M&G plc NEWS RELEASE

25 September 2019

M&G plc

Publication of Prospectus

Further to the announcement made earlier today regarding the proposed demerger of M&G plc ("M&G" or the "Company") from Prudential plc, the prospectus in relation to the proposed admission of M&G's ordinary shares to the premium listing segment of the Official List and to trading on the main market of the London Stock Exchange (the "Prospectus") has been approved by the Financial Conduct Authority and published by the Company.

The Prospectus is available on the Company's website at www.mandgprudential.com.

A copy of the Prospectus has also been submitted to the National Storage Mechanism and will shortly be available for inspection at www.morningstar.co.uk/uk/nsm.

A general meeting of Prudential will be held in the conference suite at Nomura, 1 Angel Lane, London EC4R 3AB at 9.30am (UK time) on 15 October 2019.

It is expected that the demerger will be completed and that the M&G shares will be admitted to trading on the London Stock Exchange's main market for listed securities by no later than 8am (UK time) on 21 October 2019.

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Notes to Editors

M&G plc investor and analyst conference

An investor and analyst conference for M&G will be held on 27 September 2019 at 10 Fenchurch Avenue, London, EC3M 5AG.

About M&G plc

M&G is a leading savings and investments business which was formed in 2017 through the merger of Prudential plc's UK and Europe savings and insurance operation and M&G, its wholly-owned international investment manager. In March 2018, Prudential plc announced its intention to demerge M&G with a premium listing on the London Stock Exchange. As an independent company, M&G will have a single corporate identity and will continue with two customer-facing brands; Prudential for savings and insurance customers in the UK and Europe and for asset management in South Africa and M&G Investments for asset management clients globally.

M&G plc's strengths

Unique and compelling business mix

The Group is an asset owner and asset manager, and therefore benefits from the symbiotic relationship between its businesses that gather assets from customers and its businesses that manage these assets. Being both an asset owner and manager is a key competitive advantage for the Group as this enables it to have a deep understanding of the needs of large and complex institutional clients and aligns the Group's incentives with those of its clients. It also allows the Group to rapidly deploy seed funding for new funds where it sees opportunities to generate superior returns and build a track record to attract third party funds. Furthermore, being both an asset owner and manager allows the Group to invest at scale and buy physical assets outright, while enabling it to maintain its long-term investment approach. Its large with-profits fund further enhances the Group's ability to invest at scale.

Differentiated and high-value savings and investment solutions

The Group provides innovative, differentiated and high-value investment solutions to address customers' and clients' needs. It offers a comprehensive range of retail solutions which it makes available to its customers through their preferred channel, platform and tax wrapper. These solutions include a range of funds spanning the major asset classes as well as the new PruFolio range. The PruFolio range comprises a variety of active and passive funds and access to the largest open UK with-profits fund, the Risk Managed PruFund range, which offers individuals different rates of smoothed return aligned with their tolerance for risk. The Group's ability to provide good customer outcomes and bespoke solutions in line with risk appetites and time horizons, represents a compelling proposition.

The Group has a full set of diversified investment capabilities with expertise spanning a range of fixed income, equity, multi-asset, real estate and private asset classes. This enables the Group to offer differentiated and innovative customer and client solutions, such as the M&G Sustainable Allocation Fund and the Illiquid Credit Opportunity Fund.

Proven track record for growing new businesses in the UK and internationally

The Group has a proven track record for growing new businesses, including PruFund and the institutional asset management business, and expanding them in the UK and internationally.

PruFund was launched in the UK in 2004 and now comprises seven funds, each with its own risk profile. The assets under management and administration ("AuMA") in PruFund reached £49.6 billion as at 30 June 2019, with significant growth over the last three years (£8.5 billion, £9.0 billion and £6.5 billion of net inflows during 2018, 2017 and 2016 respectively).

Similarly, the Group has successfully developed and grown its institutional asset management business, first in the UK and then internationally, by offering innovative and bespoke solutions and building strong client relationships. Revenue from external institutional asset management services in the UK increased over 20 times over the 15 years to 31 December 2018 and the Group has also grown its institutional asset management business in the Netherlands, the Nordics, Switzerland and Japan.

Proven investment capability

The Group has a long history and strong reputation for meeting the needs and expectation of its customers.

The Group is one of the largest asset managers in Europe, with £341.1 billion AuMA as at 30 June 2019. It is also one of the largest active fixed income managers in the UK and one of the largest managers of private assets in the world. This scale and capability is not easy to replicate and is well-matched to capturing value in the premium segments of the growing savings and investments market.

The Group has a strong investment performance track record, driving growth in AuMA and long-term customer relationships. The Group's largest with-profits sub-fund delivered annualised returns of 8.6% between 2009 and 2018 compared to 6.1% annualised returns of the ABI Mixed Investment 20-60% Shares Sector Average. Similarly, the Group's retail asset management solutions have a strong and consistent track record, with 55% of the Group's mutual funds performing in the top quartile of their respective peer group on a three-year basis in 2018. At the same time, the vast majority of the Group's institutional asset management solutions are consistently delivering for clients, with 86% of solutions achieving their investment objectives over the three years ended 30 June 2019.

The Group has also been recognised for its investment performance through a number of awards. For the Group's retail business, these include Platinum awards for the Emerging Market Fixed Income and Developed Market Fixed Income categories in 2019 from the Portfolio Adviser Awards, Outstanding Fund Manager of the Year (Jim Leaviss) in 2019 from Morningstar Fund Manager of the Year Awards, as well as Best Asset Management House, Best Asset Management House in Asset Allocation and Best Investment Fund (for M&G Dynamic Allocation) in 2018 from Expansión & AllFunds Fund Awards. For the Group's institutional business, these include the Most Innovative Solution from an Asset Manager award in 2019 from the Insurance Investment Exchange Awards, the Infrastructure Manager of the Year award in 2018 from the Global Investor Magazine Awards, the Multi-Asset Manager of the Year and Real Estate Manager of the Year awards in 2018 from European Pensions, as well as Fixed Income Manager of the Year in 2018 Insurance Asset Risk Awards.

Strong distribution and customer engagement

The Group has an established and growing multi-channel international distribution network and two strong brands: Prudential and M&G Investments. The Group's products are currently being sold in 28 different countries across six continents.

The Group's distribution channels provide customers with choice in the way they use the Group's services. The Directors believe that the Group's strong positions in each of its market segments also offer strategic flexibility to respond to and capitalise on changing market and regulatory conditions over time. Furthermore, the Directors expect the implementation of the Transformation Programme to enhance the Group's capabilities to engage with customers by building a scalable digital platform.

The Group benefits from various routes to market in the UK. Retail asset management and savings solutions are delivered to individual customers through independent financial advisers, via Prudential Financial Planners and directly to customers. Retail asset management solutions are also delivered on a wholesale basis to intermediaries (third party platforms, discretionary fund managers and wealth managers) for onward distribution to retail customers. Asset management solutions are delivered to institutional investors directly and on the recommendation of investment consultants.

In Europe, the Group benefits from a strong distribution network to serve its retail customers and institutional clients. The routes to market include strategic partnerships with global and local banks, distribution via wealth managers and institutional relationships with pension funds and insurers. Outside Europe, the Group operates through strategic partnerships with global banks and a number of relationships with local banks.

Well positioned to capture opportunities

The trends across the markets in which the Group operates, particularly the favourable demographic developments, the search for yield in a low interest rate environment and the increasing demand for financial solutions, present significant opportunities for the Group. As welfare support from the state diminishes and employers retreat from guaranteed retirement provisions, more people need to make their own preparations for retirement and other life goals. This has caused an increase in defined contribution pension schemes and contribution levels as individuals increase their savings to reduce the growing savings gap. At the same time, many people with sizeable asset pools, who want to grow or protect their value, are hampered by persistently low interest rates. Across the EU, an estimated €10 trillion of cash and deposits were earning poor returns due to low interest rates in 2016.

The Directors believe that the Group offers modern, flexible solutions to take advantage of these trends, including long-term savings solutions that allow customers to save for their retirement, such as the largest open UK with-profits fund, which allows for the delivery of smoothed returns and outcome-oriented investment solutions. The Group also offers asset management products that have a strong investment performance track record. Furthermore, its increasingly digital, data-led and scalable distribution platform gives the Group the flexibility to provide innovative products to customers in the way customers prefer. The Group is therefore well positioned to serve growing customer needs and to take advantage of the structural trends impacting the Group’s markets.

Attractive financial profile

The Group’s diverse and resilient earnings, as well as its strong cash generation and capital position give it an attractive financial profile.

Diverse and resilient earnings

The Group benefits from a broad range of income sources, driven by its diverse mix of retail customers and institutional clients, geographic footprint and product types. Together with the long-term nature of the majority of the Group’s business, this diversity of income helps to underpin the quality of its earnings and the resilience of its financial performance.

In the Savings & Asset Management segment, earnings are primarily driven by fees typically related to the level of AuMA net of expenses, and by the shareholder share of the returns allocated to policyholders in the PruFund range. The Group sees opportunity for earnings growth from both sources over time, both in the UK and internationally.

In the Heritage segment, the main sources of earnings are income from the book of shareholder annuities and the shareholder share of the returns allocated to traditional with-profits policyholders by means of bonuses. Both of these books are closed to new customers, but the run-off profiles are relatively long, and consequently, subject to financial market conditions, earnings are expected to remain resilient over the medium term.

Strong cash generation

The Group's strong cash generation supports its overall financial flexibility and its dividend policy. In addition, the Heritage business may generate earnings and capital from other potentially less recurrent sources, for example changes to assumptions (especially longevity), and from asset trading and other asset related drivers. These sources of earnings have had a materially positive impact on the Group's annuity earnings over the three years ended 31 December 2018.

Well-capitalised

As at 30 June 2019 the Group's pro-forma shareholder Solvency II Own Funds were £9.6 billion, exceeding the Solvency Capital Requirement of £5.6 billion by £4.0 billion, and resulting in a shareholder Solvency II ratio of 170%. At the same point in time, Own Funds in the with-profits fund stood at £11.1 billion, exceeding the Solvency Capital Requirement of £4.5 billion by £6.6 billion, and resulting in a Solvency II ratio of 249%.

M&G plc's strategy and objectives

The Group's aim is to maintain and further strengthen its position as a leading provider of differentiated, outcome-orientated investment solutions to retail customers and institutional clients. The Group's strategy is underpinned by its core purpose: to grow and manage its customers' savings with tailored solutions and to invest responsibly and with care.

Expand investment capabilities and broaden proposition

To support its ambition of serving customers and clients with the most appropriate solutions that meet their financial objectives, the Group will focus on building on its strong investment management capabilities, aiming to continue delivering consistent investment outperformance to its customers. The Group also intends to use its broad product capabilities and track record of innovation to grow its investment solutions and private asset offerings.

Specifically, the Group will continue to invest in its private asset origination capacity, with the aim of increasing the rate at which it can deploy capital raised from institutional clients seeking bespoke, long-term solutions.

The Group's position as an asset owner and asset manager is also expected to allow the Group to further utilise the quantum and longevity of assets within its with-profits fund and annuity portfolio to facilitate the scaling of its private and illiquid asset capabilities.

The Group will also continue to strengthen its capabilities in public asset classes and markets where it can provide value as an active asset manager. For example, the Group is enhancing its emerging market equity expertise in Asia and strengthening its emerging market debt team to broaden its proposition and to capitalise on its strong investment performance track record.

Protect and enhance existing market positions whilst selectively growing internationally

The Group has a leading position in the UK advised savings and asset management market, and plans to protect and grow this position by investing in its digital platforms to improve adviser and customer experience and outcomes. This is expected to lead to an improvement in asset retention and a reduction in administration costs. Further, the Group is extending its capabilities to enable it to serve a wider array of customer and intermediary needs.

In Europe, the Group has a strong and established retail distribution presence, reputation and local infrastructure that enables it to serve its customers across the different territories in which it operates, with a broad range of investment solutions. The Group will leverage this infrastructure and its full range of investment capabilities with the aim of deepening and widening its established presence by capturing expected growth in demand for sub-advised solutions. Southern Europe has traditionally been a retail asset management market for the Group, and the Group intends to continue to leverage its retail distribution network there to cross-sell institutional products. For example, this has been a successful strategy in Italy where the Group increased its institutional AuMA by approximately £0.5 billion in 2017 and 2018.

Outside the UK and continental Europe, the Group aims to pursue disciplined expansion in retail and large institutional markets to take advantage of global growth opportunities. These opportunities include utilising the newly developed SICAV platform in Luxembourg to further leverage existing partnerships with global and local banks in international markets, as well as building on the Group's Asian, Australian and North American presence to reach new customers. The Group anticipates that this strategy, together with the opening of new distribution offices and an expansion of its institutional client servicing capabilities in select locations, will result in growth in AuMA in the medium term.

Complete the Merger and Transformation Programme

The Group is implementing the Merger and Transformation Programme, which is expected to be completed in 2022 and aims to improve the experience and outcomes for customers, while strengthening the Group's resilience and control environment, and provide the Group with an efficient and scalable platform for future growth. The Transformation Programme involves a fundamental overhaul of, and significant investment in, the Group's operational, outsourcing and IT environment, which is expected to improve the Group's ability to respond to customer, regulatory, industry and technological developments.

Through the Merger and Transformation Programme, the Group is expected to have the platform to support its growth ambitions in the Savings & Asset Management segment, while improving efficiency, creating greater variability in the cost base and consistently delivering good outcomes for customers.

Optimise the Group's capital generation and financial flexibility

The Group is targeting cumulative total capital generation of £2.2 billion over the three years to 31 December 2022. The Group intends to be disciplined in its use of capital, balancing the maintenance of financial strength and flexibility, investment in growing the business, and attractive returns to shareholders. Dividends declared each year will take into account this strategy so as to deliver stable or increasing dividends to shareholders over time.

Dividend policy

The board of directors of the Company (the “Board”) considers dividends to be an important component of total shareholder return. Dividends will be set by the Directors taking into account the Company’s overall financial position, including its level of regulatory surplus, liquidity position, leverage position, level of interest cover and quality of capital.

Subject to the Company’s overall financial position, the Directors would typically expect:

- dividends to be stable or increasing in absolute terms over time; and
- interim dividends to be formulaic and calculated as one third of the previous year’s full year dividend.

Over the longer term, the level of dividend is expected to develop broadly in line with the Company’s ability to generate capital.

At the Directors’ discretion, special dividends may be paid to M&G Shareholders in addition to ordinary dividends. Any such special dividends would be expected to be paid only if the Directors consider that the Company’s overall financial position, as defined above, was stronger than necessary to support its business and financial needs.

The Board currently expects to declare a 2019 ordinary dividend of around £310 million, subject to the Company’s financial performance and overall financial position remaining in line with expectations. Based on the expected number of M&G Shares at Admission, this is equivalent to about 11.92 pence per share. The dividend is expected to be paid to M&G Shareholders in May 2020, in accordance with the Company’s proposed financial calendar. The expected 2019 ordinary dividend is consistent with the Board’s dividend policy, as described above, being broadly two thirds of the amount that the Board would have anticipated paying in respect of 2019 on a standalone basis under its new dividend policy.

At the same time and subject to the same conditions, the Board expects to declare a one off demerger related dividend of around £100 million. Based on the expected number of M&G Shares at Admission, this is equivalent to about 3.85 pence per share. This is in recognition that, for the majority of the 2019 financial year, the Company was operating without incurring certain costs, e.g. debt interest costs, which it would expect to bear in future and which have been allowed for in determining the initial level of ordinary dividend.

About Prudential plc

Prudential plc and its affiliated companies constitute one of the world’s leading financial services groups, serving 26 million customers, with £717 billion of assets under management (as at 30 June 2019). Prudential plc is incorporated in England and Wales and is listed on the stock exchanges in London, Hong Kong, Singapore and New York. Prudential plc is not affiliated in any manner with Prudential Financial, Inc., a company whose principal place of business is in the United States of America.

Disclaimer

This announcement does not constitute an offer of securities for sale or a solicitation of an offer to purchase securities in any jurisdiction nor shall it (or any part of it) or the fact of its distribution, form the basis of, or be relied on in connection with, any contract therefor.

The shares of M&G have not been, and will not be, registered under the US Securities Act of 1933, as amended (the "US Securities Act"), and may not be offered or sold in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

No offer of shares of M&G will be made as part of the demerger and the Prospectus has been published solely in connection with the proposed admission of M&G's ordinary shares to the premium listing segment of the Official List and to trading on the main market of the London Stock Exchange.

This announcement may contain certain statements relating to the future, including forward-looking statements relating to M&G's financial position and strategy. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms 'intend', 'aim', 'project', 'anticipate', 'estimate', 'plan', 'believe', 'expect', 'may', 'should', 'will', 'continue' or other similar words. These statements discuss future expectations concerning M&G's results of operations or financial condition, or provide other forward-looking statements.

These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond M&G's control, and which may cause the actual results to differ materially from those expressed in the statements contained in this announcement. M&G's actual results of operations, financial condition and the development of the business sectors in which M&G operates may differ materially from those suggested by the forward-looking statements contained in this announcement due to certain factors including, but not limited to, domestic and global economic and business conditions, market-related risks pertaining to the financial services industry as a whole, the policies and actions of regulatory authorities, market developments regarding financial services products, the impact of competition, technological development, inflation, deflation, the timing, impact and other uncertainties of any future acquisitions, combinations or divestments within relevant industries, as well as the impact of tax and other legislation and other regulations in the jurisdictions in which M&G operates. In addition, even if M&G's actual results of operations, financial condition and the development of the business sectors in which it operates are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods. Recipients of this announcement are cautioned not to put undue reliance on forward-looking statements.

Any forward looking-statements contained in this announcement speak only as of the date of this announcement. M&G expressly disclaims any obligation to update any of the forward-looking statements contained in this announcement or any other forward-looking statements it may make, whether as a result of future events, new information or otherwise except as required pursuant to applicable laws and regulations.

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Classification: 3.1 Additional regulated information required to be disclosed under the laws of a Member State