Phoenix Group Holdings

Interim Management Statement

9 months ending 30 September 2010

On track to deliver on all 2010 targets

Phoenix Group Holdings has continued to generate strong results. It remains on track to deliver operating companies' cash generation at the top of its target range in 2010, as announced with the interim results. This has been underpinned by continued delivery on the corporate and financial objectives.

Financial highlights

- £364 million of operating companies' cash generation for the 9 months to 30 September 2010
- On track to deliver full year operating companies' cash generation at the top of the target range of £625 million to £725 million
- IGD surplus estimated at £1.2 billion as at 30 September 2010, providing a coverage ratio of 127%
- £4.5 billion increase in assets under management to £71.4 billion
- £157 million incremental EV growth from management actions - exceeding full year target of £145 million

Corporate and operational highlights

- Achieved FTSE 250 and FTSE 350 High Yield Index inclusion on 20 September 2010
- £33 million placing to satisfy the deferred 2009 Tier 1 bond coupon, raised at a discount of less than 3%
- Group wide participation in Solvency II Quantitative Impact Study 5 ("QIS5")
- Consolidation of operations to Wythall progressing well

Commenting on third quarter performance Jonathan Moss, Group Chief Executive said:

"These results demonstrate that we continue to build on the positive momentum we have established in recent quarters. We are delighted to have entered the FTSE 250, which we see as a significant milestone. We shall continue to focus on simplifying our banking facilities and additional fund restructuring.

Management continues to focus on actions to accelerate cash inflows and increase EV. We are on track towards our incremental cashflow target of £225m and have already achieved incremental EV growth of £157m compared with our 2010 target of £145m. The Group is making good progress on all its objectives and remains on track to reach all the 2010 targets it has set."

Business overview

Building an efficient, low-cost operating model is critical to the operation of closed life funds and is of great benefit to both our policyholders and shareholders. We continue to develop this operating model with the transfer of over a million active policies from UISL to Diligenta, providing access to the modern Diligenta platform in due course, and the ongoing consolidation of operations at the Group's Wythall site.

Preparation for the implementation of Solvency II is progressing well. The Group participated in the QIS5 exercise and will be submitting results to the FSA for all businesses covered by Solvency II requirements by the deadlines.

Cash flows

The Group remains on track to generate operating companies' cash generation at the top of its target range of £625 million to £725 million in 2010, including £225 million of cash flow accelerated through management actions.

In the first 9 months of 2010, operating companies' cash generation of £364 million included £30 million generated or accelerated through management actions.

Holding Companies' cashflows	**9 months to September 2010**	**Proforma FY 2009**
	£m	**£m**
Opening cash balance (1 January)	**202**	**86**
Operating companies' cash generation		
Life companies	339	660
Ignis Asset Management	25	21
Management Services	--	35
Total cash receipts by Holding Companies	**364**	**716**
Holding Companies' uses of cash		
- Debt interest	(81)	(102)
- Pension scheme contributions	(38)	(33)
- Other operating expenses	(26)	(27)
- Debt prepayment	(22)	--
- Shareholder dividend	(20)	--
Total recurring outflows	**(187)**	**(162)**
- Settlement with Royal London	--	(240)
- Debt interest	(6)	(72)
- IT and other business transformation costs	(30)	(67)
- Transaction and restructuring costs (including Premium Listing)	(34)	(30)
- Other	--	(29)
Total non recurring outflows	**(70)**	**(438)**
Total uses of cash	**(257)**	**(600)**
Closing cash balance (30 September / 31 December)	**309**	**202**

Cash is typically distributed from the life companies twice a year following full actuarial valuations as at 30 June and 31 December. The timing of these remittances does vary and the 2010 payments are skewed to the first and fourth quarters.

Holding Companies' cash outflows

Total Holding Companies' cash outflows in the 9 months to 30 September were £257 million, comprising £187 million of recurring outflows and £70 million of non-recurring outflows.

Recurring cash outflows of £187 million include:

- £54 million of bank interest and the recurring element of the 2010 Tier 1 bond coupon of £27 million
- £22 million voluntary prepayment of bank debt
- other operating expenses of £26 million
- pension scheme contributions of £38 million, reflecting contributions under the new funding arrangements for the PGL Pension Scheme, whose triennial valuation is now complete and the Pearl triennial valuation which was completed earlier in the year
- shareholder dividend of £20 million

Non-recurring outflows of £70 million comprise:

- transaction and restructuring costs of £34 million including costs associated with the Premium Listing
- £30 million of IT and other business transformation costs
- £6 million of non recurring outflows in respect of the 2010 Tier 1 bond coupon

Cash flow acceleration management actions

Management actions generated £30 million of cash in the 9 months to 30 September, through the resolution of legacy tax issues. The Group remains on track to deliver the remaining £195 million of the £225 million 2010 management action target by year end.

Ignis Asset Management

Assets under management have increased by almost £4.5 billion to £71.4 billion since 31 December 2009. This included:

- net third party sales of £1 billion, primarily into the Institutional Liquidity Fund and the UK retail sales market
- £2.8 billion being repatriated from a third party manager
- positive market movements

This has been partly offset by the run-off on the closed life book.

Ignis continued its strong performance in credit, ABS and hedge fund segments.

EV management actions

Management actions in the 9 months to 30 September delivered an incremental uplift in embedded value of £157 million exceeding the target for 2010 of £145 million. The principal drivers were tax optimisation and the resolution of legacy tax issues.

IGD

The estimated IGD surplus as at 30 September was £1.2 billion, representing coverage of 127%.

The £1.2 billion surplus excludes £0.2 billion of additional surplus in respect of the remaining 25% holding in the Impala sub group. This is excluded from the IGD calculation due to the Group's holding company structure.

Further Information

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Notes

1. A conference call for analysts and investors will take place at 9.30am (UK time) today. Dial in number is +44 (0) 20 3059 5845. Please quote "Phoenix".

   This will also be available, with the facility to ask questions, via our website www.thephoenixgroup.com

   A replay will be made available on the website.

2. Financial calendar

Full year 2010 results	29 March 2011
Q1 2010 IMS	16 May 2011
Half year 2011 results	25 August 2011

3. Any references to IGD relate to the calculation for Phoenix Life Holdings Limited, the ultimate EEA insurance parent undertaking.

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

5. This announcement in relation to Phoenix Group Holdings 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. This may include 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; the impact of changes in capital, solvency or accounting standards; and the impact of changes in 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.