

11 November 2009

Pearl Group Interim Management Statement

Update for the 9 months ended 30 September 2009 and proposed Secondary Listing on the London Stock Exchange

Financial highlights

- Generation of operating cash and cash equivalents of £508 million for the 9 months to 30 September, ahead of target
- Insurance Groups Directive (“IGD”) surplus of £1.2 billion at 2 October
- Total assets under management of £70.7 billion as at 30 September, an increase of 7.4% since 30 June
- The Group’s overall financial position and embedded value remains in line with management’s expectations

Progress on corporate objectives

- Continued focus on improving operating performance of underlying businesses
- Proposed Secondary Listing on the London Stock Exchange
- Progressing discussions with Tier 1 bondholders

Jonathan Moss, Group Chief Executive, said

”We are pleased that the first set of results for the period since the completion of the Pearl acquisition demonstrates the underlying strength of our operating businesses and confirms both the Group’s cash generative operating model and its capital strength. Through our ongoing programme of fund restructuring we are continuing to deliver benefits to both policyholders and shareholders. The secondary listing in London will provide investors with an additional means of trading our shares and is the first step in our objective of increasing the Company’s shareholder base and profile in the UK. We continue to work towards a primary listing in London during the course of 2010.”

Ron Sandler, Chairman, said

”The Group continues to make good progress. We have delivered a sound operational performance to the benefit of both policyholders and investors. We are in the process of reshaping the Board and ensuring that our reporting and governance meet the highest standards. Our secondary listing will enable more institutional shareholders to invest in what I believe is an increasingly promising future. We look forward to making further progress through the balance of this year and in 2010.”

Secondary Listing on the London Stock Exchange

Pearl Group is applying for the admission of its ordinary shares to the Official List of the UK Listing Authority and to trade on the main market of the London Stock Exchange ("LSE") under Chapter 14 of the Listing Rules (the "Secondary Listing on the London Stock Exchange").

Pearl Group is not issuing any new shares in connection with the Secondary Listing on the London Stock Exchange. It is expected that dealing in the Pearl Group's ordinary shares will commence on the main market of the LSE in the week commencing 16 November. Following admission, Pearl Group will retain its primary listing on Euronext ("PEARL"). It remains Pearl Group's intention to seek a primary listing on the LSE during the course of 2010.

Pearl Group will shortly publish a summary document in respect of the Secondary Listing on the London Stock Exchange which will be available for inspection at the Financial Services Authority's document viewing facility situated at: 25 The North Colonnade, Canary Wharf, London E14 5HS (Tel: +44 (0) 20 7066 1000). Copies of the summary document will also be available on Pearl Group's website at www.thepearlgroup.com.

Results for the 9 months ended 30 September 2009

Cash generation

Cash generation from Pearl Group's operating subsidiaries continues to be strong with total operating cashflow of £338 million in the first 9 months of the year. As a result of resolving certain legacy issues, receipts from life companies also included the further release of £170 million due from Royal London to Phoenix Life Limited. This amount was used to offset amounts due to Royal London by other group companies.

Operating cashflow is on track to achieve our full year target of approximately £500 million. This excludes the additional £170 million of cash equivalents released in the third quarter.

The most significant uses of Group cash during the final quarter will be settlement of accrued interest on the external bank debt (estimated at £167 million) and pension scheme contributions of £50 million.

The 2009 dividend is scheduled to be paid in April 2010.

2009 (£m)	9 months to 30 September	6 months to 30 June
Cash releases to UK holding company		
Cash from life companies ⁽¹⁾	190	124
Cash from asset management companies	5	5
Cash from service companies	28	28
Tax recoveries	115	95
Cash equivalents released from life companies of amounts receivable from Royal London	170	-
Total cash and cash equivalents	508	252
Uses of cash		
Non-recurring outsourcer IT costs	61	41
Pearl acquisition and restructuring costs	20	11
Pension scheme contributions and costs	7	5
2008 transaction costs	10	10
Other operating expenses ⁽²⁾	19	7
Settlement with Royal London	187	-
Total uses of cash	304	74

Notes:

(1) 6 months to 30 June 2009 includes £24 million of liquid assets transferred from life companies

(2) Includes interest on intercompany loans (£6 million)

Group regulatory capital position

The IGD surplus, a measure of excess group capital, was £1,180 million at 2 October. This represents an increase of £88 million on the 30 June pro forma position of £1,092 million, primarily as a result of improvements in investment markets. The IGD surplus as at 2 October represents 135% coverage of regulatory requirements, compared to an ongoing target of 125% coverage.

Embedded value

The Group continues to focus on improving the operating performance of its underlying businesses and the Group's embedded value remains in line with management's expectations. Work continues towards management's initial target of achieving an increase in the Group's embedded value through management actions by up to £300 million by the end of 2010.

IFRS conversion

Management continues to make good progress in the Group's IFRS conversion and is on track to deliver full IFRS accounts for the year ending 31 December 2009 ahead of its planned primary listing in 2010.

Other developments

Policyholders of Phoenix and London Assurance are currently voting on the proposed guaranteed annuity compromise scheme which seeks to improve overall returns available to policyholders. In addition a Part VII transfer of certain National Provident Life business is underway and, subject to necessary approvals, is scheduled for completion in February 2010.

We have also accelerated the integration of the Group's asset management businesses which will operate solely under the Ignis brand going forward.

Discussions with the Tier 1 bondholders are underway and we will update the market on developments in this regard in due course.

Supplementary information

Certain additional information, primarily in relation to the Group's financial position at 30 June 2009, has been made available today. This supplementary information can be downloaded from Pearl Group's website www.thepearlgroup.com.

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Notes:

1. Pearl Group is the UK's leading specialist closed fund operator with assets under management of £70.7 billion at 30 September 2009. Pearl Group owns and operates two principal life companies – Pearl Assurance plc and Phoenix Life Limited, together with London Life Limited, Phoenix & London Assurance Limited, Phoenix Pensions Limited, NPI Limited, National Provident Life Limited and Scottish Mutual International Limited. It also owns and operates the Ignis asset management business.
2. On 2 September 2009, Liberty Acquisition Holdings (International) Company ("Liberty Acquisition") acquired Pearl Group Limited and Opal Reassurance Limited. Following the completion of this transaction, Liberty Acquisition was renamed Pearl Group. Pearl Group is listed on Euronext ("PEARL").
3. This announcement is for information purposes only and does not constitute or form part of any offer to issue or sell, or the solicitation of an offer to acquire, purchase or subscribe for, any securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

4. This announcement in relation to Pearl Group and its subsidiaries (the “Group”) contains forward looking statements concerning future events. Those forward looking statements are based on the current information and assumptions of the Group’s management concerning known and unknown risks and uncertainties. Forward looking statements do not relate to definite facts and are subject to risks and uncertainty. The actual results and financial condition of the Group may differ considerably as a result of risks and uncertainties relating to events and circumstances beyond the Group’s control, including among other things, domestic and global economic and business conditions, market related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the policies and actions of regulatory authorities, the impact of competition, inflation, and deflation; experience in particular with regard to mortality and morbidity trends, and lapse rates; the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries; and the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations in the jurisdictions in which members of the Group operate. The Group cautions that expectations are only valid on the specified dates, and accepts no responsibility for the revision or updating of any information contained in this announcement.

The financial information contained in this announcement has not been audited or reviewed by the Group’s auditors.

Any references to IGD Group, IGD sensitivities, or IGD relate to the calculation for Pearl Group Holdings (No.2) Limited, the ultimate EEA Insurance parent undertaking.