News Release

29 April 2008

Friends Provident plc – Interim Management Statement including first quarter Life & Pensions New Business

Business highlights

- First quarter new life & pensions business (on the APE[2] basis) increased by 11% to £247 million (2007: £223m) for the UK and International businesses
- On an ongoing basis (not including Lombard) new business increased by 11% to £223 million (2007: £201m)
- UK new business down by 2% to £165 million (2007: £169m)
- FPI new business up by 77% to £58 million (2007: £33m)
- Lombard new business up by 11% to £24 million (2007: £22m)
- F&C assets under management at 31 March 2008 £101.8 billion (31 Dec 2007: £103.6bn)
- Solid early progress on implementation of new strategy with a detailed update to be given with 2008 Interim results
- Processes underway for maximising shareholder value for all three wealth management businesses with good levels of interest

Adrian Montague, executive chairman of Friends Provident plc, said:

> "The first quarter new business figures were satisfying, and we were pleased that FPI continues to show a strong and growing contribution to the overall result. We are making good progress on delivery of our strategic review, and look forward to providing a full update at the Interims. We continue to focus on our core strengths of manufacturing and administering life and pensions products in the UK and increasingly in international markets in order to achieve our objective of enhanced profitability and greater returns for our shareholders. There is much to be done, but we remain confident in our strategy and long-term prospects."

- Ends -

For further information, please contact:

Nick Boakes	Friends Provident plc	+44 (0)845 641 7814
Chris Ford	Friends Provident plc	+44 (0)845 641 7832
Vanessa Neill, Alex Simmons	Finsbury Limited	+44 (0)20 7251 3801

Ref: I034

Notes to editors

1. This Interim Management Statement (IMS) has been prepared in accordance with section 4.3 of the Disclosure and Transparency Rules (DTR) and approved by the Directors on 28 April 2008. Included within the IMS are the first quarter new business results for Life & Pensions.
2. Headline new business figures are presented on the Annualised Premium Equivalent (APE) basis, representing annualised new regular premiums plus 10% of single premiums. The Present Value of New Business Premiums (PVNBP) basis represents new single premiums plus the expected present value of new business regular premiums.

3. Financial reporting dates

F&C Asset Management plc Annual General Meeting	13 May 2008
Friends Provident plc Annual General Meeting	22 May 2008
F&C Asset Management plc Interim Results (provisional)	6 August 2008
Friends Provident plc Interim Results	7 August 2008
Friends Provident plc Interim Management Statement and Quarter 3 New Business Announcement	31 October 2008
F&C Asset Management plc Quarter 3 Funds Under Management	31 October 2008
Friends Provident plc Quarter 4 New Business Announcement	27 January 2009
Friends Provident plc Preliminary Results	17 March 2009
Friends Provident plc Interim Management Statement and Quarter 1 New Business Announcement	28 April 2009
Friends Provident plc Interim Results	11 August 2009
Friends Provident plc Interim Management Statement and Quarter 3 New Business Announcement	27 October 2009

4. Certain statements contained in this announcement constitute 'forward-looking statements'. Such forward-looking statements involve risks, uncertainties and other factors, which, from time to time, may cause the actual results, performance or achievements of Friends Provident plc, its subsidiaries and subsidiary undertakings, or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other factors include, among others, adverse changes to laws or regulations; risks in respect of taxation; unforeseen liabilities from product reviews; asset shortfalls against product liabilities; changes in the general economic environment; levels and trends in mortality, morbidity and persistency; restrictions on access to product distribution channels; increased competition; and the ability to attract and retain personnel. These forward-looking statements are made only as at the date of this announcement and, save where required in order to comply with the Listing Rules, there is no obligation on Friends Provident plc to update such forward-looking statements.

5. For more information on Friends Provident including, photos, awards, fast facts, presentations, and media contacts please visit the media section at http://www.friendsprovident.com/media

Interim Management Statement

Overview

In January this year, following its strategic review, Friends Provident announced its intention to focus on its core strengths of manufacturing and administering life and pensions products in the UK and related international markets. We are progressing with implementation of the conclusions of the strategic review. The overriding objective of the Board is to deliver enhanced profitability and maximise value for shareholders. We intend to maintain our strong capital position. We will build on our leading positions in protection and group pensions in the UK, and aim to grow FPI more quickly, where we have a track record of delivering growth in markets with superior profitability.

Implementation of new strategy

In line with the conclusions of our strategic review, we have acted to withdraw products that do not generate sufficient returns, namely pensions products with unfunded initial commission and a number of investment products. We are well underway with reorganisation of our distribution functions in the UK to align to our focus on key products and distributors. As a result we are executing a timetable to close 11 area sales offices and consolidate these functions in to four regional offices.

We have well-developed plans to realise the savings of at least £40 million as stated in our 31st January announcement, or 15 per cent of the 2007 operating cost base, by the end of 2009. Detailed reviews and staff consultations are currently underway across the UK life and pensions business, including sales, marketing, IT, customer services and corporate functions. We have also completed the closure of our Wrap development programme. We will provide an update on cost savings at the time of the interim results on 7 August 2008.

Friends Provident's three wealth management businesses, Lombard, F&C and Pantheon Financial, no longer fit the group's strategy. We are reviewing options for these businesses with the objective of maximising value for shareholders. Following numerous expressions of interest for each of the businesses, separate competitive processes are now well under way to engage with selected interested parties whom we expect to value and develop the franchise and growth prospects of these companies. Information relating to the businesses is being provided to interested parties and introductory meetings are being held between management, interested parties, Friends Provident representatives and their respective advisers.

The identities of interested parties are confidential. Friends Provident will provide further updates as and when appropriate.

Life & Pensions new business

New life & pensions business for the UK and FPI businesses in the first quarter of 2008 increased by 11% to £223m (2007: £201m). Lombard new business increased by 11% to £24m (2007: £22m).

The new business environment in the UK continues to be challenging, with slow housing market turnover and unsettled investment markets. While sentiment towards Friends Provident in the intermediary sector remains on the whole positive, two factors currently affecting Friends Provident's distribution are expected to influence results in the UK over the remainder of this year. These are, firstly, restructuring our sales and distribution operations to be more effective and efficient, which will have some short-term impact on sales of individual products. Secondly, uncertainty around ownership of the company has reduced the number of provider panels Friends Provident is on for group pensions business. This is usual in this market and we expect to be reinstated in due course. While existing schemes and incremental business have not been affected, we expect new scheme wins through the middle of the year to be impacted.

There continue to be profitable growth opportunities for both FPI and Lombard. Record quarterly sales for FPI reflect the continued strong delivery from efforts in marketing regular premium savings products. Lombard's sales were higher than the equivalent quarter last year, driven by a greater volume of large cases.

Full details of Life & Pensions new business results are contained in the attached appendix. Sesame continues to trade profitably although its results for this year are likely to reflect wider trends in the UK protection market.

Asset Management

Funds under management decreased in the quarter to £101.8bn at 31 March 2008 (31 Dec 2007: £103.6bn). F&C has continued to pursue its stated strategy of targeting higher margin and specialist new business. Net flows in UK Retail and International Wholesale funds were positive despite challenging market conditions. Further commentary is given in the F&C Interim Management Statement dated 25 April 2008.

Financial markets

In our 2007 results we reported an impact of £90m on IFRS underlying profit due to the around 100 basis point widening in credit spreads implied by corporate bond market values which required us to provide more reserves in our annuity book. During 2008 to late April spreads have widened further by around 75 basis points.

In our preliminary announcement of 2007 results we disclosed £187 million of Asset Backed Securities (ABS) held in the shareholders' funds. This included one holding in a Structured Investment Vehicle, which is now non-performing. As a consequence we will record a charge of £6 million in 2008. The overall credit quality of our ABS portfolio remains good with more than 98% of shareholder exposure at investment grade.

Dividend and share capital

The final dividend declared for 2007 of 5.3p per share is payable on 27 May 2008.

During the quarter no new ordinary shares in the company were issued and at 31 March 2008 the issued share capital excluding treasury shares amounted to 2,323m ordinary shares of 10p each (31 December 2007: 2,323m shares). At 28 April 2008 the number of shares in issue were 2,323m shares.

During the quarter there were no significant changes to Group borrowings. Our new strategy is self-financing and does not require debt or equity funding. Where proceeds arise from the reviews of the three wealth management businesses, these will be fully returned to shareholders. As outlined in January, the cost of dividend will be reduced in 2008 and we will update at our interims.

Appendix: Life & Pensions new business

UK life and pensions

UK life and pensions new business in the first quarter decreased by 2% to £165m (2007: £169m) on the APE basis. On the PVNBP basis, UK life and pensions new business decreased by 13% to £906m (2007: £1,042m).

Protection

New protection business was down by 12% to £15m (2007: £17m). This result reflects the impact of significantly reduced numbers of house purchase transactions on the market for mortgage-related protection sales. Premiums in-force continued to increase, rising to £315m (31 Dec 2007: £311m). In the first quarter we saw some competitive pressure in critical illness products, while we believe we have maintained a strong position in income protection. We launched a business protection product in January to broaden our individual product range. We aim to maintain our position as one of the leading players in this market.

Pensions

New group pensions business increased by 11% to £127m (2007: £114m). Regular premiums in-force increased to £1,319m (31 Dec 2007: £1,241m). Assets under management decreased to £7,295m (31 Dec 2007: £7,595m) as investment market declines more than offset single premiums and regular premiums on existing business. We withdrew from marketing schemes with unfunded initial commission following the announcement of our new strategy and the pipeline of such schemes will complete in the second quarter. The proportion of our new business from new initial commission schemes in the quarter was around 16%.

Regular premium new business was exceptionally strong, with around 75% of total APE reflecting increments related to additional tranches of business on the large number of schemes won last year and annual salary increases. We therefore expect the underlying level of new regular premiums through the year to be lower than seen in the first quarter.

New individual pensions business decreased by 21% to £12m (2007: £15m). This reflects our withdrawal from the unfunded initial commission market and changes to our sales operations, combined with increasing competition in this market. We expect the level of new business to reduce further in the second quarter.

DWP rebate premiums were £1m in the first quarter (2007: £1m), as expected given seasonal trends.

Annuities

Annuity sales over the first quarter decreased by 15% year-on-year to £6.4m. Payments in-force increased to £155m (31 Dec 2007: £150m). We aim to capture a proportion of the proceeds of our vesting pensions policies and have maintained this rate above 40%. The year-on-year volume decrease reflects a reduced level of maturities relative to Q1 2007. Pricing pressure in the first quarter is expected to impact on margin for this product.

Savings and investments

Investment sales fell by 72% to £4m (2007: £14m). This reflects our revised ambitions in the wealth management market and the withdrawal of less profitable products. We will take a tactical approach in future although the market backdrop given uncertainty around tax changes and investment markets is currently unpromising.

International life and pensions

Friends Provident International (FPI)

New business (APE)	**Q1 2008**	Q1 2007
	£m	£m
Asia	**32.5**	13.1
UK	**3.6**	6.4
Middle East	**9.3**	3.2
Europe (excluding UK)	**8.3**	7.1
Rest of World	**4.3**	2.8
Total FPI	**58.0**	32.7

FPI experienced a record quarter of new business, driven by continued strong demand for regular premium savings products in Asia. Strengthened links with distributors in smaller markets such as the Middle East and Germany have given rise to further growth. Single premium sales have been slower reflecting weak underlying demand in the UK market.

Some of the additional regular premium business written this quarter will be at a slightly lower rate of return than the FPI average in 2007 of 18%, although still above UK profitability levels in line with our strategy to increase average returns. We expect the new business volume from this product to moderate going forward as competitors have established similar products in major markets such as Hong Kong. Growth prospects for the medium term and longer term remain encouraging.

Lombard International (Lombard)

New business (APE)	**Q1 2008**	Q1 2007
	£m	£m
UK and Nordic	**5.0**	4.2
Northern Europe	**9.1**	6.4
Southern Europe	**8.8**	10.8
Rest of World	**1.4**	0.4
Total including large cases	**24.3**	21.8
Of which, large cases (greater than €10m)	**6.2**	3.3
Total excluding large cases	**18.1**	18.5

Q1 new business was up 11% to £24m helped by favourable currency movements. Most regions saw good growth over 2007, with the exception of Southern Europe, which had a particularly strong performance in Q1 2007. The geographic mix of business was favourable towards higher margin territories, whilst margins in individual territories remained stable.

Results for the full year will be influenced by opportunities in different markets and the level of large cases. Prospects for the German market have improved with the forthcoming tax change in early 2009. The current level of large case prospects is high. The long-term outlook for the business remains excellent, as Lombard continues to focus on deepening relationships with distributors in its key markets, with the development of the Swiss market remaining an important goal.

Analysis of Life and Pensions New Business

In classifying new business premiums the following basis of recognition is adopted:

- Single new business premiums consist of those contracts under which there is no expectation of continuing premiums being paid at regular intervals;
- Regular new business premiums consist of those contracts under which there is an expectation of continuing premiums being paid at regular intervals, including repeated or recurrent single premiums where the level of premiums is defined, or where a regular pattern in the receipt of premiums has been established;
- Non-contractual increments under existing group pensions schemes are classified as new business premiums;
- Transfers between products where open market options are available are included as new business; and
- Regular new business premiums are included on an annualised basis.

New Business – Regular and Single Premiums:

	Regular premiums			**Single premiums**		
	Change %	**Q1 2008 £m**	Q1 2007 £m	Change %	**Q1 2008 £m**	Q1 2007 £m
Protection	(12)	**14.9**	16.9	-	**0.0**	0.0
Pensions						
- Group pensions	15	**110.4**	95.9	(9)	**168.8**	184.9
- Individual pensions	(14)	**4.3**	5.0	(25)	**75.3**	100.7
- DWP rebates	-	**0.0**	0.0	(45)	**5.1**	9.3
Total pensions	14	**114.7**	100.9	(15)	**249.2**	294.9
Annuities	-	**0.0**	0.0	(14)	**64.5**	74.8
Savings & Investments	(50)	**0.3**	0.6	(74)	**35.5**	134.3
Total UK Life & Pensions	10	**129.9**	118.4	(31)	**349.2**	504.0
FPI	151	**46.7**	18.6	(20)	**113.0**	141.8
Lombard	-	**0.0**	0.0	11	**243.2**	218.2
Total International Life & Pensions	151	**46.7**	18.6	(1)	**356.2**	360.0
Total	29	**176.6**	137.0	(18)	**705.4**	864.0

New Business - Annual Premium Equivalent (APE):
Annualised Premium Equivalent (APE) represents annualised new regular premiums plus 10% of single premiums.

	Change %	**Q1 2008 £m**	Q1 2007 £m
Protection	**(12)**	**14.9**	16.9
Pensions			
- Group pensions	**11**	**127.3**	114.4
- Individual pensions	**(21)**	**11.8**	15.0
- DWP rebates	**(44)**	**0.5**	0.9
Total pensions	**7**	**139.6**	130.3
Annuities	**(15)**	**6.4**	7.5
Savings & Investments	**(72)**	**3.9**	14.0
Total UK Life & Pensions	**(2)**	**164.8**	168.7
FPI	**77**	**58.0**	32.7
Lombard	**11**	**24.3**	21.8
Total International Life & Pensions	**51**	**82.3**	54.5
Total	**11**	**247.1**	223.2

Effect of currency movements on APE
All amounts in currency other than sterling are translated into sterling at a monthly average exchange rate. The estimated new business assuming constant currency rates would be as follows:

	Change %	**Q1 2008 £m**	Q1 2007 (as reported) £m
FPI	76	**57.5**	32.7
Lombard	-1	**21.7**	21.8
Total International Life & Pensions	45	**79.2**	54.5

New Business – Present Value of New Business Premiums (PVNBP):
PVNBP equals new single premiums plus the expected present value of new regular premiums. Premium values are calculated on a consistent basis with the EEV contribution to profits from new business. Start of period assumptions are used for the economic basis and end of period assumptions are used for the operating basis. A risk free rate is used to discount expected premiums in future years. The impact of operating assumption changes across a whole reporting period will normally be reflected in the PVNBP figures for the final quarter of the period that the basis changes relate to. No change in operating assumptions will be reflected in the PVNBP for the first and third quarters, when the contribution to profits from new business is not published. All amounts in currency other than sterling are translated into sterling at a monthly average exchange rate.

	Change %	**Q1 2008 £m**	Q1 2007 £m
Protection	(13)	**87**	100
Pensions			
- Group pensions	4	**620**	598
- Individual pensions	(24)	**93**	122
- DWP rebates	(44)	**5**	9
Total pensions	(2)	**718**	729
Annuities	(15)	**64**	75
Savings & Investments	(73)	**37**	138
Total UK Life & Pensions	(13)	**906**	1,042
FPI	51	**357**	237
Lombard	11	**243**	218
Total International Life & Pensions	32	**600**	455
Total	1	**1,506**	1,497

Effect of currency movements on PVNBP
All amounts in currency other than sterling are translated into sterling at a monthly average exchange rate. The estimated new business assuming constant currency rates would be as follows:

	Change %	**Q1 2008 £m**	Q1 2007 (as reported) £m
FPI	49	**354**	237
Lombard	-1	**217**	218
Total International Life & Pensions	25	**571**	455