Europe, Latin America and pre-existing Old Mutual UK life operations. 'Other' includes Skandia operations in China, Australia and the pre-existing Old Mutual UK asset management and India operations. The United States segment remains as stated in the segmental analysis presented in the audited financial statements for the year ended 31 December 2005. Reallocations of certain comparative information have been made to include the Nedbank and OMI UK operations in the South Africa segment. This geographic segmentation better reflects the management and customer bases of these businesses.

## 1 Basis of preparation *continued*

**Segment presentation** *continued*

The Group continues to manage its business across four principal lines of business. These are the bases of the secondary segmentation. The lines of business are long-term business, asset management, banking and general insurance.

**Revised and new reporting standards**

No revised disclosures and measurements have been required as a result of new or amended international standards and interpretations that the Group had not previously chosen to adopt in preparing the financial statements for the year ended 31 December 2005. The most notable change to IFRS since the last reporting period was the amendment to IAS19, Employee Benefits, which introduced an option to recognise all actuarial gains and losses on defined benefit arrangements through a separate statement of recognised income and expense. The Group has chosen not to apply this option and continues to account for actuarial gains and losses in the income statement using the 'corridor approach'.

**Restatement of comparative information**

The Group has made restatements to reflect South African banking business comparative information on a consistent basis in all reported periods. This follows disclosure adjustments in the 31 December 2005 financial statements. Balance sheet adjustments were made to reclassify banking assets and liabilities fair valued through income statement, and certain banking provisions as other liabilities. None of these restatements impacted the net profit, total assets or total liabilities as previously stated.

**Alignment of accounting policies**

Following the acquisition of Skandia, the Group's insurance and investment contract accounting policies have been extended to include the 'unbundling' approach to unit-linked assurance contracts, previously adopted by Skandia in its own financial statements. This is in accordance with IFRS4, and requires that the insurance and investment elements of unit-linked contracts are separated and accounted for independently in accordance with the relevant policies for insurance contracts and financial liabilities.

## 2 Foreign currencies

The principal exchange rates used to translate the operating results, assets and liabilities of key foreign business segments to Sterling are:

| | Income Statement (Average rate) | Balance Sheet (Closing rate) |
|---|---|---|
| **30 September 2006** | | |
| Rand | **11.98094** | **14.52760** |
| US dollars | **1.81842** | **1.87180** |
| Swedish Krona | **13.57620*** | **13.68936** |
| Euro | **1.45909** | **1.47459** |
| **1 February 2006** | | |
| Swedish Krona | | **13.5347** |
| **31 December 2005** | | |
| Rand | 11.5812 | 10.8923 |
| US dollars | 1.8195 | 1.7187 |

* The income statement rate applied in respect of Skandia is an eight-month average rate.

## 3 Segment information

### (i) Basis of segmentation

The Group's primary segmentation is on a geographic basis, the four geographic segments are based on the Group's management structure of the business; namely South Africa, United States, Europe and Other. The Group operates across four principal lines of business; long-term business, asset management, banking and general insurance. These are the secondary segments.

Income statement information, based on the group's geographical and business segments, is presented in the form of a matrix that follows the same format as the summary consolidated income statement presented on page 28, and can be reconciled to the consolidated income statement presented on page 31.

Analysis of gross earned premiums and funds under management is also presented.

## 3 Segment information

### (ii) Income statement

£m

| Nine months ended 30 September 2006 | South Africa | United States | Europe | Other | Total revenue / (expense) including inter segment | Inter segment (revenue) / expense | Total revenue / (expense) excluding inter segment |
|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | |
| Long-term business | 4,796 | 1,976 | 2,319 | - | 9,091 | (160) | 8,931 |
| Asset management | 212 | 337 | 196 | 82 | 827 | (46) | 781 |
| Banking | 2,305 | - | 124 | - | 2,429 | (13) | 2,416 |
| General insurance | 528 | - | - | - | 528 | - | 528 |
| Other shareholders' income | 2 | - | 9 | - | 11 | (11) | - |
| Consolidation of funds | 180 | - | 594 | - | 774 | - | 774 |
| Inter segment revenue | (99) | (7) | (123) | (1) | (230) | 230 | - |
| | 7,924 | 2,306 | 3,119 | 81 | 13,430 | - | 13,430 |
| **Expenses** | | | | | | | |
| Long-term business | (4,425) | (1,951) | (2,287) | - | (8,663) | 98 | (8,565) |
| Asset management | (141) | (171) | (196) | (69) | (577) | 109 | (468) |
| Banking | (1,885) | - | (113) | - | (1,998) | 15 | (1,983) |
| General insurance | (440) | - | - | - | (440) | - | (440) |
| Finance costs and other shareholders' expenses | (20) | - | (79) | - | (99) | 8 | (91) |
| Consolidation of funds | (180) | - | (594) | - | (774) | - | (774) |
| Inter segment expenses | 101 | 7 | 120 | 2 | 230 | (230) | - |
| | (6,990) | (2,115) | (3,149) | (67) | (12,321) | - | (12,321) |
| **Profit before tax** | | | | | | | |
| Long-term business | 371 | 25 | 32 | - | 428 | (62) | 366 |
| Asset management | 71 | 166 | - | 13 | 250 | 63 | 313 |
| Banking | 420 | - | 11 | - | 431 | 2 | 433 |
| General insurance | 88 | - | - | - | 88 | - | 88 |
| Finance costs and other shareholders' income / (expenses) | (18) | - | (70) | - | (88) | (3) | (91) |
| Net inter segment (expenses) / revenue | 2 | - | (3) | 1 | - | - | - |
| | 934 | 191 | (30) | 14 | 1,109 | - | 1,109 |

## 3 Segment information *continued*

### (ii) Income statement *continued*

| Nine months ended 30 September 2006 | South Africa | United States | Europe | Other | Total £m |
|---|---|---|---|---|---|
| **Profit before tax** | 934 | 191 | (30) | 14 | 1,109 |
| **Goodwill impairment and impact of acquisition accounting** | | | | | |
| Long-term business | - | 20 | 179 | - | 199 |
| Asset Management | - | - | 3 | - | 3 |
| General insurance | 3 | - | - | - | 3 |
| | 3 | 20 | 182 | - | 205 |
| **(Profit) / loss on disposal of subsidiaries, associated undertakings and strategic investments** | | | | | |
| Banking | (18) | - | - | - | (18) |
| Asset management | - | (79) | - | - | (79) |
| | (18) | (79) | - | - | (97) |
| **Short-term fluctuations in investment return included in profit before tax** | | | | | |
| Long-term business | (151) | 48 | - | - | (103) |
| General insurance | (33) | - | - | - | (33) |
| | (184) | 48 | - | - | (136) |
| **Investment return adjustment for Group equity and debt instruments held in life funds** | | | | | |
| Long-term business | 148 | - | - | - | 148 |
| **Dividends accrued for holders of perpetual preferred callable securities** | - | - | (30) | - | (30) |
| **Net inter segment expenses / (revenue)** | (2) | - | 3 | (1) | - |
| **Total adjusting items** | (53) | (11) | 155 | (1) | 90 |
| **Policyholder tax charge included in tax charge in income statement** | | | | | |
| Long-term business | (83) | - | (58) | - | (141) |
| **Adjusted operating profit** | 798 | 180 | 67 | 13 | 1,058 |
| **Adjusted operating profit comprises:** | | | | | |
| Long-term business | 285 | 93 | 153 | - | 531 |
| Asset management | 71 | 87 | 3 | 13 | 174 |
| Banking | 402 | - | 11 | - | 413 |
| General insurance | 58 | - | - | - | 58 |
| Finance costs and other shareholders' income / (expenses) | (18) | - | (100) | - | (118) |
| | 798 | 180 | 67 | 13 | 1,058 |

## 3 Segment information *continued*

### (iii) Gross earned premiums

| | 3 months ended 30 September 2006 | £m 9 months ended 30 September 2006 |
|---|---|---|
| **Long-term business – insurance contracts** | | |
| South Africa | 258 | 901 |
| United States | 541 | 1,566 |
| Europe | 66 | 193 |
| | 865 | 2,660 |
| **Long-term business – investment contracts with discretionary participation features** | | |
| South Africa | 89 | 338 |
| **Total long-term business** | 954 | 2,998 |
| **General insurance** | 156 | 523 |
| **Gross earned premiums** | 1,110 | 3,521 |
| | | |
| **Long-term business – other investment contracts recognised as deposits** | | |
| South Africa | 438 | 1,119 |
| United States | 55 | 165 |
| Europe | 2,297 | 5,587 |
| | 2,790 | 6,871 |

### (iv) Funds under management

| **At 30 September 2006** | South Africa | United States | Europe | Other | £m Total |
|---|---|---|---|---|---|
| Long-term business policyholder funds | 17,898 | 12,336 | 35,155 | 1,651 | 67,040 |
| Unit trusts and mutual funds | 4,539 | - | 10,136 | 4,155 | 18,830 |
| Third party client funds | 13,419 | 114,462 | 1,689 | 1,476 | 131,046 |
| Total client funds under management | 35,856 | 126,798 | 46,980 | 7,282 | 216,916 |
| Shareholder funds | 1,939 | 759 | 1,977 | - | 4,675 |
| **Total funds under management** | 37,795 | 127,557 | 48,957 | 7,282 | 221,591 |

| At 31 December 2005 | South Africa | United States | Europe | Other | £m Total |
|---|---|---|---|---|---|
| Long-term business policyholder funds | 23,644 | 12,498 | 392 | 1,359 | 37,893 |
| Unit trusts and mutual funds | 5,091 | - | - | 2,013 | 7,104 |
| Third party client funds | 12,811 | 119,168 | 1,114 | 1,404 | 134,497 |
| Total client funds under management | 41,546 | 131,666 | 1,506 | 4,776 | 179,494 |
| Shareholder funds | 2,536 | 659 | (16) | 225 | 3,404 |
| **Total funds under management** | 44,082 | 132,325 | 1,490 | 5,001 | 182,898 |

## 3 Segment information *continued*

### (v) Value of new business (after tax)

The tables below set out the geographic analysis of the value of new business (VNB) after tax for the three months and nine months ended 30 September 2006 respectively. Annual premium equivalent (APE) is calculated as recurring premiums plus 10% of single premiums. New business profitability is measured by both the ratio of the VNB to the APE as well as to the present value of new business premiums (PVNBP), and shown under “Margin” below. PVNBP is defined as the present value of regular premiums plus single premiums for any given period and is calculated on the same assumptions as for the value of new business.

| | | £m |
|---|---|---|
| | 3 months ended 30 September 2006 | 9 months ended 30 September 2006 |
| **Recurring premiums** | | |
| South Africa* | 62 | 176 |
| United States | 15 | 48 |
| Europe** | 84 | 250 |
| | 161 | 474 |
| **Single premiums** | | |
| South Africa* | 277 | 962 |
| United States | 502 | 1,459 |
| Europe** | 1,824 | 4,361 |
| | 2,603 | 6,782 |
| **APE** | | |
| South Africa* | 89 | 272 |
| United States | 65 | 194 |
| Europe** | 266 | 686 |
| | 420 | 1,152 |
| **PVNBP** | | |
| South Africa* | 577 | 1,811 |
| United States | 573 | 1,688 |
| Europe** | 2,068 | 5,552 |
| | 3,218 | 9,051 |
| **VNB** | | |
| South Africa* | 15 | 42 |
| United States | 15 | 37 |
| Europe** | 26 | 88 |
| | 56 | 167 |

## 3 Segment information *continued*

### (v) Value of new business (after tax) *continued*

| | 3 months ended 30 September 2006 | 9 months ended 30 September 2006 |
|---|---|---|
| | | £m |
| **APE margin** | | |
| South Africa* | 17% | 15% |
| United States | 23% | 19% |
| Europe** | 10% | 13% |
| | 13% | 15% |
| **PVNBP margin** | | |
| South Africa* | 2.6% | 2.3% |
| United States | 2.6% | 2.2% |
| Europe** | 1.3% | 1.6% |
| | 1.7% | 1.8% |

* Gross of minority interests.

** For the period from 1 February 2006.

The assumptions used to calculate the VNB are consistent with those used in the European Embedded Value Supplementary Information as at 30 June 2006 except where the risk-free rate has moved by more than 25bp. Hence the risk discount rate used in the US was 7.8% (compared to 8.4% as at 30 June 2006), in Nordic it was 6.6% (7.0% as at 30 June 2006) and in rest of Europe it was 4.2% to 7.5% (4.4% to 7.5% as at 30 June 2006).

## 4 Adjusting items

### (i) Goodwill impairment and impact of acquisition accounting

Goodwill impairment and acquisition accounting adjustments to adjusted operating profit are summarised below:

| | 3 months ended 30 September 2006 | £m<br>9 months ended 30 September 2006 |
|---|---|---|
| Goodwill impairment | 1 | 3 |
| Amortisation of deferred costs and revenue | (32) | (86) |
| Amortisation of acquired PVIF | 87 | 245 |
| Amortisation of other acquired intangible assets | 14 | 43 |
| | 70 | 205 |

Goodwill impairment of £1 million was incurred by the Group's South African general insurance business in the three months ended 30 September 2006 (nine months ended 30 September 2006: £3 million).

In applying acquisition accounting deferred revenue and acquisition costs are not recognised. These are reversed in the acquisition balance sheet and replaced by an intangible asset for the value of the acquired present value of in-force business ('acquired PVIF'). In determining adjusted operating profit the Group recognises deferred revenue and acquisition costs in relation to policies sold by acquired businesses pre-acquisition, and excludes the amortisation of acquired PVIF.

The amortisation of deferred costs and revenue for the Skandia businesses for the three months ended 30 September 2006 was £32 million (nine months ended 30 September 2006: £86 million). The amortisation of acquired PVIF for the Skandia businesses was £80 million over the same period (nine months ended 30 September 2006: £225 million).

Compared to the prior period, the exclusion of acquired PVIF amortisation is a change in methodology in respect of calculating the adjusted operating profit of the Group's long-term business in the United States. Comparative information has been restated accordingly. The US long-term business PVIF amortisation charge in the three months to 30 September was £7 million (nine months ended 30 September 2006: £20 million).

### (ii) Profit on disposal of subsidiaries, associated undertakings and strategic investments

There were no disposals in the three months ended 30 September 2006.  Profit on disposal of subsidiaries, associates and strategic investments in the nine months ended September 2006 is summarised below:

| | £m<br>9 months ended 30 September 2006 |
|---|---|
| Net profit on disposal of subsidiaries, associated undertakings and strategic investments before tax | 97 |
| Tax | (2) |
| Net profit on disposal of subsidiaries, associated undertakings and strategic investments after tax | 95 |
| Net profit on disposal of subsidiaries, associated undertakings and strategic investments after tax is attributable to: | |
| Equity holders of the parent | 88 |
| Minority interests – ordinary shares | 7 |
| | 95 |

## 4 Adjusting items *continued*

### (iii) Long-term investment return

Profit before tax is calculated on the basis of actual investment return earned by the long-term business. Adjusted operating profit is stated after allocating an investment return earned by the Group's long-term and general insurance businesses based on a long-term investment return. The differences between the actual and the long-term investment returns are short-term fluctuations in investment return.

Long-term rates of return are based on achieved real rates of return appropriate to the underlying asset base, adjusted for current inflation expectations and consensus economic investment forecasts, and are reviewed frequently, usually annually, for appropriateness. These rates of return have been selected with a view to ensuring that returns credited to adjusted operating profit are consistent with the actual returns expected to be earned over the long-term.

For South Africa long-term business, the return is applied to an average value of investible shareholders' assets, adjusted for net fund flows. For the Group's South Africa general insurance business, the return is an average value of the investible assets supporting shareholders' funds and insurance liabilities, adjusted for net fund flows. For US and Europe long-term businesses, the return is applied to average investible assets.

| Long-term investment rates | |
|---|---|
| **South Africa long-term business and general insurance – weighted average** | **11.1%** |
| Equities | **13.0%** |
| Cash and other investible assets – Rand denominated | **9.0%** |
| Cash and other investible assets – other currencies | **6.0%** |
| **United States– weighted average** | **5.9%** |
| **Europe long-term business – weighted average** | **4.4%** |

| | | £m |
|---|---|---|
| **Analysis of short-term fluctuations in investment return** | **3 months ended 30 September 2006** | **9 months ended 30 September 2006** |
| **Long-term business** | | |
| Actual investment return attributable to shareholders | **89** | **214** |
| Less: long-term investment return | **(35)** | **(111)** |
| | **54** | **103** |
| **General insurance business** | | |
| Actual investment return attributable to shareholders | **18** | **72** |
| Less: long-term investment return | **(9)** | **(39)** |
| | **9** | **33** |
| **Short-term fluctuations in investment return** | **63** | **136** |

## 4 Adjusting items *continued*

**(iv) Investment return adjustment for Group equity and debt instrument held in life funds**

Adjusted operating profit includes investment returns on life fund investments in Group equity and debt instruments. These include investments in the Company's ordinary shares, and the subordinated liabilities and ordinary securities of the Group's banking subsidiary in South Africa. These investment returns are eliminated within the consolidated income statement in arriving at profit before tax, but are included in adjusted operating profit. In the nine months to 30 September 2006 the total investment return attributable to such items was £148 million (three months to 30 September 2006: £51 million).

**(v) Dividends declared to holders of perpetual preferred callable securities**

Dividends accrued for the holders of the Group's perpetual preferred callable securities were £30 million for the nine months ended 30 September 2006. These are recognised in finance costs on an accruals basis for the purpose of determining adjusted operating profit.  Of this £30 million, £22 million has been declared to holders of perpetual preferred callable securities and has been recognized in equity.

## 5 Income tax expense

| | 3 months ended 30 September 2006 | £m 9 months ended 30 September 2006 |
|---|---|---|
| **Current tax** | | |
| United Kingdom tax | | |
| Corporation tax | 35 | 49 |
| Double tax relief | (41) | (41) |
| Overseas tax | | |
| South Africa | 51 | 206 |
| United States | (1) | 5 |
| Europe | 11 | 35 |
| Secondary tax on companies (STC) | 27 | 34 |
| Prior period adjustments | (1) | 2 |
| **Total current tax** | 81 | 290 |
| **Deferred tax** | | |
| Origination of temporary differences | 27 | 109 |
| Write down deferred tax assets | 4 | 9 |
| **Total deferred tax** | 31 | 118 |
| **Total income tax expense** | 112 | 408 |

Income tax on adjusted operating profit is determined as follows:

| | 3 months ended 30 September 2006 | £m 9 months ended 30 September 2006 |
|---|---|---|
| Income tax expense | 112 | 408 |
| **Tax on adjusting items** | | |
| Impact of acquisition accounting | 14 | 33 |
| Profit on disposal of subsidiaries, associated undertakings and strategic investments | 1 | (2) |
| Short-term fluctuations in investment return | (8) | (35) |
| Income tax attributable to policyholders included within adjusted operating profit | (57) | (141) |
| Tax on dividends accrued to holders of perpetual preferred callable securities recognised in equity | (2) | (7) |
| **Income tax on adjusted operating profit** | 60 | 256 |

## 6 Earnings and earnings per share

### (i) Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit for the financial period attributable to ordinary equity shareholders by the weighted average number of ordinary shares in issue during the period excluding own shares held in policyholder funds, ESOP trusts, Black Economic Empowerment schemes and other related undertakings.

| | | £m |
|---|---|---|
| | 3 months ended 30 September 2006 | 9 months ended 30 September 2006 |
| Profit for the financial period attributable to equity holders of the parent | 126 | 506 |
| Dividends accrued to holders of perpetual preferred callable securities | (6) | (23) |
| **Profit attributable to ordinary equity holders** | 120 | 483 |

| | | Millions |
|---|---|---|
| | 3 months ended 30 September 2006 | 9 months ended 30 September 2006 |
| Weighted average number of ordinary shares in issue | 5,489 | 5,287 |
| Shares held in charitable foundations | (19) | (19) |
| Shares held in ESOP trusts | (102) | (102) |
| **Adjusted weighted average number of ordinary shares** | 5,368 | 5,166 |
| Shares held in life funds | (291) | (291) |
| Shares held in Black Economic Empowerment schemes | (225) | (225) |
| **Weighted average number of ordinary shares** | 4,852 | 4,650 |
| **Basic earnings per ordinary share (pence)** | 2.5 | 10.4 |

Diluted earnings per share recognises the dilutive impact of share options held in ESOP trusts and Black Economic Empowerment schemes which are currently in the money in the calculation of the weighted average number of shares, as if the relevant shares were in issue for the full period.

| | | Millions |
|---|---|---|
| | 3 months ended 30 September 2006 | 9 months ended 30 September 2006 |
| Weighted average number of ordinary shares in issue | 4,852 | 4,650 |
| Adjustments for share options held by ESOP trusts | 66 | 66 |
| Adjustments for shares held in Black Economic Empowerment schemes | 225 | 225 |
| | 5,143 | 4,941 |
| **Diluted earnings per ordinary share (pence)** | 2.3 | 9.8 |

## 6 Earnings and earnings per share *continued*

### (ii) Adjusted earnings per share

Adjusted operating profit represents the Directors' view of the underlying performance of the Group. For long-term and general insurance business adjusted operating profit is based on a long-term investment return, includes investment returns on life funds' investments in Group equity and debt instruments and is stated net of income tax attributable to policyholder returns. For all businesses, adjusted operating profit excludes goodwill impairment, the impact of acquisition accounting, initial costs of Black Economic Empowerment schemes, profit on disposal of subsidiaries, associated undertakings and strategic investments, and dividends declared to holders of perpetual preferred callable securities.

The reconciliation of profit for the financial period to adjusted operating profit after tax attributable to ordinary equity holders is as follows:

| | | £m |
|---|---|---|
| | 3 months ended 30 September 2006 | 9 months ended 30 September 2006 |
| **Profit for the financial period attributable to equity holders of the parent** | **126** | **506** |
| Goodwill impairment, amortisation of PVIF and other acquired intangibles | 55 | 166 |
| (Profit) / loss on disposal of subsidiaries, associated undertakings and strategic investments | (3) | (88) |
| Short-term fluctuations in investment return | (53) | (97) |
| Investment return adjustment for Group equity and debt instruments held in life funds | 51 | 148 |
| Income attributable to Black Economic Empowerment trusts of listed subsidiaries | (4) | (16) |
| Dividends accrued for holders of perpetual preferred callable securities | (6) | (23) |
| **Adjusted operating profit after tax attributable to ordinary equity holders** | **166** | **596** |
| Adjusted weighted average number of ordinary shares (millions) | 5,368 | 5,166 |
| **Adjusted operating earnings per ordinary share (pence)** | **3.1** | **11.5** |

# Shareholder Information

## Listings and share analysis

The Company's shares are listed on the London, Johannesburg, Malawi, Namibian, Stockholm and Zimbabwe Stock Exchanges. The primary listing is on the London Stock Exchange and the other listings are all secondary listings. Listing on the Stockholm Stock Exchange began on 2 February 2006. The ISIN number of the Company's shares is GB0007389926.

At 30 September 2006, the Company had 5,489,290,950 ordinary shares of 10p each in issue (31 December 2005: 4,089,957,690. A total of 1,399,333,260 shares were issued during the nine months then ended (31 December 2005: 236,033,382), of which 1,389,361,918 related to acquisition of Skandia and the remainder were issued under the Company's employee share plans. The time-weighted average number of shares in issue during the nine months to 30 September 2006 was 5,286,679,623 (31 December 2005: 3,950,564,092 No shares were held by the Company as treasury stock at 30 September 2006 (2005: nil) and no shares were bought back by the Company during the nine months then ended (2005: nil).

## Financial calendar

The Company's financial calendar for the following 12 months is as follows:

| | |
|---|---|
| Interim dividend payment date | 30 November 2006 |
| Final results for 2006 | February 2007 |
| First quarter 2007 results and Annual General Meeting | May 2007 |
| Interim results for 2007 | August 2007 |
| Third-quarter results for 2007 | November 2007 |

## Websites

Further information on the Company can be found at the following websites:

www.oldmutual.com

www.oldmutual.co.za