



PRUDENTIAL

1 December 2005

Prudential plc – Acquisition of Egg Minority

Prudential plc, a company incorporated and with its principal place of business in the United Kingdom, and its affiliated companies constitute one of the world's leading financial services groups. It provides insurance and financial services directly and through its subsidiaries and affiliates throughout the world. It has been in existence for over 150 years and has £187 billion in assets under management, (as at 31 December 2004). 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.

News release

Group Communications

Prudential plc

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Incorporated and registered in England and Wales. Registered office as above. Registered number 1397169.
Prudential plc is a holding company, subsidiaries of which are authorised and regulated by the Financial Services Authority.

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NOT FOR RELEASE UNTIL 07.00 GMT

1 DECEMBER 2005

**RECOMMENDED OFFER BY PRUDENTIAL PLC FOR
THE SHARES OF EGG PLC NOT ALREADY OWNED BY PRUDENTIAL**

SUMMARY

The Boards of Prudential and Egg are pleased to announce the terms of a recommended Offer, to be made by Lexicon Partners on behalf of Prudential, for the whole of the issued and to be issued shares of Egg not already owned by the Prudential Group, representing approximately 21.7 per cent. of the existing issued share capital of Egg.

The Offer values the existing issued share capital of Egg at approximately £973 million, a 15 per cent. premium to the market capitalisation of Egg of £845 million on 30 November 2005, being the last Business Day prior to announcement of the Offer.

The Board of Prudential believes that there are substantial opportunities for the Prudential Group in the UK retail financial services market. The acquisition of the Minority will enable Prudential and Egg to capitalise on the product capabilities, customer relationships and brand strengths of Prudential, M&G and Egg more effectively than would be possible within the current shareholding structure. The Acquisition will also facilitate the realisation of substantial annualised pre-tax cost savings, with £40 million expected to be realised by the end of 2007, as well as opportunities for revenue synergies.

The Acquisition is expected to be earnings enhancing (both on an IFRS operating earnings per share basis and on an EEV operating earnings per share basis) for Prudential in 2006⁽¹⁾⁽²⁾⁽³⁾. It is also expected to increase Prudential's capital surplus position (on an EU Financial Conglomerates Directive solvency basis) from the date of completion⁽⁴⁾.

The Independent Committee of the Board of Egg considers the terms of the Offer to be fair and reasonable and unanimously intends to recommend that Egg shareholders accept the Offer.

THE OFFER

- Under the terms of the Offer, Egg shareholders will receive 0.2237 New Prudential Shares for each Egg Share.
- Based on the closing mid-market price of a Prudential share on 30 November 2005, being the last Business Day prior to announcement of the Offer, the Offer values each Egg Share at 118 pence and the entire issued share capital of Egg at approximately £973 million.
- The Offer represents a premium for Egg shareholders of 15 per cent. to the Egg share price at the close of business on 30 November 2005, being the last Business Day prior to this Announcement.

- The Egg Board of Directors has established a committee of Directors who are independent of Prudential to consider the terms of the Offer on behalf of holders of the Minority. This committee (the "Independent Committee") comprises Ronnie Baird, Pascal Cagni, Leslie Priestley, Juan Rada, Paul Gratton and Mark Nancarrow. The Independent Committee, which has been so advised by Goldman Sachs International, considers the terms of the Offer to be fair and reasonable. In providing advice to the Independent Committee, Goldman Sachs International has taken into account the commercial assessments of the Egg Board. Accordingly, the Independent Committee unanimously intends to recommend that Egg shareholders accept the Offer. The Independent Committee has indicated to Prudential that they intend to give irrevocable undertakings to accept the Offer in respect of their own beneficial holdings of Egg Shares, which represent approximately 0.5 per cent. of Egg's existing issued share capital not owned by Prudential.
- The Offer will be subject only to the condition that the New Prudential Shares are admitted to listing on the Official List of the UK Listing Authority and to trading on the London Stock Exchange's market for listed securities.
- After the First Closing Date of the Offer, expected to be in mid January 2006, the Board of Egg will make an application to delist the Egg Shares from the Official List and to cancel trading of Egg Shares on the London Stock Exchange's market for listed securities.
- Prudential intends to arrange for a free share dealing facility to be made available to Egg shareholders resident in the UK who accept the Offer and receive their entitlement of New Prudential Shares. This dealing facility will enable them to sell up to 300 New Prudential Shares without incurring any charges (including dealing charges and settlement charges) and to receive the proceeds of the sale in sterling. Further details of this free dealing facility will be provided in the Offer Document.

The offer of New Prudential Shares as consideration for the Acquisition will allow Egg shareholders to participate in future value creation and dividends payable by the enlarged Prudential Group, including the benefit of cost and revenue synergies not otherwise available to Egg as a stand-alone business.

Commenting on today's Announcement, Mark Tucker, Chief Executive of Prudential, said:

"The combined strength of our Prudential UK, M&G and Egg businesses provides the Group with significantly greater opportunities across the spectrum of personal financial services in the UK than is available to them operating in isolation. Whilst each business will continue to target profitable growth in its own sector of the retail market - life and pensions, retail fund management and banking respectively - they will work together to develop a broader product range and a more compelling customer proposition. The Acquisition will facilitate this process and the realisation of substantial cost savings, as well as providing opportunities for revenue synergies. This is an attractive financial transaction for both Prudential and Egg shareholders alike."

Commenting on today's Announcement, Paul Gratton, Chief Executive of Egg, said:

"This is an exciting development for Egg and we look forward to developing the Egg brand and proposition as an integral part of Prudential's UK business. There are considerable opportunities to grow Egg's revenues and profits within the Prudential Group, which will give us access to nearly 2.8 million additional marketable customers. This deal represents an attractive outcome for Egg's shareholders and, importantly, for our people and our customers."

This summary should be read in conjunction with the full text of the attached Announcement. The Offer, when made, will be subject to the Condition and Further Terms set out in Appendix I.

The sources and bases of information contained in this Announcement are set out in Appendix II and the definitions of certain expressions used in this Announcement are set out in Appendix III.

A presentation to analysts will be held today at 9.30AM at the office of UBS, 1 Finsbury Avenue, London EC2M 2PP.

ENQUIRIES

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Egg

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Notes:

1. *Supplemental reporting European Embedded Value (EEV) earnings per share is calculated by reference to Prudential Group's operating profit based on longer-term investment returns after tax and minority interests and before exceptional items, on an European Embedded Value basis.*
2. *IFRS operating earnings per share is calculated by reference to Prudential Group's operating profit based on longer-term investment returns after tax and minority interests and before exceptional items.*
3. *The statements that the Acquisition will be earnings enhancing do not constitute a profit forecast and should not be interpreted to mean that the earnings per share in the first full financial year following the Acquisition, or in any subsequent period, would necessarily match or be greater than those for the relevant preceding financial year.*
4. *The Group's Financial Conglomerates Directive solvency position is calculated in accordance with the requirements of the directive and the FSA's Integrated Prudential Sourcebook.*

This Announcement does not constitute an offer or an invitation to purchase any securities.

Lexicon Partners, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting for Prudential only in connection with the Offer and no-one else and will not regard any other person as its client or be responsible to any person other than Prudential for providing the protections afforded to clients of Lexicon Partners nor for providing advice in relation to the Offer.

UBS is acting for Prudential only in connection with the Offer and no-one else and will not regard any other person as its client or be responsible to any person other than Prudential for providing the protections afforded to clients of UBS nor for providing advice in relation to the Offer.

Goldman Sachs International, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for Egg and no-one else in connection with the Offer and is not advising any other person and accordingly will not be responsible to any person other than Egg for providing the protections afforded to clients of Goldman Sachs International or for providing advice in relation to the Offer.

JP Morgan Cazenove, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting for Egg only in connection with the Offer and no-one else and will not regard any other person as its client or be responsible to any person other than Egg for providing the protections afforded to clients of JP Morgan Cazenove nor for providing advice in relation to the Offer.

This Announcement does not constitute, or form part of, any offer for, or any solicitation of any offer for, securities in any jurisdiction. Any acceptance or other response to the Offer should be made only on the basis of information contained in or

referred to in the Offer Document and the Information Memorandum which Prudential intends to despatch shortly to Egg shareholders.

The release, publication or distribution of this Announcement in certain jurisdictions may be restricted by law and therefore persons in such jurisdictions into which this Announcement is released, published or distributed should inform themselves about and observe such restrictions.

The laws of the relevant jurisdiction may affect the availability of the Offer to persons not resident in the United Kingdom. Persons who are not resident in the United Kingdom, or who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe, any applicable requirements. Further details in relation to overseas shareholders will be contained in the Offer Document and the Information Memorandum.

The Offer will not be made, directly or indirectly, in or into, or by use of the mails of, or by any means or instrumentality (including, without limitation, by means of telephone, fax, telex or other forms of electronic communication) of interstate or foreign commerce of, or any facility of a national securities exchange of, the United States of America, Canada, Australia or Japan and will not be capable of acceptance by any such use, means, instrumentality or facility. Accordingly, neither this Announcement nor the Information Memorandum nor the Offer Document nor the Form of Acceptance is being, and must not be, mailed or otherwise forwarded, transmitted, distributed or sent in, into or from the United States of America, Canada, Australia or Japan. Doing so may render invalid any purported acceptance of the Offer. All Egg shareholders or other persons (including nominees, trustees or custodians) who would or otherwise intend to, or may have a contractual or legal obligation to, forward this Announcement and/or the Information Memorandum and/or the Offer Document and/or the Form of Acceptance to any jurisdiction outside the United Kingdom, should refrain from doing so and seek appropriate professional advice before taking any action.

The Offer is not an offer of securities for sale in the United States of America or in any jurisdiction in which such an offer is unlawful. The New Prudential Shares to be issued in connection with the Offer have not been, nor will they be, registered under the US Securities Act of 1933, as amended, or under the securities laws of any state of the United States of America and may not be offered or sold in the United States of America, absent registration or an applicable exemption from registration. No public offering of the securities will be made in the United States of America. The relevant clearances have not been, and will not be, obtained from the securities commission of any province or territory of Canada; no prospectus or a prospectus equivalent has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission or the Japanese Ministry of Finance and the New Prudential Shares have not been, and nor will they be, registered under or offered in compliance with applicable securities laws of any state, province, territory or jurisdiction of Canada, Australia or Japan. Accordingly, Prudential Shares may not (unless an exemption under relevant securities laws is applicable) be offered, sold, resold or delivered, directly or indirectly, in or into Canada, Australia or Japan or any other jurisdiction outside the United Kingdom if to do so would constitute a violation of the relevant laws of, or require registration thereof in, such jurisdiction or to, or for the account or benefit of, a person located in Canada, Australia or Japan.

This Announcement contains a number of forward-looking statements relating to Prudential and Egg with respect to, among others, the following: financial condition; results of operation; the businesses of Prudential and Egg; future benefits of the transaction; and management plans and objectives. Prudential and Egg consider any statements that are not historical facts to be "forward-looking statements". These forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by them. Important factors that could cause actual results to differ materially from estimates or forecasts contained in the forward-looking statements include, among others, the following possibilities: future revenues are lower than expected; costs or difficulties relating to the combination of the businesses of Prudential and Egg, or of other future acquisitions, are greater than expected; expected cost savings from the transaction or from other future acquisitions are not fully realised or not realised within the expected time frame; competitive pressures in the industry increase; general economic conditions or conditions affecting the relevant industries, whether internationally or

in the places Prudential and Egg do business are less favourable than expected, and/or conditions in the securities market are less favourable than expected.

The estimated operational cost savings and financial synergies have been calculated on the basis of the existing cost and operating structures of the companies and by reference to current prices and the current regulatory environment. These statements of estimated cost savings relate to future actions and circumstances which, by their nature, involve risk, uncertainties and other factors. Because of this, the cost savings and financial synergies referred to may not be achieved, or those achieved could be materially different from those estimated. These statements should not be interpreted to mean that the earnings per share in the first full financial year following the Acquisition, or in any subsequent period, would necessarily match or be greater than those for the relevant preceding financial period.

Dealing Disclosure Requirements

Under the provisions of Rule 8.3 of the City Code on Takeovers and Mergers, if any person is, or becomes, “interested” (directly or indirectly) in 1% or more of any class of “relevant securities” of Prudential or of Egg, all “dealings” in any “relevant securities” of that company (including by means of an option in respect of, or a derivative referenced to, any such “relevant securities”) must be publicly disclosed by no later than 3.30 pm (London time) on the London business day following the date of the relevant transaction. This requirement will continue until the First Closing Date. If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire an “interest” in “relevant securities” of Prudential or Egg, they will be deemed to be a single person for the purpose of Rule 8.3.

Under the provisions of Rule 8.1 of the City Code, all “dealings” in “relevant securities” of Prudential or of Egg by Prudential or Egg, or by any of their respective “associates”, must be disclosed by no later than 12.00 noon (London time) on the London business day following the date of the relevant transaction.

A disclosure table, giving details of the companies in whose “relevant securities” “dealings” should be disclosed, and the number of such securities in issue, can be found on the Takeover Panel’s website at www.thetakeoverpanel.org.uk.

“Interests in securities” arise, in summary, when a person has long economic exposure, whether conditional or absolute, to changes in the price of securities. In particular, a person will be treated as having an “interest” by virtue of the ownership or control of securities, or by virtue of any option in respect of, or derivative referenced to, securities.

Terms in quotation marks are defined in the City Code, which can also be found on the Panel’s website. If you are in any doubt as to whether or not you are required to disclose a “dealing” under Rule 8, you should consult the Panel.

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**RECOMMENDED OFFER BY PRUDENTIAL PLC FOR
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1 DECEMBER 2005

1. Introduction

The Boards of Prudential and Egg are pleased to announce the terms of a recommended Offer, to be made by Lexicon Partners on behalf of Prudential, for the whole of the issued and to be issued shares of Egg not already owned by the Prudential Group, representing 21.7 per cent. of the existing issued share capital of Egg.

The Offer values the existing issued share capital of Egg at approximately £973 million, a 15 per cent. premium to the market capitalisation of Egg of £845 million on 30 November 2005, being the last Business Day prior to announcement of the Offer.

2. The Offer

The Offer, which will be subject to the Condition and Further Terms set out in Appendix I, and to be set out in the Information Memorandum, Offer Document and Form of Acceptance, will be made on the following basis:

0.2237 New Prudential Shares for each Egg Share

Based on the closing mid-market price of 527.5 pence per Prudential share on 30 November 2005, the last Business Day prior to the date of this Announcement, the Offer:

- values each Egg Share at approximately 118 pence; and
- represents a premium of approximately 15 per cent. to the closing middle market price of 102.5 pence per Egg Share on 30 November 2005, being the last Business Day prior to the date of this Announcement.

Full acceptance of the Offer, assuming exercise of all in the money existing options under the Egg Share Option Schemes, would result in the issue of up to approximately 41 million New Prudential Shares representing approximately 1.7 per cent. of the issued ordinary share capital of Prudential as enlarged by the acquisition of the Minority.

The offer of New Prudential Shares as consideration for the Acquisition will allow Egg shareholders to participate in future value creation and dividends payable by the enlarged Prudential Group, including the benefit of cost and revenue synergies not otherwise available to Egg as a stand-alone business.

Application will be made for the New Prudential Shares to be admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's market for listed securities.

When made, the Offer will be subject only to the condition that the admission of the New Prudential Shares (i) to listing on the Official List of the UK Listing Authority becomes effective in accordance with the Listing Rules of the UK Listing Authority and (ii) to trading on the London Stock Exchange's market for listed securities becomes effective in accordance with the Admission and Disclosure Standards made by the London Stock Exchange from time to time.

Further details of the bases and sources for certain information set out in this Announcement are contained in Appendix II.

3. Prudential's Ownership of Egg Shares and Irrevocable Undertakings

The Prudential Group owns in aggregate 645,955,847 Egg Shares representing approximately 78.3 per cent. of Egg's existing issued ordinary share capital.

In addition, 5,069,632 Egg Shares are held as investment assets in Prudential's UK life funds and 42,848 Egg Shares in other investment funds managed by M&G.

Three directors of Prudential, Philip Broadley, Roberto Mendoza, and Rob Rowley (and their close relatives) are interested in 2,610, 300,000 and 940 Egg Shares respectively.

The Independent Committee have indicated to Prudential that they intend to give irrevocable undertakings to accept the Offer in respect of their own beneficial holdings of Egg Shares, amounting in aggregate to approximately 856,736 Egg Shares, representing approximately 0.5 per cent. of Egg's existing issued share capital not owned by Prudential (and 0.1 per cent. of Egg's existing issued ordinary share capital).

4. Background to and Reasons for the Offer

On 26 October 2005, Prudential announced its intention to retain and develop Egg. It also announced that it was considering the financial and commercial case for bringing Egg fully into the Prudential Group through a share exchange to acquire the Minority. Having completed its analysis, the Board of Prudential believes there is a strong financial and commercial case to proceed with the acquisition of the Minority.

In the UK, the Prudential Group has three powerful franchises operating in the life and pensions, retail fund management and personal banking sectors under the Prudential, M&G and Egg brands. While each of these businesses will continue to operate as a distinct business unit following completion of this transaction, Prudential sees significant scope to create substantial financial benefits to the Group through greater collaboration, both in terms of cost savings and revenue opportunities.

Since its launch in 1998, Egg has grown rapidly to build a strong retail banking franchise with strong brand loyalty and an attractive customer base. As an integral part of Prudential's broader UK strategy, Egg has the following key attributes:

- A strong customer base with, in aggregate, approximately 3.7 million younger, more affluent customers. These customers are a valuable complement to Prudential's UK life and pensions and retail fund management customers.

- A powerful, consumer focused brand which will present opportunities for the Prudential Group to win new customers and access new markets, both for banking and savings products as well as protection products.
- A direct distribution model offering greater “ownership” of the customer relationship to balance Prudential's continuing and successful intermediary-led life assurance distribution strategy. Egg has demonstrated a strong capability to generate new business at below industry average acquisition costs.

Egg represents a scale platform from which Prudential will further develop its exposure to the profitable and fast growing personal savings and loans market. Egg provides an effective product manufacturing capability together with a powerful, differentiated direct-to-consumer brand with a proven track record of generating profitable new customer relationships.

Cost Benefits

Without the constraints of a publicly quoted minority, Prudential will be able to maximise the synergy benefits from closer collaboration between Egg and Prudential UK, whilst still retaining each business as a distinct business unit.

Through the Acquisition and the closer partnership of Egg with Prudential's UK life and pensions business, Prudential expects to achieve total annualised pre-tax cost savings across the combined businesses of £40 million by the end of 2007.

Cost savings across the businesses are expected to result from:

- Co-ordination of Treasury activities to reduce the Group's overall funding costs;
- Co-ordination of selected activities, across customer service, IT, administration and marketing to deliver greater effectiveness and benefit from improved scale efficiencies;
- Rationalisation of project and development spend through co-ordination and collaboration; and
- Elimination of Egg's separate listing costs and the infrastructure to support this listing.

Restructuring costs of approximately £50 million pre-tax are estimated to be incurred from these initiatives. These will be provided for in 2006.

Revenue Benefits

Prudential's UK life and pensions business, Egg and M&G are highly complementary. Between them, these businesses have the product capabilities and expertise to provide a comprehensive range of financial products to meet the changing requirements of customers as they move through the different phases of their lives. This product range includes lending and deposit taking, retail asset management, protection, health, pensions and annuities.

At present, there is very little overlap between the three businesses' customer bases. Through working together to address the needs of each business's customers in a systematic and targeted

manner that combines banking, life and pensions and retail fund management, the Board of Prudential believes that there are clear opportunities to increase sales to the Prudential Group's combined UK marketable customer base of approximately 4.8 million. The Board of Prudential has identified the following initial revenue opportunities which will leverage the product expertise, customer relationships and brand recognition of Prudential UK, Egg and M&G:

- Offering Prudential branded deposit and savings accounts, manufactured by Egg, to capture maturing Prudential pension and life assurance policy proceeds.
- Offering Prudential branded mortgages, manufactured by Egg, to Prudential UK's marketable customer base as well as to customers of Prudential's multi-tie partnerships and the wider IFA community.
- Offering Egg branded credit cards and unsecured loans into both Prudential UK's direct-to-consumer and IFA customer bases through direct marketing and intermediary promotions.
- Offering PruHealth products to the Egg customer base. More than 20 per cent. of Egg customers currently buy their own private medical insurance.
- Offering M&G branded investment products to customers of Egg and Prudential UK.

Benefits for Egg Customers

As a result of the Acquisition and the closer collaboration it will facilitate, the customers of Egg will benefit from an enhanced range of products, particularly in the life and pensions market. As a wholly owned subsidiary of the Prudential Group, Egg will also benefit from the financial strength of the Prudential Group which will enhance its competitive position in the secured and unsecured lending markets.

5. Financial Effects on Prudential

The Acquisition is expected to be earnings enhancing (both on an IFRS operating earnings per share basis and on an EEV operating earnings per share basis) for Prudential in 2006⁽¹⁾⁽²⁾⁽³⁾.

It is also expected that Prudential's capital surplus position (on an EU Financial Conglomerates Directive solvency basis) would increase as a result of the Acquisition from the date of completion⁽⁴⁾.

It is estimated that one-off restructuring costs of approximately £50 million pre-tax will be provided for in 2006.

6. Information on Egg

Launched by Prudential in October 1998, Egg is an innovative financial services company, authorised as a bank by the FSA and providing a range of banking and financial services products that are distributed via the Internet and phone. Egg has no branches.

Following its launch, Egg immediately developed strong brand recognition and was among the first to the market with its internet-based services and products. In June 2000, approximately 21 per cent. of the shares of Egg were offered by Prudential in an initial public offering. Currently, Prudential holds approximately 78.3 per cent. of the shares of Egg with the remainder held by non-Prudential shareholders.

Egg is now one of the world's largest online banks with approximately 3.7 million customers in total.

Egg focuses on offering banking products and services, specifically, personal loans, credit cards, mortgage loans, and deposit and savings accounts through its operational subsidiaries.

The strategic focus of Egg over the last year has been to concentrate on its core operations in the United Kingdom. As a result, Egg has disposed of its interests in France and Funds Direct, its investment platform business. Egg has concentrated on maximising its unsecured lending business whilst continuing to exploit new technologies to offer innovative products to its customers.

Egg reported operating income and profits on continuing ordinary activities before tax on an IFRS basis for the half year to 30 June 2005 of £251.0 million and £12.9 million respectively. As at 30 June 2005, Egg had shareholders' funds of £336.4 million.

7. Information on Prudential

Established in 1848, Prudential is a leading international financial services company providing retail financial services and fund management via operational subsidiaries in its chosen markets of the United Kingdom, the United States of America, Asia and continental Europe.

The Prudential Group has some 18 million customers, policyholders and unit holders and approximately 21,500 employees worldwide.

As at 30 November 2005, Prudential had a market capitalisation of approximately £12.6 billion.

In the UK, Prudential is a leading life and pensions provider. M&G, which was acquired by Prudential in 1999, is the Prudential Group's UK and European fund manager and is responsible for managing over £126 billion in funds (as at 31 December 2004). Prudential also is the majority owner of Egg with a current shareholding of approximately 78.3 per cent. of Egg's existing issued ordinary share capital.

In Asia, Prudential is the leading European life assurer with life and fund management operations in 12 countries.

In the US, Prudential owns Jackson National Life, a leading life assurance company specialising in the annuity market.

Through these operations, Prudential has strong positions in three of the largest and most attractive markets in the world, where rising global wealth and changing demographics are fuelling demand for long-term savings. Prudential's strategy is to build sustainable, profitable businesses in each of these markets and maximise returns to shareholders.

For the half year to 30 June 2005, the Prudential Group wrote worldwide Annual Premium Equivalent (APE) sales of £1,129 million and reported profits on continuing ordinary activities before tax on an achieved profits basis (following implementation of IFRS) of £816 million. As at 30 June 2005, Prudential had achieved profit shareholders' funds of £9.3 billion.

8. Management and Employees

The Board of Prudential has confirmed that the existing employment rights, including pension rights, of all employees of Egg will be fully safeguarded.

Prudential intends to agree certain arrangements with the executive Directors of Egg regarding their future participation in the operational management of Egg and details of these arrangements will be set out in the Offer Document.

9. Option Schemes

The Offer will extend to any Egg Shares which are issued or unconditionally allotted and fully paid (or credited as fully paid) while the Offer remains open for acceptances (or, subject to the City Code, by such earlier date as Prudential may decide), including Egg Shares issued pursuant to the exercise of options granted under the Egg Share Option Schemes or otherwise.

To the extent that such options have not been exercised in full, Prudential will make appropriate proposals to the holders of Egg Options.

10. Offer Document

The Offer will be subject to the applicable requirements of the City Code. The Offer Document, setting out the details of the Offer and enclosing the Form of Acceptance, will be despatched to Egg shareholders shortly and in any event within twenty-eight days of the date of this Announcement, unless otherwise agreed with the Panel.

11. Listing, Dealings and Settlement

Application will be made to the UK Listing Authority for the New Prudential Shares to be admitted to the Official List and to trading on the London Stock Exchange's market for listed securities. It is expected that Admission will become effective and that dealings for normal settlement in the New Prudential Shares will commence as soon as practicable after the Offer is made. The Information Memorandum will be despatched to Egg shareholders with the Offer Document.

Prudential intends to arrange for a free share dealing facility to be made available to Egg shareholders resident in the UK who accept the Offer and receive their entitlement of New Prudential Shares. This dealing facility will enable them to sell up to 300 New Prudential Shares without incurring any charges (including dealing charges and settlement charges) and to receive the proceeds of sale in sterling. Further details of this free dealing facility will be provided in the Offer Document.

12. Disclosure of Interests in Egg

Except for the shareholdings and irrevocable undertakings summarised in paragraph 3, neither Prudential nor, so far as the Directors of Prudential are aware, any person acting in concert with it owns or controls any Egg Shares or any securities convertible or exchangeable into Egg Shares or any rights to subscribe for or purchase, or options (including traded options) in respect of, or derivatives referenced to, any such shares, nor does any such person have any arrangement in relation to any such shares.

For these purposes, "arrangement" includes any indemnity or option arrangement, any agreement or understanding, formal or informal, of whatever nature, relating to the above mentioned shares which may be an inducement to deal or refrain from trading in such securities.

13. Delisting and Compulsory Acquisition

After the First Closing date of the Offer, expected to be in mid January 2006, the Board of Egg will make an application to delist the Egg Shares from the Official List and to cancel trading of Egg Shares on the London Stock Exchange's market for listed securities. Delisting would significantly reduce the liquidity and marketability of any Egg Share not assented to the Offer at that time.

If Prudential receives acceptances under the Offer in respect of, and/or otherwise acquires, 90 per cent. or more of the Egg Shares to which the Offer relates, Prudential will exercise its rights pursuant to the provisions of sections 428 – 430F (inclusive) of the Companies Act to acquire compulsorily the remaining Egg Shares in respect of which the Offer has not been accepted.

14. Recommendation

Roberto Mendoza and Philip Broadley are Directors of both Egg and Prudential and have not participated in the Egg Board's deliberations in relation to the Offer. The Egg Board of Directors has established a committee of Directors who are independent of Prudential to consider the terms of the Offer on behalf of holders of the Minority. This committee (the "Independent Committee") comprises Ronnie Baird, Pascal Cagni, Leslie Priestley, Juan Rada, Paul Gratton and Mark Nancarrow.

The Independent Committee, which has been so advised by Goldman Sachs International, considers the terms of the Offer to be fair and reasonable. In providing advice to the Independent Committee, Goldman Sachs International has taken into account the commercial assessments of the Egg Board. Accordingly, the Independent Committee unanimously intends to recommend that Egg shareholders accept the Offer. The Independent Committee have indicated to Prudential that they intend to give irrevocable undertakings to accept the Offer in respect of their own beneficial holdings of Egg Shares, which represent approximately 0.5 per cent. of Egg's existing issued share capital not owned by Prudential.

Enquiries

For further information, contact:

Prudential

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Notes:

1. Supplemental reporting European Embedded Value (EEV) earnings per share is calculated by reference to Prudential Group's operating profit based on longer-term investment returns after tax and minority interests and before exceptional items, on a European Embedded Value basis.

2. *IFRS operating earnings per share is calculated by reference to Prudential Group's operating profit based on longer-term investment returns after tax and minority interests and before exceptional items.*
3. *The statements that the Acquisition will be earnings enhancing do not constitute a profit forecast and should not be interpreted to mean that the earnings per share in the first full financial year following the Acquisition, or in any subsequent period, would necessarily match or be greater than those for the relevant preceding financial year.*
4. *The Group's Financial Conglomerates Directive solvency position is calculated in accordance with the requirements of the directive and the FSA's Integrated Prudential Sourcebook.*

This Announcement does not constitute an offer or an invitation to purchase any securities.

The Offer will be on the terms set out herein and in Appendix I and to be set out in the Offer Document and Form of Acceptance. It is intended that the Offer Document (including a letter of recommendation from the Chairman of Egg) and Forms of Acceptance will be despatched shortly to Egg shareholders.

Appendix II contains the sources and bases for certain information set out in this Announcement.

Lexicon Partners, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting for Prudential only in connection with the Offer and no-one else and will not regard any other person as its client or be responsible to any person other than Prudential for providing the protections afforded to clients of Lexicon Partners nor for providing advice in relation to the Offer.

UBS is acting for Prudential only in connection with the Offer and no-one else and will not regard any other person as its client or be responsible to any person other than Prudential for providing the protections afforded to clients of UBS nor for providing advice in relation to the Offer.

Goldman Sachs International, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for Egg and no-one else in connection with the Offer and is not advising any other person and accordingly will not be responsible to any person other than Egg for providing the protections afforded to clients of Goldman Sachs International or for providing advice in relation to the Offer.

JP Morgan Cazenove, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting for Egg only in connection with the Offer and no-one else and will not regard any other person as its client or be responsible to any person other than Egg for providing the protections afforded to clients of JP Morgan Cazenove nor for providing advice in relation to the Offer.

This Announcement does not constitute, or form part of, any offer for, or any solicitation of any offer for, securities in any jurisdiction. Any acceptance or other response to the Offer should be made only on the basis of information contained in or referred to in the Offer Document and the Information Memorandum which Prudential intends to despatch shortly to Egg shareholders.

The release, publication or distribution of this Announcement in certain jurisdictions may be restricted by law and therefore persons in such jurisdictions into which this Announcement is released, published or distributed should inform themselves about and observe such restrictions.

The laws of the relevant jurisdiction may affect the availability of the Offer to persons not resident in the United Kingdom. Persons who are not resident in the United Kingdom, or who are subject to the laws of any jurisdiction other than the United

Kingdom should inform themselves about, and observe, any applicable requirements. Further details in relation to overseas shareholders will be contained in the Offer Document and the Information Memorandum.

The Offer will not be made, directly or indirectly, in or into, or by use of the mails of, or by any means or instrumentality (including, without limitation, by means of telephone, fax, telex or other forms of electronic communication) of interstate or foreign commerce of, or any facility of a national securities exchange of, the United States of America, Canada, Australia or Japan and will not be capable of acceptance by any such use, means, instrumentality or facility. Accordingly, neither this Announcement nor the Information Memorandum nor the Offer Document nor the Form of Acceptance is being, and must not be, mailed or otherwise forwarded, transmitted, distributed or sent in, into or from the United States of America, Canada, Australia or Japan. Doing so may render invalid any purported acceptance of the Offer. All Egg shareholders or other persons (including nominees, trustees or custodians) who would or otherwise intend to, or may have a contractual or legal obligation to, forward this Announcement and/or the Information Memorandum and/or the Offer Document and/or the Form of Acceptance to any jurisdiction outside the United Kingdom, should refrain from doing so and seek appropriate professional advice before taking any action.

The Offer is not an offer of securities for sale in the United States of America or in any jurisdiction in which such an offer is unlawful. The New Prudential Shares to be issued in connection with the Offer have not been, nor will they be, registered under the US Securities Act of 1933, as amended, or under the securities laws of any state of the United States of America and may not be offered or sold in the United States of America, absent registration or an applicable exemption from registration. No public offering of the securities will be made in the United States of America. The relevant clearances have not been, and will not be, obtained from the securities commission of any province or territory of Canada; no prospectus or a prospectus equivalent has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission or the Japanese Ministry of Finance and the New Prudential Shares have not been, and nor will they be, registered under or offered in compliance with applicable securities laws of any state, province, territory or jurisdiction of Canada, Australia or Japan. Accordingly, Prudential Shares may not (unless an exemption under relevant securities laws is applicable) be offered, sold, resold or delivered, directly or indirectly, in or into Canada, Australia or Japan or any other jurisdiction outside the United Kingdom if to do so would constitute a violation of the relevant laws of, or require registration thereof in, such jurisdiction or to, or for the account or benefit of, a person located in Canada, Australia or Japan.

This Announcement contains a number of forward-looking statements relating to Prudential and Egg with respect to, among others, the following: financial condition; results of operation; the businesses of Prudential and Egg; future benefits of the transaction; and management plans and objectives. Prudential and Egg consider any statements that are not historical facts as "forward-looking statements". They involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Important factors that could cause actual results to differ materially from estimates or forecasts contained in the forward-looking statements include, among others, the following possibilities: future revenues are lower than expected; costs or difficulties relating to the combination of the businesses of Prudential and Egg, or of other future acquisitions, are greater than expected; expected cost savings from the transaction or from other future acquisitions are not fully realised or not realised within the expected time frame; competitive pressures in the industry increase; general economic conditions or conditions affecting the relevant industries, whether internationally or in the places Prudential and Egg do business are less favourable than expected, and/or conditions in the securities market are less favourable than expected.

The estimated operational cost savings and financial synergies have been calculated on the basis of the existing cost and operating structures of the companies and by reference to current prices and the current regulatory environment. These statements of estimated cost savings relate to future actions and circumstances which, by their nature, involve risk, uncertainties and other factors. Because of this, the cost savings and financial synergies referred to may not be achieved, or those achieved could be materially different from those estimated. These statements should not be interpreted to mean

that the earnings per share in the first full financial year following the Acquisition, or in any subsequent period, would necessarily match or be greater than those for the relevant preceding financial period.

Dealing Disclosure Requirements

Under the provisions of Rule 8.3 of the City Code on Takeovers and Mergers, if any person is, or becomes, “interested” (directly or indirectly) in 1% or more of any class of “relevant securities” of Prudential or of Egg, all “dealings” in any “relevant securities” of that company (including by means of an option in respect of, or a derivative referenced to, any such “relevant securities”) must be publicly disclosed by no later than 3.30 pm (London time) on the London business day following the date of the relevant transaction. This requirement will continue until the First Closing Date. If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire an “interest” in “relevant securities” of Prudential or Egg, they will be deemed to be a single person for the purpose of Rule 8.3.

Under the provisions of Rule 8.1 of the City Code, all “dealings” in “relevant securities” of Prudential or of Egg by Prudential or Egg, or by any of their respective “associates”, must be disclosed by no later than 12.00 noon (London time) on the London business day following the date of the relevant transaction.

A disclosure table, giving details of the companies in whose “relevant securities” “dealings” should be disclosed, and the number of such securities in issue, can be found on the Takeover Panel’s website at www.thetakeoverpanel.org.uk.

“Interests in securities” arise, in summary, when a person has long economic exposure, whether conditional or absolute, to changes in the price of securities. In particular, a person will be treated as having an “interest” by virtue of the ownership or control of securities, or by virtue of any option in respect of, or derivative referenced to, securities.

Terms in quotation marks are defined in the City Code, which can also be found on the Panel’s website. If you are in any doubt as to whether or not you are required to disclose a “dealing” under Rule 8, you should consult the Panel.

APPENDIX I

Condition and Certain Further Terms of the Offer

A. Condition of the Offer

The Offer will be subject to the admission of the New Prudential Shares (i) to listing on the Official List of the UK Listing Authority becoming effective in accordance with the Listing Rules of the UK Listing Authority and (ii) to trading on the London Stock Exchange's market for listed securities becoming effective in accordance with the Admission and Disclosure Standards made by the London Stock Exchange from time to time, or (if Prudential so determines and subject to the consent of the Panel) the UK Listing Authority and the London Stock Exchange agreeing to admit such shares to listing and trading respectively subject to allotment of such shares.

B. Certain Further Terms of the Offer

1. Fractions of new Prudential Shares will not be allotted or issued pursuant to the Offer but will be aggregated and sold in the market and the net proceeds of sale will be distributed to Egg shareholders entitled thereto save that amounts of less than £3 will not be so distributed but will be retained for the benefit of Prudential.
2. The Offer will not be made, directly or indirectly, in or into, or by use of the mails or by any means or instrumentality (including, without limitation, by means of telephone, facsimile, telex, internet or other forms of electronic communication) of interstate or foreign commerce of, or by any facilities of a national securities exchange of, the United States of America, nor will it be made in or into Canada, Australia or Japan and the Offer will not be capable of acceptance by any such use, means, instrumentality or facility or from within the United States of America, Canada, Australia or Japan. Accordingly, copies of this Announcement and any offer documents are not being, and must not be, mailed or otherwise forwarded, distributed or sent, in whole or in part, in, into or from, the United States of America, Canada, Australia or Japan.
3. The New Prudential Shares to be issued in connection with the Offer have not been, nor will they be, registered under the US Securities Act of 1933, as amended, or under the securities laws of any state of the United States of America and may not be offered or sold in the United States of America, absent registration or an applicable exemption from registration. No public offering of the securities will be made in the United States of America. The relevant clearances have not been, and will not be, obtained from the securities commission of any province or territory of Canada; no prospectus has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission or the Japanese Ministry of Finance and the Prudential Shares have not been, and nor will they be, registered under or offered in compliance with applicable securities laws of any state, province, territory or jurisdiction of Canada, Australia or Japan. Accordingly, Prudential Shares may not (unless an exemption under relevant securities laws is applicable) be offered, sold, resold or delivered, directly or indirectly, in or into Canada, Australia or Japan or any other jurisdiction outside the United Kingdom if to do so would constitute a violation of the relevant laws of, or require registration thereof in, such jurisdiction or to, or for the account or benefit of, a person located in Canada, Australia or Japan.

4. The New Prudential Shares will be issued free from all liens, equities, charges, encumbrances and other interests. The New Prudential Shares will be issued credited as fully paid and will rank equally in all respects with existing Prudential Shares.
5. The Egg Shares will be acquired by Prudential fully paid and free from all liens, equities, charges, encumbrances and other interests and together with all rights now or hereafter attaching thereto, including the right to receive and retain all dividends and other distributions (if any) declared, made or paid on or after the date of this Announcement.
6. Each Egg shareholder who accepts the Offer will be required in the form of acceptance to give certain undertakings, representations and warranties, including with respect to matters relating to compliance with applicable laws of any relevant jurisdictions outside the United Kingdom.

APPENDIX II**Sources and Bases of Information****Sources and Bases**

In this Announcement:

1. Unless otherwise stated:
 - (i) information relating to Egg has been extracted without material adjustment from the audited financial statements of Egg for the relevant financial year or from Egg's unaudited interim results and trading statements; and
 - (ii) information relating to Prudential has been extracted without material adjustment from the audited financial statements of Prudential for the relevant financial year or from Prudential's unaudited interim results and trading statements; and
2. Unless otherwise stated, all prices quoted for Shares are closing mid-market prices and are derived from the Daily Official List of the London Stock Exchange.
3. The value of the whole of the issued share capital of Egg of approximately £973 million is based upon 824,451,575 shares being the number of existing issued shares of Egg as at the date of this Announcement and an offer value of 118 pence per Share.
4. The number of New Prudential Shares to be issued pursuant to the Offer, being 41,093,019 (assuming full acceptance of the Offer and full exercise of in the money Egg options) is based on 824,451,575 Egg Shares in issue and 5,201,271 in the money Egg options outstanding on 17 November 2005.
5. All share prices expressed in pence and all percentages have been rounded to one decimal place.
6. In the money options are those Egg options with an exercise price below the offer value of 118 pence per Share.
7. References to Egg Shares owned by the Prudential Group do not include Egg Shares held as investment assets in Prudential's UK life funds or other investment funds managed by M&G.
8. All references to customer numbers of Prudential UK or the Prudential Group include individuals with Prudential branded general insurance policies to whom Prudential is entitled to market products.
9. The marketable customers of Prudential UK, Egg and M&G are approximately 2.5 million, 2 million and 0.25 million respectively.

APPENDIX III

Definitions

The following definitions apply throughout this Announcement unless the context otherwise requires:

“Acquisition”	means the proposed acquisition by Prudential pursuant to the Offer of the whole of the issued and to be issued share capital of Egg that Prudential does not already own;
“Admission”	means the admission of the New Prudential Shares to the Official List in accordance with the Listing Rules and to trading on the London Stock Exchange’s market for listed securities in accordance with the Admission and Disclosure Standards;
“Admission and Disclosure Standards”	means the requirements contained in the publication “Admission and Disclosure Standards” dated July, 2005 (as amended from time to time) containing, amongst other things, the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange’s market for listed securities;
“Announcement”	means this announcement;
“Australia”	means the Commonwealth of Australia, its territories and possessions and all areas subject to its jurisdiction and any political sub-division thereof;
“Business Day”	means any day (other than a Saturday or Sunday) on which banks generally are open for business in London (other than solely for settlement and trading in euro);
“Canada”	means Canada, its territories and possessions and all areas subject to its jurisdiction and any political sub-division thereof;
“City Code”	means the City Code on Takeovers and Mergers of the United Kingdom;
“Companies Act”	means the Companies Act 1985;
“Condition”	means the condition to the Offer set out in Appendix 1 (A);
“Disclosure Rules”	means the disclosure rules and regulations made by the UK Listing Authority;
“Egg” or the “Company”	means Egg PLC;

“Egg Board”, “Board of Egg” or “Egg Board of Directors”	means the board of directors of Egg
“Egg Group”	means Egg and its subsidiary undertakings;
“Egg Share Option Schemes”	means the Egg Employee Share Option Plan and the Egg Savings-Related Option Scheme;
“First Closing Date”	means the date 21 days following the posting of the Offer Document;
“Further Terms”	means the further terms of the Offer set out in Appendix I(B);
“Independent Committee”	means a committee of the Board of Directors of Egg which is comprised of Ronnie Baird, Pascal Cagni, Leslie Priestley, Juan Rada, Paul Gratton and Mark Nancarrow;
“Information Memorandum”	means the document equivalent to a prospectus to be sent to Egg shareholders in connection with the proposed issue of New Prudential Shares and application for admission to the Official List and to trading on the London Stock Exchange’s market for listed securities pursuant to the Offer;
“Japan”	means Japan, its cities, prefectures, territories and possessions;
“JP Morgan Cazenove”	means JP Morgan Cazenove Limited,
“Lexicon Partners”	means Lexicon Partners Limited;
“Listing Rules”	means the listing rules and regulations made by the UK Listing Authority;
“London Stock Exchange”	means London Stock Exchange plc;
“Minority”	the issued and to be issued share capital of Egg other than that already owned by the Prudential Group;
“M&G”	means Prudential’s UK and European fund management business;
“New Prudential Shares”	means Prudential Shares proposed to be issued fully paid to Egg shareholders pursuant to the Offer;
“Offer”	means the offer recommended by the Directors of Egg to be made by Lexicon Partners on behalf of Prudential to acquire the whole of the issued and to be issued share capital of Egg held by the Egg shareholders as set out in the Offer

	Document, the Information Memorandum and, where the context admits, any subsequent revisions, variations, extensions or renewals thereof;
“Offer Document”	means the document to be sent to Egg shareholders containing the Offer;
“Official List”	means the list maintained by the UK Listing Authority;
“Panel”	means the United Kingdom Panel on Takeovers and Mergers;
“Prudential”	means Prudential PLC;
“Prudential Shares”	means the ordinary shares of 5 pence each in the capital of Prudential;
“Prudential UK”	Prudential’s UK life and pensions business and related operations;
“Prudential Board”, “Board of Prudential” or “Prudential Board of Directors”	means the board of directors of Prudential;
“Prudential Directors”	means the directors of Prudential, and “Prudential Director” means any one of them;
“Prudential Group”	means Prudential and its subsidiary undertakings excluding Egg and the Egg Group;
“Shareholders”	means the holders of Shares;
“Shares” or “Egg Shares”	means the ordinary shares of 50 pence each in the capital of Egg;
“UBS Investment Bank” or “UBS”	means UBS Limited;
“UK” or “United Kingdom”	means the United Kingdom of Great Britain and Northern Ireland;
“UK Listing Authority”	means the United Kingdom Financial Services Authority in its capacity as the competent authority for listing under Part VI of the UK Financial Services and Markets Act 2000; and
“US” or “United States” or “United States of America”	means the United States of America, its territories and possessions, any State of the United States and the District of Columbia.

All references to legislation in this announcement are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

For the purpose of this announcement, “**subsidiary**”, “**subsidiary undertaking**”, “**undertaking**” and “**associated undertaking**” have the meanings given by the Companies Act (but for this purpose ignoring paragraph 20(1)(b) of Schedule 4(A) of the Companies Act).

References to “£”, “sterling”, “p” and “pence” are to the lawful currency of the United Kingdom.