

Press release



Standard Life plc

2007 Interim Results – 4 September 2007

- **EEV operating profit up 71% to £353m (2006: £206m)**
- **New business contribution up 66% to £151m (2006: £91m)**
- **PVNBP margin up to 1.8% in first half of 2007, from 1.4% in full year 2006**
- **EEV up 5% to £5,911m (31 December 2006: £5,608m), equivalent to 271p per share**
- **EEV cash generation up 68% to £207m (2006: £123m)**
- **IFRS underlying profit 10% lower at £219m (2006: £243m), up 11% on a normalised basis**
- **Interim dividend of 3.8p, representing 5.6% growth¹**

Commenting on the results, Group Chief Executive Sandy Crombie said:

"Our 2007 Interim Results show that Standard Life is growing strongly and profitably.

"We have made significant progress in increasing margin in our UK business over the first half of 2007, thanks to strong growth in higher margin products supported by the continued improvement in underlying efficiency. We are on track to meet our target of a 9-10% return on embedded value in 2007 and increasing thereafter.

"I am pleased to be able to announce the payment of our first interim dividend to our 1.5 million shareholders of 3.8p per share on 30 November 2007, representing a growth rate of 5.6%.

"Standard Life has enjoyed a successful first year as a listed company and I am confident we can achieve much more."

Financial highlights:

	H1 2007	H1 2006	Change
New business PVNBP	£8,181m	£6,235m	31%
New business APE	£1,009m	£795m	27%
New business contribution	£151m	£91m	66%
PVNBP margin	1.8%	1.4% ²	+0.4% points
EEV operating profit before tax	£353m	£206m	71%
EEV profit before tax	£461m	£266m	73%
Diluted EEV operating EPS	11.2p	7.1p	58%
EEV	£5,911m	£5,608m ³	5%
Return on embedded value	9.1%	6.8%	+2.3% points
IFRS underlying profit before tax	£219m	£243m	(10)%
IFRS profit after tax ⁴	£115m	£82m	40%
Diluted IFRS underlying EPS	9.7p	9.9p	(2)%
Interim dividend per share	3.8p	-	-

¹ Applying our dividend policy to the dividend announced in the 2006 Preliminary Results.

² Full Year 2006.

³ As at 31 December 2006.

⁴ H1 2006 is shown on a mutual basis - refer to section 1.1.3.

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Standard Life plc, registered in Scotland (SC286832), Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH. 0131 225 2552.

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Standard Life Group includes Standard Life plc and its subsidiaries.

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EEV operating profit	H1 2007	Pro forma
	£m	H1 2006
		£m
Life and pensions by country		
UK	252	148
Canada	75	79
Europe	14	25
Other	(6)	(2)
HWPF TVOG	(2)	-
	333	250
Life and pensions operating profit		
Life and pensions by source		
New business contribution	151	91
In-force business		
expected return	201	189
experience variances	(15)	22
operating assumption changes	1	(38)
Development costs	(7)	(11)
Expected return on free surplus	2	(3)
	333	250
Life and pensions operating profit		
Investment management	26	14
Banking	14	17
Healthcare and general insurance	4	3
Group corporate centre costs	(26)	(42)
Other	2	(36)
	353	206
Operating profit before tax		
Tax on operating profit	(108)	(72)
	245	134
Operating profit after tax		
IFRS underlying profit		
	H1 2007	Pro forma
	£m	H1 2006
		£m
Life and pensions by country		
UK	91	119
Canada	64	68
Europe	19	52
Other	(6)	(2)
	168	237
Life and pensions underlying profit		
Investment management	40	28
Banking	14	17
Healthcare and general insurance	4	3
Group corporate centre costs	(26)	(42)
Other	19	-
	219	243
Total underlying profit before tax		
Tax on underlying profit	(8)	(27)
	211	216
Underlying profit after tax		

Basis of preparation

Unless otherwise stated, the comparative results have been calculated using assumptions to show the results which would have been attributable to shareholders had the company been owned by the shareholders under the terms of the Scheme of Demutualisation (the Scheme) throughout the period. The Scheme did not take effect until 10 July 2006. For further information please refer to the basis of preparation section 1.3 below for both EEV and IFRS.

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In the first half of 2007, EEV operating profit before tax increased by 71% to £353m (2006: £206m) delivering an annualised return on embedded value of 9.1% (2006: 6.8%). IFRS underlying profit before tax decreased by 10% to £219m (2006: £243m). The prior year benefited from provision releases and profits from exceptional sales in Germany in 2004 and the first quarter of 2005. Adjusting for these items IFRS underlying profit would have increased by 11%. Worldwide insurance sales were up by 31% to £8,181m (2006: £6,235m), with a significant increase in margin from 1.4% in the full year of 2006 to 1.8% in the first half of 2007.

Embedded value increased by 5% to £5,911m (31 December 2006: £5,608m), equivalent to 271p per share on a diluted basis (31 December 2006: 258p), reflecting the EEV retained profit during the first half of 2007. EEV cash generation increased by 68% to a £207m inflow (2006: £123m inflow) due to our focus on capital efficient products.

We will pay an interim dividend of 3.8p per share on 30 November 2007, which represents growth of 5.6%. Our intention is to pay a progressive dividend taking account of the long-term earnings and cash flow potential of the Group.

UK Financial Services

In the UK, life and pensions EEV operating profit before tax increased by 70% to £252m (2006: £148m). New business contribution was up 71% to £133m (2006: £78m) due to 45% growth in sales to £6,954m (2006: £4,802m), and a further strengthening in margins to 1.9% (H1 2006: 1.8%, FY 2006: 1.5%). UK IRR increased to 15% (2006: 14%) for the full product range. The margin improvement reflects the strong growth in higher margin product lines, coupled with an improvement in underlying product margins driven by higher volume.

Net flows for life and pensions business were positive at £1.2bn in the first half of 2007. Within this total, net pensions inflows were £1.5bn compared with £1.8bn in H2 2006. Excluding institutional TIP, underlying net pensions inflows strengthened from £0.6bn in H2 2006 to £1.1bn in H1 2007. Net life outflows amounted to £0.3bn in H1 2007 compared to £0.6bn in H2 2006. The improving trend in underlying net flows has been achieved against a backdrop of claims activity across our life and pensions portfolios being above expected levels. In line with normal industry practice, we will review our lapse assumptions as part of our year end review of all operating assumptions.

We expect the UK life and pensions market to continue to experience good growth over the medium term. Over the coming months we expect to exceed market growth as we continue to enhance our SIPP proposition and to leverage it into the group pensions market. Our award-winning platform propositions, underpinned by our market-leading service and impressive track record in investment performance, mean we are well placed to capitalise on the available opportunities.

We achieved a 29% increase in gross mortgage lending to £1.6bn (2006: £1.2bn) despite a competitive banking market. Credit quality remains extremely high; the arrears rate of 0.18% at 30 June 2007 continues to be well below the industry average of 1.15%. We have cut costs while maintaining high levels of customer service. This has been offset by the impact of pressure on interest margins and the accelerated write-off of acquisition costs as we have taken a more prudent view of product duration reflecting changes in customer behaviour. The underlying profit before tax on an IFRS basis decreased by 18% to £14m (2006: £17m) while the cost income ratio improved to 65% (2006: 67%). We anticipate margin pressure will continue to impact on profitability but aim to mitigate this by continued cost reduction.

In healthcare and general insurance IFRS underlying profit before tax increased to £4m (2006: £3m). We expect to generate future growth and improved financial results through delivery of flexible customer propositions, retention of profitable existing business and use of lower cost operating platforms.

Canada

In Canada, new business contribution increased by 35% in constant currency to £14m (2006: £11m) on sales which fell by 37% in constant currency to £589m (2006: £1,025m), highlighting our focus on margin over volume. EEV operating profit before tax increased by 3% in constant currency to £75m (2006: £79m). A promising pipeline of prospects in the group savings and retirement business and our strengthened offering in the group insurance segment are expected to support improved sales performance.

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Europe

In Europe, sales increased 54% in constant currency to £513m (2006: £340m), including 96% growth in constant currency in Ireland. New business contribution doubled to £4m (2006: £2m) while EEV operating profit before tax decreased 44% to £14m (2006: £25m) reflecting the positive experience variance in Germany in H1 2006. We intend to further develop our product range and broaden distribution and believe good growth potential exists for our markets.

Asia-Pacific

In Asia-Pacific, sales from our joint ventures in India and China and our Hong Kong operations increased by 107%¹ in constant currency. Our continued investment in the development and expansion of our operations contributed to the underlying loss before tax on an IFRS basis of £6m. We expect further strong growth driven by new product launches, wider distribution and market expansion.

We have reached agreement with Housing Development Finance Corporation Limited ("HDFC"), our joint venture partner in India, to increase our shareholding in HDFC Standard Life Insurance Company Limited, the insurance joint venture company, from approximately 18.8% to 26%, subject only to the compliance with applicable Indian regulatory requirements. The cost of acquiring the additional shares from HDFC will be satisfied in cash and, as it derives from a formula in the joint venture agreements, will vary depending on the date upon which the transaction takes place. If the transaction takes place on 1st October 2007, the cost will be approximately £22m-£23m.

Standard Life Investments

Standard Life Investments' underlying profit before tax increased by 43% to £40m on an IFRS basis (2006: £28m) with an improvement in EBIT margin to 29.3% (2006: 24.5%). Third party funds under management increased by 20% to £46.1bn over the first six months of 2007 (31 December 2006: £38.5bn), reflecting continued investment outperformance, which has driven substantial retail and institutional third party mandate wins. Worldwide investment net inflows increased 61% to £5.0bn (2006: £3.1bn). The pipeline of new business remains strong. Across the book of third party assets we have a strong track record that should serve as the foundation for maintaining the sales momentum.

Delivering continuous improvement

In March we announced our aim to reduce underlying costs by a further £100m by 2009, in addition to existing initiatives announced at the time of the IPO to reduce UK life and pensions and corporate costs by the end of 2007. We have established a UK Financial Services Division and are integrating UK life and pensions, Standard Life Bank and Standard Life Healthcare. This will drive both cost and revenue synergies and enhance our capability to deliver higher profitability. We are also taking a groupwide approach to the sourcing for key processes and to product development, including increased usage of shared services. At 30 June 2007, Group headcount was 10,472, a reduction of 269 from 31 December 2006, after creating 147 additional jobs from the investment in UK SIPP and Wrap.

Outlook

Our focus on customer service, our excellent investment performance and our innovative product range are expected to continue to drive strong sales. Our strategy of concentrating on more profitable, less capital intensive products offering attractive rates of return, along with the cost efficiency initiatives announced, will ensure that this growth is converted into improved profitability. We remain on track to meet our target for return on embedded value of 9-10% in 2007 and increasing thereafter.

¹ The growth percentage quoted reflects the growth in sales in HDFC Standard Life Insurance Limited rather than the growth in Standard Life's share of the joint venture.

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Newsires and online publications

A conference call will take place for newswires and online publications at 8.00am. Participants should dial 020 7162 0125 and quote Standard Life Interim Results.

Investors and analysts

A presentation to investors and analysts will take place at 9.30am at UBS, Ground Floor Conference Centre, 1 Finsbury Avenue, London EC2M 2PP. A live webcast of the presentation and the presentation slides will be available on the Group's website. In addition a replay will be available on the website later today.

There will also be a live audio teleconference of the investor and analyst presentation at 9.30am. UK investors should dial 0845 245 5000, and overseas investors should dial +44 (0) 1452 562 716. Callers should quote Standard Life Interim Results. The conference ID number is 11395127. A replay facility will be available for two weeks on 0845 245 5205 for UK investors and +44 (0) 1452 55 00 00 for overseas investors. The pass code is 11395127#.

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