PRUDENTIAL PLC

Rights Issue Prospectus

PRUDENTIAL

UBS Investment Bank **Cazenove** **Goldman Sachs International**

THIS DOCUMENT AND ITS ENCLOSURES ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION

When considering what action you should take, you should seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or independent financial adviser, who, if you are taking advice in the United Kingdom, is authorised under the Financial Services and Markets Act 2000 or, if you are taking advice in Ireland, is authorised or exempted pursuant to the Investment Intermediaries Act 1995 of Ireland or the Stock Exchange Act 1995 of Ireland.

If you sell or have sold or otherwise transferred (other than ex-rights) all of your Existing Shares in Prudential held in certificated form before 20 October 2004 (the "ex-rights date"), please forward this document and the accompanying documents to the purchaser or transferee or the stockbroker, bank or other agent through whom the sale or transfer is/was effected for onward transmission to the purchaser or transferee. If you sell or have sold or otherwise transferred your Existing Shares in Prudential held in uncertificated form before the ex-rights date, a claim transaction will automatically be generated by CRESTCo which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee. The distribution of this document and/or the accompanying documents, including the Provisional Allotment Letter, and/or the transfer of Nil Paid Rights, Fully Paid Rights and/or New Shares into jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document and/or the accompanying documents come should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws of such jurisdictions. In particular, this document, the Provisional Allotment Letters and any other such documents should not be distributed, forwarded to or transmitted in or into the United States (as defined in Regulation S under the US Securities Act of 1933, as amended (the "Securities Act")) or the Excluded Territories.

A copy of this document, which comprises a prospectus relating to the Company prepared in accordance with the Listing Rules made under section 74 of the Financial Services and Markets Act 2000, has been delivered to the Registrar of Companies in England and Wales for registration in accordance with section 83 of that Act. A copy of this document and the Provisional Allotment Letter, together with copies of the written consents and material contracts referred to in Part VII have been delivered to the Registrar of Companies in Ireland in accordance with Section 47 of the Companies Act, 1963 of Ireland as required by the European Communities (Transferable Securities and Stock Exchange) Regulations, 1992 of Ireland. The Existing Shares have been admitted to the Official List and to trading on the London Stock Exchange's market for listed securities. Application has been made to the UK Listing Authority and to the London Stock Exchange for the New Shares (nil and fully paid) 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 in the New Shares will commence, nil paid, on 20 October 2004.

Each of UBS, Cazenove and Goldman Sachs is acting for Prudential plc in connection with the Rights Issue and no-one else and will not be responsible to anyone other than Prudential plc for providing the protections afforded to each of their respective clients or for providing advice in relation to the Rights Issue or any other matters referred to in this document.

PRUDENTIAL PLC

(Registered in England and Wales under the Companies Act 1985 with registered number 1397169)

1 for 6 Rights Issue of

New Shares at 308p per New Share

The latest time and date for acceptance and payment in full under the Rights Issue is 11.00 a.m. on 10 November 2004. The procedure for acceptance and payment is set out in Part III of this document and, for Qualifying non-CREST Shareholders only, also in the Provisional Allotment Letter. Qualifying CREST Shareholders should refer to section 4 of Part III of this document.

Your attention is drawn to the letter of recommendation from the Chairman of Prudential which appears in Part I of this document. See also Part V of this document for a discussion of certain factors which should be taken into account when considering whether to take up your rights under the Rights Issue.

The New Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letters have not been and will not be registered under the Securities Act or under any relevant securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States absent registration or an applicable exemption from the registration requirements of the Securities Act and in compliance with state securities laws. The New Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letters have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letters or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States. Except as otherwise provided for herein, this document does not constitute an offer of New Shares, Nil Paid Rights or Fully Paid Rights to any shareholder with a registered address in, or who is resident in, the United States or the Excluded Territories. None of the Existing Shares, the Nil Paid Rights, the Fully Paid Rights or the New Shares have been or will be registered under the relevant laws of any state, province or territory of the Excluded Territories. Subject to certain exceptions, the New Shares may not, directly or indirectly, be offered, sold, renounced, taken up or delivered in, into or within the Excluded Territories, and subject to certain exceptions, the

Provisional Allotment Letters are not being posted to any person in the United States or the Excluded Territories (this document is being sent to persons in the Excluded Territories for information purposes only). This document does not constitute an offer to sell or the solicitation of an offer to buy New Shares or to take up entitlements to Nil Paid Rights in any jurisdiction in which such offer or solicitation is unlawful. The attention of Overseas Shareholders and other recipients of this document who are residents or citizens of any country other than the United Kingdom or who have a contractual or other legal obligation to forward this document or the Provisional Allotment Letter to a jurisdiction outside the United Kingdom is drawn to sections 7 and 8 of Part III of this document.

This document contains certain further information directed to shareholders in Ireland pursuant to paragraph 4 of the Third Schedule to the European Communities (Transferable Securities and Stock Exchange) Regulations, 1992 of Ireland and has been lodged with The Irish Stock Exchange Limited. The attention of shareholders in Ireland is drawn to sections 12.3 and 15.6 of Part VII of this document.

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of New Shares may not be circulated or distributed, nor may New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor specified in Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a sophisticated investor, and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

The New Shares have not been and will not be registered under the Securities and Exchange Law of Japan. Accordingly, no underwriter may offer or sell, directly or indirectly, any New Shares in Japan or to or for the benefit of any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to any persons for reoffering or resale, directly or indirectly in Japan or to any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law of Japan and any other applicable laws and regulations.

Provisional Allotment Letters are being despatched with this document to Qualifying non-CREST Shareholders other than those, subject to certain exceptions, with registered addresses in the United States or the Excluded Territories. Qualifying CREST Shareholders will not (except in the circumstances described in Part III of this document) receive a Provisional Allotment Letter. Qualifying CREST Shareholders other than those, subject to certain exceptions, with registered addresses in the United States or the Excluded Territories are expected to receive a credit to their appropriate stock accounts in CREST in respect of the Nil Paid Rights to which they are entitled on 20 October 2004. The Nil Paid Rights so credited are expected to be enabled for settlement by CRESTCo as soon as practicable after Admission.

Qualifying CREST Shareholders should note that they will receive no further written communication from Prudential in respect of the Rights Issue. They should accordingly retain this document for, amongst other things, details of the action they should take in respect of the Rights Issue. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Rights Issue. The attention of Overseas Shareholders is drawn to sections 7 and 8 of Part III of this document.

This document includes "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the US Securities Exchange Act of 1934, as amended (the "Exchange Act") with respect to certain of the Company's plans and its current goals and expectations relating to its future financial condition, performance, results, strategy and objectives. Statements containing the words "believes", "intends", "expects", "plans", "seeks" and "anticipates", and words of similar meaning, are forward-looking. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond the Company's control including among other things, UK domestic and global economic and business conditions, market related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the policies and actions of regulatory authorities, the impact of competition, inflation, and deflation; experience in particular with regard to mortality and morbidity trends, lapse rates and policy renewal rates; the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries; and the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations in the jurisdictions in which the Company and its affiliates operate. This may for example result in changes to assumptions used for determining results of operations or re-estimation of reserves for future policy benefits, together with other factors discussed in Part IV of this document. As a result, the Company's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in the Company's forward-looking statements contained in this document or any other forward-looking statement it may make. The Company may also make or disclose written and/or oral forward-looking statements in reports filed or furnished to the US Securities and Exchange Commission, the Company's annual report and accounts to shareholders, proxy statements, offering circulars, registration statements, prospectuses, prospectus supplements, press releases and other written materials and in oral statements made by directors, officers or employees of the Company to third parties, including financial analysts. Except as required by the UK Listing Authority, the London Stock Exchange or by law, the Company undertakes no obligation to update any of the forward-looking statements contained in this document or any other forward-looking statements it may make.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by the Company or the Underwriters. Neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information in this document is correct as at any time subsequent to its date.

Holdings of Existing Shares in certificated and uncertificated form will be treated as separate holdings for the purposes of calculating entitlements under the Rights Issue.

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NOTICE TO US INVESTORS

For this Rights Issue, the Company is relying upon exemptions from registration under the US securities laws for an offer and sale that does not involve a public offering in the United States. None of the New Shares, the Nil Paid Rights, the Fully Paid Rights or the Provisional Allotment Letters have been recommended by any US federal or state securities commission or any other US state or foreign regulatory authorities and they have not determined that this document is accurate or complete. Any representation to the contrary is a criminal offence.

The New Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letters have not been and will not be registered under the Securities Act or under the securities laws of any state of the United States and, accordingly, the Nil Paid Rights may be offered and delivered and the New Shares may be offered and sold in the United States only pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

If you are in the United States, you may not exercise your Nil Paid Rights or Fully Paid Rights and/or purchase any New Shares offered hereby unless you are a "qualified institutional buyer" ("QIB") within the meaning of Rule 144A under the Securities Act. In addition, in order to exercise your Nil Paid Rights or Fully Paid Rights and/or purchase any New Shares offered hereby you must sign and deliver an investor letter, substantially in the form described under "Part III — Terms and Conditions of the Rights Issue — 7. Overseas Shareholders — (e) Transfer Restrictions".

If you sign such a letter, you will be:

- representing that you and any account for which you are purchasing the new shares are a QIB within the meaning of Rule 144A under the Securities Act;
- agreeing not to resell the Nil Paid Rights or the Fully Paid Rights or the New Shares, except that
  - — you may resell the Nil Paid Rights or the Fully Paid Rights outside the United States in compliance with Rule 903 or 904 of Regulation S under the Securities Act, and
  - — you may resell any New Shares (a) outside the United States in compliance with Rule 903 or 904 of Regulation S under the Securities Act or (b) pursuant to Rule 144 under the Securities Act (if available); and
- agreeing not to deposit any New Shares into any unrestricted depositary facility established or maintained by a depositary bank (including the Company's ADR facility for which JPMorgan Chase Bank acts as depositary bank), unless they have been registered pursuant to an effective registration statement under the Securities Act.

Rule 144A under the Securities Act is not available for the resale of any New Shares.

From the date of this document through the 40th day thereafter (which is 28 November 2004), JPMorgan Chase Bank, as depositary for the Company's ADR facility, will not accept deposits of any Shares in the facility unless the Shareholder certifies that the Shares were not acquired in this Rights Issue.

Any envelope containing a Provisional Allotment Letter and post-marked from the United States will not be accepted unless it contains a duly executed investor letter in the appropriate form as described in section 7(a) of Part III of this document. Similarly, any Provisional Allotment Letter in which the exercising holder requests New Shares to be issued in registered form and gives an address in the United States will not be accepted unless it contains a duly executed investor letter.

The payment paid in respect of Provisional Allotment Letters that do not meet the foregoing criteria will be returned without interest.

Any person in the United States who obtains a copy of this document and who is not a QIB is requested to disregard it.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR

THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE OR NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS SECTION.

DIRECTORS, COMPANY SECRETARY AND ADVISERS

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Jonathan Bloomer
Philip Broadley
Michael Garrett
Bridget Macaskill
Clark Manning
Michael McLintock
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WHERE TO FIND HELP

Part II of this document answers some of the questions most often asked by shareholders about rights issues and the procedure for acceptance and payment. If you have further questions, please telephone the Shareholder Helpline on the numbers set out below. This helpline is available from 8.30 a.m. to 5.30 p.m. Monday to Friday and will remain open until 11 November 2004.

Shareholder Helpline telephone numbers: Freephone 0800 174350 (from inside the UK) or +44 1903 702767 (from outside the UK)

Note: For legal reasons, the Shareholder Helpline will only be able to provide information contained in this document and information relating to Prudential's register of members and will be unable to give advice on the merits of the Rights Issue or to provide financial or investment advice.

Expected Timetable of Principal Events

	2004
Record Date for the Rights Issue	close of business on 15 October 2004
Dealings in New Shares, nil paid, commence on the London Stock Exchange	8.00 a.m. on 20 October 2004
Nil Paid Rights credited to stock accounts in CREST (Qualifying CREST Shareholders only)	as soon as practicable after 8.00 a.m. on 20 October 2004
Recommended latest time and date for requesting withdrawal of Nil Paid Rights from CREST (i.e. if your Nil Paid Rights are in CREST and you wish to convert them into certificated form)	4.30 p.m. on 4 November 2004
Latest time and date for depositing renounced Provisional Allotment Letters, nil paid, into CREST or for dematerialising Nil Paid Rights into a CREST stock account	3.00 p.m. on 5 November 2004
Latest time and date for splitting Provisional Allotment Letters	3.00 p.m. on 8 November 2004
Latest time and date for acceptance and payment in full and registration of renounced Provisional Allotment Letters	11.00 a.m. on 10 November 2004
New Shares credited to CREST stock accounts (including Prudential's Electronic Share Service) and dealings in the New Shares to commence on the London Stock Exchange (fully paid)	8.00 a.m. on 11 November 2004
Despatch of definitive share certificates for New Shares in certificated form	by 22 November 2004

Notes:

(i) The dates and times set out in the timetable of principal events above and mentioned throughout this document and in the Provisional Allotment Letter may be adjusted by Prudential with the agreement of the Underwriters, in which event details of the new dates will be notified to the UK Listing Authority and to the London Stock Exchange and, where appropriate, to Shareholders.

(ii) References to times in this document are to London time unless otherwise stated.

Part I

Letter from the Chairman of Prudential

Prudential plc

Laurence Pountney Hill
London EC4R 0HH

19 October 2004

To Qualifying Shareholders and, for information only, to Overseas Shareholders with registered addresses in the Excluded Territories and to participants in the Prudential Share Schemes

You should read the whole of this document and not just this letter. Save where otherwise indicated, the financial information contained in this document has been extracted as specified either from the Unaudited Interim Results Announcement in Part V or from the Third Quarter 2004 New Business Results Announcement in Part VI, in either case without material adjustment.

Dear Shareholder

Proposed 1 for 6 Rights Issue at 308 pence per New Share to Qualifying Shareholders

1. INTRODUCTION

The Board has today announced that Prudential is proposing to raise approximately £1 billion, net of expenses, by the issue of 337,215,697 New Shares at a price of 308 pence per New Share.

The issue is being made by way of a Rights Issue to Qualifying Shareholders on the basis of 1 New Share for each 6 Existing Shares held at the close of business on 15 October 2004 and so in proportion to the number of Existing Shares then held.

The Issue Price of 308 pence per New Share represents a 32.8% discount to the closing middle market price of 458 pence per Share on 18 October 2004, the last dealing day before the announcement of the Rights Issue.

This letter sets out the reasons for, and provides details of, the Rights Issue, which has been fully underwritten by the Underwriters.

2. INFORMATION ON THE GROUP

The Prudential Group is a leading international financial services group, providing retail financial services and fund management in its chosen markets in the UK, the US and Asia. In the nine months ending 30 September 2004, the Group wrote worldwide Annual Premium Equivalent (APE) sales of £1.3 billion. As at 30 June 2004, the Group had total funds under management of £170.1 billion.

3. REASONS FOR THE RIGHTS ISSUE

Overview

As Prudential's third quarter new business sales for 2004 demonstrate, the performance of its businesses across the Group has been strong. Year-to-date new business sales on an APE basis in the UK and Europe, US and Asia increased by 19%, 18% and 12% respectively compared with the same period in 2003 (at constant exchange rates). The strength of Prudential's businesses and positive developments in a number of its markets represent an opportunity for Prudential to enhance its market position and generate improved returns for its shareholders.

A strong financial position at a Group level will provide increased financial flexibility and allow Prudential to capitalise on these opportunities as they arise.

The majority of the net proceeds of the Rights Issue will be used to provide capital to support Prudential's growth plans for the UK and to fund a potential investment opportunity in Prudential's joint venture in India. The remainder of the proceeds will be used to ensure that Prudential meets the parent company solvency test under the EU Financial Groups Directive ("FGD") that becomes effective from 1 January 2005.

In the UK, Prudential has undertaken a significant restructuring of its business in recent years and believes that it is now well positioned to take advantage of the opportunities presented. Prudential believes that prospects for the UK life insurance industry are improving. The fundamentals underlying the market are strong with demographic trends continuing to drive increased demand for insurance and investment products. Furthermore, the likely effects of certain regulatory changes have become clearer particularly with regard to distribution. Prudential believes that depolarisation will accelerate the ongoing concentration of market share towards the largest life companies.

By the financial year ending 2007, Prudential is targeting a weighted average post-tax Internal Rate of Return ("IRR") of 14% on the capital required to support new business growth in the UK. This target excludes the benefit of profit transfers from its with-profits business.

Changes to the regulatory solvency regime effective from 1 January 2005, in particular the implementation of the FGD, will increase the Group's parent company solvency requirement. Prudential believes that the Group's financial strength remains a core element of its competitive proposition and, accordingly, intends to maintain an appropriate level of parent company capital to meet the FGD requirements on a continuous basis once they become effective.

Opportunities to drive growth

UK market opportunity

The fundamental drivers underlying the UK market are strong. The need to save for retirement is increasingly important, particularly for persons aged over 45, with the shift away from defined benefit pension schemes and the relatively low levels of state pension benefits.

After a period of some uncertainty, the likely effects of certain regulatory changes are emerging in a number of key areas. In particular, Prudential expects the FSA's regulations on depolarisation to drive significant change in the distribution landscape, concentrating sales with a limited number of major product providers. Pensions reforms set to take effect in 2006, are likely to increase the average size of individual pensions contributions, potentially improving the economics of pension provision. In addition, the Government has provided clarity on the Sandler product price cap which has been set at 1.5%.

In recent years, there has been greater concentration of life and pensions sales among the leading companies in the UK. Prudential has been a beneficiary of this trend in its chosen core product areas, particularly annuities, investment bonds and corporate pensions where it enjoys market-leading positions.

Prudential well positioned

During the past three years, Prudential has transformed its UK business to improve performance through greater customer focus, management accountability, cost efficiency, enhanced products and more effective distribution. Prudential has moved from a focus on with-profits products distributed through a direct sales force to a business centred on a range of products distributed through a variety of channels.

In addition, Prudential has been writing an increasing proportion of new business supported by shareholder capital. In 2000, this shareholder-backed business represented 28% of APE sales. In the first nine months of 2004 this had increased to 53%. This is a trend that Prudential expects to continue.

At the same time, Prudential has improved its efficiency, for example, reducing its ratio of expenses (excluding commissions) to assets from 1.24% in 2001 to 0.84% in 2003.

More recently, to meet the anticipated needs of multi-tied IFAs, Prudential has broadened its product range to include protection products and individual pensions.

Impact of depolarisation on distribution

IFAs continue to be the primary channel for the distribution of life and pension products in the UK. In 2003, over half of the total life and pension sales in the UK market were channelled through IFAs. In recent years, IFAs have been consolidating and, today, approximately half of total IFA sales are written by 30 firms and networks. Prudential believes that depolarisation and the establishment of multi-tie arrangements or 'panels' with leading IFAs will have an important influence on which insurers ultimately succeed in the UK market.

Under depolarisation the FSA will allow distributors to offer the products of a limited number of providers. Prudential expects that a significant proportion of IFAs who previously operated as 'whole-of-market' providers will move to a 'panel' approach whereby they distribute the product range of a select number of life companies. Prudential believes that IFAs will select product providers based on a range of criteria that include strong brand and market reputation, robust investment performance, a competitive and comprehensive product range, financial strength, IFA distribution expertise, provision of automated processes and scale. Prudential believes it scores highly against all of these criteria and it has already been selected as the lead partner in the formation of the multi-tie panel for Sesame, one of the UK's largest IFA networks.

Prudential intends to maintain a flexible approach as the post-depolarisation distribution landscape evolves and notes that this could include capital investment in the development of multi-tie arrangements, where these are projected to create value.

Depolarisation is also expected to have a significant impact on the bank distribution model in the UK, as banks will be able to offer their customers products from a panel of different providers rather than from a single product provider. Prudential expects that a number of existing single-tie relationships will be reviewed and that this represents an opportunity for it to establish further distribution arrangements with certain of the UK's major banking networks. In 2004, Prudential established arrangements with Lloyds TSB and Alliance & Leicester for the distribution of protection products.

Strong Potential To Develop Shareholder-Backed Business

Annuity business

The UK annuity market has been one of the key drivers of the overall life market during recent years. The annuity market has been a particular area of focus in Prudential's UK strategy in recent years and today the Group is a leading provider of annuities in the UK with a market share in the first half of 2004 of 23% in individual annuities and 37% in bulk annuities. Prudential has a large source of annuity business through maturing pensions in its with-profits fund which, to date, has been written in Prudential's with-profits fund. However, Prudential now writes this business in its shareholder-backed business, Prudential Retirement Income Limited.

In addition, shareholder capital has been used to support the annuity business written on behalf of other insurers. The recent agreements with Zurich Financial Services and Pearl Assurance highlight Prudential's capabilities in this area. Shareholder capital is also used to back individual annuities obtained through customers from other insurers exercising their Open Market Option.

Prudential is able to use its strong position to write annuities in bulk for UK defined benefit pension funds. Earlier in the year, Prudential launched two new risk management products which will widen the range of solutions available to pension schemes considering bulk annuity buy-outs. In the first nine months of 2004, Prudential wrote £253 million of bulk annuity premiums in the UK.

Prudential believes that it has developed a strong position in the annuity market based on its (i) investment expertise in asset-liability matching; (ii) mortality risk expertise led by a dedicated actuarial team working with the single largest pool of mortality data in the UK; (iii) recently implemented pricing and administration systems that, today, pay pensions to approximately 700,000 people each month; and (iv) strong brand and reputation for financial security.

Single premium investment products

Prudential considers it important to have a broad and competitive product range to enhance its multi-tie proposition. Therefore, Prudential believes it should have strong single premium investment products including unit-linked bonds, offshore bonds and with-profits offerings.

Prudential allocated significant capital to support new business growth in its unit-linked bond and offshore bond offerings in the first half of 2004 and according to ABI data achieved market shares of 3% and 10% respectively in these products.

UK corporate pensions

Prudential is a market leader in UK corporate pensions with approximately 500,000 members in existing schemes and 20% of the FTSE 100 companies as clients. Prudential is the market leader in the provision of pension schemes to the UK public sector where it provides over half of all local authorities with pension schemes and is a joint pension provider to both the NHS and the UK Civil Service. Prudential has recently enhanced its sales process to include automatic enrolment and greater use of worksite marketing to support its leading position with UK corporate pensions schemes and the employee benefit consultants who advise them.

Other UK product initiatives

Despite the recent reduction in size of the UK with-profits market, Prudential believes there is still customer demand for a product offering a smoothed investment return and has recently developed PruFund to provide greater certainty and transparency in the operation of the product. The business will be written in Prudential's life fund.

As an important aspect of enhancing its multi-tie proposition, Prudential has invested in the development of its protection product offering. It has focussed on building the e-commerce and automated process capabilities that are required for low-cost processing, which is important for high volume and competitive pricing.

Demographic trends in the UK show that its population is living longer. This presents a financial challenge to many people, whose home may be their single largest asset. Prudential in conjunction with Northern Rock has developed an equity release product which uses the home to provide income while pensioners retain the right to live in the home until the end of their lives. Total sales of equity release products in the UK in 2003 were £1.1 billion, a 60% increase compared to 2002. Prudential is expecting continued strong growth in this market in the future.

Prudential has also established PruHealth, a joint venture with Discovery Holdings of South Africa, the market leader in the South African healthcare market, to develop an innovative UK healthcare product linking health and fitness to the cost of medical insurance plans.

In addition, Prudential has been developing its personal pensions product capability as this is considered to be part of the multi-tie offering. Prudential is targeting high value single premium business.

Target financial performance for new shareholder-backed business

As sales of with-profits products have declined in recent years, the proportion of shareholder-backed business written by Prudential has increased. In the future, as Prudential seeks to broaden its product range, the requirement for shareholder capital is expected to increase further.

By the financial year ending 2007, Prudential is targeting a weighted average post-tax Internal Rate of Return (IRR) of 14% on the capital required to support new business growth in the UK. This target excludes the benefit of profit transfers from its with-profits business.

Prudential's weighted average post-tax IRR target of 14% by 2007 for new UK business is dependent on the projected business mix as well as the anticipated individual product IRR targets. Prudential's individual target product IRRs for 2007 are: 20% for annuities; 15% for protection products; and 15% for corporate pensions. Prudential has set an IRR target of 8% for unit linked bonds in 2007 although it expects to set a higher target beyond 2007 as the business grows and obtains scale.

As Prudential intends to allocate capital to a wider range of products in the UK, the mix of business Prudential expects to write in the future is likely to lead to some reduction in the new business margin in the UK offset by higher new business premiums.

Growth potential in Asia

The Group will seek to respond positively to changes in local regulations in India to increase the limit on foreign shareholdings in life insurance companies to 49% from the current level of 26%.

Prudential continues to expect its existing Asian businesses to be cash positive from 2006.

Capital implications of the Financial Groups Directive

Prudential's operating subsidiaries are all adequately capitalised independently in accordance with the regulatory environments in which they each operate. Prudential Group remains well capitalised on its internal economic capital basis.

Recent changes to the regulatory solvency regime encompassing the requirements of the FGD will introduce a new parent solvency test which Prudential is required to calculate. Consequently, Prudential's future capital requirement under these new rules will be more onerous than the capital requirement derived from its own economic capital models or the current regulatory capital regulations.

In 2001, the FSA introduced a parent company solvency test based on the EU Insurance Groups Directive ("IGD"), which requires the Group to calculate the aggregate of surplus capital available in respect of each of its operations, wherever located, as though those businesses were subject to a local solvency regime equivalent to that of the FSA, less the Group's non-hybrid debt.

Subsequent changes to this parent solvency regime have been introduced as the FSA has developed its Integrated Prudential Sourcebook. With respect to Prudential, these changes will have the overall impact of making the calculation significantly more onerous. As an example, changes to Prudential's calculation will require the deduction of goodwill associated with the Group's fund management businesses. In addition, with respect to the Group's investment in Egg, rather than use the market value of the 79% stake in the calculation as it has previously, Prudential will in future only include its share of Egg's surplus regulatory capital.

Various other changes to the calculation were introduced as a result of the publication of Consultation Papers (CP) 195 and 204 by the FSA, and in July 2004 by the publication of Policy Statements (PS) 04/16 and 04/20. The former implements the revised FSA basis for calculating the surplus assets of subsidiaries in and outside the UK while the latter implements the FGD. Following all of the changes described above, the Group's projection of its year-end position under the parent company solvency test would be a shortfall in the order of £100 million to £200 million.

Under the FGD, Prudential is classified as a "mixed financial holding company" subject to FGD requirements going forward, rather than to the IGD requirements. This is due to Prudential's ownership of non-insurance related businesses, namely the Group's fund management businesses and its controlling stake in Egg. While the capital requirement for Prudential is similar under both the IGD and the FGD, the parent solvency calculation under the FGD becomes a mandatory regulatory requirement from 1 January 2005.

The FSA has required that the FGD parent company solvency requirements be complied with on a continuous basis starting 1 January 2005, with the result that Prudential will need to maintain an appropriate level of capital at the parent company to accommodate, for example, movements in global foreign exchange rates, interest rates and equity markets or a deterioration in the credit quality of the Group's bond portfolios.

Prudential believes that the Group's financial strength remains a core element of its competitive proposition and, accordingly, intends to maintain an appropriate level of parent company capital to meet the FGD requirements on a continuous basis once they become effective.

The UK life fund had a statutory free asset ratio of 10.7% as at 30 June 2004 and a Realistic Capital Margin ("RCM") cover of 3.9x on an ABI basis as at 31 December 2003, including an inherited estate of more than £6 billion as at that time. Prudential Assurance Company's current financial strength ratings are AA+/Aa1 (as rated by Standard & Poor's and Moody's respectively). In the US, Prudential has risk based capital of approximately 3.9 times the minimum required level as at 30 June 2004 and in Asia solvency levels are maintained in accordance with local regulatory requirements.

4. USE OF PROCEEDS

The majority of the net proceeds of the Rights Issue will be used to provide capital to support Prudential's growth plans for the UK and to fund a potential investment opportunity in Prudential's joint venture in India. The remainder of the proceeds will be used to ensure that Prudential meets the parent company solvency test under the FGD that becomes effective from 1 January 2005. The proceeds will initially be invested centrally within the Group in fixed interest securities.

5. FINANCIAL BACKGROUND

Prudential today announced its new business sales figures for the nine month period ended 30 September 2004 and these are set out in full in Part VI of this document. The interim statements for the six months ended 30 June 2004 are set out in full in Part V of this document.

6. DIVIDENDS

Following completion of the Rights Issue, Prudential intends to maintain its current dividend policy, with future dividend payments per share taking account of the bonus element of the Rights Issue.

7. CURRENT TRADING AND PROSPECTS

Total Group insurance sales were £8.2 billion for the first nine months of the year, up 24% on total Group insurance sales during the first nine months of 2003.

In the first nine months of 2004, the UK and European operations recorded APE sales of £521 million, up 19% on the corresponding period in 2003, reflecting strong sales of corporate pensions, individual annuities and unit-linked and international with-profits bonds. M&G recorded gross retail fund inflows of £1.2 billion in the first nine months of 2004, an increase of 36% on the corresponding period in 2003 and had net retail fund inflows of £154 million.

Prudential's US operations had APE sales for the first nine months of 2004 of £335 million, which was 18% up on the corresponding period in 2003. The US operations achieved retail sales in the third quarter of 2004 of £902 million, up 22% on the corresponding period in 2003, reflecting increased sales of fixed and equity-linked indexed annuities.

Prudential's Asian operations showed strong momentum during the third quarter of 2004. Overall APE sales of £394 million for the first nine months of 2004 represented growth of 12% on the corresponding period in 2003.

Prudential's businesses continue to show a healthy momentum, building on the strong performance delivered in the first half of the year. With its broad product range and diversified distribution channels, the UK insurance business is well positioned to win customers as the market concentrates towards financially strong companies. Prudential's US operations 18% year-to-date increase in sales on the corresponding period last year demonstrates that it has the products and the distribution channels to succeed in the US market.

As was mentioned in the Interim Results Announcement set out in Part V of this document, the Board continues to monitor the effect of persistency on Prudential's business, and this is dealt with in more detail in the Third Quarter 2004 New Business Results set out in Part VI of this document.

The Board believes Prudential is well positioned to continue to deliver growth in its core markets in the remaining part of the current financial year and beyond.

It should be noted that the statements in this paragraph 7 assume constant exchange rates.

8. PRINCIPAL TERMS OF THE RIGHTS ISSUE

Subject to the satisfaction of the conditions referred to below, the Board proposes to issue the New Shares in connection with the Rights Issue in order to raise approximately £1 billion net of expenses. The Issue Price of 308 pence per New Share represents a 32.8% discount to the closing middle market price of 458 pence per Share on 18 October 2004, the last business day before the announcement of the Rights Issue.

The New Shares are being offered by way of rights to Qualifying Shareholders on the following basis:

1 New Share at 308 pence per New Share for every 6 Existing Shares

held and registered in their name at the Record Date. Entitlements to fractions of New Shares will not be allotted to Qualifying Shareholders, but will be aggregated and sold in the market for the benefit of the Company. Accordingly, Shareholders with fewer than 6 Existing Shares will not be entitled to subscribe for any New Shares.

The latest time and date for acceptance and payment in full under the Rights Issue is 11.00 a.m. on 10 November 2004.

The Company has arranged for the Rights Issue to be underwritten in full in order to provide certainty as to the amount of capital to be raised. A summary of the material terms of the Underwriting Agreement is set out in section 10 of Part VII of this document.

The Rights Issue is conditional upon (i) Admission becoming effective by not later than 8.00 a.m. on 20 October 2004 (or such later time and/or date as the Company and the Underwriters may agree (being not later than 27 October 2004)), and (ii) the Underwriting Agreement otherwise having become unconditional in all respects and not having been terminated in accordance with its terms prior to Admission.

We expect Admission to become effective and dealings in the New Shares, nil paid, to commence on 20 October 2004.

The Rights Issue will result in the issue of 337,215,697 New Shares (representing approximately 14.3% of the issued share capital of Prudential, as enlarged by the Rights Issue). The New Shares will, when issued and fully paid, rank equally in all respects with the Existing Shares except that they will not carry the right to receive the interim dividend for the year 2004 of 5.4 pence per share due to be paid on 29 October 2004 to Shareholders on the register of members of the Company on 20 August 2004.

Please see Part III of this document and, in the case of Qualifying non-CREST Shareholders only, the Provisional Allotment Letter, for the terms and conditions of the Rights Issue.

9. ACTION TO BE TAKEN

Rights Issue

If you are a Qualifying non-CREST Shareholder other than those, subject to certain exceptions, with registered addresses in the United States or the Excluded Territories, you will find enclosed a Provisional Allotment Letter setting out your entitlement to New Shares and containing instructions on how to take up that entitlement under the Rights Issue.

If you are a Qualifying CREST Shareholder, no Provisional Allotment Letter is enclosed. Qualifying CREST Shareholders other than those, subject to certain exceptions, with registered addresses in the United States or the Excluded Territories will have their CREST stock account credited by 8.00 a.m. on 20 October 2004 with their entitlement to Nil Paid Rights.

Please see Part III of this document for the terms and conditions of the Right Issue.

If you sell or have sold or otherwise transferred (other than ex-rights) all your Existing Shares before 20 October 2004, you will not be entitled to participate in the Rights Issue. However, the purchaser or transferee of your Shares may be entitled to participate in the Rights Issue. In this case, please send this document together with any accompanying Provisional Allotment Letter immediately to the purchaser or transferee or to the bank, stockbroker or other agent through whom you sell or have sold or transferred your shares for delivery to the purchaser or transferee (provided that they are not in the United States or an Excluded Territory).

The latest time for acceptance under the Rights Issue is 11.00 a.m. on 10 November 2004.

The procedure for acceptance and payment depends on whether, at the time at which acceptance and payment is made, the Nil Paid Rights are in certificated form (that is, are represented by a Provisional Allotment Letter) or are in uncertificated form (that is, are in the CREST). The procedure for acceptance and payment is set out in Part III of this document. Further details also appear in the Provisional Allotment Letter.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with the Rights Issue.

If you have any questions please telephone the Shareholder Helpline.

Note: For legal reasons the Shareholder Helpline will only be able to provide information contained in this document and information relating to Prudential's register of members and will be unable to give advice on the merits of the Rights Issue or to provide financial or investment advice.

10. PRUDENTIAL SHARE SCHEMES AND EMPLOYEE OPTION SCHEMES

Participants in the Prudential Share Schemes and the Employee Option Schemes will be contacted separately with information on how these will be affected by the Rights Issue.

11. TAXATION

Your attention is drawn to section 12 of Part VII of this document. If you are in any doubt as to your tax position, you should consult your own professional adviser without delay.

12. OVERSEAS SHAREHOLDERS

Shareholders resident in any jurisdiction other than the United Kingdom should refer to sections 7 and 8 of Part III of this document and your attention is also drawn to the further information set out in Parts IV, V, VI and VII of this document.

New Shares have been provisionally allotted to all Qualifying Shareholders, including Overseas Shareholders. However, subject to certain exceptions, Provisional Allotment Letters will not be sent to Qualifying non-CREST Shareholders with registered addresses in the United States or the Excluded Territories nor will the CREST stock account of Qualifying CREST Shareholders with registered addresses in the United States or the Excluded Territories be credited. If a Provisional Allotment Letter is received by any person in the United States or an Excluded Territory, such person should not seek and will not be able to take up his rights thereunder.

13. DIRECTORS' INTENTIONS

The Board considers the Rights Issue to be in the best interests of the shareholders of Prudential as a whole. Each of the Directors either intends, to the extent that they are able, to take up in full his or her rights to subscribe for New Shares under the Rights Issue or to sell sufficient of their Nil Paid Rights during the nil paid dealing period to meet the costs of taking up the balance of their entitlements to New Shares. Your attention is drawn to the further information set out in Parts IV, V, VI and VII of this document.

Yours sincerely

Sir David Clementi
Chairman

Part II

Some Questions and Answers on the Rights Issue

The questions and answers set out in this Part II are intended to be in general terms only and, as such, you should read Part III of this document for full details of what action you should take. If you are in any doubt as to what action you should take, please consult your stockbroker, bank manager, solicitor, accountant, fund manager or independent financial adviser who, if you are taking advice in the United Kingdom, is authorised under the Financial Services and Markets Act 2000 or, if you are taking advice in Ireland is authorised or exempted pursuant to the Investments Intermediaries Act 1995 of Ireland or the Stock Exchange Act 1995 of Ireland.

This Part II deals with general questions relating to the Rights Issue and more specific questions relating to Shares held in certificated form only. If you hold your Shares in uncertificated form (that is, through CREST), you should read Part III of this document for an explanation of what action you should take. If you are a CREST sponsored member, you should also consult your CREST sponsor.

If you do not know whether your Shares are in certificated or uncertificated form, call the Shareholder Helpline on Freephone 0800 174350 (or +44 1903 702767 if you are calling from outside the UK). For legal reasons, the Shareholder Helpline will be unable to give advice on the merits of the Rights Issue or to provide financial or investment advice.

GENERAL QUESTIONS AND QUESTIONS FOR HOLDERS WITH SHARE CERTIFICATES

What is a rights issue?

Rights issues are a way for companies to raise money. They do this by giving their existing shareholders a right to buy shares in proportion to their existing shareholdings. This Rights Issue is an offer of 1 New Share for every 6 Existing Shares held at the close of business on 15 October 2004 (the Record Date for the Rights Issue). So, if you hold Shares on the Record Date, you will be entitled to buy 1 New Share for every 6 Existing Shares you hold.

New Shares are being offered to Qualifying Shareholders in the Rights Issue at a discount to the current share price. Because of this discount, the right to buy the New Shares is potentially valuable. In this Rights Issue, the Issue Price represents a 32.8 per cent. discount to the closing middle market price of 458 pence per Share on 18 October 2004, the last dealing day before the announcement of the Rights Issue.

If you do not want to buy the New Shares to which you are entitled, you can instead sell or transfer your rights (called Nil Paid Rights) to those shares and receive the net proceeds of the sale or transfer in cash. This is referred to as dealing “nil paid”.

What do I need to do in relation to the Rights Issue?

If you hold Shares in certificated form and do not have a registered address in Canada, France, New Zealand, South Africa, Spain, Switzerland or the United States you have been sent with this document a Provisional Allotment Letter that shows:

in Box 1: how many Existing Shares you held at the close of business on 15 October 2004 (the Record Date for the Rights Issue);

in Box 2: how many New Shares you are entitled to buy; and

in Box 3: how much you need to pay if you want to take up your rights in full.

If you have a registered address in Canada, France, New Zealand, South Africa, Spain, Switzerland or the United States, subject to certain exceptions, you will not receive a Provisional Allotment Letter.

What are my options and what should I do with the Provisional Allotment Letter?

(a) If you want to take up all your rights

If you want to take up all your rights to subscribe for the New Shares to which you are entitled, all you need to do is send the Provisional Allotment Letter, together with your cheque for the full amount shown in Box 3, payable to "Lloyds TSB Bank plc" and crossed "A/C payee only", by post or by hand only (during normal business hours) to Lloyds TSB Registrars, Princess House, 1 Suffolk Lane, London, EC4R 0AX to arrive before 11.00 a.m. on 10 November 2004. Within the UK only you can use the reply-paid envelope which will be enclosed with the Provisional Allotment Letter. Section 3(b) of Part III of this document has full instructions on how to accept and pay for your New Shares. Instructions are also set out in the Provisional Allotment Letter. You will be required to pay in full for all the rights you take up. A definitive share certificate will then be sent to you for the New Shares you buy.

You will only need your Provisional Allotment Letter to be returned to you if you want to deal in your Fully Paid Rights. Your Provisional Allotment Letter will not be returned to you unless you tick Box 4 on page 1 of the Provisional Allotment Letter. Your definitive share certificate for New Shares is expected to be despatched to you by 22 November 2004.

(b) If you do not want to take up your rights at all

If you do not want to take up your rights, you do not need to do anything. If you do not return your Provisional Allotment Letter subscribing for the New Shares to which you are entitled by 11.00 a.m. on 10 November 2004, we have made arrangements under which the Underwriters will try to find investors by close of business on 15 November 2004 to take up your rights and those of others who have not taken up their rights. If the Underwriters do find investors who agree to pay a premium over the Issue Price and the related expenses of procuring those investors (including any applicable brokerage and commissions and amounts in respect of value added tax), you will be sent a cheque for your share of the amount of that premium provided that this is £3.00 or more. Cheques are expected to be despatched by 22 November 2004 and will be sent to your address appearing on Prudential's register of members (or to the first named holder if you hold your shares jointly). If the Underwriters cannot find investors who agree to pay a premium over the Issue Price and related expenses, you will not receive any payment.

Alternatively, if you do not want to take up your rights, you can sell or transfer your Nil Paid Rights (see section (d) below).

(c) If you want to take up some but not all of your rights

If you want to take up some but not all of your rights and wish to sell some or all of those you do not want to take up, you should first apply to have your Provisional Allotment Letter split by completing Form X on page 4 of the Provisional Allotment Letter, and returning it by post or by hand only (during normal business hours) to Lloyds TSB Registrars, Princess House, 1 Suffolk Lane, London, EC4R 0AX to be received by 3.00 p.m. on 8 November 2004, the last time and date for splitting Provisional Allotment Letters, together with a covering letter stating the number of split Provisional Allotment Letters required and the number of Nil Paid Rights to be comprised in each split Provisional Allotment Letter. You should then deliver the split Provisional Allotment Letter representing the New Shares you wish to accept together with your cheque to Lloyds TSB Registrars (see section (a) above) to be received by 11.00 a.m. on 10 November 2004, the last time and date for acceptance and payment in full.

Alternatively, if you want only to take up some of your rights (but not sell the rest yourself), you should complete Form X on page 4 of the Provisional Allotment Letter and return it with a cheque together with an accompanying letter indicating the number of Nil Paid Rights you wish to take up, in accordance with the provisions set out in section 2 on page 3 of the Provisional Allotment Letter.

(d) If you want to sell all of your rights

If you want to sell all of your rights you should complete and sign Form X on page 4 of the Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and pass the entire letter to your stockbroker, bank manager or other appropriate financial adviser or to the transferee (provided they are not in the United States, Canada, France, Switzerland, Spain, New Zealand or South Africa). The latest time and date for selling all your rights is 11.00 a.m. on 10 November 2004. Please ensure, however, that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 10 November 2004.

How do I know if I am eligible to participate in the Rights Issue?

If you receive a Provisional Allotment Letter (and, if you are a holder in the United States or an Excluded Territory and can make the representations in sections 7 and 8, as applicable, of Part III below) then you should be eligible to participate in the Rights Issue (as long as you have not sold all of your Existing Shares before 20 October 2004 (the ex-rights date)).

What if I have not received a Provisional Allotment Letter?

If you have not received a Provisional Allotment Letter and you do not hold your Existing Shares in CREST, this probably means that you are not eligible to participate in the Rights Issue. Some Qualifying Shareholders, however, will not receive a Provisional Allotment Letter but may still be eligible to participate in the Rights Issue, namely:

- Qualifying CREST Shareholders (please see Part III below);
- Qualifying non-CREST Shareholders who bought Shares before 20 October 2004 but were not registered as the holders of those Shares at the close of business on 15 October 2004; and
- certain Overseas Shareholders.

If you have not received a Provisional Allotment Letter but think that you should have received one, please contact the Shareholder Helpline on Freephone 0800 174350 (or +44 1903 702767 if you are calling from outside the UK). For legal reasons, the Shareholder Helpline will only be able to provide information contained in this document (and in addition information relating to Prudential's register of members) and will be unable to give advice on the merits of the Rights Issue or to provide financial or investment advice.

How many New Shares am I entitled to buy?

Box 2 on page 1 of the Provisional Allotment Letter will show the number of New Shares you are entitled to buy. You are entitled to 1 New Share for every 6 Existing Shares held on 15 October 2004, the Record Date.

If I buy Shares after the Record Date for the Rights Issue (15 October 2004) will I be eligible to participate in the Rights Issue?

If you bought Shares after the Record Date but prior to 20 October 2004 (the date the Shares start trading ex-rights — that is, without the right to participate in the Rights Issue), you will be eligible to participate in the Rights Issue. If you buy Shares on or after 20 October 2004, you will not be eligible to participate in the Rights Issue in respect of those Shares.

If I take up my rights, when will I receive my new share certificate?

If you take up your rights under the Rights Issue, share certificates for the New Shares are expected to be posted by 22 November 2004.

Am I entitled to fractions of Shares?

Your entitlement is calculated by multiplying your holding of Existing Shares by 1 and dividing the result by 6. If the result is not a whole number, you will not receive a New Share in respect of the fractional entitlement. The New Shares representing the collective fractional entitlements of all Shareholders will be sold during the nil paid trading period for the benefit of the Company.

Will I be taxed if I take up or sell my rights or if my rights are sold on my behalf?

If you are resident in the UK for tax purposes, you will not have to pay UK tax when you take up your rights, although the Rights Issue will affect the amount of UK tax you may pay when you subsequently sell your Shares. However, you may be subject to capital gains tax on any proceeds you receive from the sale of your rights (unless, generally, the proceeds do not exceed £3,000, although in that case the amount of UK tax you may pay when you subsequently sell your Shares will be affected).

Further information for Qualifying Shareholders who are resident in the UK, Ireland, the Netherlands, the United States and Australia for tax purposes is contained in section 12 of Part VII of this document. This information is intended as a general guide to the current tax positions in the UK, Ireland, the Netherlands, the United States and Australia and Qualifying Shareholders in these jurisdictions should consult their own tax advisers regarding the tax treatment of the Rights Issue in light of their own circumstances. Qualifying Shareholders who are in any doubt as to their tax position, or who are subject to tax in any other jurisdiction, should consult an appropriate professional adviser as soon as possible.

I understand that there is a period when there is trading in the Nil Paid Rights. What does this mean?

If you do not want to buy the New Shares being offered to you under the Rights Issue, you can instead sell or transfer your rights (called Nil Paid Rights) to those New Shares and receive the net proceeds of the sale or transfer in cash. This is referred to as dealing "nil paid". This means that, during the Rights Issue offer period (i.e. between 20 October 2004 and 10 November 2004), you can either purchase Shares (which will not carry any entitlement to participate in the Rights Issue) or you can trade in the Nil Paid Rights. See section 3(d) of Part III of this document for more details.

What if I want to sell the New Shares I have paid for?

Provided the New Shares have been paid for and you have requested the return of the receipted Provisional Allotment Letter, you can transfer the Fully Paid Rights by completing Form X, the form of renunciation, on the back of the receipted Provisional Allotment Letter in accordance with the instructions set out on page 4 of the Provisional Allotment Letter until 11.00 a.m. on 10 November 2004. See section 3(f) of Part III of this document for more details.

After that date, you will be able to sell your New Shares in the normal way. The share certificate relating to your New Shares is expected to be despatched to you by 22 November 2004. Pending despatch of such share certificate, instruments of transfer will be certified by Lloyds TSB Registrars against the register.

What if I am entitled to Shares under the Prudential Share Schemes and/or Employee Option Schemes?

Participants in the Prudential Share Schemes and Employee Option Schemes will be advised separately of adjustments (if any) to their rights and/or any entitlement to participate in the Rights Issue.

What should I do if I live outside the UK?

Your ability to take up rights to New Shares may be affected by the laws of the country in which you live and you should take professional advice about any formalities you need to observe. Shareholders resident outside the UK should refer to sections 7 and 8 of Part III of this document.

Your attention is drawn to the terms and conditions of the Rights Issue in Part III of this document and (in the case of Qualifying non-CREST Shareholders) those to be contained in the Provisional Allotment Letter.

Will the Rights Issue affect the dividends the Company pays?

Following completion of the Rights Issue, future dividend payments per Share will be adjusted to take account of the bonus element of the Rights Issue. The adjustment will take account of the discount in the Issue Price to the share price at close of business on 19 October 2004, being the day prior to the day on which dealings in the New Shares, nil paid, are expected to commence.

Part III

Terms and Conditions of the Rights Issue

1. TERMS AND CONDITIONS OF THE RIGHTS ISSUE

Subject to the fulfilment of the terms and conditions set out below, the New Shares are being offered for subscription by way of rights to Qualifying Shareholders on the following basis and otherwise on the terms and conditions set out in this document (and, in the case of Qualifying non-CREST Shareholders, the Provisional Allotment Letter):

1 New Share at 308 pence per New Share

for every 6 Existing Shares

held and registered in their name at the close of business on 15 October 2004 and so in proportion for any other numbers of Existing Shares then held.

Holdings of Existing Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue. Fractions of New Shares will not be allotted and fractional entitlements will be rounded down to the nearest whole number of New Shares. Such fractions will be aggregated and sold in the market as soon as practicable after the commencement of dealings in New Shares, nil paid. The net proceeds of such sales (after deduction of expenses) will be aggregated and retained by the Company for its own benefit. Accordingly, Qualifying Shareholders with fewer than 6 Existing Shares will not be entitled to any New Shares.

The attention of Overseas Shareholders is drawn to sections 7 and 8 of this Part III.

Application has been made to the UK Listing Authority and to the London Stock Exchange for the New 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 on 20 October 2004 and that dealings in the New Shares will commence, nil paid, at 8.00 a.m. on that date.

The Rights Issue has been underwritten by the Underwriters and is conditional upon:

(i) Admission becoming effective by not later than 8.00 a.m. on 20 October 2004 (or such later time and/or date as the Company and the Underwriters may agree (being not later than 27 October 2004)); and

(ii) the Underwriting Agreement otherwise having become unconditional in all respects and not having been terminated in accordance with its terms prior to Admission.

Provisional Allotment Letters in respect of the New Shares are being despatched to Qualifying non-CREST Shareholders (other than, subject to certain exceptions, such Shareholders with registered addresses in the United States or an Excluded Territory) at their own risk. Provisional Allotment Letters constitute temporary documents of title.

The Existing Shares are already admitted to CREST. Applications have been made for the Nil Paid Rights, the Fully Paid Rights and the New Shares to be admitted to CREST. CRESTCo requires Prudential to confirm to it that the New Shares have been admitted to the Official List before CRESTCo will admit the New Shares to CREST. As soon as practicable after Admission, Prudential will confirm this to CRESTCo.

It is expected that:

(a) Lloyds TSB Registrars will instruct CRESTCo to credit the appropriate stock accounts of Qualifying CREST Shareholders (other than, subject to certain exceptions, such Shareholders with registered addresses in the United States or an Excluded Territory) with such Shareholders' entitlements to Nil Paid Rights, with effect from 8.00 a.m. on 20 October 2004;

(b) the Nil Paid Rights and the Fully Paid Rights will be enabled for settlement by CRESTCo on 20 October 2004, as soon as practicable after Prudential has confirmed to CRESTCo that all the conditions for admission of such rights to CREST have been satisfied;

(c) New Shares will be credited to relevant Qualifying CREST Shareholders by 8.00 a.m. on 11 November 2004; and

(d) share certificates for the New Shares will be despatched to Qualifying non-CREST Shareholders at their own risk by 22 November 2004.

The offer of New Shares and the Rights Issue are not being made into the United States or the Excluded Territories. Notwithstanding the foregoing, the Nil Paid Rights may be delivered and the New Shares may be offered and sold in the United States only to a limited number of "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act by way of private placement in offerings exempt from registration under the Securities Act in the manner described in section 7(b) below. Shareholders taking up their rights by completing a Provisional Allotment Letter or by sending a Many-to-Many (MTM) instruction to CRESTCo will be deemed to have given the representations and warranties set out in section 8 of this Part III below, unless such requirement is waived by Prudential.

The New Shares will, when issued and fully paid, rank equally in all respects with the Existing Shares, including the right to receive all dividends or distributions made, paid or declared after the date of this document except the interim dividend for the year 2004 of 5.4 pence per share due to be paid on 29 October 2004 to Shareholders on the register of members of the Company on 20 August 2004.

The Underwriters have agreed to underwrite the Rights Issue in accordance with the terms and subject to the conditions in the Underwriting Agreement. The Underwriting Agreement is conditional on certain matters being satisfied or not breached prior to Admission and may also be terminated by the Underwriters prior to Admission upon the occurrence of certain specified events, in which case the Rights Issue will not proceed. The Underwriters may arrange sub-underwriting for some, all or none of the New Shares. A summary of certain terms and conditions of the Underwriting Agreement is set out in section 10 of Part VII of this document.

All documents and cheques posted to or by Qualifying Shareholders and/or their transferees or renouncees (or their agents, as appropriate) will be posted at their own risk.

2. ACTION TO BE TAKEN

The action to be taken in respect of New Shares depends on whether, at the relevant time, the Nil Paid Rights or Fully Paid Rights in respect of which action is to be taken are in certificated form (that is, are represented by Provisional Allotment Letters) or are in uncertificated form (that is, are in CREST).

If you are a Qualifying non-CREST Shareholder and do not have a registered address in the United States or an Excluded Territory (subject to certain limited exceptions), please refer to section 3, sections 5 to 8 and sections 10 to 12 of this Part III.

If you hold your Existing Shares in CREST and do not have a registered address in the United States or an Excluded Territory (subject to certain limited exceptions), please refer to section 4, sections 5 to 8 and sections 10 to 12 of this Part III and to the CREST Manual for further information on the CREST procedures referred to below.

CREST sponsored members should refer to their CREST sponsors, as only their CREST sponsors will be able to take the necessary actions specified below to take up the entitlements or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of CREST sponsored members.

3. ACTION TO BE TAKEN IN RELATION TO NIL PAID RIGHTS REPRESENTED BY PROVISIONAL ALLOTMENT LETTERS

(a) General

The Provisional Allotment Letter (referred to in this section 3 of Part III of this document as a "PAL") sets out:

(i) the holding of Existing Shares on which a Qualifying non-CREST Shareholder's entitlement to New Shares has been based;

(ii) the aggregate number of New Shares which have been provisionally allotted to such Qualifying non CREST Shareholder;

(iii) the procedures to be followed if a Qualifying non-CREST Shareholder wishes to dispose of all or part of his entitlement or to convert all or part of his entitlement into uncertificated form; and

(iv) instructions regarding acceptance and payment, consolidation, splitting and registration of renunciation.

On the basis that PALs are posted on 19 October 2004, and that dealings commence on 20 October 2004, the latest time and date for acceptance and payment in full and registration of renounced PALs will be 11.00 a.m. on 10 November 2004.

(b) Procedure for acceptance and payment

(i) Qualifying non-CREST Shareholders who wish to accept in full

Holders of PALs who wish to take up all of their Nil Paid Rights must return the PAL, together with a cheque or banker's draft, made payable to "Lloyds TSB Bank plc" and crossed "A/C payee only", for the full amount payable on acceptance, in accordance with the instructions printed on the PAL, by post or by hand only (during normal business hours) to Lloyds TSB Registrars, Princess House, 1 Suffolk Lane, London EC4R 0AX, so as to arrive as soon as possible and in any event so as to be received not later than 11.00 a.m. on 10 November 2004. A reply-paid envelope will be enclosed with the PAL for use within the United Kingdom only. If you are posting your PAL it is recommended that you allow sufficient time for delivery.

(ii) Qualifying non-CREST Shareholders who wish to accept in part

Holders of PALs who wish to take up some but not all of their Nil Paid Rights and wish to sell some or all of those which they do not want to take up, should first apply for split PALs by completing Form X on page 4 of the PAL, and returning it by post or by hand (during normal business hours) only to Lloyds TSB Registrars, Princess House, 1 Suffolk Lane, London, EC4R 0AX by 3.00 p.m. on 8 November 2004, the last date and time for splitting PALs, together with a covering letter stating the number of split PALs required and the number of Nil Paid Rights to be comprised in each split PAL. Once the Qualifying non-CREST Shareholders have received these, they should then deliver the split PAL representing the New Shares they wish to accept together with a cheque or a banker's draft for the appropriate amount, payable to "Lloyds TSB Bank plc" and crossed "A/C payee only" by 11.00 a.m. on 10 November 2004, the last date and time for acceptance. The second PAL (representing the New Shares you do not wish to take up) will be required in order to sell those rights. Qualifying non-CREST Shareholders who wish to take up some of their Nil Paid Rights (but not sell the remainder), should complete Form X on page 4 of the PAL and return it to one of the addresses noted above with a cheque for the appropriate amount, together with an accompanying letter indicating the number of Nil Paid Rights they wish to take up, in accordance with the provisions set out in section 2 on page 3 of the PAL.

(iii) Company's discretion as to validity of acceptances

If payment is not received in full by 11.00 a.m. on 10 November 2004, the provisional allotment will be deemed to have been declined and will lapse. However, the Company may, with the agreement of the Underwriters, but shall not be obliged, to treat as valid (i) PALs and accompanying remittances for the full amount due which are received through the post not later than 11.00 a.m. on 11 November 2004 (the cover bearing a legible postmark dated not later than 11.00 a.m. on 10 November 2004) and (ii) acceptances in respect of which remittances are received prior to 11.00 a.m. on 10 November 2004 from an authorised person (as defined in Section 31(2) Financial Services and Markets Act 2000) specifying the number of New Shares to be acquired and an undertaking by that person to lodge the relevant PAL, duly completed, in due course.

Prudential may also (in its sole discretion) treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or is not accompanied by a valid power of attorney where required.

(iv) Payments

All payments must be in pounds sterling and cheques or banker's drafts should be made payable to "Lloyds TSB Bank plc" and crossed "A/C payee only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the UK or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or a member of either of the Committees of the Scottish or Belfast Clearing Houses or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right hand corner. Cheques drawn on most major high street banks and building societies in the UK will be satisfactory. If you are in any doubt, please contact the Shareholder Helpline on Freephone 0800 174350 (or +44 1903 702767 if you are calling from outside the UK). For legal reasons, the Shareholder Helpline will only be able to provide information contained in this document (and in addition information relating to Prudential's register of members) and will be unable to give advice on the merits of the Rights Issue or to provide financial or investment advice. Cheques or banker's drafts will be presented for payment upon receipt. Prudential reserves the right to instruct Lloyds TSB Registrars to seek special clearance of cheques and banker's drafts to allow Prudential to obtain full value for remittances at the earliest opportunity. No interest will be allowed on payments made before they are due and any interest on such payments will accrue to the benefit of the Company. It is a term of the Rights Issue that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured.

(c) Money Laundering Regulations

If the value of your application exceeds €15,000 (approximately £10,370) (or is one of a series of linked applications, the aggregate value of which exceeds that amount) and either you do not pay by a cheque drawn on an account in your own name and/or the account from which payment is to be made is not held within an institution that is authorised in the UK by the Financial Services Authority under the Financial Services and Markets Act 2000 or that is an EU authorised credit institution, as defined in Article 1 of the Banking Consolidation Directive (2000/12/EC) as referred to in the verification of identity requirements of the Money Laundering Regulations 2003, the Money Laundering Regulations 2003 will apply. Lloyds TSB Registrars is entitled to require, at its absolute discretion, verification of identity from any person lodging a PAL (the "applicant") including, without limitation, any person who appears to Lloyds TSB Registrars to be acting on behalf of some other person. Submission of a PAL will constitute a warranty and undertaking by the applicant to provide promptly to Lloyds TSB Registrars such information as may be specified by Lloyds TSB Registrars as being required for the purpose of the Money Laundering Regulations 2003. Pending the provision of evidence satisfactory to Lloyds TSB Registrars as to identity, Lloyds TSB Registrars may, after consultation with the Company and the Underwriters and having taken into account their representations, retain a PAL lodged by an applicant for New Shares and/or the cheque or banker's draft relating to it and/or not enter the New Shares to which it relates on the register of members or issue any share certificate in respect of them. If satisfactory evidence of identity has not been provided within a reasonable time, then the acceptance will not be valid (without prejudice to the right of Prudential to take proceedings to recover any loss suffered by it as a result of the failure of the applicant to provide satisfactory evidence). In that case, the application monies (without interest) will be returned to the bank or building society account from which payment was made.

The following guidance is provided in order to reduce the likelihood of difficulties, delays and potential rejection of an application (but does not limit the right of Lloyds TSB Registrars to require verification of identity as stated above).

(i) Applicants are urged, if possible, to make their payment by their own cheque. If this is not practicable and an applicant uses a cheque drawn by a building society or other third party or a banker's draft, the applicant should:

  (a) write the applicant's name and address on the back of the building society cheque, banker's draft or third party cheque and, in the case of an individual, record his date of birth against his name; and

  (b) if a building society cheque or banker's draft is used, ask the building society or bank to print on the cheque the full name and account number of the person whose building society or bank account is being debited or to write those details on the back of the cheque and add their stamp.

(ii) If an application is delivered by hand, the applicant should ensure that he has with him evidence of identity bearing his photograph, for example, a valid full passport.

If you are making an application as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), irrespective of the value of the application, Lloyds TSB Registrars is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf the application is being made. Applicants making an application as agent should specify on the PAL if they are a UK or EU regulated person or institution.

All enquiries in relation to PALs should be addressed to the Shareholder Helpline on Freephone 0800 174350 (or +44 1903 702767 if you are calling from outside the UK). For legal reasons, the Shareholder Helpline will only be able to provide information contained in this document (and in addition information relating to Prudential's register of members) and will be unable to give advice on the merits of the Rights Issue or to provide financial or investment advice.

(d) Dealings in Nil Paid Rights

Assuming the Rights Issue becomes unconditional, dealings on the London Stock Exchange in the Nil Paid Rights are expected to commence at 8.00 a.m. on 20 October 2004. A transfer of Nil Paid Rights can be made by renunciation of the PAL in accordance with the instructions printed on it and delivery of the PAL to the transferee.

(e) Dealings in Fully Paid Rights

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this document and (where appropriate) the PAL, the Fully Paid Rights may be transferred by renunciation of the relevant PAL and lodging of the same by post or by hand only (during normal business hours) with Lloyds TSB Registrars, Princess House, 1 Suffolk Lane, London, EC4R 0AX, by not later than 11.00 a.m. on 10 November 2004. To do this, a Qualifying non-CREST Shareholder will need to have their fully paid PAL returned to them after the acceptance has been effected by Lloyds TSB Registrars. Fully paid PALs will not be returned to Shareholders unless their return is requested by ticking Box 4 on page 1 of the PAL.

After 10 November 2004, the New Shares will be in registered form and transferable in the usual way (see section 3(i) of this Part III).

(f) Renunciation and splitting of PALs

Qualifying non-CREST Shareholders who wish to transfer all of their Nil Paid Rights or, after acceptance of the provisional allotment and payment in full, Fully Paid Rights comprised in a PAL may (save as required by the laws of certain overseas jurisdictions) renounce such allotment by completing and signing Form X on page 4 of the PAL (if it is not already marked "Original Duly Renounced") and passing the entire PAL to their stockbroker or bank or other appropriate financial adviser or to the transferee. Once a PAL has been renounced, the PAL will become a negotiable instrument in bearer form. The latest time and date for registration of renunciation of PALs is 11.00 a.m. on 10 November 2004.

If a holder of a PAL wishes to have only some of the New Shares registered in his name and to transfer the remainder, or wishes to transfer all the Nil Paid Rights, or (if appropriate) Fully Paid Rights but to different persons, he may have the PAL split, for which purpose he must complete and sign Form X on page 4 of the PAL. The PAL must then be delivered by post or by hand (during normal business hours) only to Lloyds TSB Registrars, Princess House, 1 Suffolk Lane, London EC4R 0AX by not later than 3.00 p.m. on 8 November 2004, to be cancelled and exchanged for the split PALs required. The number of split PALs required and the number of Nil Paid Rights or (as appropriate) Fully Paid Rights to be comprised in each split PAL should be stated in an accompanying letter. Form X on page 4 of split PALs will be marked "Original Duly Renounced" before issue.

(g) Registration in names of persons other than Qualifying Shareholders originally entitled

In order to register Fully Paid Rights in certificated form in the name of someone other than the Qualifying Shareholder(s) originally entitled, the renouncee or his agent(s) must complete Form Y on page 4 of the PAL (unless the renouncee is a CREST member who wishes to hold such New Shares in uncertificated form, in which case Form X and the CREST Deposit Form (both on page 4 of the PAL) must be completed — see section 3(h) of this Part III) and send the entire PAL, when fully paid, by post or by hand only (during normal business hours) to Lloyds TSB Registrars, Princess House, 1 Suffolk Lane, London EC4R 0AX by not later than 11.00 a.m. on 10 November 2004.

(h) Deposit of Nil Paid Rights or Fully Paid Rights into CREST

The Nil Paid Rights or Fully Paid Rights represented by a PAL may be converted into uncertificated form, that is, deposited into CREST (whether such conversion arises as a result of a renunciation of those rights or otherwise). Subject as provided in the next following section or in the PAL, normal CREST procedures and timings apply in relation to any such conversion. You are recommended to refer to the CREST Manual for details of such procedures.

The procedure for depositing the Nil Paid Rights represented by a PAL into CREST, whether such rights are to be converted into uncertificated form in the name(s) of the person(s) whose name(s) and address(es) appear on page 1 of the PAL or in the name of a person or persons to whom the PAL has been renounced, is as follows. Form X and the CREST Deposit Form (both on page 4 of the PAL) will need to be completed and the PAL deposited with the CCSS; in addition, the normal CREST Stock Deposit procedures will need to be carried out, except that (a) it will not be necessary to complete and lodge a separate CREST Transfer Form (prescribed under the Stock Transfer Act 1963) with the CCSS and (b) only the whole of the Nil Paid Rights or Fully Paid Rights represented by the PAL may be deposited into CREST. If you wish to deposit some only of the Nil Paid Rights or Fully Paid Rights represented by the PAL into CREST, you must first apply for split PALs. If the rights represented by more than one PAL are to be deposited, the CREST Deposit Form on each PAL must be completed and deposited. The Consolidation Listing Form must not be used.

A holder of the Nil Paid Rights represented by a PAL who is proposing to convert those rights into uncertificated form (whether following a renunciation of such rights or otherwise) is recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Nil Paid Rights in CREST following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 10 November 2004. In particular, having regard to processing times in CREST and on the part of Lloyds TSB Registrars, the latest recommended time for depositing a renounced PAL (with Form X and the CREST Deposit Form on page 4 of the PAL duly completed), with the CCSS (in order to enable the person acquiring the Nil Paid Rights in CREST as a result of the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 10 November 2004) is 3.00 p.m. on 5 November 2004.

CREST sponsored members should contact their CREST sponsor.

(i) Issue of New Shares in definitive form

Definitive share certificates in respect of the New Shares to be held in certificated form are expected to be despatched by post by 22 November 2004 to persons entitled thereto at their registered address (unless lodging agent details have been completed on page 1 of the PAL). After despatch of definitive share certificates, PALs will cease to be valid for any purpose whatsoever. Pending despatch of definitive share certificates, instruments of transfer of the New Shares will be certified by Lloyds TSB Registrars against the register.

4. ACTION TO BE TAKEN IN RELATION TO NIL PAID RIGHTS OR FULLY PAID RIGHTS IN CREST

(a) General

Subject as provided in section 7 of this Part III in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder is expected to receive a credit to his CREST stock account of his entitlement to Nil Paid Rights on 20 October 2004. The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Nil Paid Rights are provisionally allotted.

The Nil Paid Rights will constitute a separate security and can accordingly be transferred, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST.

If for any reason it is impracticable to credit to the stock accounts of Qualifying CREST Shareholders or to enable the Nil Paid Rights, Provisional Allotment Letters shall, unless the Underwriters agree otherwise, be sent out in substitution for the Nil Paid Rights which have not been so credited or enabled and the expected timetable as set out in this document may, with the consent of the Underwriters, be adjusted as appropriate. **References to dates and times in this document should be read as subject to any such adjustment**. Prudential will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates but Qualifying CREST Shareholders may not receive any further written communication.

CREST members who wish to take up all or part of their entitlements in respect of, or otherwise to transfer all or part of their Nil Paid Rights or Fully Paid Rights held by them in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST sponsored member you should consult your CREST sponsor if you wish to take up your entitlement as only your CREST sponsor will be able to take the necessary action to take up your entitlements or otherwise to deal with your Nil Paid Rights or Fully Paid Rights.

(b) Procedure for acceptance and payment

(i) Many-to-Many instructions

CREST members who wish to take up all or part of their entitlement in respect of Nil Paid Rights in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) a Many-To-Many ("MTM") instruction to CRESTCo which, on its settlement, will have the following effect:

(a) the crediting of a stock account of Lloyds TSB Registrars under the participant ID and member account ID specified below, with the number of Nil Paid Rights to be taken up;

(b) the creation of a settlement bank payment obligation (as this term is defined in the CREST Manual), in accordance with the RTGS payment mechanism (as this term is defined in the CREST Manual), in favour of the RTGS settlement bank of Lloyds TSB Registrars in pounds sterling in respect of the full amount payable on acceptance in respect of the Nil Paid Rights referred to in sub-section (a) above; and

(c) the crediting of a stock account of the accepting CREST member (being an account under the same participant ID and member account ID as the account from which the Nil Paid Rights are to be debited on settlement of the MTM instruction) of the corresponding number of Fully Paid Rights to which the CREST member is entitled on taking up his Nil Paid Rights referred to in sub-section (a) above.

(ii) Contents of Many-to-Many instructions

The MTM instruction must be properly authenticated in accordance with CRESTCo's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- the number of Nil Paid Rights to which the acceptance relates;
- the participant ID of the accepting CREST member;
- the member account ID of the accepting CREST member from which the Nil Paid Rights are to be debited;
- the participant ID of Lloyds TSB Registrars, in its capacity as a CREST receiving agent. This is 2RA59;
- the member account ID of Lloyds TSB Registrars, in its capacity as a CREST receiving agent. This is RA945401;
- the number of Fully Paid Rights that the CREST member is expecting to receive on settlement of the MTM instruction. This must be the same as the number of Nil Paid Rights to which the acceptance relates;
- the amount payable by means of the CREST assured payment arrangements on settlement of the MTM instruction. This must be the full amount payable on acceptance in respect of the number of Nil Paid Rights to which the acceptance relates;
- the intended settlement date. This must be on or before 11.00 a.m. on 10 November 2004; and
- the Corporate Action Number for the Rights Issue. This will be available by viewing the relevant corporate action details in CREST.

(iii) Valid acceptance

An MTM instruction complying with each of the requirements as to authentication and contents set out in sub-section (ii) of this section 4(b) will constitute a valid acceptance where either:

(a) the MTM instruction settles by not later than 11.00 a.m. on 10 November 2004; or

(b) (i) the MTM instruction is received by CRESTCo by not later than 11.00 am. on 10 November 2004; and

(ii) the number of Nil Paid Rights inserted in the MTM instruction is credited to the CREST stock member account of the accepting CREST member specified in the MTM instruction at 11.00 a.m. on 10 November 2004.

An MTM instruction will be treated as having been received by CRESTCo for these purposes at the time at which the instruction is processed by the Network Providers' Communications Host (as this term is defined in the CREST Manual) at CRESTCo of the network provider used by the CREST member (or by the CREST sponsored member's CREST sponsor). This will be conclusively determined by the input time stamp applied to the MTM instruction by the Network Providers' Communications Host.

(iv) Representations, warranties and undertakings of CREST members

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with this section 4(b) of Part III represents, warrants and undertakes to Prudential that he has taken (or procured to be taken), and will take (or will procure to be taken), whatever action is required to be taken by him or by his CREST sponsor (as appropriate) to ensure that the MTM instruction concerned is capable of settlement at 11.00 a.m. on 10 November 2004 and remains capable of settlement at all times after that until 2.00 p.m. on 10 November 2004 (or until such later time and date as Prudential may determine). In particular, the CREST member or CREST sponsored member represents, warrants and undertakes that at 11.00 a.m. on 10 November 2004 and at all times thereafter until 2.00 p.m. on 10 November 2004 (or until such later time and date as Prudential may determine), there will be sufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account to be debited with the amount payable on acceptance to permit the MTM instruction to settle. CREST sponsored members should contact their CREST sponsor if they are in any doubt.

(v) CREST procedures and timings

CREST members and CREST sponsors (on behalf of CREST sponsored members) should note that CRESTCo does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of an MTM instruction and its settlement in connection with the Rights Issue. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 11.00 a.m. on 10 November 2004. In this connection CREST members and (where applicable) CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(vi) CREST member's undertaking to pay

A CREST member or CREST sponsored member, who makes a valid acceptance in accordance with the procedures set out in section 4(b) of this Part III, (a) undertakes to pay to Prudential, or procure the payment to Prudential of, the amount payable in pounds sterling on acceptance in accordance with the above procedures or in such other manner as Prudential may require (it being acknowledged that, where payment is made by means of the RTGS payment mechanism (as defined in the CREST Manual) the creation of an RTGS settlement bank payment obligation in pounds sterling in favour of Lloyds TSB Registrars, the RTGS settlement bank (as defined in the CREST manual), in accordance with the RTGS payment mechanism shall, to the extent of the obligation so created, discharge in full the obligation of the CREST member (or CREST sponsored member) to pay to Prudential the amount payable on acceptance) and (b) requests that the Fully Paid Rights and/or New Shares, to which they will become entitled, be issued to them on the terms set out in this document and subject to the memorandum and articles of association of Prudential.

(vii) Company's discretion as to rejection and validity of acceptances

The Company may:

(a) reject any acceptance constituted by an MTM instruction, which is otherwise valid, in the event of breach of any of the representations, warranties and undertakings set out or referred to in section 4(b) of this Part III. Where an acceptance is made as described in section 4(b) of Part III which is otherwise valid, and the MTM instruction concerned fails to settle by 2.00 p.m. on 10 November 2004 (or by such later time and date as Prudential may determine), Prudential shall be entitled to assume, for the purposes of its right to reject an acceptance as described in section 4(b) of this Part III, that there has been a breach of the representations, warranties and undertakings set out or referred to in section 4(b) of this Part III;

(b) with the agreement of the Underwriters, treat as valid (and binding on the CREST member or CREST sponsored member concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in section 4(b) of this Part III;

(c) with the agreement of the Underwriters, accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid acceptance in substitution for, or in addition to, an MTM instruction and subject to such further terms and conditions as Prudential may determine;

(d) treat a properly authenticated dematerialised instruction (in this sub-section the "first instruction") as not constituting a valid acceptance if, at the time at which Lloyds TSB Registrars receives a properly authenticated dematerialised instruction giving details of the first instruction, either Prudential or Lloyds TSB Registrars has received actual notice from CRESTCo of any of the matters specified in Regulation 35(5)(a) in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and

(e) with the agreement of the Underwriters, accept an alternative instruction or notification from a CREST member or (where applicable) a CREST sponsor, or extend the time for acceptance and/or settlement of an MTM instruction or any alternative instruction or notification, if, for reasons, or due to circumstances, outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to take up all of part of his Nil Paid Rights by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by Lloyds TSB Registrars in connection with CREST.

(c) Money Laundering Regulations

If you hold your Nil Paid Rights in CREST and apply to take up all or part of your entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, Lloyds TSB Registrars is required to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact Lloyds TSB Registrars before sending any MTM instruction or other instruction so that appropriate measures may be taken.

Submission of an MTM instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above constitutes a warranty and undertaking by the applicant to provide promptly to Lloyds TSB Registrars any information Lloyds TSB Registrars may specify as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to Lloyds TSB Registrars as to identity, Lloyds TSB Registrars, having consulted with the Company and the Underwriters, may take, or omit to take, such action as it may determine to prevent or delay settlement of the MTM instruction. If satisfactory evidence of identity has not been provided within a reasonable time, then Lloyds TSB Registrars will not permit the MTM instruction concerned to proceed to settlement but without prejudice to the right of Prudential to take proceedings to recover any loss suffered by it as a result of failure by the applicant to provide satisfactory evidence.

(d) Dealings in Nil Paid Rights

Assuming the Rights Issue becomes unconditional, dealings in the Nil Paid Rights on the London Stock Exchange are expected to commence at 8.00 a.m. on 20 October 2004. A transfer (in whole or in part) of Nil Paid Rights can be made by means of CREST in the same manner as any other security that is admitted to CREST. The Nil Paid Rights are expected to be disabled in CREST after the close of CREST business on 10 November 2004.

(e) Dealings in Fully Paid Rights

After acceptance and payment in full in accordance with the provisions set out in this document, the Fully Paid Rights may be transferred by means of CREST in the same manner as any other security that is admitted to CREST. The last time for settlement of any transfer of Fully Paid Rights in CREST is expected to be 9.30 a.m. on 10 November 2004. The Fully Paid Rights are expected to be disabled in CREST after the close of CREST business on 10 November 2004.

After 10 November 2004, the New Shares will be registered in the name(s) of the person(s) entitled to them in Prudential's register of members and will be transferable in the usual way (see section 4(g) of this Part III).

(f) Withdrawal of Nil Paid Rights or Fully Paid Rights from CREST

Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Normal CREST procedures (including timings) apply in relation to any such conversion.

The recommended latest time for receipt by CRESTCo of a properly authenticated dematerialised instruction requesting withdrawal of Nil Paid Rights from CREST is 4.30 p.m. on 4 November 2004, so as to enable the person acquiring or (as appropriate) holding the Nil Paid Rights following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 10 November 2004. You are recommended to refer to the CREST Manual for details of such procedures.

(g) Issue of New Shares in CREST

New Shares will be issued in uncertificated form to those persons registered as holding Fully Paid Rights in CREST at the close of business on the date on which the Fully Paid Rights are disabled. Lloyds TSB Registrars will instruct CRESTCo to credit the appropriate stock accounts of those persons (under the same participant ID and member account ID that applied to the Fully Paid Rights held by those persons) with their entitlements to New Shares with effect from the next business day (expected to be 11 November 2004).

(h) Right to allot/issue in certificated form

Despite any other provision of this document, Prudential reserves the right to allot and to issue any Nil Paid Rights, Fully Paid Rights or New Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or of any part of CREST) or of a part of the facilities and/or systems operated by Lloyds TSB Registrars in connection with CREST.

5. PROCEDURE IN RESPECT OF NEW SHARES NOT TAKEN UP

If an entitlement to New Shares is not validly taken up in accordance with the procedure laid down for acceptance and payment, then that provisional allotment will be deemed to have been declined and will lapse. The Underwriters will endeavour to procure, by not later than close of business on 15 November 2004, subscribers for all (or as many as possible) of those New Shares not taken up at a price per Share which is at least equal to the aggregate of the Issue Price (at which price the New Shares shall be subscribed) and the expenses of procuring such subscribers (including any applicable brokerage and commissions and amounts in respect of value added tax).

Notwithstanding the above, the Underwriters may cease to endeavour to procure any such subscribers if, in the opinion of the Underwriters, it is unlikely that any such subscribers can be so procured at such a price by such time. If and to the extent that subscribers cannot be procured on the basis outlined above, the relevant New Shares will be subscribed for by the Underwriters pursuant to the Underwriting Agreement or by sub-underwriters procured by the Underwriters, in each case, at the Issue Price.

Any premium over the aggregate of the Issue Price and the expenses of procuring subscribers (including any applicable brokerage and commissions and amounts in respect of value added tax) shall be paid (subject as provided in this section 5):

(i) where the Nil Paid Rights were, at the time they lapsed, represented by a Provisional Allotment Letter, to the person whose name and address appeared on page 1 of the Provisional Allotment Letter;

(ii) where the Nil Paid Rights were, at the time they lapsed, in uncertificated form, to the person registered as the holder of those Nil Paid Rights at the time of their disablement in CREST; and

(iii) where an entitlement to New Shares was not taken up by an Overseas Shareholder, to that Overseas Shareholder.

New Shares for which subscribers are procured on this basis will be re-allotted to such subscribers and the aggregate of any premiums (being the amount paid by such subscribers after deducting the Issue Price and the expenses of procuring such subscribers including any applicable brokerage and commissions and amounts in respect of value added tax), if any, will be paid (without interest) to those persons entitled (as referred to above) pro rata to the relevant lapsed provisional allotments, save that no payment will be made of amounts of less that £3.00, which amounts will be aggregated and retained by the Company for its own benefit.

Any transactions undertaken pursuant to section 5 of this Part III shall be deemed to have been undertaken at the request of the persons entitled to the lapsed provisional allotments and none of Prudential, the Underwriters or any other person procuring subscribers shall be responsible for any loss or damage (whether actual or alleged) arising from the terms of or timing of any such subscription, any decision not to endeavour to procure subscribers or the failure to procure subscribers on the basis described above. Cheques for the amounts due will be sent by post, at the risk of the person(s) entitled, to their registered addresses (the registered address of the first named in the case of joint holders), provided that where any entitlement concerned was held in CREST, the amount due will, unless Prudential (in its absolute discretion) otherwise determines, be satisfied by Prudential procuring the creation of an assured payment obligation in favour of the relevant CREST member's (or CREST sponsored member's) RTGS settlement bank in respect of the cash amount concerned in accordance with the RTGS payment mechanism.

6. TAXATION

Information on taxation in the UK, Ireland, the Netherlands, the United States and Australia with regard to the Rights Issue is set out in section 12 of Part VII of this document. The information contained in section 12 of Part VII is intended only as a general guide to the current tax position in each of these jurisdictions and Qualifying Shareholders in these jurisdictions should consult their own tax advisers regarding the tax treatment of the Rights Issue in light of their own circumstances. Shareholders who are in any doubt as to their tax position or who are subject to tax in any other jurisdiction should consult an appropriate professional adviser immediately.

7. OVERSEAS SHAREHOLDERS

(a) General

The offer of New Shares to persons resident in, or who are citizens of, or who have a registered address in countries other than the UK may be affected by the law of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.

Provisional Allotment Letters have not been sent to, and Nil Paid Rights will not be credited to, CREST accounts of Overseas Shareholders with registered addresses in the United States or the Excluded Territories or to their agent or intermediary except where the Company is satisfied that such action would not result in a contravention of any applicable legal or regulatory requirement in the relevant jurisdiction.

Receipt of this document and/or a Provisional Allotment Letter or the crediting of Nil Paid Rights to a stock account in CREST will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this document and/or a Provisional Allotment Letter must be treated as sent for information only and should not be copied or redistributed. No person receiving a copy of this document and/or a Provisional Allotment Letter and/or receiving a credit of Nil Paid Rights to a stock account in CREST in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use the Provisional Allotment Letter or deal with Nil Paid Rights or Fully Paid Rights in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him or the Provisional Allotment Letter or Nil Paid Rights or Fully Paid Rights in CREST could lawfully be used or dealt with without contravention of any registration or other legal or regulatory requirements.

Accordingly, persons receiving a copy of this document and/or a Provisional Allotment Letter or whose stock account in CREST is credited with Nil Paid Rights or Fully Paid Rights should not, in connection with the Rights Issue, distribute or send the same in or into, or transfer Nil Paid Rights or Fully Paid Rights to any person in or into the United States, the Excluded Territories or any other jurisdiction in each case where to do so would or might contravene local securities laws or regulations. If a Provisional Allotment Letter or a credit of Nil Paid Rights or Fully Paid Rights in CREST is received by any person in any such territory, or by their agent or nominee, he must not seek to take up the rights referred to in the Provisional Allotment Letter or in this document or renounce the Provisional Allotment Letter or transfer the Nil Paid Rights or Fully Paid Rights in CREST unless the Company determines that such actions would not violate applicable legal or regulatory requirements. Any person who does forward this document or a Provisional Allotment Letter in or into any such territories (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section 7.

Subject to section 7(d) of this Part III, any person (including, without limitation, agents, nominees and trustees) outside the UK wishing to take up their rights under the Rights Issue must satisfy themselves as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents; observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. **The comments set out in this section 7 are intended as a general guide only and any shareholder who is in any doubt as to their position should consult their professional adviser without delay.**

The Company may, in consultation with the Underwriters, treat as invalid any acceptance or purported acceptance of the offer of New Shares which appears to the Company or its agents to have been executed, effected or despatched in a manner which may involve a breach of the laws or regulations of any jurisdiction or if in the case of a Provisional Allotment Letter, it provides for an address for delivery of the share certificates in or, in the case of a credit of New Shares in CREST, the CREST member or CREST sponsored member whose registered address would be in, the United States or an Excluded Territory or any other jurisdiction outside the UK in which it would be unlawful to deliver such share certificates or if it believes or its agents believe that the same may violate applicable legal or regulatory requirements. The attention of Qualifying Shareholders with registered addresses in the United States or an Excluded Territory or holding Shares on behalf of persons with such addresses is drawn to the section titled "Notice to US Investors" (as applicable) and to sections 7(b), (c), (d) and (e) of this Part III below.

Despite any other provision of this document or the Provisional Allotment Letter, the Company reserves the right to permit any Qualifying Shareholder to take up his rights if the Company in its sole and absolute discretion is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions in question.

Those Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in sections 3 (Qualifying non-CREST Shareholders) and 4 (Qualifying CREST Shareholders) of this Part III above.

The provisions of section 5 of this Part III will apply to Overseas Shareholders who do not or are unable to take up New Shares provisionally allotted to them. None of the Company, the Underwriters or any other person shall be responsible or have any liability whatsoever for any loss or damage (actual or alleged) arising from the terms or the timing of the subscription or the procuring of it or any failure to procure subscribers.

(b) Selling restrictions relating to the United States

The New Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letters have not been and will not be registered under the Securities Act or under any relevant securities laws of any state or other jurisdiction of the United States. Accordingly, subject to certain exceptions, the New Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letters may not be offered, sold, taken up, resold, renounced, exercised, transferred or delivered, directly or indirectly, in or into the United States at any time except pursuant to the terms of an applicable exemption under the Securities Act and applicable state and other securities laws of the United States.

Accordingly, the offer by way of rights is not being made in the United States and neither this document nor the Provisional Allotment Letter constitutes an offer, or an invitation to apply for, or an offer or invitation to purchase or subscribe for, any New Shares, Nil Paid Rights or Fully Paid Rights in the United States. Subject to certain limited exceptions, Provisional Allotment Letters will not be sent to, and Nil Paid Rights will not be credited to the CREST account of, any Shareholder with a registered address in the United States.

Subject to certain limited exceptions, envelopes containing Provisional Allotment Letters should not be postmarked in the United States or otherwise dispatched from the United States, and all persons subscribing for New Shares and wishing to hold such shares in registered form must provide an address for registration of the New Shares issued upon exercise thereof outside the United States.

Subject to certain limited exceptions, any person who acquires New Shares, Nil Paid Rights or Fully Paid Rights will be deemed to have declared, warranted and agreed, by accepting delivery of this document or the Provisional Allotment Letter and delivery of the New Shares, Nil Paid Rights or Fully Paid Rights, that it is not, and that at the time of subscribing for the New Shares, Nil Paid Rights or Fully Paid Rights it will not be, in the United States.

The Company reserves the right to treat as invalid any Provisional Allotment Letter which: (i) appears to the Company or its agents to have been executed in or despatched from the United States; (ii) does not include the relevant warranty set out in the Provisional Allotment Letter headed “Overseas Shareholders” to the effect that the person accepting and/or renouncing the Provisional Allotment Letter does not have a registered address (and is not otherwise located) in the United States; or (iii) where the Company believes acceptance of such Provisional Allotment Letter may infringe applicable legal or regulatory requirements; and the Company shall not be bound to allot or issue any New Shares, Nil Paid Rights or Fully Paid Rights in respect of any such Provisional Allotment Letter. In addition, the Company reserves the right to reject any MTM instruction sent by or on behalf of any CREST member with a registered address in the United States in respect of Nil Paid Rights.

Notwithstanding the foregoing, the Nil Paid Rights may be offered and delivered and the New Shares offered and sold in the United States to a limited number of persons reasonably believed to be “qualified institutional buyers” or “QIBs” by way of private placement in offerings exempt from registration under the Securities Act. Any person reasonably believed to be a QIB to whom New Shares are offered and sold will be required to execute and deliver an investor letter substantially in the form described under “Transfer Restrictions” in section 7(e) of this Part III below and may be required to make certain certifications in the exercise form for the Nil Paid Rights and the Fully Paid Rights.

Any person in the United States who obtains a copy of this document or a Provisional Allotment Letter and who is not a QIB is required to disregard them.

Until 40 days after the commencement of the Rights Issue, an offer, sale or transfer of the New Shares, Nil Paid Rights or Fully Paid Rights within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the Securities Act.

(c) Excluded Territories

Due to restrictions under relevant securities laws, except as set out below, Provisional Allotment Letters in relation to the New Shares will not be sent to, and no Nil Paid Rights or Fully Paid Rights will be credited to a stock account in CREST of, Qualifying Shareholders with registered addresses in, and the Nil Paid Rights, Fully Paid Rights and New Shares may not be transferred or sold to or renounced or delivered in, any Excluded Territory. Subject to certain limited exceptions, no offer of New Shares is being made by virtue of this document or the Provisional Allotment Letters into the Excluded Territories. In the case of Overseas Shareholders who do not or are unable to take up New Shares provisionally allotted to them, the provisions of section 5 of this Part III will apply.

(d) Overseas territories other than the United States and the Excluded Territories

Provisional Allotment Letters will be posted to Qualifying non-CREST Shareholders other than, subject to certain limited exceptions, those Qualifying non-CREST Shareholders who have registered addresses in the United States or the Excluded Territories and Nil Paid Rights will be credited to the CREST stock accounts of Qualifying CREST Shareholders other than, subject to certain limited exceptions, those Qualifying CREST Shareholders who have registered addresses in the United States or the Excluded Territories. Such Qualifying Shareholders may, subject to the laws of their relevant jurisdiction, accept their rights under the Rights Issue in accordance with the instructions set out in this document and, in the case of Qualifying non-CREST Shareholders only, the Provisional Allotment Letter. In cases where Overseas Shareholders do not take up or are unable to take up the Nil Paid Rights provisionally allotted to them, the provisions of section 5 of this Part III will apply.

Qualifying Shareholders who have registered addresses in or who are resident in, or who are citizens of, countries other than the UK should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Nil Paid Rights.

If you are in any doubt as to your eligibility to accept the offer of New Shares or to deal with Nil Paid Rights or Fully Paid Rights, you should contact your professional adviser immediately.

(e) Transfer Restrictions

The offering and delivery of the Nil Paid Rights, and the offering and sale of the New Shares in the United States to a limited number of persons reasonably believed to be QIBs is being made in reliance on an exemption from the registration requirements of the Securities Act. Any Nil Paid Rights, or New Shares offered hereby in the United States to persons reasonably believed to be QIBs and the Provisional Allotment Letters or Fully Paid Rights have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction and, accordingly, may not be offered, sold, pledged, or otherwise transferred or delivered except pursuant to an exemption from registration under the Securities Act or pursuant to an effective registration statement under the Securities Act.

Each purchaser of New Shares in the United States will be required to execute and deliver to the Company and/or one or more of its designees an investor letter in the appropriate form set forth in the Underwriting Agreement hereto, setting forth certain restrictions and procedures regarding the New Shares, which will contain the following representations:

(i) It is an institution which (i) has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the New Shares and (ii) it and any accounts for which it is acting is each able to bear the economic risk of such investment, and is able to sustain a complete loss of its investment in the New Shares;

(ii) Prior to taking up the Nil Paid Rights or the Fully Paid Rights, it received and read a copy of this document and will have had access to financial and any other information regarding the Company and the Nil Paid Rights, Fully Paid Rights and the New Shares as it has requested in connection with its investment decision to purchase the New Shares. If the purchaser has had any queries regarding this purchase of New Shares or the Company and its affairs or the terms of the Nil Paid or the Fully Paid Rights, it has had the opportunity to and has asked these questions of and received answers satisfactory to it from the representatives of the Company. In making any purchase of the New Shares, it is relying on this document and not any other information or representation concerning the Company. It agrees that it has held and will hold this document in confidence, it being understood that this document was received by the purchaser solely for its use and that it has not duplicated, distributed, forwarded, transferred or otherwise transmitted this document, any Provisional Allotment Letter or any other presentational or other materials concerning the Rights Issue (including electronic copies thereof) to any persons within the United States, and agree that such materials shall not be duplicated, distributed, forwarded, transferred or otherwise transmitted by it. It has made its own assessment concerning the relevant tax, legal and other economic considerations relevant to its investment in the New Shares;

(iii) It acknowledges that the Company's ordinary shares are listed on the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange and registered under the

Exchange Act and traded on the New York Stock Exchange in the form of ADSs and that the Company is therefore required to publish certain business and financial information in accordance with the rules and practices of the UK Listing Authority and the London Stock Exchange (the "Exchange Information") and the US securities laws and the New York Stock Exchange and that the purchaser is able to obtain or access such information without undue difficulty. It acknowledges that neither the Company nor any of its affiliates has made any representation to the purchaser with respect to the Company, other than the information contained in this document. It acknowledges that neither the underwriters of the Rights Issue nor any of their affiliates have made any representation with respect to the Company, the Nil Paid Rights, the Fully Paid Rights or the New Shares. It understands that the Exchange Information has been prepared in accordance with UK format, style and content, which differs from US format, style and content;

(iv) It is a QIB within the meaning of Rule 144A under the Securities Act. Further, if it is acquiring the New Shares as a fiduciary or agent for one or more investor accounts, each such account is a QIB, it has investment discretion with respect to each such account, and has full power and authority to make the acknowledgements, representations and agreements herein on behalf of each such account;

(v) It is acquiring the New Shares for its own account (or the account of a QIB as to which it has full investment discretion) for investment purposes, and not with a view to distribution within the meaning of the US securities laws;

(vi) It understands and acknowledges that the Nil Paid Rights, and the New Shares are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that the Nil Paid Rights the Fully Paid Rights and the New Shares have not been and will not be registered under the Securities Act or any state securities laws. It agrees that the Nil Paid Rights the Fully Paid Rights and the New Shares may not be reoffered, resold, pledged or otherwise transferred, and that it will not directly or indirectly reoffer, resell, pledge or otherwise transfer the New Shares, the Nil Paid Rights or the Fully Paid Rights except (i) in an offshore transaction in accordance with Rules 903 or 904 of Regulation S under the Securities Act or (ii) with respect to the New Shares only pursuant to Rule 144 under the Securities Act (if available) and that, in each case, such offer, pledge on transfer must, and will, be made in accordance with any applicable securities laws of any state of the United States;

(vii) It understands that no representation has been made as to the availability of Rule 144 under the Securities Act or any other exemption under the Securities Act or any state securities laws for the reoffer, pledge or transfer of the New Shares;

(viii) It understands that the New Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and that, for so long as they remain "restricted securities", they may not be deposited into any unrestricted depositary facility established or maintained by a depositary bank, including the current depositary facility maintained by JPMorgan Chase Bank as depositary, which is the only depositary facility for the Shares of which the Company is aware;

(ix) It acknowledges and agrees that if the New Shares are in certificated form, the certificates representing the New Shares will contain substantially the following legend:

> "THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR UNDER THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER, OR IN COMPLIANCE WITH, AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF, THE SECURITIES ACT AND ANY SUCH APPLICABLE LAWS";

(x) Any information that it has hereto furnished to the Company with respect to its financial position is correct and complete in all material respects as of the date of this letter, and if there should be any material change in such information prior to the consummation of the transactions contemplated hereby, it will promptly furnish such revised or corrected information to the Company; and that

(xi) It has not taken up the New Shares as a result of any general solicitation or general advertising, including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio or television or as a result of any seminar or meeting whose attendees have been invited by general solicitation or general advertising.

(f) Procedures for Exercising the Nil Paid Rights and Fully Paid Rights for Qualifying United States Shareholders

Direct Holders of Shares

The Nil Paid Rights and the Fully Paid Rights can be exercised by delivering a properly completed Provisional Allotment Letter to Lloyds TSB Registrars in accordance with the procedures set out in Part III(3)(b)(i) of this document.

If you hold your Shares through a bank, a broker or another financial intermediary, your financial intermediary should submit the Provisional Allotment Letter on your behalf.

If you are in the United States and hold Shares directly, your attention is drawn to the restrictions described above in "Notice to US Investors". If you are in the United States you must also complete, and return to the Company, an investor letter in the appropriate form as described above in section 7(e) of this Part III, with a copy to the Underwriters. If you hold your Shares through a bank, a broker or another financial intermediary, your financial intermediary should submit your investor letter on your behalf.

We and Lloyds TSB Registrars, as rights agent, have the discretion to refuse to accept any Provisional Allotment Letter that is incomplete, unexecuted or not accompanied by an executed investor letter or any other required additional documentation.

8. REPRESENTATIONS AND WARRANTIES RELATING TO OVERSEAS SHAREHOLDERS

(a) Qualifying non-CREST Shareholders

Any person accepting and/or renouncing a Provisional Allotment Letter or requesting registration of the New Shares comprised therein represents and warrants to the Company that, except where proof has been provided to the Company's satisfaction that such person's use of the Provisional Allotment Letter will not result in the contravention of any applicable legal requirement in any jurisdiction, (a) such person is not accepting and/or renouncing the Provisional Allotment Letter, or requesting registration of the relevant New Shares, from within the United States or any of the Excluded Territories, (b) such person is not in any territory in which it is unlawful to make or accept an offer to subscribe for New Shares or to use the Provisional Allotment Letter in any manner in which such person has used or will use it, (c) such person is not acting on a non-discretionary basis for a person located within the United States or any Excluded Territory or any territory referred to in (b) above at the time the instruction to accept or renounce was given, and (d) such person is not acquiring New Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Shares into the United States or any Excluded Territory or any territory referred to in (b) above. The Company may treat as invalid any acceptance or purported acceptance of the allotment of New Shares comprised in, or renunciation or purported renunciation of, a Provisional Allotment Letter if it (a) appears to the Company to have been executed in or despatched from the United States or any Excluded Territory or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it believes the same may violate any applicable legal or regulatory requirement, (b) provides an address in the United States or any Excluded Territory for delivery of definitive share certificates for New Shares (or any jurisdiction outside the United Kingdom in which it would be unlawful to deliver such certificates), or (c) purports to exclude the warranty required by this section.

(b) Qualifying CREST Shareholders

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in section 4 of this Part III represents and warrants to the Company that, except where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction, (a) he is not within the United States or any of the Excluded Territories, (b) he is not in any territory in which it is unlawful to make or accept an offer to subscribe for New Shares, (c) he is not accepting on a non-discretionary basis for a person located within the United States or any Excluded Territory or any territory referred to in (b) above at the time the instruction to accept was given, and (d) he is not acquiring New Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Shares into the United States or any Excluded Territory or any territory referred to in (b) above.

9. ADR HOLDERS

Holders of ADRs will not be eligible to participate in the Rights Issue.

10. TIMES AND DATES

The Company shall in its discretion and after consultation with its financial and legal advisers (and with the agreement of the Underwriters) be entitled to amend the dates that Provisional Allotment Letters are despatched or dealings in Nil Paid Rights commence and amend or extend the latest date for acceptance under the Rights Issue and all related dates set out in this document and in such circumstances shall notify the UK Listing Authority and a Regulatory Information Service and, if appropriate, Shareholders but Qualifying Shareholders may not receive any further written communication.

11. GOVERNING LAW

The terms and conditions of the Rights Issue as set out in this document and, where appropriate, in the Provisional Allotment Letter shall be governed by, and construed in accordance with, the laws of England and Wales.

12. JURISDICTION

The Courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Rights Issue, this document or the Provisional Allotment Letter. By accepting rights under the Rights Issue in accordance with the instructions set out in this document and, in the case of Qualifying non-CREST Shareholders only, the Provisional Allotment Letter, Qualifying Shareholders irrevocably submit to the jurisdiction of the Courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

Part IV

Risk Factors

A number of factors (risk factors) affect Prudential's operating results, financial condition and trading price. In common with other industry participants, the profitability of the Group's life insurance business depends primarily upon investment performance, administration and acquisition expense, mortality and morbidity trends and policy surrender rates. Risk factors include economic and market conditions, foreign currency exchange rate fluctuations, regulation, government policy and legislation, competition, credit ratings, and operational systems and processes.

The risk factors mentioned below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. The information given is as at 15 October 2004, is not updated, and any forward-looking statements are made subject to the reservations specified on page 2 of this document.

You should carefully consider the risk factors described below before making a decision to participate in the Rights Issue. You should also refer to the other information set out in this document.

Prudential's businesses are inherently subject to market fluctuations and general economic conditions.

Prudential's businesses are inherently subject to market fluctuations and general economic conditions. In the UK, this is largely because Prudential's shareholders' profit is related to bonuses for policyholders declared on its with-profits products, which are broadly based on historic and current rates of return on equity, real estate and fixed income securities, as well as Prudential's expectations of future investment returns.

In the US, fluctuations in prevailing interest rates can affect results from Jackson National Life which is predominantly a spread-based business with the majority of its assets invested in fixed income securities. In particular, fixed annuities and stable value products in Jackson National Life expose the Group to the risk that changes in interest rates which are not fully reflected in the interest rates credited to customers will reduce spread. The spread is the difference between the amounts that Jackson National Life is required to pay under the contracts, and the rate of return it is able to earn on its general account investments to support the obligations under the contract. Declines in spread from these products or other spread businesses that Jackson National Life conducts could have a material impact on its businesses or results of operations.

Similar factors can also impact on Prudential's operations in Asia.

In all markets in which Prudential operates, its businesses are susceptible to general economic conditions, which can change the level of demand for Prudential's products. Past uncertain trends in international economic and investment climates which have adversely affected Prudential's business and profitability could be repeated. This adverse effect would be felt principally through reduced investment returns and credit defaults in fixed interest corporate bonds, and may continue to affect the business unless conditions improve. In addition, falling investment returns could impair Prudential's operational capability, including its ability to write significant volumes of new business.

Prudential is subject to the risk of exchange rate fluctuations owing to the geographical diversity of its business.

Due to the geographical diversity of Prudential's businesses, it is subject to the risk of exchange rate fluctuations. Prudential's international operations in the US, Asia and Europe, which represent a significant proportion of operating profit and shareholders' funds, generally write policies and invest in assets denominated in local currency. Although this practice limits the effect of exchange rate fluctuations on local operating results, it can lead to significant fluctuations in Prudential's consolidated financial statements upon translation of results into pounds sterling. The currency exposure relating to the translation of reported earnings is not separately managed. Consequently, this could impact on the Group's gearing ratios (defined as debt over debt plus shareholder funds). The impact of gains or losses on currency translations is recorded as a component of shareholders' funds within the consolidated statement of total recognised gains and losses.

Prudential conducts its businesses subject to regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies and interpretations in the markets in which it operates.

Changes in government policy, legislation or regulatory interpretation applying to companies in the financial services and insurance industries in any of the markets in which Prudential operates may adversely affect Prudential's product range, distribution channels, capital requirements and, consequently, reported results and financing requirements. These changes include possible changes in government pension arrangements and policies, the regulation of selling practices and solvency requirements. For instance, in the UK the FSA's proposals on reforming the UK polarisation regime and consultation paper on treating with-profits policyholders fairly and the HM Treasury report on medium and long-term retail savings could have a significant effect on types of products sold by Prudential, how its products are priced, distributed and sold and on shareholders' return on withprofits business.

Similar changes in regulation in other jurisdictions could also have an impact elsewhere in the Group.

The EU Insurance Groups Directive, which was implemented in the UK in 2001, together with the Financial Conglomerates Directive, which will be implemented by 2005, will require European financial services groups to demonstrate net aggregate surplus capital in excess of solvency requirements at the Group level in respect of shareholder-owned entities. The EU is also currently reviewing future solvency requirements (the Solvency II review). The implementation of these directives will lead to Prudential being required to maintain a somewhat higher level of capital at the Group level than necessary in respect of some of its businesses, or alternatively, to constrain the growth of those businesses, or to take other appropriate action. The FGD parent company solvency requirements will have to be complied with continuously starting 1 January 2005, with the result that Prudential will need to maintain an appropriate level of capital at the parent company to accommodate, for example, short term movements in global foreign exchange rates, interest rates, deterioration in the credit quality of the Group's bond portfolios and equity markets. In addition, an inconsistent application of these directives by regulators in different EU member states may place Prudential at a competitive disadvantage to other European financial services groups.

Various jurisdictions in which Prudential operates have created investor compensation schemes that require mandatory contributions from market participants in some instances in the event of a failure of a market participant. As a major participant in the majority of its chosen markets, circumstances could arise where Prudential, along with other companies, may be required to make such contributions.

The resolution of several issues affecting the financial services industry, could have a negative impact on Prudential's reported results or on its relations with current and potential customers.

Prudential is, and in the future may be, subject to legal and regulatory actions in the ordinary course of its business, both in the UK and internationally. This could be a review of business sold in the past under previously acceptable market practices at the time. Pending legal and regulatory actions include proceedings relating to aspects of Prudential's business and operations and which are typical of the business it operates such as the requirement in the UK to provide redress to certain past purchasers of pension and mortgage endowment policies and regulatory reviews on products sold and industry practices, including in the latter case businesses it has closed. Although Prudential believes it has adequately reserved in all material aspects for the costs of litigation and regulatory matters, no assurance can be provided that such reserves are sufficient. It is possible that Prudential's future performance could be affected by an unfavourable outcome in these matters.

Prudential's businesses are conducted in highly competitive environments and Prudential's continued profitability depends on its management's ability to respond to these pressures.

The markets for UK, US and Asian financial services are highly competitive, with several factors affecting Prudential's ability to sell its products, including price and yields offered, financial strength and ratings, range of product lines and product quality, brand strength and name recognition, investment management performance and historical bonus levels. In some of its markets Prudential faces competitors that are larger, have greater financial resources or a greater market share, offer a broader range of products or have higher bonus rates or claims-paying ratios.

Within the UK, Prudential's principal competitors in the life market include many of the major stock and mutual retail financial services companies including, in particular, Aviva, Legal & General, HBOS and Standard Life.

Jackson National Life's competitors in the United States include major stock and mutual insurance companies, mutual fund organisations, banks and other financial services companies. Jackson National Life's principal life insurance company competitors in the United States include AXA Financial, Inc., Lincoln National Corporation, Transamerica Corporation, Nationwide Financial Services, Inc., SunAmerica, Inc. and Hartford Life, Inc.

Within Asia, Prudential's main regional competitors are international financial companies, including AIG, Allianz, ING and Manulife.

Prudential believes competition will intensify across all regions in response to consumer demand, technological advances, the impact of consolidation, regulatory actions and other factors. Prudential's ability to generate an appropriate return depends significantly upon its capacity to anticipate and respond appropriately to these competitive pressures.

Downgrades in Prudential's financial strength and credit ratings could significantly impact its competitive position and hurt its relationships with creditors or trading counterparties.

Prudential's financial strength and credit ratings, which are intended to measure its ability to meet policyholder obligations, are an important factor affecting public confidence in most of Prudential's products, and as a result its competitiveness. Downgrades in Prudential's ratings could have an adverse effect on its ability to market products and retain current policyholders. In addition, the interest rates Prudential pays on its borrowings are affected by its debt credit ratings, which are in place to measure Prudential's ability to pay its contractual obligations. On 20 December 2002, Moody's downgraded the financial strength rating of Prudential Assurance's long-term fund from Aaa (on review for possible downgrade) to Aa1 (stable outlook). On 29 January 2003, Standard & Poor's downgraded the financial strength rating of Prudential Assurance's long-term fund from AAA (negative outlook) to AA+ (stable outlook). Prudential believes the downgrades that it, and the rest of the UK insurance industry, experienced have not to date had a discernible impact on its performance.

Prudential's long-term senior debt is rated as A2 (stable outlook) by Moody's, AA– (negative outlook) by Standard & Poor's and aa– by AM Best. Prudential's short-term debt is rated as P-1 by Moody's and A1+ by Standard & Poor's.

Adverse experience in the operational risks inherent in Prudential's business could have a negative impact on its results of operations.

Operational risks are present in all of Prudential's businesses, including the risk of direct or indirect loss resulting from inadequate or failed internal and external processes, systems and human error or from external events. Prudential's business is dependent on processing a large number of complex transactions across numerous and diverse products, and is subject to a number of different legal and regulatory regimes. In addition, Prudential manages several outsourced operations which include certain UK processing and IT functions. In turn, Prudential is reliant upon the operational processing performance of its outsourcing partners.

Further, because of the long-term nature of much of Prudential's business, accurate records have to be maintained for significant periods. Prudential's systems and processes are designed to ensure that the operational risks associated with its activities are appropriately controlled, but any weakness in the systems could have a negative impact on its results of operations during the effective period. Prudential has not experienced or identified any operational risks in its systems or processes during 2003, or subsequently which have caused, or are expected to cause, a significant negative impact on its results of operations.

Changes in mortality experienced by Prudential's UK pension annuity policyholders could significantly affect Prudential's results of operations.

Prudential is a major participant in the UK pensions annuity market. In exchange for a premium equal to the capital value of their accumulated pension fund, each pension annuity policyholder receives a guaranteed payment, usually monthly, for as long as they are alive. For a smaller monthly payment, certain annuity contracts extend the right to the payment to surviving spouses. As part of its pension annuity pricing and reserving policy Prudential assumes that current rates of mortality continuously improve over time. Annuity mortality assumptions were revised in 2003 to assume future improvements in mortality for males and females at levels projected on the Continuous Mortality Investigations (CMI) medium cohort table as published by the Institute and Faculty of Actuaries. This corresponds to annual improvement rates at the current time of 2.6% and 3.5% respectively for 65 and 70 year olds and 2.4% and 1.9% for the same ages in 5 years time. In addition and for the purposes of prudent statutory reserves these improvement rates were for male lives subject to a minimum of 2% a year. If mortality improvement rates significantly exceed the improvement assumed, Prudential's results of operations could be adversely affected.

As a holding company, Prudential is dependent upon its subsidiaries to cover operating expenses and dividend payments.

Prudential's insurance and investment management operations are generally conducted through direct and indirect subsidiaries. As a holding company, Prudential's principal sources of funds are dividends from subsidiaries, shareholder backed funds, the shareholder transfer from Prudential's long-term funds and any amounts that may be raised through the issuance of debt and commercial paper.

Certain of the subsidiaries have regulatory restrictions that can limit the payment of dividends, which could limit the Group's ability to pay dividends to shareholders.

Part V

Unaudited Interim Results Announcement for the six months ended 30 June 2004

Set out below is the full text of the announcement of the unaudited interim results of Prudential for the six months ended 30 June 2004.

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HIGHLIGHTS

STRONG START TO THE YEAR ACROSS THE GROUP

- Sales up 13 per cent, achieved basis operating profit up 55 per cent and statutory profit up 83 per cent
- Strong performances from all businesses:
  - UK's strengthened distribution and product mix produces 15 per cent sales growth
  - M&G's underlying profits up 55 per cent
  - Jackson National Life delivers profitable growth while focusing on returning cash to the Group
  - New business achieved profits in Asia up 23 per cent on the first half of 2003
- Interim dividend of 5.4 pence

(Comparisons above are quoted at constant exchange rates (CER))

PRUDENTIAL PLC 2004 UNAUDITED INTERIM RESULTS

RESULTS SUMMARY

	Half year 2004 £m	Half year 2003 £m	Full year 2003 £m
Achieved profits basis results			
UK and Europe Insurance Operations	**240**	174	359
M&G	**79**	38	83
Egg	**(4)**	(23)	(34)
UK and Europe Operations	**315**	189	408
US Operations	**174**	144	216
Asian Operations	**185**	162	378
Other Income and Expenditure (including Asia development expenses)	**(111)**	(98)	(208)
Operating profit before amortisation of goodwill and exceptional items	**563**	397	794
Amortisation of goodwill	**(49)**	(49)	(98)
Short-term fluctuations in investment returns	**(26)**	316	682
Effect of changes in economic assumptions	**21**	(487)	(540)
Profit on ordinary activities before tax	**509**	177	838
Operating earnings per share	**19.8p**	13.8p	26.4p
Shareholders' funds	**£ 7.2bn**	£ 7.1bn	£ 7.0bn

	Half year 2004 £m	Restated Half year 2003 £m	Restated Full year 2003 £m
Statutory basis results			
Operating profit before amortisation of goodwill and exceptional items	**304**	177	357
Profit on ordinary activities before tax	**282**	200	350
Operating earnings per share	**10.6p**	6.6p	12.9p
Basic earnings per share	**7.8p**	7.3p	10.4p
Shareholders' funds	**£ 3.3bn**	£ 3.6bn	£ 3.2bn

	Half year 2004	Half year 2003	Full year 2003
Dividend per share	**5.4p**	5.3p	16.0p
Insurance and investment funds under management	**£170bn**	£162bn	£168bn

Operating profit and operating earnings per share include investment returns at the expected long-term rate of return but exclude amortisation of goodwill and exceptional items. The directors believe that operating profit, as adjusted for these items, better reflects underlying performance. Profit on ordinary activities and basic earnings per share include these items together with actual investment returns. This basis of presentation has been adopted consistently throughout this Interim Report.

Consistent with the change in policy to implement the revised ABI SORP for 2003 Full Year reporting, the statutory basis results for the 2003 Half Year have been restated. In addition, the achieved profits and statutory basis shareholders' funds shown above including those for the 2003 Half Year and the 2003 Full Year include the minor impact of the implementation of UITF Abstract 38 on Accounting for ESOP Trusts.

GROUP CHIEF EXECUTIVE'S REVIEW

Our businesses across the group are firing on all cylinders and our markets in the UK, US and Asia present great opportunities for us.

In the first half, we worked hard to build distribution and drive sales and profits. This led to pleasing performances from all our businesses.

We enter the second half of 2004 with a strong mix of complementary businesses, which are well placed to meet the growing needs of our 16 million customers across the world, and in doing so, deliver improving returns to our shareholders.

UK INSURANCE OPERATIONS

The UK business delivered a strong performance, with sales up by 15 per cent. Margins were lower as we shifted the balance towards writing more unit-linked rather than with-profits business. This led to an overall increase in new business achieved profits of two per cent.

The work done to strengthen our distribution channels is paying off, with increased sales through intermediaries, business to business and partnerships. In April we were appointed to the Sesame multi-tie panel, which will give us access to around a quarter of all Independent Financial Advisers in the UK. We expect to announce further panel appointments later in the year. We already have partnership agreements with Zurich, Lloyds TSB and Alliance & Leicester, and in July we announced a new partnership with Pearl to sell Prudential annuities to their personal pension customers.

We also continue to introduce new products. We are currently launching an investment bond (PruFund) to IFAs, with the customer launch planned for September. PruFund, backed by the strength of our £57 billion life fund, is rated low to medium risk and is designed to deliver higher returns than deposit accounts. This will be followed by a health insurance product from a joint venture with Discovery, which will aggressively challenge the existing players in the market.

Uncertainty over the regulatory and economic environment, combined with low consumer confidence led us to be cautious about prospects for the UK in the first half of the year. However, we believe we are now moving into a more positive phase, where the government has provided greater clarity on price caps and distribution, and there are some signs of returning consumer confidence. We are well placed to build on this.

In particular, the improvements in our distribution and products will ensure that we benefit as the UK moves to a multi-tie model, where distributors will rely increasingly on a few strong providers such as Prudential to meet all their customers' needs.

M&G

M&G had a tremendous first half, with underlying profit growing by 55 per cent. This reflects our ability to capture the benefits of higher equity markets, as well as tightly controlled costs and continued development of new business initiatives.

In our retail businesses, we increased sales by 31 per cent as a result of M&G's strong brand, broad distribution and choice of funds across fixed income, equities and, most recently, property.

The fixed interest business grew its profits by accessing new markets, such as private finance, and distributing innovative products with high quality earnings streams.

We believe that M&G will remain a significant contributor of profits and capital to the group.

EGG

Egg continued to make good progress in the UK, delivering a £35 million profit in the first half, and winning 292,000 new customers, bringing its total number of customers to almost 3.5 million. While the Egg Group made a profit of £1 million in the second quarter, it made a £4 million loss for the period. Earlier this month, Egg announced that it had begun to take the necessary steps to withdraw from the French market and will now focus on its successful UK business. We have been in discussions with various parties about our 79 per cent shareholding in Egg which may or may not lead to a transaction and these discussions continue.

JACKSON NATIONAL LIFE

Jackson National Life (JNL) had an excellent first half, with sales up by nine per cent and statutory operating profit up by 50 per cent, reflecting the emphasis it places on profitability as well as volumes.

The Company's strong product mix, distribution model and IT capability allow us to respond quickly to changing customer needs across the economic cycle. During the first half of 2004, this meant that lower demand for fixed annuity products (as a result of low US interest rates) was offset by a 25 per cent increase in sales of variable annuities and strong growth in institutional products.

During the first half, JNL also continued to actively and successfully manage its capital position and this, combined with the strong growth in earnings, means that, in addition to financing its own expansion, we expect it to be able to return $120 million cash to the group this year and in future years.

JNL is in a strong position to maintain its current level of retail sales throughout the second half of the year.

PRUDENTIAL CORPORATION ASIA

Prudential Corporation Asia is a major force across the region. It is the largest European insurer in Asia, with 23 businesses in 12 countries. Our long-term commitment to the region has helped us to achieve the very strong presence we have today. We have a portfolio of licences, which are difficult for others to replicate and a strong multi-channel distribution network.

In the first half of the year we continued to focus on profitable growth, with new business achieved profit up by 23 per cent on the first half of 2003.

Insurance sales were up 12 per cent in the first half, driven up by a 21 per cent increase in the second quarter compared with the same period last year. We expect to see this momentum continue through the rest of the year.

Asia's results reflect the diversity of our operations across the region. In our newer operations in Korea and India sales were up by around 200 per cent, while in China, where sales in Beijing started this year, sales grew by over 50 per cent. In established markets we have seen a very good performance from Hong Kong, steady progress in Singapore and a good rebound in Malaysia in the second quarter. Meanwhile sales in Taiwan were flat and lower in Japan, as we move our focus towards more profitable products and channels.

We have now reached a size and maturity in our Asian operations to start reaping the benefits of scale — taking the best of our IT, product and distribution developments and building on them. We are strongly placed to take advantage of Asia's growing market for savings and investment products. The business remains on track to return cash to the group in 2006.

DIVIDEND

The Board has decided to pay an interim dividend of 5.4 pence per share, an increase of 1.9 per cent on the previous half year. As we said previously, we expect to grow the dividend. The level of growth for the full year will be determined after considering opportunities to invest in those areas of our business offering attractive growth prospects, our financial flexibility and the development of statutory profits over the medium to long term.

OUTLOOK

We have outstanding businesses in each of our regions: the UK; Asia and the US; all of which have considerable opportunities to grow.

In the UK, we stand to be a clear beneficiary as the market concentrates towards those financially strong companies with a broad product range and diversified distribution. In the US, we have a business that is generating high returns, and is able to fund its own expansion, as well as return cash to the group; while in Asia, we are now an established force in one of the fastest growing regions of the world, with the ability to deliver continued strong growth.

I am confident that we can take advantage of and build on these opportunities around the world.

JONATHAN BLOOMER
GROUP CHIEF EXECUTIVE
26 July 2004

(Comparisons are quoted at constant exchange rates (CER))

BUSINESS REVIEW

UK AND EUROPE INSURANCE OPERATIONS

Prudential UK's sales of £361 million on an annual premium equivalent (APE) basis were 15 per cent higher than the comparative period in 2003. In the second quarter of 2004, APE sales of £174 million were 23 per cent up on the second quarter of 2003. This increase reflects record sales of individual annuities and corporate pension sales and a doubling of unit-linked bond sales which more than offset lower sales of with-profits bonds.

Achieved basis operating profit of £240 million was up 38 per cent on the prior year and modified statutory basis (MSB) profit of £152 million was up 10 per cent. New business achieved profit (NBAP) of £88 million was up two per cent on the first half of 2003. Increased sales were offset by lower new business margins of 25 per cent (27 per cent for the first half of 2003). This is a consequence of the switch to unit-linked business from with-profits. As we build the book and gain scale, we expect margins to be affected in the short-term. APE individual annuity sales increased by 14 per cent with single premium sales reaching almost £1 billion in the first half of the year.

Prudential UK operates through four different distribution channels: the intermediaries channel where the focus is on distribution of a wide range of medium to long-term savings products through retail IFAs; the business to business channel which distributes corporate pensions through work-site marketing using Prudential's strong links with consulting actuaries and benefit advisers; the partnerships channel which has responsibility for developing relationships with banks and other distributors; and the direct to customer channel which focuses on the in-force customer base.

APE sales through the intermediaries channel were £141 million, 22 per cent higher (20 per cent higher excluding DWP rebates) than the equivalent period in 2003. This reflected the continued strong growth in unit-linked and offshore investment sales which were more than double the level recorded in the comparative period of 2003 and result from the continued success of Prudential's unit-linked Flexible Investment Plan.

The business to business channel continued to grow, with sales in the first half of the year up eight per cent on the same period in 2003. APE sales of bulk annuities were £21 million, up 31 per cent on the same period last year and comprised 37 transactions. APE sales of corporate pensions were up five per cent on the first half of 2003, and second quarter sales were up 40 per cent on the first quarter of 2004.

APE sales through partnership agreements were £40 million, 150 per cent higher than in the same period of 2003. This excellent performance reflects, in particular, strong sales of annuities through our partnership with Zurich and protection products through our partnerships with Lloyds TSB and Alliance & Leicester. On 19 July, Prudential UK announced a five-year partnership agreement with Pearl to offer Pearl's personal pension customers (expected to be around 5,000 per year) Prudential-branded annuities when their pensions mature.

APE sales through the direct to customer channel were £63 million, down 14 per cent on the prior year. The focus of this channel is primarily on selling annuities to vesting individual pensions, an increasing proportion of which are being transacted through IFAs.

As distributors seek to maximise the value of their distribution franchise by contracting with a small number of producers with a wide range of products, Prudential has extended its product range to include unit-linked bonds, protection and equity release. Prudential is developing an innovative new investment bond which will be launched in the second half of 2004 and subsequently will launch its health insurance product range through a joint venture with Discovery of South Africa.

At the end of June 2004, the free asset ratio of the Prudential Assurance Company long-term fund was approximately 10.7 per cent on the statutory basis without taking account of future profits or implicit items (compared with 10.5 per cent at the end of 2003). Prudential's long-term with-profits fund earned an investment return of 3.0 per cent in the six months to the end of June 2004 in a period of flat equity markets, compared with an expected long-term return of 3.5 per cent.

Prudential UK is building powerful underlying growth and is benefiting as the market in the UK continues to concentrate towards those financially strong companies with a strong brand, broad product range and diversified distribution.

M&G

M&G's total operating profit including performance related fees for the first six months of 2004 was £79 million, more than double the profits generated in the same period last year. Included in this total operating profit is a figure of £19 million relating to M&G's share of carried interest generated by PPM Ventures. This reflects several exceptional realisations by PPM Ventures during the first half of the year that are not expected to recur.

M&G's operating profit excluding performance fees was £59 million, an increase of 55 per cent on the previous year. This increase reflects the many measures M&G has taken over the past few years to control its cost base, combined with higher market levels and successful new business initiatives. Included within M&G's operating profit are £7 million of one-off items.

M&G recorded gross retail fund inflows of £799 million in the first six months of 2004, an increase of 31 per cent on the same period last year. Net retail fund inflows were £74 million. In the UK, M&G continued to maintain solid fund inflows as a result of its strong retail brand, good fund performance and diversified product offering in fixed income, equities and, most recently, property. The success of M&G's focused expansion into European markets was reflected in a significant increase in sales in this area during the first half of the year.

M&G continued to develop its position as a leading innovator in fixed income and private finance during 2004. An example of this is the successful launch of Leopard II, M&G's second leveraged loan Collateralised Loan Obligation (CLO), which, due to investor demand, increased at closing from €300 million to €375 million. M&G's strategy in this area remains primarily focused on earning management fees.

Gross institutional fund inflows were £1.4 billion in the first half of the year, on a par with 2003. While fund inflows into both segregated and pooled funds remained strong, M&G's net fund flows during the half year were affected by a single large redemption by a segregated fixed income client during the first quarter. As a result, net institutional fund outflows for the first six months were £164 million. However, second quarter net fund inflows were much stronger at £716 million, due to several large mandate wins, further inflows from existing clients and the success of the Leopard II CLO.

EGG

Egg announced its interims on 22 July. Egg is an innovative financial services company, providing a range of banking and financial services products through its internet site. Egg's loss of £4 million reduced from £23 million at 2003 half year.

Egg's UK Banking operation delivered a £35 million profit in the first half of 2004 despite increased competition and rising interest rates. In the first half of 2004 Egg grew its customer base by 292,000 to almost 3.5 million. Revenues have grown steadily quarter on quarter and were up 19 per cent for the half year on 2003.

Personal loan sales of £1.1 billion were up 60 per cent on 2003 and unsecured lending balances grew by £559 million in the first half of the year taking balances to almost £5.4 billion, up 12 per cent on 2003 year end. Credit quality remains strong and benchmarks continue to show Egg's card portfolio significantly outperforms industry norms.

Egg is intent on helping people understand and manage their money more effectively through innovative technology. Egg Money Manager, Egg's account aggregation service, now has 250,000 registered users, making it the largest aggregation provider in Europe.

In France the operating loss was £32 million compared with £49 million in 2003. Egg announced on 13 July that it had begun to take the necessary steps to withdraw from the market. The closure costs are expected to be €170 million (£113 million) pre-tax.

JACKSON NATIONAL LIFE

Jackson National Life delivered an excellent performance in the first half of 2004, as it continued to focus on profit over top line growth and on its core strengths in product design and distribution. At constant exchange rates (CER), total sales for the first half of 2004 were eight per cent up on prior year, new business achieved profits were down one per cent and MSB operating profit was up 50 per cent. During 2003 JNL actively and successfully managed its capital position, and these strong results further strengthen that position.

The ongoing improvement in its capital position has allowed JNL to concentrate on building its retail sales, and in addition, re-enter the institutional market. Within the retail sales area JNL's focus is on the long-term growth of variable annuities which will benefit its capital position and further diversify its revenues. As at 31 March 2004, JNL had variable annuity net assets of $11 billion, and held the 20th largest variable annuity book by net assets (source: The VARDS Report).

In 2004, the eight per cent growth in total sales to £2.3 billion at CER was driven by strong sales of variable annuities and institutional products. Total retail sales for the first half of 2004 of £1.7 billion were in line with prior year at CER. Variable annuity sales of £1 billion were up 25 per cent on 2003 at CER, reflecting the recovery in equity markets in the second half of 2003 and JNL's strong product offering. JNL's innovative unbundled variable annuity 'Perspective II' was the seventh best selling contract in the marketplace in the first quarter of 2004. The rate of take up of the fixed account option remained low, with 26 per cent of variable annuity premium going into fixed accounts for the first half of 2004 compared with 57 per cent for the first half of 2003, further benefiting the capital position. This strong sales level has been achieved despite the repricing of the guaranteed minimum death benefit feature in the second half of 2003, and a 10 basis points increase in charges in May 2004 together with an increase in commissions. In the same month JNL also launched a proprietary variable annuity sold through Fifth Third Bank.

Fixed annuity sales of £573 million were down 32 per cent on prior year at CER, reflecting the continued low interest rate environment in the US and resulting lower crediting rates, which limited demand for this product. Despite the fall in volumes, JNL ranked fourth in total individual fixed annuity sales for the first quarter of 2004, up one position from the previous quarter (source: LIMRA International).

Institutional sales for the first half of 2004 were £601 million, up 46 per cent on prior year at CER. While the tight spread environment constrains the opportunities for sales of institutional products, JNL took advantage of several attractive issuance opportunities during the first half of 2004. JNL's focus for the rest of 2004 will be primarily on the retail market, and it is anticipated that growth in total retail sales in the second half of 2004 will continue to build on the strong performance delivered in the first half of the year. Sales of institutional products in the second half of 2004 are anticipated to be in the region of £225 million.

In 2003 JNL revised its life insurance offer to enhance its position through the launch of revised term and universal life products and the recruitment of a specialist life wholesaling team. In March 2004 JNL launched its first variable universal life product. Although life sales are small relative to annuity sales, in 2004 life sales were up 49 per cent at CER.

At constant exchange rates, new business achieved profit fell one per cent to £82 million, reflecting a nine per cent increase in APE sales and a fall in margin from 37 per cent in 2003 to 34 per cent in 2004. The fall in margin was primarily due to the net impact of economic assumption changes, together with the effect of certain targeted commission reductions effective in April and May 2003 not repeated in 2004. JNL has made revisions to the products to improve profitability, although prudently not all of these pricing improvements are yet reflected in the new business margins. The positive net impact of the revisions to variable annuity pricing introduced in May 2004 will be seen in the second half of the year.

The strong growth in the MSB operating profit reflects JNL's clear focus and ability to deliver improving returns. The first half of 2004 showed an increase in spread income over prior year, and higher variable annuity sales increased the fee income from this line of business. For the first time in four years there are net investment gains on bonds reflecting the improving credit cycle and JNL's tight management of credit risk.

As a consequence of this growth in earnings, the improved capital position and the strength of the business, JNL will be increasing its remittances to the group during 2004 from the current level of $83 million to $120 million. This level of remittances is expected to continue in future years.

In July 2004 JNL entered into an agreement to sell its subsidiary, Jackson Federal Bank (JFB), to Union Bank of California, N.A. (UBOC) for a consideration of £168 million. The consideration receivable by JNL is £92 million in cash and £76 million in shares of UnionBanCal Corporation, the parent company of UBOC, resulting in an internal rate of return on investment of 17 per cent. The sale is conditional upon, among other things, regulatory approvals, and is expected to complete in the fourth quarter of 2004. The capital received as a result of the sale will be redeployed mainly to support further growth of JNL's business.

The results for the first half of 2004 clearly demonstrate that, following careful management, JNL has emerged successfully from a period of recession and significant capital market turbulence in the US. JNL is in a strong position and is well placed as markets in the US continue to recover.

PRUDENTIAL CORPORATION ASIA

Prudential's Asian operations demonstrated their focus on profitability during the first half of 2004 with strong growth in achieved and MSB profits while still continuing to deliver strong new business volumes.

Sales of insurance products on an APE basis for the second quarter were up 21 per cent on 2003 (at CER) resulting in a first half increase of 12 per cent (at CER). This reflects very strong, triple digit growth from our newer operations in Korea and India, the successful launch of our Beijing Life operation in the third quarter of 2003 and continuing success in Hong Kong, particularly through the bancassurance channel.

Our Indonesian operation was up 28 per cent (at CER) from the first half of 2003 despite the bankruptcy claim which impacted on the second quarter. Malaysia reported an excellent second quarter, up 31 per cent (at CER) on the same quarter last year and 50 per cent (at CER) up on the first quarter this year. Sales in the 'other' category have slowed during 2004 compared with the same period in 2003 due to a steadying of the Vietnamese market on the back of four years explosive growth following liberalisation of the market.

In Taiwan, APE for the half year 2004 equalled 2003 levels (at CER) following our strategy not to pursue high volume, low margin business. We have focused on profitability by shifting to higher margin unit-linked products which comprised 39 per cent for the first half of 2004 compared with 14 per cent for the same period last year.

In the third quarter 2003 we implemented our strategy in Japan to focus on more profitable product lines and on building a high quality financial adviser channel combined with developing bank distribution relationships. While there has been steady progress in this strategy, cutting the less profitable lines has had a negative impact on headline APE growth from our Asian operations which would have been up 22 per cent (at CER) if these old product lines and distribution channels were excluded from the comparative. As expected, there was a positive impact on the average NBAP margin and the MSB profit from these changes.

While tied agency distribution still predominates in Asia, we continue to diversify our distribution with the proportion of sales from non-agency channels increasing from 23 per cent for the first half of 2003 to 27 per cent for the first half of 2004. This includes great success in Korea where we have pioneered direct selling via cable television. During the first half of 2004 we also commenced bancassurance distribution with E.Sun bank in Taiwan and on 22 July 2004 announced an additional distribution agreement in Singapore with Maybank.

Overall we anticipate continued good momentum through the remainder of 2004.

The impact of our focus on profitability in Asia is clear with NBAP up 23 per cent on the first half of 2003 (at CER) to £135 million. This compares very favourably to the three per cent increase we reported this time last year. The average new business margin increased to 54 per cent compared with 50 per cent at the same time last year (at CER).

Total retail mutual funds under management in Asia at 30 June 2004 were £6.9 billion, up 20 per cent on the first half of 2003. This reflects continuing strength in our established Taiwanese and Indian operations, very positive results especially relative to the market in Korea and great success in establishing what is now the fifth largest mutual fund operation in Malaysia from a green-field launch three years ago.

In-force achieved profits in Asia of £40 million represent a 29 per cent increase over 2003 (at CER) reflecting the net impact of an increase in unwind of discount as the in-force book continues to grow combined with a reduction in adverse experience variances, partially offset by an operating assumption change of negative £29 million.

MSB profits of £64 million (including profits from our Asian fund management operations and Asia development costs) also represent a material increase over 2003. While this includes some one-off investment gains and a reduction in costs in Japan, it does demonstrate the increasing scale and maturity of our businesses, including the fund management operations where MSB profits for the first half of 2004 are £10 million compared with £2 million for the same period last year.

Our strategy in Asia remains firmly on track and the focus continues to be on securing long term, profitable and sustainable growth.

FINANCIAL REVIEW

INSURANCE AND INVESTMENT PRODUCTS NEW BUSINESS

Prudential continued to benefit from the strength of its international operations with total new business flows reaching £17.3 billion, 20 per cent ahead of the comparative last year at constant exchange rates (CER). At reported exchange rates, total new business inflows were up 13 per cent.

Total sales of new insurance and investment products outside the UK represented 72 per cent of the group total of £17.3 billion.

Total insurance sales were £5.6 billion, up 20 per cent at CER while sales on an annual premium equivalent basis (APE) were up 13 per cent at CER to £853 million. At reported exchange rates, total insurance sales were up 12 per cent and APE insurance sales were up six per cent. Total insurance sales outside the UK were 52 per cent of the group's total.

Total investment products funds under management increased by two per cent at reported exchange rates in the six months to £31.5 billion, with net investment flows of £587 million and net market and other movements of £159 million. Gross investment flows increased 13 per cent to £11.8 billion.

ACHIEVED BASIS OPERATING PROFIT

Total achieved basis operating profit of £563 million was up 55 per cent at constant exchange rates and at reported exchange rates (RER) was up 42 per cent.

	Half year 2004 £m	Half year CER 2003 £m	Half year RER 2003 £m
New business (NBAP)	**305**	279	303
Business in force	**286**	164	176
Long-term business	**591**	443	479
Asia development expenses	**(10)**	(11)	(12)
Other operating results	**(18)**	(68)	(70)
Total	**563**	364	397

Group NBAP from long-term business of £305 million was up nine per cent on prior year at CER, reflecting strong growth in our Asian operations, which were up 23 per cent on 2003. The group's average new business margin fell from 37 per cent in the first half of 2003 to 36 per cent. At reported exchange rates, NBAP was in line with 2003.

During the first half of 2004, over 70 per cent of the group's NBAP was generated from its overseas operations.

Total in-force achieved profit of £286 million was up 74 per cent on 2003 at CER. At reported exchange rates, in-force achieved profit was up 63 per cent. This resulted from strong growth in the UK and Europe Insurance Operations and the US Operations.

UK AND EUROPE INSURANCE OPERATIONS

Achieved operating profit of £240 million was up 38 per cent on 2003.

New business achieved profit of £88 million was up two per cent on the first half of 2003, reflecting a 15 per cent increase in APE sales, offset by lower new business margins of 25 per cent compared with 27 per cent for the first half of 2003.

The decline in the margin reflects: a further decline in the sale of with-profits products; rapid growth in the sale of unit-linked products; lower annuity yields compared with the first half of 2003; and the adverse effect of economic assumption changes as interest rates have risen; partially offset by a higher proportion of shareholder backed annuities.

Annuity margins continued to remain high reflecting the increasing volume of business being written in Prudential Retirement Income Limited (PRIL), Prudential's shareholder backed annuity company owned by the Prudential Assurance Company's (PAC) shareholder fund. In the first half of the year, new business achieved profit from annuities accounted for more than half of the total UK new business achieved profit. At present, Prudential writes 97 per cent of bulk annuities and 57 per cent of individual annuities in PRIL. The remainder are written in Prudential Annuities Limited, which is owned by the PAC with-profits fund.

In-force profit of £152 million was 73 per cent higher than the first half of 2003 reflecting an increase in the unwind of discount of £31 million together with the absence of operating assumption changes of £50 million in 2003 in respect of persistency. In the first half of 2004 there was a £15 million adverse persistency experience variance which arose from higher than expected surrenders of Prudence Bond following the increase in market value reductions free withdrawals from £10,000 to £25,000 in February, and also from personal pension policies previously sold through the now closed direct sales force. We are taking active steps to manage and improve the conservation of in-force business and continue to monitor actual experience closely.

US OPERATIONS

In the US, achieved operating profit from long-term operations was £176 million, up 38 per cent at CER and up 21 per cent at reported exchange rates.

At CER, new business achieved profit fell one per cent to £82 million, reflecting a nine per cent increase in APE sales and a fall in margin from 37 per cent in 2003 to 34 per cent in 2004. At reported exchange rates, NBAP was down 13 per cent. The fall in margin was primarily due to the net impact of economic assumption changes, together with the effect of certain targeted commission reductions effective in April and May 2003 not repeated in 2004. The economic assumption changes included an increase in the risk discount rate from 6.6 per cent to 7.7 per cent reflecting the 1.1 per cent increase in the 10 year treasury rate, reductions in the projected fund earned rates and crediting rates and an increase in the separate account return assumption for variable annuity business. The new business spread for fixed annuities was 155 basis points trending to 175 basis points over five years, unchanged from 2003. JNL have made revisions to the products to improve profitability, although prudently not all of these pricing improvements are yet reflected in the new business margins. The positive net impact of the revisions to variable annuity pricing introduced in May 2004 will be seen in the second half of the year.

At CER, the in-force profit in 2004 increased significantly from £45 million to £94 million. At reported exchange rates in-force profit increased from £51 million to £94 million, primarily due to the improvement in net experience variances, including a £21 million improvement in spread variance, together with a £9 million improvement in other items. Included within other items in the first half of 2004 was a favourable legal settlement, which partially offset market value adjustment (MVA) benefits on fixed annuities paid out in the first six months of the year. The increase in MVA benefits in 2004 was due to the low interest rate environment resulting in unrealised gains on bonds, a portion of which is paid to policyholders when they surrender their policies. Jackson Federal Bank's profit in 2004 was £11 million in line with prior year.

In 2004, actual net gains on bonds of £38 million compared with net losses in 2003 of £57 million. Net gains and losses on bonds, including defaults and impairments, are included within the operating results on a five-year averaged basis with a charge in 2004 of £54 million compared with £77 million in 2003. In the presentation of the results this £54 million charge is compared with the long-term default assumption (the risk margin reserve (RMR)) of £32 million, resulting in a negative variance of £22 million. The spread variance is then reported against the gross spread before the RMR. The £92 million positive difference between the actual net gain on bonds of £38 million for half year 2004 and the £54 million charge within operating profit is reported within the short-term fluctuations in investment returns.

ASIAN OPERATIONS

In Asia, achieved operating profit from long-term operations (excluding development costs) was £175 million, up 24 per cent at CER and up nine per cent at reported exchange rates.

NBAP of £135 million for the first half of 2004 was up 23 per cent at CER. This reflected a 12 per cent increase in APE sales combined with a four per cent increase in new business achieved profit margin (at CER) to 54 per cent. The increase in margin reflected the net impact of changes in product and country mix combined with changes to economic and operating assumptions. This includes favourable movements of three per cent relating to a change in country mix and six per cent relating to a change in product mix in Taiwan. This was partially offset by other product mix effects combined with a revision to a number of operating and economic assumptions around the region (net negative five per cent). At reported exchange rates, NBAP was up 10 per cent.

At CER, in-force profit (before development costs) was 29 per cent ahead of prior year, from £31 million to £40 million. At reported exchange rates, in-force profit increased by eight per cent. This increase reflected a £10 million increase in the unwind of discount and a net reduction in experience variances from negative £18 million in 2003 to positive £4 million. This was partially offset by negative £29 million operating assumption changes which included a £14 million expense assumption change for Vietnam relating to higher infrastructure costs combined with lower sales volumes and a £7 million persistency assumption change in Singapore.

NON-INSURANCE OPERATIONS

M&G

M&G more than doubled its total operating profit to £79 million for the first half of 2004. This includes £19 million of carried interest generated by PPM Ventures after several exceptional realisations during the first half of the year, which are not expected to recur. M&G's operating profit, excluding performance fees but including £7 million of one-off items, increased to £59 million from £38 million. This growth reflects the benefits of higher equity markets in the first half of the year (the FTSE All-Share Index averaged 20 per cent more in the first half of 2004 than in the same period in 2003) combined with successful new business initiatives. Moreover, the many measures taken by M&G over the past few years to control its cost base have continued, allowing increased revenues to flow through to operating profit.

Egg

Egg's UK Banking operation generated a profit of £35 million in the first half of 2004 and acquired 292,000 customers, giving it a total customer base of almost 3.5 million. Revenue has grown steadily in each quarter and increased by 19 per cent on the same period last year. The operating loss in France was £32 million compared to £49 million in 2003. The total loss for the first six months was £4 million versus a £23 million loss in the first half of 2003. Egg's results were presented in their own report issued on 22 July. On 13 July, Egg announced that it intended to take the necessary steps to withdraw from the French market at an expected pre-tax cost of €170 million (£113 million) to be provided in the second half of 2004.

Other

In the US, National Planning Holdings and PPM America earned profits of £9 million. Curian delivered a loss of £11 million, which reflects losses in its investment phase as funds under management continue to grow. JNL anticipates a similar loss in the second half of 2004. Together, these businesses delivered a loss of £2 million compared with a loss of £1 million in 2003.

Profit from our Asian fund management operations was £10 million, up from £2 million in the first half of 2003 reflecting their increased scale.

Asia development expenses (excluding the regional head office expenses) were £10 million compared with £12 million in the first half of 2003 and reflect the continued expansion of the business.

Other net expenditure was £101 million compared with £86 million in 2003. Investment and other income of £16 million was up £4 million on prior year. Interest expenditure during 2004 was £74 million compared with £67 million in 2003. Corporate head office costs were £25 million compared with £19 million in 2003 and Asian regional head office costs were £18 million compared with £12 million in 2003. The increase in the corporate head office costs reflects the substantial work being undertaken for the implementation of International Financial Reporting Standards and regulatory changes.

ACHIEVED PROFITS — PROFIT BEFORE TAX

Total achieved profits before tax and minority interests were £509 million compared with £177 million for the first half of 2003. This reflects an increase in operating profit from £397 million to £563 million together with a favourable movement of £508 million due to changes in economic assumptions, offset by a £342 million net negative movement in short-term fluctuations in investment returns, from positive £316 million to negative £26 million.

The UK component of short-term fluctuations in investment returns was negative £51 million and largely relates to the PAC Life Fund, reflecting the difference between the actual rate of return of positive 3.0 per cent and the long-term assumed rate of return of 3.5 per cent for the half year.

The US component of positive £69 million includes a positive £92 million in respect of the difference between actual net bond gains and the five-year average amount included in operating profit, offset by a negative £23 million in relation to changed expectations of future profitability on variable annuity business in force due to the actual separate account return being lower than the long-term return reported within operating profit.

The Asian component of negative £44 million was primarily due to the reduced market value of bonds, as yields improved in the first half of 2004.

Favourable economic assumption changes of £21 million in 2004, compared with adverse economic assumption changes of £487 million in 2003, reflect changes in assumptions for future investment returns, risk discount rates and similar items. Over the last year long-term expected rates of return and risk discount rates have increased. Economic assumption changes in 2004 comprised positive £100 million for UK and Europe, negative £60 million for the US and negative £19 million for the Asian operations.

The UK component reflects increases in the risk discount rate of 0.7 per cent and in the investment return assumption of 0.7 per cent following an increase in gilt yields in the last 12 months.

The US component primarily reflects the increase in the risk discount rate following 10 year treasury bond rate rises, a reduction in the spread assumption for Equity Linked Indexed Annuities business in force prior to 2002 and reductions in the projected fund earned and crediting rates on in-force business.

The Asian component principally reflects a change to the fund earned rate in Taiwan, reflecting the increased proportion of assets now being held in government bonds.

ACHIEVED PROFITS — PROFIT AFTER TAX

Profit after tax and minority interests was £314 million. The tax charge of £188 million compares with a tax charge of £106 million in the first half of 2003. Minority interests in the group results were negative £7 million.

The effective tax rate at an operating profit level was 30 per cent. This compares with effective rates on operating profits for the 2003 half year and full year of 32 and 34 per cent respectively. The effective tax rate at a total achieved profit level of 37 per cent was higher than the 30 per cent effective rate on operating profits primarily due to the absence of tax relief on the amortisation of goodwill, and the impact of short-term fluctuations in investment returns and changes in economic assumptions not all of which are tax affected.

MODIFIED STATUTORY BASIS — OPERATING PROFIT

Total operating profit before tax on the modified statutory basis (MSB) was £304 million, £138 million up on the £166 million for the first half in 2003 at CER. At reported exchange rates, operating profit was up £127 million.

UK and Europe Insurance Operations' operating profit in 2004 was £152 million, £14 million above the restated 2003 half year figure. The increase primarily reflected higher profits from PRIL, offset by lower profits from the PAC with-profits fund, primarily due to lower annual and terminal bonuses (as announced in February 2004). The 2003 half year result has been restated for a £5 million positive adjustment in respect of the financing element of certain reinsurance contracts. This is required by changes to the Statement of Recommended Practice (SORP) for accounting for insurance business that was issued by the Association of British Insurers in November 2003.

The US Operations' result, which is based on US GAAP adjusted where necessary to comply with UK GAAP, of £114 million was up 50 per cent on 2003 at CER. At reported exchange rates, operating profit was 33 per cent higher than 2003.

The increase in profits primarily reflected higher spread income, higher fee and other income and lower average realised bond losses, offset by the related increased deferred acquisition cost amortisation and a lower level of capitalised costs. In addition, the operating result includes two one-off items, a receipt of a legal settlement and an accounting adjustment arising from the adoption of SOP 03-01 'Accounting and Reporting by Insurance Enterprises for Certain Non-traditional Long Duration Contracts and for Separate Accounts', which covers a number of requirements including Guaranteed Minimum Death Benefits (GMDB) provisioning. The required changes to GMDB provisioning were, however, implemented early and included in the results for the full year 2002. These items increased operating profit by £19 million and £8 million respectively.

The Asian Operations' operating profit (before development expenses) was £74 million up £42 million on 2003 at CER. At reported exchange rates, operating profit was up £38 million on 2003. The three largest established operations (Singapore, Hong Kong and Malaysia) saw their combined MSB operating profit increase by 31 per cent to £53 million. This was offset by expected losses in newer Asian operations, such as Japan, India and Korea as they continue to build scale and fund new business strain. The first half result benefited from a number of one-off items (including investment gains) totalling £7 million.

MODIFIED STATUTORY BASIS — PROFIT AFTER TAX

MSB profit after tax and minority interests was £156 million reflecting a tax charge of £119 million and a £7 million charge in respect of minority interests. Tax on operating profit was 30 per cent, whereas the effective rate of tax on total profit in 2004 was 42 per cent, compared with 30 per cent in the first half 2003 and 41 per cent at the 2003 full year. The increase in the effective rate of tax on total profit is due to the impact of short-term fluctuations in investment returns, not all of which are tax affected.

It is anticipated that the effective rate of tax on operating profit for the full year will increase reflecting the higher proportion of profit from our US Operation which is subject to a higher tax rate.

EARNINGS AND DIVIDEND PER SHARE

Earnings per share based on achieved basis operating profit after tax and related minority interests but before amortisation of goodwill were 19.8 pence, up 6.0 pence on 2003. Earnings per share on an MSB operating profit basis were 10.6 pence, up 4.0 pence on 2003.

The interim dividend per share of 5.4 pence represents a 1.9 per cent increase on 2003 interim dividend and will be paid on 29 October 2004.

POST BALANCE SHEET EVENTS

On 1 July, the sale of Prudential Assurance Company's 15 per cent interest in Life Assurance Holding Corporation Limited to Swiss Re was announced. The sale is expected to complete in August 2004 subject to regulatory approvals. Prudential's share of the consideration, net of retentions, is expected to be £35 million and generate an £8 million profit on disposal.

On 2 July, Prudential announced the sale by Jackson National Life of Jackson Federal Bank, its wholly owned subsidiary, to Union Bank of California for £168 million. The sale is conditional upon regulatory approvals and is expected to complete in the fourth quarter of 2004. Prudential anticipates recording a £38 million profit on disposal.

On 13 July, Egg announced that it intended to take the necessary steps to withdraw from the French market at an expected cost of €170 million (£113 million) to be provided for in the second half of 2004.

At the full year it is expected that the operating results of the Jackson Federal Bank and Egg France businesses will be classified as discontinued operations.

CASH FLOW

The table below shows the group holding company cash flow. Prudential believes that this format gives a clearer presentation of the use of the group's resources than the FRS 1 statement required in the financial statements.

	Half year 2004 £m	Half year 2003 £m
UK life fund transfer*	**208**	286
Cash remitted by business units	**100**	66
Total cash remitted to group	**308**	352
Interest	**(79)**	(76)
Dividends	**(214)**	(341)
Cash remittances after interest and dividends	**15**	(65)
Tax received	—	40
Equity (scrip dividends and share options)	**61**	21
Corporate activities	**(28)**	44
Cash flow before investment in businesses	**48**	40
Capital invested in business units:		
Asia	**(88)**	(82)
UK and Europe	**(28)**	—
Other	—	(9)
Decrease in cash	**(68)**	(51)

* In respect of prior year bonus declarations

The group received £308 million in cash remittances from business units in the first half of 2004 (2003: £352 million) comprising the statutory life fund transfer to shareholders of £208 million relating to the 2003 bonus declarations, together with dividends and loans from subsidiaries. Prudential expects the life fund transfer to continue at broadly this level.

Dividends and loans received include £38 million from M&G and £62 million from Asia. In the second half of 2004 a £100 million special dividend is due from the PAC shareholders' funds in respect of profits arising from earlier business disposals. A similar amount will also be distributed from PAC shareholders' funds in 2005. In the second half of 2004 Jackson National Life will pay an increased annual remittance to the group of $120 million from $83 million. It is anticipated that the remittance from JNL will then continue at this level.

After dividends and interest paid, there was a net inflow of £15 million (2003: £65 million net outflow). The group paid £28 million in respect of corporate activities, which together with proceeds of £61 million from equity issuance gave rise to a total net surplus of £48 million (2003: £40 million).

During the first half of the year the group invested £116 million (2003: £91 million), including £88 million in its Asian operations. For the full year 2003, £145 million was invested in Asia, and Prudential expects to invest approximately the same amount in 2004 and 2005. Based on current plans Prudential continues to expect that its Asian operation will be a net capital provider to the group in 2006.

In aggregate this gave rise to a decrease in cash of £68 million (2003: £51 million decrease).

SHAREHOLDERS' BORROWINGS AND FINANCIAL FLEXIBILITY

Net core structural borrowings at 30 June 2004 were £2.2 billion, £0.1 billion up on the 2003 year end position. This reflects the net cash outflow of £68 million referred to earlier.

Prudential plc enjoys strong debt ratings from both Standard & Poor's and Moody's. Prudential long-term senior debt is rated AA- (negative outlook) and A2 (stable outlook) from Standard & Poor's and Moody's respectively, while short-term ratings are A1+ and P-1.

The group also has access to £1.3 billion committed bank facilities provided by 13 major international banks and a £500 million committed securities lending liquidity facility.

Prudential continues to manage its balance sheet efficiently with regard to both ratings and capital efficiency and targets its interest cover and gearing ratios to AA rating levels.

Prudential continues to manage its balance sheet actively to minimise our cost of capital and improve the regulatory treatment of our capital. Prudential intends to take advantage of currently favourable opportunities in the retail debt markets to raise hybrid debt to pre-finance debt maturing next year.

FUNDS UNDER MANAGEMENT

Insurance and investment funds under management across the group at 30 June 2004 totalled £170 billion compared with £168 billion at the end of 2003. The total includes £141 billion of group internal funds under management and £29 billion of external funds under management.

SHAREHOLDERS' FUNDS

On the achieved profits basis, which recognises the shareholders' interest in long-term businesses, shareholders' funds at 30 June 2004 were £7.2 billion, an increase of £0.2 billion from the 2003 year end. The increase principally reflects retained earnings in the period.

Statutory basis shareholders' funds at 30 June 2004 were £3.3 billion, up £0.1 billion from the 2003 year end for the same reason.

Statutory basis shareholders' funds at 1 January 2004 were reduced by £38 million following the implementation of UITF Abstract 38 on Accounting for ESOP Trusts.

FINANCIAL STRENGTH OF INSURANCE OPERATIONS

United Kingdom Long-Term Fund

A common measure of financial strength in the UK for long-term insurance business is the free asset ratio. The free asset ratio is the ratio of assets less liabilities to liabilities, and is expressed as a percentage of liabilities. On a comparable basis the free asset (or Form 9) ratio of the Prudential Assurance Company long-term fund was approximately 10.7 per cent at the end of June 2004 compared with 10.5 per cent at the end of 2003.

The valuation has been prepared on a conservative basis in accordance with the Financial Services Authority (FSA) valuation rules, and without use of implicit items. No allowance has been taken for the present value of future profits and the PAC long-term fund has not entered into any financial reinsurance contracts, with the exception of certain treaties with a value of approximately £42 million which were transferred from the Scottish Amicable Life linked fund at the end of 2002.

The Prudential Assurance Company long-term fund is very strong, with the inherited estate measured on an essentially deterministic basis of more than £6 billion at the 2003 year end. Prudential estimates that the estate at 30 June 2004 is valued at a similar level. On a realistic basis, with liabilities recorded on a market consistent basis calculated using the approach set out in the ABI guidance for reporting, as used to report the 2003 year end position, the value of free assets is expected to be at a similar level of around £5 billion.

The size of the inherited estate fluctuates from year to year depending on the investment return and the extent to which it has been required to meet smoothing costs, guarantees and other events. The Company believes that it would be beneficial if there were greater clarity as to the status of the inherited estate and therefore it has discussed with the Financial Services Authority (FSA) the principles that would apply to any re-attribution of the inherited estate. No conclusions have been reached. Furthermore, the Company expects the entire inherited estate will need to be retained within the long-term fund for the foreseeable future to provide working capital and so it has not considered any distribution of the inherited estate to policyholders and shareholders.

The PAC long-term fund is rated AA+ by Standard & Poor's, Aa1 by Moody's and A++ by AM Best Co.

PHILIP BROADLEY
GROUP FINANCE DIRECTOR
26 July 2004

ACHIEVED PROFITS BASIS RESULTS SUMMARY

SUMMARISED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Half year 2004 £m	Half year 2003 £m	Full year 2003 £m
UK and Europe Insurance Operations	**240**	174	359
M&G	**79**	38	83
Egg	**(4)**	(23)	(34)
UK and Europe Operations	**315**	189	408
US Operations	**174**	144	216
Asian Operations	**185**	162	378
Other Income and Expenditure (including Asia development expenses)	**(111)**	(98)	(208)
Operating profit before amortisation of goodwill and exceptional items	**563**	397	794
Amortisation of goodwill	**(49)**	(49)	(98)
Short-term fluctuations in investment returns	**(26)**	316	682
Effect of changes in economic assumptions	**21**	(487)	(540)
Profit on ordinary activities before tax	**509**	177	838
Tax	**(188)**	(106)	(355)
Profit for the period before minority interests	**321**	71	483
Minority interests	**(7)**	5	2
Profit for the period after minority interests	**314**	76	485
Dividends	**(109)**	(106)	(320)
Retained profit (loss) for the period	**205**	(30)	165
Earnings per share			
Based on operating profit after tax and related minority interests before amortisation of goodwill and exceptional items of £396m (£275m and £527m)	**19.8p**	13.8p	26.4p
Adjustment for amortisation of goodwill	**(2.4)p**	(2.5)p	(4.9)p
Adjustment from post-tax long-term investment returns to post-tax actual investment returns (after related minority interests)	**(2.2)p**	11.7p	23.3p
Adjustment for post-tax effect of changes in economic assumptions	**0.5p**	(19.2)p	(20.5)p
Based on profit for the period after minority interests of £314m (£76m and £485m)	**15.7p**	3.8p	24.3p
Average number of shares	**2,004m**	1,995m	1,996m
Dividend per share	**5.4p**	5.3p	16.0p

TOTAL INSURANCE AND INVESTMENT PRODUCTS NEW BUSINESS

INSURANCE PRODUCTS AND INVESTMENT PRODUCTS

	Insurance products			Investment products			Total		
	Half year 2004 £m	Half year 2003 £m	Full year 2003 £m	**Half year 2004 £m**	Half year 2003 £m	Full year 2003 £m	**Half year 2004 £m**	Half year 2003 £m	Full year 2003 £m
UK and Europe Operations	**2,709**	2,139	4,129	**2,177**	2,016	3,797	**4,886**	4,155	7,926
US Operations	**2,348**	2,448	4,066	**—**	—	—	**2,348**	2,448	4,066
Asian Operations	**521**	391	989	**9,584**	8,363	18,157	**10,105**	8,754	19,146
Group total	**5,578**	4,978	9,184	**11,761**	10,379	21,954	**17,339**	15,357	31,138

INSURANCE PRODUCTS — NEW BUSINESS PREMIUMS

	Single			Regular			Annual premium equivalent		
	Half year 2004 £m	Half year 2003 £m	Full year 2003 £m	**Half year 2004 £m**	Half year 2003 £m	Full year 2003 £m	**Half year 2004 £m**	Half year 2003 £m	Full year 2003 £m
UK and Europe Insurance Operations									
Direct to customer									
Individual annuities	**306**	367	658	**—**	—	—	**31**	37	66
Individual pensions and life	**12**	13	21	**6**	7	12	**7**	8	14
Department of Work and Pensions rebate business	**252**	280	280	**—**	—	—	**25**	28	28
Total	**570**	660	959	**6**	7	12	**63**	73	108
Business to business									
Corporate pensions	**77**	92	167	**75**	70	127	**83**	79	144
Individual annuities	**94**	105	224	**—**	—	—	**9**	11	22
Bulk annuities	**210**	157	287	**—**	—	—	**21**	16	29
Total	**381**	354	678	**75**	70	127	**113**	106	195
Intermediated distribution									
Life	**446**	323	818	**2**	17	22	**46**	49	104
Individual annuities	**545**	390	829	**—**	—	—	**55**	39	83
Individual and corporate pensions	**150**	56	121	**16**	16	29	**31**	21	41
Department of Work and Pensions rebate business	**92**	60	103	**—**	—	—	**9**	6	10
Total	**1,233**	829	1,871	**18**	33	51	**141**	115	238
Partnerships	**389**	157	344	**1**	—	—	**40**	16	34
Europe	**36**	29	87	**—**	—	—	**4**	3	9
Total UK and Europe Insurance Operations	**2,609**	2,029	3,939	**100**	110	190	**361**	313	584
US Operations									
Fixed annuities	**573**	953	1,375	**—**	—	—	**57**	95	138
Equity linked indexed annuities	**158**	112	255	**—**	—	—	**16**	11	25
Variable annuities	**1,006**	910	1,937	**—**	—	—	**101**	91	194
Life	**—**	—	—	**10**	8	13	**10**	8	13
Guaranteed Investment Contracts	**32**	186	183	**—**	—	—	**3**	19	18
GIC – Medium Term Notes	**569**	279	303	**—**	—	—	**57**	28	30
Total	**2,338**	2,440	4,053	**10**	8	13	**244**	252	418
Asian Operations									
China	**5**	4	7	**6**	5	11	**7**	5	12
Hong Kong	**108**	76	189	**35**	34	83	**46**	42	102
India (group's 26% interest)	**3**	2	4	**17**	6	16	**17**	6	16
Indonesia	**21**	8	27	**14**	13	31	**16**	14	34
Japan	**7**	5	9	**3**	20	35	**4**	20	36
Korea	**27**	0	19	**27**	10	30	**30**	10	32
Malaysia	**3**	6	11	**21**	24	59	**21**	25	60
Singapore	**96**	51	181	**20**	26	57	**30**	31	75
Taiwan	**30**	9	28	**57**	64	132	**60**	65	135
Other	**4**	3	7	**17**	25	53	**17**	25	53
Total	**304**	164	482	**217**	227	507	**248**	243	555
Group total	**5,251**	4,633	8,474	**327**	345	710	**853**	808	1,557

Annual premium equivalents are calculated as the aggregate of regular new business premiums and one tenth of single new business premiums.

INVESTMENT PRODUCTS — FUNDS UNDER MANAGEMENT

	1 Jan 2004 £m	Gross inflows £m	Redemptions £m	Market movements £m	30 June 2004 £m
UK and Europe Operations	24,192	2,177	(2,267)	340	24,442
Asian Operations	6,596	9,584	(8,907)	(181)	7,092
Group total	**30,788**	**11,761**	**(11,174)**	**159**	**31,534**

ACHIEVED PROFITS BASIS RESULTS

OPERATING PROFIT BEFORE AMORTISATION OF GOODWILL AND EXCEPTIONAL ITEMS

Results analysis by business area	**Half year 2004 £m**	Half year 2003 £m	Full year 2003 £m
UK and Europe Operations			
Insurance Operations:			
New business	**88**	86	166
Business in force	**152**	88	193
Long-term business	**240**	174	359
M&G	**79**	38	83
Egg	**(4)**	(23)	(34)
Total	**315**	189	408
US Operations			
New business	**82**	94	148
Business in force	**94**	51	71
Long-term business	**176**	145	219
Broker-dealer and fund management	**(2)**	(1)	(3)
Total	**174**	144	216
Asian Operations			
New business	**135**	123	291
Business in force	**40**	37	74
Long-term business	**175**	160	365
Fund management	**10**	2	13
Development expenses	**(10)**	(12)	(27)
Total	**175**	150	351
Other Income and Expenditure			
Investment return and other income	**16**	12	29
Interest payable on core structural borrowings	**(74)**	(67)	(143)
Corporate expenditure:			
Group Head Office	**(25)**	(19)	(43)
Asia Regional Head Office	**(18)**	(12)	(24)
Total	**(101)**	(86)	(181)
Operating profit before amortisation of goodwill and exceptional items	**563**	397	794
Analysed as profits (losses) from:			
New business	**305**	303	605
Business in force	**286**	176	338
Long-term business	**591**	479	943
Asia development expenses	**(10)**	(12)	(27)
Other operating results	**(18)**	(70)	(122)
Total	**563**	397	794

SUMMARISED CONSOLIDATED BALANCE SHEET

	Half year 2004 £m	Restated Half year 2003 £m	Restated Full year 2003 £m
Total assets less liabilities, excluding insurance funds	**137,745**	131,762	136,346
Less insurance funds:			
Technical provisions (net of reinsurers' share)	**122,315**	118,297	120,449
Fund for future appropriations	**12,110**	9,885	12,657
Less shareholders' accrued interest in the long-term business	**(3,902)**	(3,482)	(3,765)
	130,523	124,700	129,341
Total net assets	**7,222**	7,062	7,005
Share capital	**101**	100	100
Share premium	**553**	550	553
Other statutory basis shareholders' funds	**2,666**	2,930	2,587
Additional achieved profits basis retained profit	**3,902**	3,482	3,765
Shareholders' capital and reserves	**7,222**	7,062	7,005

MOVEMENT IN SHAREHOLDERS' CAPITAL AND RESERVES

	Half year 2004 £m	Restated Half year 2003 £m	Restated Full year 2003 £m
Profit for the period after minority interests	**314**	76	485
Exchange movements, net of related tax	**(49)**	(86)	(348)
New share capital subscribed	**61**	21	30
Dividends	**(109)**	(106)	(320)
Consideration paid for own shares	**—**	(3)	(3)
Movement in cost of own shares	**—**	—	1
Net increase (decrease) in shareholders' capital and reserves	**217**	(98)	(155)
Shareholders' capital and reserves at beginning of period:			
As originally reported	7,043	7,196	7,196
Prior year adjustment on implementation of UITF 38	**(38)**	(36)	(36)
As restated	**7,005**	7,160	7,160
Shareholders' capital and reserves at end of period	**7,222**	7,062	7,005
Comprising			
UK and Europe Operations:			
Long-term business	**3,581**	3,107	3,424
M&G	**341**	347	336
Egg	**350**	353	348
	4,272	3,807	4,108
US Operations	**2,568**	2,705	2,490
Asian Operations	**1,486**	1,342	1,419
Other operations (including central goodwill and borrowings)	**(1,104)**	(792)	(1,012)
	7,222	7,062	7,005

BASIS OF PREPARATION OF RESULTS

The achieved profits basis results have been prepared in accordance with the guidance issued by the Association of British Insurers in December 2001 'Supplementary Reporting for long-term insurance business (the achieved profits method)'.

Under this guidance, for most countries long-term expected rates of return on investments and risk discount rates are set by reference to period end rates of return on fixed income securities. This 'active' basis of assumption setting has been applied in preparing the results of the group's UK, European and US long-term business operations. For the group's Asian operations, the active basis is appropriate for business written in Japan and Korea and for US dollar denominated business written in Hong Kong. However, for countries where long-term fixed income securities markets are underdeveloped, investment return assumptions and risk discount rates are based on an assessment of long-term economic conditions. Except for the countries listed above, the basis is appropriate for the group's Asian operations.

The key economic assumptions are set out below:

	Half year 2004	Half year 2003	Full year 2003
UK and Europe Insurance Operations			
Pre-tax expected long-term nominal rates of investment return:			
UK equities	**7.6%**	6.9%	7.3%
Overseas equities	**7.3% to 8.3%**	6.2% to 7.5%	6.6% to 7.9%
Property	**6.8%**	6.2%	6.6%
Gilts	**5.1%**	4.4%	4.8%
Corporate bonds	**6.1%**	5.4%	5.8%
Assets of PAC with-profits fund (applying the rates listed above to the investments held by the fund)	**7.1%**	6.4%	6.8%
Expected long-term rate of inflation	**3.1%**	2.9%	3.1%
Post-tax expected long-term nominal rate of return:			
Pension business (where no tax applies)	**7.1%**	6.4%	6.8%
Life business	**6.2%**	5.6%	5.9%
Risk margin included within the risk discount rate	**2.6%**	2.6%	2.6%
Risk discount rate	**7.7%**	7.0%	7.4%
US Operations			
Expected long-term spread between earned rate and rate credited to policyholders	**1.75%**	1.75%	1.75%
US 10 year treasury bond rate at end of period	**4.6%**	3.5%	4.3%
Risk margin included within the risk discount rate	**3.1%**	3.1%	3.1%
Risk discount rate	**7.7%**	6.6%	7.4%
Asian Operations			
Weighted pre-tax expected long-term nominal rate of investment return	**6.8%**	7.2%	7.4%
Weighted expected long-term rate of inflation	**3.1%**	3.3%	3.4%
Weighted risk discount rate	**9.9%**	10.5%	10.4%

The economic assumptions shown above for the Asian Operations have been determined by weighting each country's assumptions by reference to the achieved profits basis operating results for new business written in the relevant period.

NOTES ON THE UNAUDITED ACHIEVED PROFITS BASIS RESULTS

(a) The achieved profits basis results for the 2004 and 2003 Half Years are unaudited. The results for the 2003 Full Year have been derived from the achieved profits basis supplement to the Company's statutory accounts for that year. The supplement included an unqualified audit report from the auditors.

(b) Under the achieved profits basis, the operating profit from new business represents the profitability of new long-term insurance business written in the period and the operating profit from business in force represents the profitability of business in force at the start of the period. These results are combined with the statutory basis results of the group's other operations including banking, mutual funds and other investment management business. The effects of short-term fluctuations in investment returns and of changes in economic assumptions on shareholders' funds at the start of the reporting period are excluded from operating profit but included in total profit. In the directors' opinion, the achieved profits basis results provide a more realistic reflection of the performance of the group's long-term business operations than results under the statutory basis.

(c) The proportion of surplus allocated to shareholders from the UK with-profits business has been based on the present level of 10 per cent. Future bonus rates have been set at levels which would fully utilise the assets of the with-profits fund over the lifetime of the business in force.

STATUTORY BASIS RESULTS

SUMMARISED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Half year 2004 £m	Restated (note 3) Half year 2003 £m	Full year 2003 £m
Long-term business gross premiums written (note 5)	**7,526**	7,301	13,781
Profit on ordinary activities before tax	**282**	200	350
Tax (note 6)	**(119)**	(59)	(144)
Profit for the period before minority interests	**163**	141	206
Minority interests	**(7)**	5	2
Profit for the period after minority interests	**156**	146	208
Dividends (note 7)	**(109)**	(106)	(320)
Retained profit (loss) for the period	**47**	40	(112)
Reconciliation of operating profit to profit on ordinary activities			
Operating profit before amortisation of goodwill and exceptional items and arising wholly from continuing operations	**304**	177	357
Amortisation of goodwill	**(49)**	(49)	(98)
Operating profit based on long-term investment returns	**255**	128	259
Short-term fluctuations in investment returns	**27**	72	91
Profit on ordinary activities before tax	**282**	200	350
Earnings per share			
Based on operating profit after tax and related minority interests before amortisation of goodwill and exceptional items of £212m (£132m and £257m)	**10.6p**	6.6p	12.9p
Adjustment for amortisation of goodwill	**(2.4)p**	(2.5)p	(4.9)p
Adjustment from post-tax long-term investment returns to post-tax actual investment returns (after related minority interests)	**(0.4)p**	3.2p	2.4p
Based on profit for the period after minority interests of £156m (£146m and £208m)	**7.8p**	7.3p	10.4p
Average number of shares	**2,004m**	1,995m	1,996m
Dividend per share	**5.4p**	5.3p	16.0p

OPERATING PROFIT BEFORE AMORTISATION OF GOODWILL AND EXCEPTIONAL ITEMS

Results analysis by business area	Half year 2004 £m	Restated (note 3) Half year 2003 £m	Full year 2003 £m
UK and Europe Operations			
UK and Europe Insurance Operations	**152**	138	256
M&G	**79**	38	83
Egg	**(4)**	(23)	(34)
Total	**227**	153	305
US Operations			
Jackson National Life	**116**	87	165
Broker-dealer and fund management	**(2)**	(1)	(3)
Total	**114**	86	162
Asian Operations			
Long-term business	**64**	34	85
Fund management	**10**	2	13
Development expenses	**(10)**	(12)	(27)
Total	**64**	24	71
Other Income and Expenditure			
Investment return and other income	**16**	12	29
Interest payable on core structural borrowings	**(74)**	(67)	(143)
Corporate expenditure:			
Group Head Office	**(25)**	(19)	(43)
Asia Regional Head Office	**(18)**	(12)	(24)
Total	**(101)**	(86)	(181)
Operating profit before amortisation of goodwill and exceptional items	**304**	177	357

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Half year 2004 £m	Restated (note 3) Half year 2003 £m	Full year 2003 £m
Profit for the financial period after minority interests	**156**	146	208
Exchange movements, net of related tax	**(28)**	(55)	(253)
Total recognised gains (losses) relating to the financial period	**128**	91	(45)
Prior year adjustment on implementation of UITF 38	**(38)**		
Total gains recognised since previous Report	**90**		

MOVEMENT IN SHAREHOLDERS' CAPITAL AND RESERVES

	Half year 2004 £m	Restated (notes 2 and 3) Half year 2003 £m	Restated (notes 2 and 3) Full year 2003 £m
Total recognised gains (losses) relating to the financial period	**128**	91	(45)
New share capital subscribed	**61**	21	30
Dividends	**(109)**	(106)	(320)
Consideration paid for own shares	**—**	(3)	(3)
Movement in cost of own shares	**—**	—	1
Net increase (decrease) in shareholders' capital and reserves	**80**	3	(337)
Shareholders' capital and reserves at beginning of period:			
As originally reported	**3,278**	3,668	3,668
Prior year adjustments:			
On implementation of revised ABI SORP	**—**	(55)	(55)
On implementation of UITF 38	**(38)**	(36)	(36)
As restated	**3,240**	3,577	3,577
Shareholders' capital and reserves at end of period	**3,320**	3,580	3,240

SUMMARISED CONSOLIDATED BALANCE SHEET

	Half year 2004 £m	Restated (notes 2 and 3) Half year 2003 £m	Restated (notes 2 and 3) Full year 2003 £m
Assets			
Goodwill	**1,455**	1,555	1,504
Investments in respect of non-linked business:			
Equities	**35,494**	31,145	34,877
Fixed income securities	**65,075**	66,689	64,591
Properties	**10,818**	10,788	10,965
Deposits with credit institutions	**3,088**	4,109	4,088
Other investments (principally mortgages and loans)	**5,763**	5,887	5,719
	120,238	118,618	120,240
Assets held to cover linked liabilities	**21,278**	17,498	19,921
Reinsurers' share of technical provisions	**776**	1,159	924
Banking business assets	**13,203**	12,104	12,629
Cash at bank and in hand	**1,410**	1,397	1,221
Deferred acquisition costs	**2,954**	3,218	2,952
Other assets	**2,879**	3,028	2,318
Total assets	**164,193**	158,577	161,709
Liabilities			
Share capital	**101**	100	100
Share premium	**553**	550	553
Statutory basis retained profit	**2,704**	2,969	2,625
Shareholders' capital and reserves before cost of shares held in trusts for employee incentive plans	**3,358**	3,619	3,278
Cost of shares held in trusts for employee incentive plans	**(38)**	(39)	(38)
Shareholders' capital and reserves after cost of shares held in trusts for employee incentive plans	**3,320**	3,580	3,240
Minority interests	**103**	103	107
Subordinated liabilities (note 8)	**1,313**	1,363	1,322
Fund for future appropriations	**12,110**	9,885	12,657
Technical provisions in respect of non-linked business	**101,537**	101,613	101,178
Technical provisions for linked liabilities	**21,554**	17,843	20,195
Deferred tax	**1,239**	680	1,154
Debenture loans (note 8)	**1,777**	1,806	1,781
Other borrowings (note 8)	**1,499**	2,721	1,342
Banking business liabilities	**12,245**	11,150	11,681
Obligations of Jackson National Life under funding and stocklending arrangements	**3,652**	4,274	3,762
Tax	**996**	840	851
Dividend payable	**109**	106	214
Other liabilities	**2,739**	2,613	2,225
Total liabilities	**164,193**	158,577	161,709

FRS 1 CONSOLIDATED CASH FLOW STATEMENT

	Half year 2004 £m	Half year 2003 £m	Full year 2003 £m
Operations			
Net cash inflow from operating activities	**224**	55	88
Servicing of finance			
Interest paid	**(91)**	(88)	(172)
Tax			
Tax received	**0**	81	128
Acquisitions and disposals			
Net cash inflow from disposal of European businesses	**—**	—	27
Equity dividends			
Equity dividends paid	**(214)**	(341)	(447)
Net cash outflow before financing	**(81)**	(293)	(376)
Financing			
(Redemption) issue of borrowings	**(2)**	811	829
Reduction in credit facility utilised by investment subsidiaries managed by PPM America	**(4)**	(141)	(151)
Issues of ordinary share capital	**61**	21	30
Net cash inflow from financing	**55**	691	708
Net cash (outflow) inflow for the period	**(26)**	398	332
The net cash (outflow) inflow was (financed) invested as follows:			
Net purchases (sales) of portfolio investments	**226**	9	(149)
(Decrease) increase in cash and short-term deposits, net of overdrafts	**(252)**	389	481
	(26)	398	332

In accordance with FRS 1, this statement excludes the cash flows of long-term business funds.

The reconciliation from operating profit before amortisation of goodwill to net cash inflow from operating activities is summarised below:

	Half year 2004 £m	Restated (note 3) Half year 2003 £m	Full year 2003 £m
Operating profit before amortisation of goodwill	**304**	177	357
Add back interest charged to operating profit*	**101**	91	189
Adjustments for non-cash items:			
Tax on long-term business profits	**(106)**	(67)	(150)
Amounts retained in long-term business operations and Egg, timing differences and other items	**(75)**	(146)	(308)
Net cash inflow from operating activities (as shown above)	**224**	55	88

* This adjustment comprises interest payable on core structural borrowings, commercial paper and other borrowings, non-recourse borrowings of investment subsidiaries managed by PPM America and structural borrowings of Egg. Interest payable on long-term business with-profits fund borrowings and other trading activities has been excluded from this adjustment.

NOTES ON THE UNAUDITED STATUTORY BASIS RESULTS

(1) The statutory basis results for the 2004 and 2003 Half Years are unaudited. With the exception of the implementation of UITF 38, as described in note 2 below, the 2004 Half Year results have been prepared using the same accounting policies as were used in the 2003 statutory accounts and the 2003 Full Year results have been derived from those accounts. The auditors have reported on the 2003 statutory accounts and they have been delivered to the Registrar of Companies. The auditors' report was not qualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

(2) The Company has implemented UITF Abstract 38 — 'Accounting for ESOP Trusts' in preparing its 2004 Half Year results which requires the Company to present the cost of acquiring shares held in trusts for employee incentive plans as a deduction in determining shareholders' funds. The effect of the change in policy is to reduce shareholders' funds at 1 January 2004 from the previously published 31 December 2003 level by £38m. Comparative figures have been restated accordingly.

(3) For 2003 Full Year reporting, the Company implemented the revised Statement of Recommended Practice on accounting for insurance business issued by the Association of British Insurers in November 2003. The only significant change related to the accounting treatment of certain reinsurance contracts. To be consistent with the change of policy, the 2003 Half Year results have been restated from the previous basis. The effect of the change in policy on the 2003 Half Year restated results is to increase pre-tax operating profit for the 2003 Half Year by £5m and to reduce shareholders' funds at 30 June 2003 by £48m.

(4) The long-term business profit of the UK and Europe Insurance Operations has been calculated assuming that the shareholder proportion of surplus allocated to shareholders from the with-profits business of The Prudential Assurance Company Limited remains at 10 per cent.

(5) An analysis of long-term business gross premiums written is set out below:

	Half year 2004 £m	Half year 2003 £m	Full year 2003 £m
UK and Europe Insurance Operations	**3,926**	3,803	7,264
US Operations	**2,505**	2,604	4,369
Asian Operations	**1,095**	894	2,148
	7,526	7,301	13,781

(6) The tax charge of £119m for the 2004 Half Year (2003 Half Year: £59m) comprises £37m (£26m) UK tax and £82m (£33m) overseas tax.

(7) The interim dividend of 5.4p per share will be paid on 29 October 2004 to shareholders on the register at the close of business on 20 August 2004. A scrip dividend alternative will be offered to shareholders.

(8) An analysis of borrowings is set out below:

	Half year 2004 £m	Half year 2003 £m	Full year 2003 £m
Net core structural borrowings of shareholder financed operations	**2,193**	2,262	2,135
Add back holding company cash and short-term investments	**403**	364	432
Gross core structural borrowings of shareholder financed operations	**2,596**	2,626	2,567
Commercial paper and other borrowings to support a short-term fixed income securities reinvestment programme	**1,203**	1,184	1,074
Non-recourse borrowings of investment subsidiaries managed by PPM America	**210**	224	214
Egg debenture loans	**451**	451	451
UK Insurance Operations long-term business with-profits fund borrowings	**109**	100	120
Obligations of Jackson National Life under sale and repurchase agreements	**2**	1,290	—
Other borrowings of shareholder financed operations	**18**	15	19
	4,589	5,890	4,445
This total is recorded in the statutory basis summarised consolidated balance sheet as:			
Subordinated liabilities	**1,313**	1,363	1,322
Debenture loans	**1,777**	1,806	1,781
Other borrowings	**1,499**	2,721	1,342
	4,589	5,890	4,445

(9) On 1 July 2004, the sale of the Company's 15 per cent interest in Life Assurance Holding Corporation Limited to Swiss Re was announced. The sale is expected to complete in August 2004, subject to regulatory approvals, and the Company's share of the consideration net of retentions is expected to be £35m.

On 2 July 2004, the Company announced the sale by Jackson National Life of Jackson Federal Bank, its wholly owned subsidiary, to Union Bank of California for US$305m (£168m). The sale is conditional upon regulatory approvals and is expected to complete in the fourth quarter of 2004.

On 13 July 2004, Egg announced that it intended to take the necessary steps to withdraw from the French market at an expected cost of €170m (£113m).

It is expected that the operating results of Jackson Federal Bank and Egg France will be classified as discontinued operations in the 2004 Full Year results.

INDEPENDENT REVIEW REPORT BY KPMG AUDIT PLC TO PRUDENTIAL PLC

INTRODUCTION

We have been engaged by the Company to review the financial information set out on pages 56 and 57 and pages 62 to 68 prepared on a modified statutory basis and the financial information set out on page 55 and pages 58 to 61 prepared on an achieved profits basis and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Listing Rules of the Financial Services Authority. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusion we have reached.

DIRECTORS' RESPONSIBILITIES

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where they are to be changed in the next annual accounts in which case any changes, and the reasons for them, are to be disclosed.

REVIEW WORK PERFORMED

We conducted our review in accordance with guidance contained in Bulletin 1999/4: Review of interim financial information, issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

REVIEW CONCLUSION

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2004.

KPMG Audit Plc
Chartered Accountants
London
26 July 2004

Prudential public limited company.
Incorporated and registered in England and Wales.

Registered office:
Laurence Pountney Hill, London EC4R 0HH.
Registered number 1397169.

Prudential plc is a holding company, subsidiaries of which are authorised and regulated by the Financial Services Authority (FSA).

This report may contain certain ‘forward-looking statements’ with respect to certain of Prudential’s plans and its current goals and expectations relating to its future financial condition, performance, results, strategy and objectives. Statements containing the words ‘believes’, ‘intends’, ‘expects’, ‘plans’, ‘seeks’ and ‘anticipates’, and words of similar meaning, are forward-looking. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond Prudential’s control including among other things, UK domestic and global economic and business conditions, market related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the policies and actions of regulatory authorities, the impact of competition, inflation, and deflation; experience in particular with regard to mortality and morbidity trends, lapse rates and policy renewal rates; the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries; and the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations in the jurisdictions in which Prudential and its affiliates operate. This may for example result in changes to assumptions used for determining results of operations or re-estimations of reserves for future policy benefits. As a result, Prudential’s actual future financial condition, performance and results may differ materially from the plans, goals, and expectations set forth in Prudential’s forward-looking statements. Prudential undertakes no obligation to update the forward-looking statements contained in this report or any other forward-looking statements it may make.”

Part VI

Third Quarter 2004 New Business Results

Set out below is the full text of the announcement of the third quarter 2004 new business results for the period ended 30 September 2004.

"PRUDENTIAL PLC THIRD QUARTER 2004 NEW BUSINESS RESULTS

Strong performances across all businesses*

- Total Group Insurance sales of £8.2 billion for the first nine months of this year, up 24 per cent.
- Total Group Insurance APE sales of £1.3 billion for the first nine months of this year, up 16 per cent.
- Prudential UK and Europe APE sales of £521 million in the first nine months of this year, up 19 per cent.
- Jackson National Life's (JNL) APE sales of £355 million in the first nine months of this year, up 18 per cent.
- APE sales at Prudential Corporation Asia of £394 million in the first nine months of this year, up 12 per cent with third quarter sales up 20 per cent on the second quarter.

Prudential's Group Chief Executive, Jonathan Bloomer, commented: "All our businesses continue to show a healthy momentum, building on the strong performance we delivered in the first half of the year.

With its broad product range and diversified distribution channels, the UK insurance business is building on its strengths and is well positioned to win customers as the market concentrates towards financially strong companies.

Jackson National Life's 18 per cent increase in APE sales demonstrates that it has the products and distribution channels to succeed in the US market.

Prudential Corporation Asia's sales momentum continues its upward trend with sales in the third quarter up 20 per cent on the second quarter and increasing month by month.

All our businesses are well positioned to take advantage of the clear opportunities in their respective markets."

* The narrative is on constant exchange rates throughout. See Notes to Editors for further details.

UK and Europe Insurance Operations

Prudential UK and Europe has continued to deliver strong results. Sales for the first nine months of 2004 of £521 million on an annual premium equivalent (APE) basis were up 19 per cent on the corresponding period in 2003. This principally reflects strong sales of corporate pensions (up 13 per cent), individual annuities (up 20 per cent) and unit-linked and international with-profits bonds (up 108 per cent).

APE sales in the third quarter of 2004 of £161 million were up 29 per cent on the third quarter of 2003.

Intermediaries

APE sales for the nine month period through the intermediaries channel were £207 million, 20 per cent higher than the equivalent period in 2003. This reflects the sustained growth in sales of unit-linked and international with-profits bonds where APE sales of £52 million were up 108 per cent. APE sales of individual annuities were 42 per cent higher reflecting Prudential's position as one of the market leaders in this area.

Partnerships

APE sales through our partnerships channel were £67 million, up 168 per cent on the same period last year. Sales during the third quarter of £29 million were up 222 per cent on the third quarter of 2003. This result reflects the strong growth in sales of credit life protection products though our agreements with Lloyds TSB and Alliance & Leicester, and annuities through our partnership with Zurich. APE sales of credit life protection products during the third quarter of 2004 were up 26 per cent on the second quarter. APE individual annuity sales in the third quarter of 2004 increased 33 per cent on the second quarter. Annuity sales from the partnership agreement with Pearl, which was launched in September 2004, will be reflected in the fourth quarter's results.

Business to business

APE sales through the business to business channel for the nine month period were £155 million, 6 per cent higher than the same period last year. APE sales of corporate pensions were £114 million, 4 per cent higher than the corresponding period of 2003. APE sales of bulk annuities of £25 million increased by 32 per cent over the same period last year and comprised 51 scheme wins.

Direct to customer

APE sales through the direct to customer channel for the nine month period were down 9 per cent to £83 million, but sales during the third quarter of £18 million were in line with the third quarter of 2003. The focus of this channel has been primarily on selling annuities to vesting individual pension customers, an increasing proportion of which are now being transacted through IFAs. PruFund and PruHealth campaigns have recently been launched into this channel.

Product launches

Prudential UK recently launched PruFund, a more transparent smoothed investment product. Illustrations were available from the end of August and the product opened for new business in mid-September. Early signs of interest have been encouraging although it is too early to predict how sales will develop. In October, we launched PruHealth, an innovative UK health insurance product linking health and fitness to the cost of premiums. The product has been developed through our joint venture with Discovery of South Africa.

Persistency

In the interim results we reported a £15 million adverse persistency experience variance which arose from higher than expected surrenders of personal pension policies previously sold through the now closed direct sales force and also from Prudence Bond. Although Prudential is taking active steps to manage and improve the conservation of the in-force book, it is still seeing adverse experience on these policies and continues to monitor the position. In accordance with ABI guidelines for achieved profits accounting, the Board will review the success of the action taken and consider actual experience in setting assumptions for future experience at the year end.

Summary

In the UK, we believe we will be a clear beneficiary as the market concentrates towards those financially strong companies with a broad product range and diversified distribution strategy.

M&G

M&G recorded gross retail fund inflows of £1.2 billion in the first nine months of 2004, an increase of 36 per cent on the same period last year. Net retail fund inflows were £154 million. In the UK, M&G has continued to maintain solid fund inflows as a result of its strong retail brand, good fund performance and diversified product offering in fixed income, equities and, most recently, property. The success of M&G's focused expansion into European markets has been reflected in good sales in this area during the year.

Gross institutional fund inflows were £2.2 billion in the first nine months of the year, 5 per cent ahead of 2003. Net fund inflows were £463 million, a significant turnaround from the end of the first quarter when a single large redemption by a segregated fixed income client contributed to net outflows of £879 million. During the third quarter, M&G continued to progress its successful Collateralised Debt Obligation (CDO) programme with the launch of Ocelot, its first synthetic CDO. This reflects M&G's broadening expertise in this market and contributed £199 million to sales.

Jackson National Life

Total APE sales for the first nine months of £355 million were up 18 per cent on the same period in 2003. Total retail sales for the nine months of £2.6 billion were up 6 per cent on 2003, as a result of strong variable and equity-linked indexed annuity sales, partially offset by lower fixed annuity sales. Retail sales in the third quarter were £902 million up 22 per cent on the same period in 2003, the result of increased sales of fixed and equity-linked indexed annuities.

Variable annuities

Variable annuity sales of £1.5 billion were up 14 per cent on the first nine months of last year, reflecting consumers' confidence in the equity markets and JNL's strong product offering. JNL improved its market position to fourth at the end of the second quarter (in terms of net flow). Among the top 25 providers in the first six months of the year JNL's unbundled annuity product "Perspective II" was the best selling product (in terms of net flow) and its variable annuity net assets grew the fastest (Source VARDS). The rate of take up of the fixed account option remained low, with 28 per cent of the variable annuity premium going into fixed accounts compared with 53 per cent in 2003. Jackson continues to develop its product range: in October, it added several new investment and benefit options to its unbundled Perspective II product, which customers can actively select and pay for.

Fixed annuities

Fixed annuity sales of £848 million were down 17 per cent on the first nine months of last year, due to the continued low interest rate environment in the US and the resulting lower crediting rates that limit demand for this product. However, recent interest rate moves have generated more interest in fixed and equity-linked indexed annuity products. In the third quarter, fixed annuity sales were up 15 per cent on the previous quarter and up 55 per cent on third quarter 2003.

Equity-linked indexed annuities

Equity-linked indexed annuity sales for the first nine months of £293 million were up 80 per cent on last year, reflecting the attractiveness of the products and customers' increasing preference for fixed products with the potential for higher returns linked to equity index performance.

Life

Regular premium life sales of £19 million for the first nine months were up 90 per cent on last year. This is the result of JNL's increased focus on its life business, including the introduction of several new products, such as variable universal life and the creation last year of a dedicated distribution team to focus on building relationships with life insurance agents.

Curian Capital

Curian Capital continues to build a strong position in the managed accounts market, with total assets under management at the end of the period of £432 million up from £147 million at the year end.

Institutional

Institutional sales for the first nine months of £730 million were up 66 per cent on 2003. As we reported in our half year results JNL took advantage of several attractive opportunities in the first half of 2004 but intends to focus on retail sales for the rest of the year. Consistent with this, institutional sales in the third quarter were £129 million, down 55 per cent on the previous quarter. JNL remains on track to deliver institutional sales of around £225 million for the second half of the year.

Summary

JNL is well positioned to maintain its strong growth and as reported in our half year results we expect it to return $120 million cash to the Group this year and in future years.

Prudential Corporation Asia

Prudential's Asian operations showed strong momentum during the third quarter, with sales improving month on month. Overall APE sales of £145 million represented growth of 20 per cent over the second quarter. APE sales of £394 million for the nine months are up 12 per cent on last year and up 21 per cent excluding discontinued sales in Japan.

Single premium products continue to be popular and while our primary focus remains on more profitable regular premium business, the proportion of single premium sales in the APE mix has increased to 12 per cent for the first nine months compared with 8 per cent for the full year 2003.

Following slower starts to 2004, both Malaysia and Taiwan have seen strong growth during the third quarter relative to the second, with increases of 36 per cent and 45 per cent respectively, driven principally by planned sales incentives and the successful launch of an innovative unit-linked product in Taiwan. Singapore recorded its strongest quarter of 2004 so far with a 20 per cent increase over the second quarter. Single premium unit-linked sales were particularly strong.

In Hong Kong, APE sales growth remains strong, increasing by 16 per cent for the first nine months of the year. However, the third quarter was slightly lower than the second due to the market's current preference for short-term traditional endowment policies and our strategy to manage our exposure to these less profitable products. Nevertheless, sales of single premium products, principally through bancassurance, grew 36 per cent for the first nine months, compared with the same period last year.

The life operation in Korea continued to show very strong growth in the first nine months of the year. However, this growth rate eased slightly in the third quarter with increasing volumes from the financial consultant and general agent channels offset by slower bancassurance sales as one of our partners recovers from the effects of industrial action. Korea also experienced increased competition in the direct channel.

In India, where we have a joint venture with ICICI Bank, growth in APE sales continues to be strong, increasing 140 per cent on 2003 for the first nine months. The growth rate did slow in the third quarter with a 17 per cent increase on the second quarter. Recently the industry has seen a slow down in new business growth, in part due to the introduction of the Senior Citizen Savings Scheme announced in the budget having a temporary impact.

Sales in China for the first nine months of the year are up 71 per cent compared with last year. We have been operating in Guangzhou for four years, and have a 14 per cent share of new business sales through the agency channel on an APE basis. We launched in Beijing in August 2003, and in Suzhou this September.

Sales in Indonesia in the third quarter were 33 per cent ahead of the previous quarter. Our business in Indonesia recovered from the effects of a court imposed administration period resulting from attempts to put the company into bankruptcy despite the business clearly being solvent. The bankruptcy decision has been overturned by the Indonesian Supreme Court. A bill to amend the bankruptcy law in Indonesia to prevent similar attempts has now been passed by the parliament and is awaiting Presidential notification.

In the third quarter of 2003, we implemented our new strategy in Japan to focus on more profitable product lines such as variable universal life and to improve our distribution. New business volumes this year have been slow, but we are starting to see some progress, which we continue to monitor. The third quarter 2004 was up 38 per cent compared with the second quarter.

Growth in Prudential's "Other" Asian operations slowed over the first nine months, mainly due to the impact of the Vietnamese market, which has seen a significant slowdown in growth rate after four years of strong sales following liberalisation of the market.

The Asian retail investment management business had £6.8 billion of funds under management at 30 September, with net inflows of £0.3 billion for the first nine months of the year. The net inflows were depressed by £767 million of net outflows in Taiwan in the third quarter following market concern about the liquidity of bond funds across the industry. The balance of the retail investment operations of Prudential Corporation Asia continue to record strong net inflows, with particularly strong growth in Korea and Japan.

Summary

The sales momentum seen in the third quarter positions our Asian business well for a strong fourth quarter, in line with market expectations. We remain confident that the profitable growth being delivered in Asia is sustainable over the long-term and the business remains on track to begin remitting surplus capital to the group in 2006.

Prudential is hosting an analyst and investor visit to Kuala Lumpur and Ho Chi Minh City in the first week of November, when we will talk in more detail about our strategy, operations, products and distribution channels across the region.

Egg

Egg has separately announced its third quarter results today.

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Notes to Editors:

1. There will be a conference call today for wire services hosted by Jonathan Bloomer, Group Chief Executive, and Philip Broadley, Group Finance Director at 7.30am. Dial-in telephone number: +44 (0) 20 8288 4530. Callers to quote "Prudential" for access to the call.

2. Sales for overseas operations have been reported using average exchange rates as shown in the attached schedules. Commentary is given on the results on a constant exchange rate basis. The two bases are compared in the table below.

	Annual Premium Equivalent Sales					
	Actual exchange rates			Constant exchange rates		
	2004 YTD £m	2003 YTD £m	+/- (%)	2004 YTD £m	2003 YTD £m	+/- (%)
UK and Europe	521	438	19%	521	438	19%
US	355	342	4%	355	302	18%
Asia	394	391	1%	394	353	12%
Total	1,270	1,170	9%	1,270	1,093	16%

	Gross Inflows					
	Actual exchange rates			Constant exchange rates		
	2004 YTD £m	2003 YTD £m	+/- (%)	2004 YTD £m	2003 YTD £m	+/- (%)
M&G	3,451	3,024	14%	3,451	3,024	14%
Asia	13,776	13,309	4%	13,776	12,185	13%
Total	17,227	16,333	5%	17,227	15,209	13%

	Total Insurance and Investment New Business					
	Actual exchange rates			Constant exchange rates		
	2004 YTD £m	2003 YTD £m	+/- (%)	2004 YTD £m	2003 YTD £m	+/- (%)
Insurance	8,150	7,005	16%	8,150	6,553	24%
Investment	17,227	16,333	5%	17,227	15,209	13%
Total	25,377	23,338	9%	25,377	21,762	17%

3. Annual premium equivalent (APE) sales comprise regular premium sales plus one-tenth of single premium insurance sales.

4. Certain investment mandates previously reported as UK corporate pensions are now reported as M&G institutional investment flows. The impact is to reduce UK corporate pensions APE sales by £32 million for the full-year 2003 (£26 million for the first nine months of 2003).

5. US institutional products (previously referred to as "stable value products") consist of guaranteed investment contracts (GICs), funding agreements and medium-term notes backed by funding agreements.

*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 £170 billion in assets under management, as at 30 June 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.

Forward-Looking Statements

This statement may contain certain "forward-looking statements" with respect to certain of Prudential's plans and its current goals and expectations relating to its future financial condition, performance, results, strategy and objectives. Statements containing the words "believes", "intends", "expects", "plans", "seeks" and "anticipates", and words of similar meaning, are forward-looking. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond Prudential's control including among other things, UK domestic and global economic and business conditions, market related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the policies and actions of regulatory authorities, the impact of competition, inflation, and deflation; experience in particular with regard to mortality and morbidity trends, lapse rates and policy renewal rates; the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries; and the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations in the jurisdictions in which Prudential and its affiliates operate. This may for example result in changes to assumptions used for determining results of operations or re-estimations of reserves for future policy benefits. As a result, Prudential's actual future financial condition, performance and results may differ materially from the plans, goals, and expectations set forth in Prudential's forward-looking statements. Prudential undertakes no obligation to update the forward-looking statements contained in this statement or any other forward-looking statements it may make."

Part VII

Additional Information

1. Responsibility

The Directors of Prudential, whose names are set out in section 6 below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors of Prudential (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Incorporation

Prudential was incorporated as a private company on 1 November 1978 and re-registered as a public company limited by shares in England and Wales with registered number 1397169 on 20 January 1982 under the Companies Acts 1948 to 1980. The registered and head office of the Company is at Laurence Pountney Hill, London EC4R 0HH.

3. Share capital

3.1 The following table shows the authorised and issued share capital of the Company at the date of this document, and the authorised and issued share capital of the Company following completion of the Rights Issue:

	Existing Ordinary Shares prior to the Rights Issue		Immediately following the Rights Issue	
	Number	£	Number	£
Authorised	3,000,000,000	£150,000,000	3,000,000,000	£150,000,000
Issued and fully paid	2,023,294,186	£101,164,709.30	2,360,509,883	£118,025,494.18

The Company also has the following authorised preference share capital: 2,000,000,000 Sterling Preference Shares of 1p each, 2,000,000,000 Dollar Preference Shares of US$0.01 each and 2,000,000,000 Euro Preference Shares of €0.01 each. No preference share capital has been issued to date.

3.2 At the annual general meeting of the Company held on 8 May 2003, a resolution was passed that the authorised ordinary share capital of the Company be increased to £150 million by the creation of an additional 600 million Ordinary Shares.

At the annual general meeting of the Company held on 6 May 2004, resolutions were passed:

(i) that the authority conferred on the directors by Article 12 of the Company's Articles of Association to allot generally and unconditionally relevant securities (as defined in section 80 of the Companies Act 1985) be renewed for a period expiring at the end of the next Annual General Meeting and for that period the section 80 amount in respect of the Company's Shares shall be £33,480,000;

(ii) that the power conferred on the directors by Article 13 of the Company's Articles of Association to allot equity securities within the meaning of section 94 of the Companies Act 1985, up to a maximum nominal aggregate amount of £5,000,000 for cash including where such allotment constitutes an allotment by virtue of section 94(3A) of that Act, for cash as if section 89(1) of that Act did not apply to such allotment, be renewed for a period expiring at the end of the next Annual General Meeting of the Company after the date on which this resolution is passed.

3.3 The Ordinary Shares are in registered form and are capable of being held in uncertificated form.

3.4 The following table shows the quoted middle market closing price for the Existing Ordinary Shares, as derived from the Official List for the first dealing day of each of the six months before the date of this document, and for 13 October 2004 (being the latest practicable date prior to the publication of this document):

Date	Price (pence)
4 May 2004	449.5
1 June 2004	444
1 July 2004	466
2 August 2004	452.25
1 September 2004	443.5
1 October 2004	461.5
13 October 2004	471.5

3.5 The Group has three employee share ownership trusts (the Prudential Employee Share Trust, the Prudential QUEST Limited and the Prudential Europe Assurance Holdings Trust). The Prudential Employee Share Trust and the Prudential Europe Assurance Holdings Trust purchase Ordinary Shares in the market and the Prudential QUEST Limited subscribes for Ordinary Shares from Prudential plc. All three employee share ownership trusts hold such Ordinary Shares for delivery to employees under some of the Prudential Share Schemes. As at 13 October 2004, being the latest practicable date prior to the publication of this document, the Prudential Employee Share Trust held 3,951,640 Ordinary Shares, the Prudential QUEST held 5,207,612 Ordinary Shares and the Prudential Europe Assurance Holdings Trust 3,533 Ordinary Shares. The Prudential QUEST Limited has waived their right to receive dividends payable on the Ordinary Shares held from time to time. The Prudential Employee Share Trust has waived their right to receive dividends payable on some of the Ordinary Shares held from time to time.

4. Subsidiaries

The Company is the holding company of the Group. The following table shows the principal operating subsidiaries of the Company, being those which are considered by the Company to be most likely to have a significant effect on the assessment of the assets and liabilities, financial position or profits and losses of the Company. Save as indicated below, each of these companies is wholly-owned by a member of the Group and the issued share capital is fully paid. In addition, unless otherwise stated, each of these companies is registered in England and Wales:

	Nature of business	Issued Capital (million)
Jackson National Life Insurance Company*	Insurance	US$13.8 and $2,533.5 additional paid in capital
M&G Investment Management Limited*	Investment Management	£9.35
Prudential Annuities Limited*	Insurance	£550
The Prudential Assurance Company Limited	Insurance	£75.6
Egg Banking plc*	Banking	£719.5
Prudential Retirement Income Limited*	Insurance	£256.7
Prudential Assurance Company Singapore (Pte)* Limited	Insurance	Sing$25.5

* Owned by a subsidiary undertaking of the Company.

Egg Banking plc is a subsidiary of Egg plc, a listed subsidiary of the Company. The ordinary shares of Egg plc, of which there is only one class, are 79% owned by the Company and 21% owned by shareholders other than Prudential.

The registered address of Egg Banking plc is 1 Waterhouse Square, 138-142 Holborn, London EC1N 2NA. Prudential Retirement Income Limited is registered in Scotland, with its registered address at PO Box 25, Craigforth, Stirling FK9 4UE. The registered address of both Prudential Annuities Limited and of The Prudential Assurance Company Limited is 142 Holborn Bars, London EC1N 2NH. The registered address of M&G Investment Management Limited is Laurence Pountney Hill, London EC4R 0HH. Jackson National Life Insurance Company is registered in the United States, with its registered address at 1 Corporate Way, Lansing, Michigan 48951, the United States. Prudential Assurance Company Singapore (Pte) Limited is registered in Singapore, registered address 30 Cecil Street, 30-01 Prudential Tower, Singapore 049712.

5. Articles of Association

The Articles of Association of the Company (the "Articles") contain provisions, *inter alia,* to the following effect:

(a) Voting rights

Subject to any rights or restrictions attached to any Shares, on a show of hands every member who is present in person shall have one vote and on a poll every member present in person or by proxy shall have one vote for every Share of which he is the holder. No member shall be entitled to vote at a general meeting of the Company or at any separate meeting of the holders of any class of shares in the capital of the Company either in person or by proxy in respect of Shares held by them unless all moneys payable by them in respect of any Share held by them have been paid.

(b) Dividends and other distributions

Subject to the provisions of company legislation, the members of the Company may declare a final dividend in accordance with the respective rights of members by passing an ordinary resolution at a general meeting of the Company. No such dividend may exceed the amount recommended by the directors. The directors may at any time, and in accordance with the Companies Act, (i) recommend to shareholders that a final dividend be declared and recommend the amount of any such dividend, and (ii) pay a distribution by way of an interim dividend out of the profits of the Company if justified by the financial position of the Company in accordance with the respective rights of members. If the Board acts in good faith, it is not liable to holders of any shares conferring preferred rights for any loss arising from the lawful payment of a dividend on any shares having deferred or non-preferred rights.

Except as otherwise provided by the rights attached to Shares, all dividends shall be paid according to the amounts paid up on the Shares; but no amount paid on a Share in advance of the date on which a call is payable shall be treated as paid on the Share for these purposes. All dividends shall be apportioned and paid proportionately to the amounts paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid unless any Share is allotted on terms that it will rank for dividend as from a particular date.

The Board may at any time, and from time to time in its absolute discretion, direct that any dividend may be satisfied wholly or partly by the distribution of assets, including without limitation paid up shares or debentures of another body corporate. The Directors may, in their absolute discretion, offer to members the right to elect to receive additional shares credited as fully paid instead of cash in respect of any dividend.

Any dividend unclaimed for 12 years from the date when it became due for payment shall, if the Board so resolves, be forfeited and cease to remain due for payment by the Company and the payment by the Board of any unclaimed dividend or other sum payable in respect of a Share into a separate account from the Company's own account shall not constitute the Company a trustee in respect of it.

(c) Variation of rights

Subject to the provisions of company legislation, if the share capital of the Company is divided into different classes of shares, the rights of any class of shares may (unless otherwise provided by the terms of allotment of the shares of that class) be varied (whether or not the Company is being wound up) with the consent of the holders of not less than three-quarters in nominal value of the issued shares of that class (such consent to be given by way of one or more instruments or contained in one or more electronic communications), or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of those shares. No business shall be conducted at a general meeting unless a quorum of two persons present in person or by proxy and entitled to vote is present.

(d) Transfer of shares

Any member may transfer all or any of his certificated Shares by an instrument of transfer in any usual form or other form which the Board may approve signed by or on behalf of the transferor and (in the case of a partly-paid Share) the transferee. The transferor is deemed to remain the holder of such Share until the transferee's name is entered in the register in respect of it. The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of a certificated share which is not fully paid (provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis). The Board may also decline to register any transfer of a certificated Share unless the instrument of transfer:

(i) is lodged with the Company accompanied by the certificate for the Shares to which it relates and such other evidence of the right of the transferor to make the transfer as the Board may reasonably require;

(ii) is in respect of only one class of share; and

(iii) in the case of a transfer to joint holders, is in favour of not more than four joint holders.

Uncertificated shares may be transferred in accordance with the Uncertificated Securities Regulations 2001 and the Directors may only refuse to register a transfer of title to such shares in circumstances referred to in those Regulations.

(e) Alteration of Share Capital

The Company may from time to time by ordinary resolution:

(i) increase its share capital by such sum to be divided into shares of such amount as the resolution prescribes;

(ii) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

(iii) subject to the provisions of company legislation, sub-divide its shares or any of them into shares of smaller amount and the resolution may determine that, as between the shares resulting from the sub-division, any of them may have any preference or advantage as compared with the others; and

(iv) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

Subject to the provisions of company legislation, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any way.

(f) Purchase of own shares

The Company may also, subject to the provisions of company legislation and any rights attached to any class of shares, purchase any of its own shares of any class (including without limitation any redeemable shares) in any way and at any price (whether at par or above or below par).

(g) Distribution of assets on a winding up

If the Company is wound up, the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Insolvency Act 1986:

(i) divide among the members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members;

(ii) vest the whole or any part of the assets in trustees for the benefit of the members; and

(iii) determine the scope and terms of those trusts,

but no member shall be compelled to accept any asset on which there is a liability.

6. Directors

The names of the directors of Prudential, their respective functions and ages and short biographical details in relation to each of them are set out below:

(Ages as at 15 October 2004)

Sir David Clementi MA FCA MBA

Chairman. Aged 55. Chairman since 1 December 2002. In July 2003 he was appointed by the Secretary of State for Constitutional Affairs to carry out a review of the regulation of legal services in England and Wales. In February 2003 he joined the Financial Reporting Council. He is also a non-executive director of Rio Tinto plc, which he joined on 28 January 2003. From September 1997 to August 2002 he was Deputy Governor of the Bank of England. During this time he served as a member of the Monetary Policy Committee and as a non-executive director of the Financial Services Authority. From 1975 to 1997 he worked for the Kleinwort Benson Group, latterly as Chief Executive.

Jonathan Bloomer FCA

Group Chief Executive. Aged 50. Appointed as a director in January 1995 and as Group Chief Executive in March 2000. He was previously Deputy Group Chief Executive and Group Finance Director. He is a non-executive director of Egg plc. He is also Chairman of the Practitioner Panel of the Financial Services Authority and a Board Member of the Association of British Insurers.

Philip Broadley FCA

Group Finance Director. Aged 43. Appointed in May 2000. He is currently a member of the Insurance Advisory Group of the International Accounting Standards Board and the external advisory panel of the Morris Review of the Actuarial Profession. He is also President of the Przezornosc Charitable Foundation, which has been established in Poland in recognition of former policyholders with whom the Company lost contact. Previously he was with the UK firm of Arthur Andersen where he became a partner in 1993. He specialised in providing services to clients in the financial services industry, including regulators and government agencies in the United Kingdom and the United States.

Michael Garrett

Independent non-executive director. Aged 62. Appointed in September 2004. He is an Executive Vice President of Nestlé S.A., and member of the Executive Board. He has worked for Nestlé since 1961, becoming Head of Japan in 1990 and Director with responsibility for the Far East in 1993. He is a member of the Advisory Committee for an APEC (Asia-Pacific Economic Cooperation) Food System. He is Director of a number of listed Nestlé companies in Asia, Africa and the Middle East. He has been a member of the Supervisory Board of Cereal Partners Worldwide (a joint-venture between Nestlé and General Mills) since 1993.

Bridget Macaskill

Independent non-executive director. Aged 56. Appointed in September 2003. She rejoined the Board of Prudential having previously resigned due to a potential conflict of interest in March 2001. She is a non-executive director of J Sainsbury plc. She was previously Chairman and Chief Executive Officer of OppenheimerFunds Inc, a major New York based investment management company.

Clark Manning

Executive director. Aged 46. Appointed in January 2002. He is also President and Chief Executive Officer of Jackson National Life. He was previously Chief Operating Officer, Senior Vice President and Chief Actuary of Jackson National Life, which he joined in 1995. Prior to that he was Senior Vice President and Chief Actuary for SunAmerica Inc., and prior to that Consulting Actuary at Milliman & Robertson Inc. He is a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries.

Michael McLintock

Executive director. Aged 43. Appointed in September 2000. He is also Chief Executive of M&G, a position he held at the time of M&G's acquisition by Prudential in March 1999. He joined M&G in October 1992. He is also a non-executive director of Close Brothers Group plc.

Roberto Mendoza

Independent non-executive director and Chairman of the Remuneration Committee. Aged 59. Appointed in May 2000. He is also the non-executive Chairman of Egg plc, a founding member of

Integrated Finance Limited and a member of the World Bank-IFC Bank Advisory Group. He was previously Vice Chairman and director of JP Morgan & Co, Inc., a non-executive director of Reuters Group Plc and the BOC Group plc, and a managing director of Goldman Sachs.

Mark Norbom

Executive director. Aged 46. Appointed in January 2004. He is also Chief Executive, Prudential Corporation Asia. He was previously President and Chief Executive Officer of General Electric Japan, and a company officer of General Electric Company. He has spent the last 10 years with General Electric in Taiwan, Indonesia, Thailand and Japan. Prior to that, his career was with General Electric in various posts in the United States.

Kathleen O'Donovan

Independent non-executive director. Aged 47. Appointed in May 2003. She is a non-executive director of EMI Group plc, Great Portland Estates PLC and the Court of the Bank of England. She is also Chairman of the Invensys Pension Fund. She was previously Finance Director at BTR and Invensys. Prior to that she was a partner at Ernst & Young.

James Ross

Independent non-executive director since May 2004. Aged 66. He is also Deputy Chairman of National Grid Transco and holds non-executive directorships with McGraw Hill and Datacard in the United States and Schneider Electric in France. He is also Chairman of the Leadership Foundation for Higher Education. He was previously Chairman of the National Grid plc and Littlewoods plc. He was also Chief Executive of Cable & Wireless plc and President and Chairman and Chief Executive of BP America Inc, and a Managing Director of the British Petroleum Co plc.

Rob Rowley

Senior Independent Non-executive Director and Chairman of the Audit Committee. Aged 55. Appointed in July 1999 (as an independent non-executive director), June 2000 (as Chairman of the Audit Committee) and December 2003 (as Senior Independent Director). He is executive Deputy Chairman of Cable & Wireless Public Limited Company, a non-executive director of Taylor Nelson Sofres plc and a non-executive director of Liberty International plc. He retired as a director of Reuters Group PLC in December 2001, where he was Finance Director from 1990-2000.

Mark Wood

Executive director. Aged 51. Appointed in June 2001. He is also Chief Executive of Prudential Assurance, UK and Europe a position he has held since June 2001. In May 2002 he became a member of the Life Insurance Committee of the Association of British Insurers. He was previously Deputy Chairman of the ABI, Chief Executive of Axa UK plc (formerly Sun Life & Provincial Holdings plc) and Axa Equity and Law plc, and Managing Director of AA Insurance.

7. Directors' and other interests

7.1 The interests in the ordinary share capital of the Company of the Directors, as notified to the Company pursuant to sections 324 or 328 of the Companies Act or which are required to be entered in the register to be maintained under the provisions of section 325 of the Companies Act or which are interests of a person connected with a Director which interests, if such connected persons were Directors would be required to be disclosed pursuant to sections 324 or 328 of the Companies Act and the existence of which is known or could, with reasonable diligence, be ascertained by the Directors as at 13 October 2004 being the latest practicable date prior to the publication of this document, were and will subject as mentioned below, on completion of the Rights Issue, be as follows:

Director	Current Interests *		Interests immediately following the Rights Issue *	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
J W Bloomer [1,2,3]	795,468[5]	—	795,468[5]	
P A J Broadley [1,2]	24,007[6]	—	26,605[6]	
D C Clementi	14,242	—	16,615	
M W O Garrett	10,269	—	11,935	
B A Macaskill [4]	7,761	646	8,870	753
C P Manning[4]	23,862	—	23,862	
M G A McLintock [1]	98,508[7]	—	98,508[7]	
R G Mendoza [4]	110,106	—	127,981	
M Norbom [1,3]	557,074[8]	—	557,074[8]	
K A O'Donovan	6,477	—	7,556	
J H Ross	3,784	—	4,414	
R O Rowley[2]	34,240	—	38,357	
G M Wood [1]	126,679[9]	—	126,679[9]	

* Options under the SAYE scheme and awards that remain conditional under the Restricted Share Plan are excluded. Except for J W Bloomer, M G A McLintock and G M Wood interests immediately following the Rights Issue are stated on the assumption that each Director takes up his/her full entitlement in respect of Ordinary Shares they beneficially own to subscribe for New Ordinary Shares under the Rights Issue. J W Bloomer, M G A McLintock and G M Wood anticipate selling sufficient of the rights to subscribe for the balance of the New Ordinary Shares to which they would then be entitled. As a consequence it is not possible prior to publication to determine their interests immediately following the Rights Issue and the figures are therefore the same as their current interests.

1. In respect of interests which represent options or awards under the Company's share schemes where the participant has the right, subject to certain time-related conditions, to obtain Ordinary Shares but does not have the right for the New Ordinary Shares attributable to those Ordinary Shares, the same number of Ordinary Shares is included under both the Current Interests and the Interests immediately following the Rights Issue. The Share awards may subsequently be adjusted in accordance with the terms of each respective award.
2. Directors who hold investments under PEP or ISA arrangements intend to take up their entitlements under the Rights Issue to the extent they are able. In respect of these arrangements, the same number of Ordinary Shares is shown under both the Current Interests and Interests immediately following the Rights Issue.
3. In respect of ADR holdings, the same number of Ordinary Shares is shown under both the Current Interests and Interests immediately following the Rights Issue.
4. As set out earlier in this document shareholdings with registered addresses in the United States are unable to take up their entitlements under the Rights Issue. B A Macaskill, C P Manning and R G Mendoza are affected by this and either no adjustment or only a partial adjustment to their interests immediately following the Rights Issue is shown.
5. Includes 103,610 Ordinary Shares awarded to Jonathan Bloomer under the 1997, 1998 and 1999 Restricted Share Plan where he has yet to exercise his right to receive shares. Jonathan Bloomer's interest in Ordinary Shares also includes 100 ADRs (representing 200 Ordinary Shares), 916 Ordinary Shares and 5,643 Ordinary Shares in PEPs.
6. Includes 5,681 Ordinary Shares awarded and deferred under the Annual Incentive Plan to Philip Broadley. Philip Broadley's interests also include 2,738 ISA Ordinary Shares.
7. Includes 50,776 Ordinary Shares awarded and deferred under the Annual Incentive Plan to Michael McLintock.
8. Includes 554,574 Ordinary Shares awarded under Mark Norbom's On-Appointment Share Award. Mark Norbom's interest in Ordinary Shares also includes 1,250 ADRs (representing 2,500 Ordinary Shares).
9. Includes 6,829 Ordinary Shares awarded and deferred under the Annual Incentive Plan to Mark Wood.

Taken together, the combined percentage interest of the Directors in the issued ordinary share capital of Prudential as at 13 October 2004 was approximately 0.09 per cent.

The interests of certain Directors in the share capital of Egg plc are shown below:

Director	Beneficial interest in Egg plc shares
J W Bloomer	9,092
P A J Broadley	2,610
R G Mendoza	300,000
R O Rowley	940

7.2 Long-term Incentive Plans

The table below shows the outstanding conditional awards made to the Directors under the Restricted Share Plan:

	Year of Award			Year of Vesting	
Director	2002	2003	2004	Earliest	Latest
J W Bloomer	177,110			2005	2012
		266,527		2006	2013
			401,708	2007	2014
P A Broadley	85,990			2005	2012
		127,653		2006	2013
			200,854	2007	2014
C Manning	107,086			2005	2012
		141,874		2006	2013
			186,995	2007	2014
M McLintock	30,292			2005	2012
		43,486		2006	2013
			64,274	2007	2014
M Norbom	—				
		—			
			190,811	2007	2014
M Wood	87,944			2005	2012
		131,861		2006	2013
			200,854	2007	2014

The 2000 conditional RSP award lapsed and no rights were granted after the performance period ending on 31 December 2002.

The 2001 conditional RSP award lapsed and no rights were granted after the performance period ending on 31 December 2003.

The table below shows rights granted under the Restricted Share Plan upon vesting prior to 31 December 2002 and not yet exercised.

	RSP Rights Outstanding	Exercise Date	
Director		Earliest	Latest
J W Bloomer	56,859	17 March 2000	17 March 2007
	38,581	2 April 2001	2 April 2008
	8,170	15 March 2002	15 March 2009

7.3 As at 13 October 2004 (the latest practicable date prior to the publication of this document), the following Directors have savings-related options to subscribe for Ordinary Shares in the Company:

Director	Number of Options	Exercise Price (p)	Earliest exercise date	Date of expiry
Jonathan Bloomer	2,247	751p	1 June 2005	30 November 2005
Philip Broadley	2,589	364p	1 June 2007	30 November 2007
Michael McLintock	5,866	280p	1 June 2008	30 November 2008
Mark Wood	2,835	648p	1 December 2008	31 May 2009

7.4 In addition to the awards set out in 7.2 and 7.3 above, the following Ordinary Shares are held under the Annual Incentive Scheme; Philip Broadley holds 5,681, Michael McLintock holds 50,776 and Mark Wood holds 6,829 Ordinary Shares. In addition Mark Norbom holds 554,574 Ordinary Shares under an Prudential On-Appointment Share Award. All the Ordinary Shares referred to in this section 7.4 are held in the Prudential plc Employee Share Trust.

7.5 Employee Option Schemes

The number of Ordinary Shares over which options have been granted and remain outstanding under the Employee Option Schemes, including those of the Directors set out in section 7.3 above is:

Number of options	Exercise Price (p)	Option period ending in
370,179	404.6p-730p	2004
452,976	315p-759p	2005
6,057,504	280p-730p	2006
1,160,125	364p-751p	2007
3,966,298	280p-730p	2008
402,905	364p-648p	2009
873,034	280p-360p	2010
86,288	364p-380p	2011
49,238	360p	2012

All of the above options were granted for nil consideration.

7.6 The Directors are aware of the following interests (other than interests held by the Directors) which represent three per cent. or more of the issued ordinary share capital of the Company on 15 October 2004 (being the last practicable date prior to the publication of this document):

	15 October 2004		Immediately following the Rights Issue*	
Shareholder	No. of Ordinary Shares	Per cent. of Issued Ordinary Share Capital	No. of Ordinary Shares	Per Cent. of Issued Ordinary Share Capital
Fidelity Investments	77,255,787	3.82	90,131,751	3.82
Legal and General Investment Management Limited	81,326,380	4.02	99,880,776	4.02

* Assuming each such Shareholder takes up in full their entitlement under the Rights Issue.

7.7 Save as disclosed above, the Directors are not aware of any person who is or will be immediately following Admission, directly or indirectly, interested in three per cent. or more of the issued ordinary share capital of the Company. The Directors are not aware of any person who can, will or could, directly or indirectly, jointly or severally, exercise control over the Company.

7.8 No Director has or has had an interest in any transactions which are or were unusual in their nature and conditions, or significant to the business of the Group and which were effected by the Company during the period from 1 January 2004 to the date of this document, or prior to 1 January 2004 to the date of this document which are outstanding or unperformed.

7.9 No Director has any outstanding loans granted by any Group Company (other than any loan granted in the ordinary course of business of that Group Company) and no Director benefits from any guarantee provided by any Group Company.

8. Directors' service agreements and emoluments

The Chairman is paid fees of £450,000 per annum. He is paid a supplement for pension purposes. Benefits include participation in a medical insurance scheme, life assurance cover of four times his annual fees, and the use of a car and driver. The Chairman does not participate in any company incentive arrangements. The notice period for termination is 12 months from either party.

The following executive Directors have entered into service contracts the main terms of which are described below:

Name	Date of contract	Annual Salary
Jonathan Bloomer	5 March 1999	£ 800,000
Philip Broadley	12 April 2000	£ 500,000
Clark Manning	7 May 2002	US$850,000
Michael McLintock	21 November 2001	£ 320,000
Mark Norbom	23 December 2003	£ 475,000
Mark Wood	5 October 2001	£ 500,000

The Remuneration Committee reviews the salaries of the executive Directors. The last review came into effect on 1 January 2004.

All executive Directors are employed by Prudential. The contracts of employment for executive Directors contain a 12 months notice period from the Company.

The remuneration of the executive Directors comprises an annual basic salary, an annual bonus depending on performance, participation in long term incentive plans which vest according to Prudential's performance and, in the case of executive Directors with regional or business sector responsibilities, long term incentive plans that depend on regional or business sector performance, together with pension arrangements and benefits.

Jonathan Bloomer, Philip Broadley, Mark Norbom and Mark Wood are eligible for awards of up to 110 per cent of their basic salary based on Group and individual performance, and, in the case of Mark Wood and Mark Norbom, the performance of their region. The award for on-target performance is 50 per cent of basic salary paid in cash. Michael McLintock participates in an annual bonus plan providing an on-target award of 300% of basic salary and a maximum award of 500% of basic salary based on the profits of M&G and group and individual performance. Any part of the annual incentive awards described above made for performance above on-target is made in Ordinary Shares which are released after three years (during which time dividends accumulate for his benefit) provided he is still employed by Prudential. Clark Manning participates in an annual bonus that provides for a percentage share of a bonus pool geared to the profits of Jackson National Life. In addition, his targets include elements that depend on Group and individual performance which provide 100% of basic salary for on-target performance with a maximum of 120% of basic salary. Clark Manning also participates in a US tax qualified all-employee profit sharing plan.

All executive Directors participate in the Restricted Share Plan under which rewards are based on Prudential's achievement of Total Shareholder Return relative to other companies in the FTSE 100 at the beginning of each three-year performance period. Annual grants of conditional awards of Ordinary Shares in the Company are held in trust for three years. At the end of each three-year performance period, a right to receive Ordinary Shares at no cost to the individual may be granted dependent on the Company's performance. To reflect their responsibilities for regions or sectors, Clark Manning, Michael McLintock, Mark Norbom and Mark Wood also participate in long-term incentive plans providing rewards contingent upon the performance of their region or sector.

Upon joining Prudential Mark Norbom was granted Prudential Share awards that will be released on various dates between 1 January 2005 and 20 February 2013 provided he remains in employment with the Company on the release dates.

Executive Directors receive certain benefits, principally the provision of a company car or an allowance for such purpose, participation in medical insurance schemes and, in some cases, security arrangements. Mark Norbom receives allowances relating to the expatriate nature of his assignment. These benefits are not pensionable.

Directors' pensions

Philip Broadley and Mark Wood are members of the Prudential Staff Pension Scheme (PSPS) which is a non-contributory defined benefit scheme. Michael McLintock is a member of the M&G Group Pension Scheme which is a contributory defined benefit scheme. Where these members' pension entitlement is capped, they are entitled to salary supplements or contributions to other pension arrangements for provision related to basic salary above the statutory earnings cap. Jonathan Bloomer and Mark Norbom receive salary supplements related to basic salary. All UK based Directors are entitled to death benefits of four times basic salary and an additional amount related to dependants, broadly equivalent to the benefit under the Prudential Staff Pension Scheme. Mark Norbom is entitled to a death benefit of four times basic salary.

Clark Manning participates in a qualified 401k plan in the United States and receives life assurance cover of two times basic salary.

The Company provides certain protections for Directors against any personal financial exposure that they may incur as a result of the performance of their duties. In addition to standard Directors and Officers insurance, the Directors benefit from a discretionary payments policy (which covers, on a discretionary basis, any liability that might arise in situations where a director has acted in good faith and in accordance with his duties). As a further protection, certain individuals are provided with formal indemnity letters.

8.2 *Non-executive letter agreements*

All non-executive Directors have been appointed under letters of appointment by Prudential which may be terminated with 6 months' notice.

Name	Prudential plc fees (£'000s)	Egg plc fees (£'000s)	Total fees (£'000s)
M W O Garrett	50	n/a	50
B A Macaskill	50	n/a	50
R G Mendoza*	70	75	145
K A O'Donovan	55	n/a	55
J H Ross	55	n/a	55
R O Rowley	90	n/a	90

* Mr Mendoza has waived the last increase of £10,000 p.a. in the fee payable to him in his capacity as Chairman of the Remuneration Committee and as a result receives a fee of £60,000 p.a. in respect of Prudential.

The non-executive directors use the net value of £25,000 of their total annual Prudential fees to purchase Ordinary Shares in the Company on a quarterly basis. These shares will be held at least until retirement from the board. No benefits are provided for non-executive Directors.

8.3 Save as set out above, there are no service agreements existing between any of the Directors and the Company or any of its subsidiaries.

8.4 The total aggregate of the remuneration paid and benefits in kind granted to the Directors by members of the Group during the year ended 31 December 2003 was approximately £7.7 million (including pension contributions).

9. Directorships and Partnerships

9.1 Save as set out below, no directorships of any company, other than of the Company and its subsidiaries, has been held or occupied during the previous five years by any of the Directors, nor during that period has any of the Directors been a partner in a partnership, save as set out below:

Director	Current directorships/ partnerships	Former directorships/partnerships
J W Bloomer	Egg Banking plc Egg plc Holborn Finance Holding Company Prudential Services Limited Prudential Two Limited The Prudential Assurance Company Limited Board Member of the Association of British Insurers Chairman of the Practitioner Panel of the Financial Services Authority Governor Caterham School Member of the Finance Committee of the NSPCC	Holborn Delaware Corporation Prudential MG Limited (Liquidated) The Standard Trust Limited Railtrack Group plc
P A J Broadley	Prudential Finance (UK) Public Limited Company Prudential Process Management Services Private Limited Prudential Staff Pensions Limited The Prudential Assurance Company Limited Eastbourne College (Incorporated) Stichting CFO Forum Foundation President of the Przezornosc Charitable Foundation	Arthur Andersen Prudential (Netherlands) BV
D C Clementi	Rio Tinto Limited Rio Tinto plc Thornhill Flats Management Limited Member of the Financial Reporting Council	Bank of England Nominees Limited BE Property Holdings Limited Deputy Governor of the Bank of England Grand View, Burlington Road Limited The Accountancy Foundation Limited The Financial Services Authority
M W O Garrett	Nestlé India Bhd Nestlé (Malaysia) Bhd Nestlé Milkpak Ltd Nestlé Nigeria PLC Osem Investments Limited	
B A Macaskill	J Sainsbury plc MAC (Scotland) Limited TIAA-CREF	Harbourview Asset Management Corp Oppenheimer Acquisition Corp Oppenheimer Funds Legacy Program Oppenheimer Millennium Funds Inc Oppenheimer Partnership Holdings Inc Oppenheimer Real Asset Management Inc Oppenheimer Shareholder Services Inc Oppenheimer Funds Inc Oppenheimer Funds International Limited Shareholder Financial Services Inc

Director	Current directorships/ partnerships	Former directorships/partnerships
C P Manning	Brooke Life Insurance Company Jackson National Life Insurance Company PPM America, Inc. PPM Finance, Inc. PPM Holdings, Inc. Fellow of the Society of Actuaries Member of the American Academy of Actuaries	
M G A McLintock	Charities Investment Managers Limited M&G Group Limited M&G Investment Management Limited M&G Limited PPM Ventures (Holdings) Limited Prudential Property Investment Managers Limited Close Brothers Group plc Investment Management Association	M&G Financial Services Limited M&G Life Assurance Company Limited M&G Pensions and Annuity Company Limited M&G Securities Limited PPM Ventures Limited Prudential MG Limited (Liquidated) The First British Fixed Trust Company Limited CoFunds Holdings Limited
R G Mendoza	Egg Banking plc Egg plc Founder Member of Integrated Finance Limited (formerly Hancock, Mendoza, Dachille & Merton) Manhattan Theatre Club Member of the World Bank-IFC Bank Advisory Group Trustee of the London Symphony Orchestra	ACE Limited J P Morgan & Co Inc Morgan Guaranty Trust Company of New York Repertorio Espanol REUTERS Group PLC The BOC Group PLC Vitro SA
M Norbom	Prudential Holdings Limited Prudential Corporation Asia Limited Prudential ICICI Asset Management Company Limited ICICI Prudential Life Company Limited CITIC Prudential Life Insurance Company Limited	General Electric Japan, Limited GE Plastics Japan Limited GE Toshiba Silicones Co. Limited GE Capital Leasing Co. GE Edison Life Insurance Co. The American School in Japan
K A O'Donovan	EMI Group Plc EMI Group Senior Executive Pension Scheme Trustee Limited Great Portland Estates P.L.C. Invensys Pension Trustee Limited Non-executive director of the Court of the Bank of England	AA Seven Limited BTR International Limited Brook Crompton Limited Brook Hansen (International) Limited Brook Motors Limited BTR Industries Limited Crompton Parkinson International Limited Crompton Parkinson Limited Crompton Parkinson Motors Limited Dunlop Plantations Limited Electrodrives Limited Hawker Siddeley Finance Limited Hawker Siddeley Group Limited Hawker Siddeley Holdings Limited Hawker Siddeley International Limited Hawker Siddeley Management Limited Hawker Siddeley Power (Peterborough) Limited (dissolved 03/04/01)

Director	Current directorships/ partnerships	Former directorships/partnerships
		Hawker Siddeley Power Engineering Limited Hawker Siddeley Power Plant Limited Invensys International Holdings Limited Invensys plc Linkcable Limited (dissolved 12/06/01) Silvertown Rubber Company Limited Sorbo Twenty-Two Limited (dissolved 12/06/01) Westinghouse Brake and Signal Holdings Limited Westinghouse Rail Systems Limited
J H Ross	Datacard Inc McGraw Hill Companies Inc National Grid Transco plc Schneider Electric S.A. The Leadership Foundation for Higher Education The Sherborne School Foundation	Littlewoods Limited Liverpool Biennial of Contemporary Art Limited Liverpool Vision National Grid Holdings One plc NGG Telecoms Limited North West Business Leadership Team Limited The Classical Opera Company
R O Rowley	Cable and Wireless Public Limited Company Liberty International Plc Taylor Nelson Sofres Plc TSTT — Telecommunications Services of Trinidad and Tobago Limited	Reuters Business Services Ltd Reuters Funds Investments Limited Reuters Group Overseas Holdings (UK) Limited REUTERS Group PLC Reuters Holdings Limited Reuters Investments Limited Reuters Limited Reuters Nominees Limited Reuters Pension Fund Limited Reuters SPS Trustee Limited Rhinanthus Limited RRP Pension Trustee Limited RVCAPITAL Limited UK eUniversities Worldwide Ltd
G M Wood	Prudential Annuities Limited Prudential Retirement Income Limited The Prudential Assurance Company Limited Scottish Amicable Board Amesbury School Trust Limited Chairman of the Board of Trustees of Amesbury School Association of British Insurers Life Insurance Committee Deputy Chairman of the NSPCC	Prudential (AN) Limited Prudential Corporate Pensions Trustee Limited Prudential Europe Assurance Holdings plc Prudential Europe Management Services Limited Prudential Financial Services Limited Prudential Group Pensions Limited Prudential Holborn Life Limited Prudential International Assurance plc Prudential Nominees Limited Prudential Pensions Administration Limited Prudential Pensions Limited Prudential Pensions Trustees Limited Prudential UK Intermediaries Limited Prudential UK Services Limited SALI Management Services Limited Scottish Amicable Investment Managers Limited

Director	Current directorships/ partnerships	Former directorships/partnerships
		Scottish Amicable ISA Managers Limited Scottish Amicable Life plc Scottish Amicable Unit Trust Managers Limited The Standard Trust Limited Association of British Insurers Atlas Assurance Company Limited AXA (Cardiff) Limited AXA Direct Insurance Limited AXA Direct Limited AXA General Insurance Limited AXA Insurance plc AXA Insurance UK plc AXA Investment Managers UK Holdings Limited AXA Ireland Limited AXA Nordstern Art Insurance Limited (now called AXA Art Insurance Limited) AXA Online Limited AXA PPP healthcare group plc AXA PPP healthcare limited AXA Services Limited AXA Shared Services Limited (now called AXA Technology Services UK Ltd) AXA Sun Life Holdings Public Limited Company AXA Sun Life plc AXA Sun Life Services plc AXA Technology Services UK Limited AXA UK plc AXA-GRE Europe Investments Limited British Equitable Assurance Company Limited Caledonian Insurance Company Limited Denplan Bournemouth Limited Denplan Limited Guardian Assurance plc Guardian Health Limited Guardian Investment Holdings Limited Guardian Linked Life Assurance Limited Guardian Royal Exchange plc Lost Wax Media Limited Orion Personal Insurances Limited PPP lifetime care plc Sun Life and Provincial Quest Trustee Company Limited Sun Life Assurance Society plc Sun Life Corporation plc Sun Life Pensions Management Limited Sun Life Unit Assurance Limited The Royal Exchange Assurance Property Crime Reduction Action Team

9.2 At the date of this document, no Director:

(i) has any unspent convictions in relation to any indictable offences;

(ii) has been bankrupt or entered into an individual voluntary arrangement;

(iii) save as disclosed in this section 9.2 was a director with an executive function of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors;

(iv) has been a partner in a partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership;

(v) has had his assets the subject of any receivership or has been a partner of a partnership at the time of or within 12 months preceding any assets thereof being the subject of a receivership; or

(vi) has been subject to any public criticism by any statutory or regulatory authority (including any designated professional body) nor has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

Mr Mendoza was a director of Banco Español de Credito ("Banesto") from 25 June 1993 to December 1993. This appointment was at the nomination of Corsair Partnership, L.P., a private investment partnership of which a wholly-owned subsidiary of J.P. Morgan is the general partner. In December 1993 the Bank of Spain removed the board of directors and certain senior officers of Banesto and subsequently initiated an administrative proceeding alleging mismanagement and violations of law. These allegations relate to conduct and actions that occurred prior to 30 June 1993 or to financial information that was submitted to the Bank of Spain by Banesto without Mr Mendoza's knowledge. The Spanish Minister of Finance has approved the imposition of fines of E85,000 on, amongst others, Mr Mendoza. Mr Mendoza has appealed to the Spanish courts and Spanish counsel to Mr Mendoza believe his appeal has a strong likelihood of success.

Mark Wood was appointed managing director of Atlantic Computers plc (ACP) on 28 March 1990. The appointment was made to enable an objective assessment of ACP and an appropriate strategy to be implemented as soon as possible. Following the report from Mr Wood, it was clear that ACP could no longer be supported and it was placed into administration under the Insolvency Act on 16 April 1990. An investigation into the affairs of ACP and its principal UK subsidiary, Atlantic Computer Systems plc under section 432(2) of the Companies Act 1985 was commenced on 15 June 1990. The DTI report was published on 22 April 1994 and mentions Mark Wood.

10. Underwriting Arrangements

Pursuant to the underwriting agreement dated 19 October 2004 between the Company and the Underwriters (the "Underwriting Agreement") the Underwriters have agreed, subject to the terms and conditions set out in the Underwriting Agreement, severally to procure subscribers for, or failing which themselves to subscribe, New Shares not taken up under the Rights Issue, in each case at the Issue Price.

In consideration of their services under the Underwriting Agreement each of the Underwriters will be paid (together with any applicable value added tax) (i) a commitment commission of 0.20% of the value at the Issue Price of its proportionate share of the number of New Shares (the "Relevant Value"); (ii) a commission of 0.125% of the Relevant Value for each period of seven days (or part of seven days) after the first thirty days of the Underwriters' commitment from (and including) the date of the Underwriting Agreement to (and including) the third Dealing Day after the Acceptance Date or, if earlier, the date on which the Underwriters' obligations under the Underwriting Agreement cease; and (iii) if the Underwriting Agreement becomes unconditional and is not terminated in accordance with its terms prior to Admission, a further commission of 1.5% of the Relevant Value.

Out of such commissions the Underwriters will pay any sub-underwriting commissions (to the extent that sub-underwriters are or have been procured).

The Company will pay all costs and expenses of, or in connection with, the Rights Issue, the allotment and issue of the New Shares and the Underwriting Agreement including, but not limited to, the UK Listing Authority's and the London Stock Exchange's listing and trading fees, printing and advertising costs, the Receiving Agent's charges, the Company's legal and other out-of-pocket expenses, the Underwriters' out-of-pocket expenses (other than legal expenses), all accountancy and other professional fees and all related value added tax, if applicable.

The Company has given certain customary representations and warranties to the Underwriters and, in addition, has given the Underwriters certain customary indemnities in relation to certain liabilities they may incur in respect of the Rights Issue. In addition, the obligations of the parties to the Underwriting

Agreement are subject to certain conditions that are typical for an agreement of this nature. These conditions include, amongst others:

(a) Admission taking place not later than 8.00 a.m. on 20 October 2004 or such later time and/or date (not later than 27 October 2004) as the Company may agree with the Underwriters;

(b) each condition to enable the admission of both the Nil Paid Rights and the Fully Paid Rights to CREST (other than Admission) being satisfied on or before 20 October 2004.

The Underwriters have the right to terminate the Underwriting Agreement prior to Admission in certain specified circumstances that are typical for an agreement of this nature. These include, amongst others:

(a) if any of the representations, warranties and undertakings in the Underwriting Agreement is not or has ceased to be true and accurate by reference to the facts and circumstances subsisting at that time;

(b) if there has been a breach by the Company of any of its other obligations contained in the Underwriting Agreement, which an Underwriter, acting in good faith, considers to be material in the context of the Rights Issue or Admission, or if it comes to the notice of an Underwriter that any statement in this document or in certain other documents relating to the Rights Issue is or has become untrue, incorrect or misleading in any material respect or any matter has arisen, which would, if the Rights Issue was made at that time, constitute a material omission from this document or certain other documents relating to the Rights Issue and in each case such Underwriter, acting in good faith, considers this to be material and adverse in the context of the Rights Issue or Admission; or

(c) upon the occurrence of, amongst other things, any changes in shareholders' equity or shareholders' funds (achieved profits basis) of the Company or any member of the Group or any change, or any development involving a prospective change, in or affecting the condition (financial or otherwise), prospects, earnings, solvency, credit ratings, business affairs, management or operations of the Group taken as a whole, whether or not arising in the ordinary course of business, the effect of which is, in the judgement of the Underwriters, so material and adverse as to make it impracticable or inadvisable to proceed with the Rights Issue; or

(d) upon the occurance of any of the following: (i) a suspension or material limitation in trading in securities generally on the London Stock Exchange or the New York Stock Exchange; (ii) a suspension or material limitation in trading in the Company's securities on the London Stock Exchange or the New York Stock Exchange; (iii) a general moratorium on commercial banking activities in London or New York declared by the relevant authorities, or a material disruption in commercial banking or securities settlement or clearance services in the United Kingdom or the United States; (iv) the outbreak or escalation of hostilities involving the United Kingdom or the United States or the declaration by the United Kingdom or the United States of a national emergency or war; or (v) the occurrence of any other calamity or crisis or any change in financial, political or economic conditions or currency exchange rates or controls in the United Kingdom, the United States or elsewhere, if the effect of any such event specified in sub-clauses (iv) or (v) in the judgment of any of the Underwriters or any of the Joint Sponsors makes it impracticable or inadvisable to proceed with the Rights Issue or will be to prejudice dealings in the Nil Paid Rights or in the Ordinary Shares.

The Directors are mindful of the Competition Commission's recommendations with regard to competitive tendering of sub-underwriting commissions. However, the Directors believe that by virtue of the size of the fund raising such a process would be unlikely to result in any significant benefit to the Company and that the commissions being offered to sub-underwriters under the Rights Issue are competitive and, as such, have not sought to offer the sub-underwriting for tender as to commissions payable.

11. Material Contracts

Save as set out below, no contracts (being contracts entered into in the ordinary course of business) (i) have been entered into by the Company or another member of the Group within the two years immediately preceding the date of this document and are, or may be, material or (ii) contain a provision under which the Company or another member of the Group has an obligation or entitlement which is material to the Group as at the date of this document:

11.1 the Underwriting Agreement described in section 10 above;

11.2 an agreement entered into between Prudential Assurance Company and Winterthur Swiss Insurance Company ("Winterthur") on 2 November 2001 to transfer the UK general insurance business of Prudential Assurance Company Limited to Winterthur and Churchill Management Limited. The consideration was approximately £353 million, and there was also a release of the capital employed to support the general insurance business and through certain commission and profit share arrangements. The agreement contains warranties and limitations on liability which are usual for an agreement of this type. Prudential Assurance Company Limited's liability under this agreement was capped at £25 million. The time limit for making a claim in respect of a breach of warranty has expired in respect of all warranties other than those which relate to tax (the time limit for which expires in 2009);

11.3 Pursuant to an Underwriting Agreement dated 30 July 2004 and a Pricing Agreement of even date made between the Company and Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. Inc. the Company issued US $250,000,000 6.75% Perpetual Subordinated Capital Securities. The Capital Securities were issued at a 100 per cent. of their principal amount. The Company paid to the Underwriters commission in respect of their underwriting services of 3.15 per cent. of the principal amount of the Capital Securities and also agreed to reimburse the underwriters for certain of their expenses. The Underwriting Agreement contained representations and warranties given by the Company (and indemnities in respect of breaches thereof); and

11.4 Pursuant to a Subscription Agreement dated 18 June 2003 made between the Company and Citigroup Global Markets Limited, Goldman Sachs International, UBS Limited, BNP Paribas, HSBC Bank Plc, The Royal Bank of Scotland plc, Bank of China (Hong Kong), Cazenove & Co. Ltd and Standard Chartered Bank the Company issued US$1,000,000,000 6.50 per cent. Perpetual Subordinated Capital Securities at a subscription price of 100 per cent. of their principal amount in return for a commission of 2 per cent. of the principal amount of the Capital Securities in respect of underwriting services and an amount on account of the costs and expenses of the Issue. The Agreement contained representations and warranties on the part of the Company (together with indemnities in respect of breaches thereof).

12. Taxation

12.1 UK taxation

The following comments are intended as a general guide only to the UK tax position as at the date of this document and are based on the Company's understanding of current United Kingdom legislation and published Inland Revenue practice, both of which are subject to change at any time, possibly with retrospective effect. These comments deal only with the position of Qualifying Shareholders who are resident or ordinarily resident in the United Kingdom (for UK tax purposes), who are the beneficial owners of their New Shares and who hold their New Shares as an investment (and not as securities to be realised in the course of a trade). They do not deal with the position of certain classes of shareholders, such as dealers in securities, broker-dealers, insurance companies and collective investment schemes.

Dividends

No amounts in respect of tax will be withheld at source from dividend payments made by the Company.

Where the Company pays a dividend, a holder of a New Share who is an individual and who receives that dividend will be entitled to a tax credit equal to one-ninth of the dividend. The individual will be taxable on the total of the dividend and the related tax credit, which will be regarded as the top slice of the individual's income. The tax credit will, however, be treated as discharging the individual's liability to income tax in respect of the dividend, unless and except to the extent that the dividend and the related tax credit fall above the threshold for the higher rate of income tax, in which case the individual will, to that extent, pay tax on the dividend and the related tax credit calculated as 32.5 per cent. of the aggregate of the dividend and tax credit, less the related tax credit. So, for example, a dividend of £80 will carry a tax credit of £8.89 (one-ninth of £80) and to the extent that the dividend and the related tax credit fall above the threshold for the higher rate of income tax, a taxpayer would be taxable on £88.89 (£80 plus £8.89) at 32.5 per cent. i.e. £28.89 less a credit of £8.89, leaving a tax charge of £20. There will be no entitlement to claim payment of the tax credit or any part of it to an individual whose liability to income tax on the dividend and the related tax credit is less than the tax credit.

A holder of New Shares who is a trustee of a discretionary or accumulation trust, who is resident (for tax purposes) in the United Kingdom and who receives a dividend paid by the Company will be taxable on the total of the dividend and the related tax credit at the "Schedule F trust rate", which is currently 32.5 per cent. of the aggregate of the dividend and the tax credit, less the related tax credit.

A holder of New Shares which is a company resident for UK tax purposes in the UK and which receives a dividend paid by the Company will not generally be taxable on the dividend but will not be entitled to the payment of any tax credit with respect to the dividend.

Taxation of chargeable gains

For the purpose of UK taxation of chargeable gains, the issue of the New Shares will be regarded as a reorganisation of the share capital of the Company.

Accordingly, a Qualifying Shareholder will not be treated as making a disposal of his corresponding holding of Existing Shares to the extent he takes up his rights to New Shares. No immediate liability to UK taxation of chargeable gains in respect of the New Shares should arise if he takes up his entitlement to New Shares in full.

The New Shares will be treated as the same asset as, and as having been acquired at the same time as, the Existing Shares. The subscription money for the New Shares will be added to the base cost for a Qualifying Shareholder's existing holding.

In the case of a Qualifying Shareholder within the charge to corporation tax, indexation allowance will apply to the amount paid for the New Shares only from, generally, the date the money for the New Shares is paid or is liable to be paid, not from the time the original holding was acquired.

In the case of other Qualifying Shareholders, indexation allowance will not be given for any month after April 1998. Accordingly, for such a Qualifying Shareholder, indexation allowance on his original holding of Shares will be given for months up to April 1998, but not after that, and indexation allowance will not be given in respect of amounts paid for the New Shares. Instead, indexation allowance has been replaced by a taper relief which will reduce the amount of any chargeable gain realised on a subsequent disposal of an individual's shareholding according to how long the shares have been held since 6 April 1998 or since the shares were acquired, whichever is the later.

If a Qualifying Shareholder sells or otherwise disposes of all or part of the New Shares allotted to him, or of his rights to subscribe for New Shares or if he allows or is deemed to allow his rights to lapse in return for a cash payment, he may, depending on his circumstances, incur a liability to UK taxation on chargeable gains. If the proceeds resulting from the disposal or lapse of rights are "small" compared with the value of the Shares in respect of which the rights arose, a Qualifying Shareholder should not normally be treated as making a disposal for the purposes of UK taxation of chargeable gains, no immediate liability to chargeable gains will arise and the proceeds will be deducted from the base cost of his existing holding for the purposes of computing any chargeable gain or allowable loss on a subsequent disposal. The Inland Revenue currently regard a receipt as "small" if its amount or value is 5 per cent. or less of the market value (on the date of disposal or lapse) of the Shares in respect of which the entitlement to the receipt arose, or if its amount or value is £3,000 or less, regardless of whether or not it is more than 5 per cent. of the market value (on the date of disposal or lapse) of the Shares in respect of which the rights arose.

Stamp duty and stamp duty reserve tax ("SDRT")

Subject to the points in the following sections, no stamp duty or SDRT will generally be payable on the issue of PALs or split letters of allotment or on the issue of definitive share certificates in respect of the New Shares or the crediting of Nil Paid Rights to accounts in CREST. Where New Shares represented by such documents or rights are registered in the name of the original shareholder entitled to such shares or New Shares are credited in uncertificated form to CREST accounts, no liability to stamp duty or SDRT will arise.

The purchaser of rights to New Shares represented by PALs or split letters of allotment (whether nil paid or fully paid) or Nil Paid Rights or Fully Paid Rights held in CREST on or before the latest time for registration of renunciation will not generally be liable to pay stamp duty, but the purchaser will normally be liable to pay SDRT at the rate of 0.5 per cent. of the actual consideration paid. Where such a purchase is effected through a stockbroker or other financial intermediary that person will normally account to the Inland Revenue for the SDRT and should indicate that this has been done in any contract note issued to the purchaser. In other cases, the purchaser of the rights to the New Shares represented by PALs or a split letter of allotment or Nil Paid Rights or Fully Paid Rights is liable to pay the SDRT and must account for it to the Inland Revenue, except that CRESTCo will collect and account to the Inland Revenue for any SDRT payable in respect of the transfer of Nil Paid Rights or Fully Paid Rights held in CREST. No stamp duty or SDRT will be payable on the registration or renunciation of PALs or split letters of allotment or Nil Paid Rights, whether by the original holder or his renouncee.

Any dealings in New Shares after the latest time for registration of renunciation of PALs fully paid will be subject to stamp duty or SDRT in the normal way. An instrument effecting the conveyance or transfer on sale of New Shares will usually be subject to *ad valorem* stamp duty at the rate of 0.5 per cent. (rounded up if necessary to the nearest multiple of £5) of the amount or value of the consideration paid. Stamp duty is normally paid by the purchaser. A charge to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration paid for the New Shares will arise in relation to an unconditional agreement to transfer New Shares. However, if within six years of the date of the agreement (or, if the agreement was conditional, of the date the agreement became unconditional) an instrument of transfer is executed pursuant to the agreement and stamp duty is duly paid on that instrument, the stamp duty will normally cancel, or give rise to a right to a repayment in respect of, the SDRT liability. SDRT is normally the liability of the purchaser.

A charge to stamp duty or SDRT at a higher rate of 1.5 per cent. of the consideration payable, or in some circumstances, the value of the New Shares, (rounded up in the case of stamp duty to the nearest £5) may arise on a transfer or issue of New Shares to, or to a nominee for, certain persons providing clearance services or to, or to a nominee or agent for, certain persons whose business is, or includes, issuing depository receipts.

There will be no stamp duty or SDRT on a transfer of New Shares into CREST where such a transfer is made for no consideration. A transfer of New Shares effected on a paperless basis through CREST will generally be subject to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the system.

The above statements are intended as a general guide to the current stamp duty and stamp duty reserve tax position. Certain categories of person, including market makers, brokers, dealers and persons connected with depository arrangements and clearance services, are not liable to stamp duty or stamp duty reserve tax and others may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

For the avoidance of doubt, neither Prudential nor the Underwriters will be liable to Shareholders or their successors, renouncees or assignees for any stamp duty or SDRT arising pursuant to the Rights Issue or otherwise.

12.2 *United States Taxation*

The following is a general summary of the material US federal income tax effects of the Rights Issue for a Shareholder that is a citizen or resident of the United States or a domestic corporation or otherwise subject to US federal income tax on a net income basis in respect of the shares and receives rights pursuant to the Rights Issue. You should review the tax section of our Annual Report on Form 20-F if you have questions about the tax treatment of an investment in our shares generally.

Your tax treatment can be affected by your individual circumstances. For example, special rules may apply if you are resident or engaged in business in another country, if you maintain a functional currency other than the US dollar, if you are subject to the alternative minimum tax, if you hold shares in connection with a conversion transaction, or if you are an insurance company, a tax-exempt organization, a financial institution, a securities dealer or a trader that marks securities to market. This summary does not discuss these special rules. The summary is based on the US federal income tax rules in force on the date of this document, all of which are subject to change, possibly with retroactive effect. The summary does not discuss any state, local or non-US tax rules. **You should consult your own tax advisers regarding the tax treatment of the Rights Issue in light of your particular circumstances.**

Allocation of Rights

You will not be subject to US federal income taxation when you receive rights pursuant to the Rights Issue.

Basis in the Rights

Your basis in the rights normally will be zero.

You may elect to allocate your basis in the Shares between those Shares and the rights based on their fair market values on the date of the Rights Issue. You will be required to make such an allocation if the rights are worth more than 15% of the fair market value of the Shares on that date. If you make such an allocation, it will affect the tax treatment of your exercise or sale of rights. The allocation will be disregarded if you allow a right to expire. You will not recognise loss, and your basis in your Shares will not change, when a right expires unexercised.

Holding Period for the Rights

Your holding period with respect to the rights will be the same as your holding period for the Shares with respect to which the rights were allocated.

Adjustments to Subscription Price or Conversion Ratio

Adjustments to the subscription price or the conversion ratio of the rights, or the failure to make such adjustments, may result under certain circumstances in the receipt of taxable constructive dividends by holders of the rights.

Exercise of Rights

The exercise of a right will not be a taxable transaction for US federal income tax purposes.

The basis of New Shares acquired by exercising rights will equal the sum of the US dollar equivalent of the subscription price and your basis, if any, in the rights. The holding period of the New Shares so acquired will begin on the date you exercise the rights.

Sale of Rights

If you sell your rights or if your rights are sold on your behalf, you will recognise gain or loss in the same manner as you would if you were to sell any other asset. If you are an individual, you may qualify for the preferential rates applicable to capital gains if your holding period for the rights is more than one year.

Information Reporting and Backup Withholding

Proceeds from the sale of rights may be subject to information reporting to the Internal Revenue Service. In addition, a US backup withholding tax may be imposed on specified payments to persons that fail to furnish required information. Backup withholding will not apply to a holder who furnishes a correct taxpayer identification number or certificate of foreign status and makes any other required certification, or who is otherwise exempt from backup withholding. Any US persons required to establish their exempt status generally may do so by filing Internal Revenue Service Form W-9, entitled Request for Taxpayer Identification Number and Certification.

12.3 Irish Taxation

Taxation of Resident or Ordinarily Resident Irish Shareholders

The following summary outlines certain aspects of Irish tax law and practice regarding the ownership and disposition of shares. This summary deals only with shares held as capital assets by Qualifying

Shareholders who are resident or ordinarily resident in Ireland for Irish tax purposes, and does not address specific classes of shareholders such as dealers in securities. This summary is not exhaustive and Shareholders are advised to consult their own tax advisers with respect to the taxation consequences of their ownership or disposition of Shares. The summary is based on current Irish taxation legislation and published practices of the Revenue Commissioners in Ireland, both of which are subject to change at any time.

Taxation of Dividends

Unless exempted, an Irish resident or ordinarily resident Shareholder will be liable to Irish tax on the amount of any dividend received. Whether any credit will be available against Irish tax on the dividend received in respect of United Kingdom taxation will depend on the terms of both Irish tax law and the Ireland/United Kingdom Double Tax Treaty and the particular circumstances of the Shareholder. No such credit is currently available. A charge to Irish social security taxes/levies can also arise for individual Shareholders on the amount of any dividend received from the Company.

Capital Gains Tax/Corporation Tax on Chargeable Gains

Irish resident or ordinarily resident Shareholders will be liable to Irish tax on capital gains arising on the disposal of Shares in the Company. The capital gain will generally be calculated by reference to the difference between the purchase price and sale price. The usual indexation relief and other reliefs and allowances may be available in computing the liability of the Shareholder.

The disposal of all or part of an entitlement under the Rights Issue by an Irish resident or ordinarily resident Shareholder may give rise to a charge to Irish tax in respect of any capital gain arising on the disposal.

Any New Shares allotted to a Shareholder under the Rights Issue will be added to its/his/her Existing Shares in the Company to form a single holding of shares. The new holding of Shares will, for the purpose of Irish taxation on capital gains, be treated as the same asset as the existing holding and acquired at the same time as the existing holding. The base cost of the existing holding will be deemed to have been increased by the amount paid for the New Shares. However, indexation relief will not be available for the amount paid for the New Shares as it will be regarded for those purposes as having been incurred on the date on which it is paid, and indexation relief was abolished for expenditure incurred on or after 1 January 2003.

Stamp Duty

Transfers for cash of Shares will not be subject to Irish stamp duty.

Capital Acquisitions Tax

A gift or inheritance comprising of Shares in the Company will be within the charge to capital acquisition tax if either the disponer or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or in certain circumstances, if the disponer is domiciled in Ireland irrespective of his residence or that of the donee/successor).

12.4 Australian Taxation

The following comments are provided only as a general guide to the Australian income tax consequences for Australian resident Qualifying Shareholders who participate in the Rights Issue.

As the circumstances of Australian resident Qualifying Shareholders will vary, the Australian income tax consequences of exercising or selling the Nil Paid or Fully Paid Rights offered in this document may also vary. Accordingly, Australian resident Qualifying Shareholders should seek independent .taxation advice in relation to their individual tax position.

The following comments deal only with the position of Qualifying Shareholders who will hold their Nil Paid or Fully Paid Rights or New Shares as capital assets. The commentary does not deal with the position of Qualifying Shareholders who will hold their Nil Paid or Fully Paid Rights or New Shares as part of a share trading business, for some other routine commercial operation or who will acquire their Nil Paid or Fully Paid Rights or New Shares with the dominant purpose of reselling them at a profit. The discussion is also only applicable to Qualifying Shareholders who acquired their Existing Shares on or after 20 September 1985.

The following is intended only as a general summary and does not purport to be a complete statement of all the Australian income tax consequences which may be relevant to the exercise or disposal of the Nil Paid or Fully Paid Rights or to the disposal of New Shares. Except as otherwise noted, the statements of Australian tax laws set out below are based on the laws in force as of the date of this document and are subject to any changes in Australian law, and in any double taxation agreement between the United Kingdom and Australia.

Grant of Rights

There should be no Australian income tax consequences for a Qualifying Shareholder on grant of the rights to acquire New Shares (the "Rights"). Nil Paid Rights and Fully Paid Rights constitute one security. They are called Nil Paid Rights prior to the payment of the amount to acquire the New Shares and are called Fully Paid Rights after the payment of the amount to acquire the New Shares.

Exercise of Rights and disposal of Rights

The exercise of the Rights should be disregarded for Australian capital gains tax purposes.

A Qualifying Shareholder may be assessed in respect of any capital gains that arise on the disposal of the Rights (other than by way of exercise).

A right to acquire New Shares will be deemed to have been acquired by a Shareholder, for Australian capital gains tax purposes, at the time when the Shareholder acquired the Existing Shares.

Generally, for Australian capital gains tax purposes, the capital gain would be determined by reference to the consideration received on the disposal of the Rights less the cost base of the Rights.

Disposal of New Shares

If the Rights are exercised and the New Shares which are acquired as a result of the exercise of the Rights are disposed of, a Qualifying Shareholder may be assessed in respect of a capital gain on the disposal of the New Shares.

The New Shares will be deemed to have been acquired, for Australian capital gains tax purposes, when the Right is exercised.

Generally, the capital gain would be determined by reference to the excess (if any) of the consideration received for the New Shares over the cost base of the New Shares for capital gains tax purposes.

For capital gains tax purposes, a Qualifying Shareholder's cost base in a New Share should generally be the amount the Qualifying Shareholder paid up on the Right to which the New Share relates.

Some Qualifying Shareholders may be eligible for the discount capital gain concession if the New Shares are held for 12 months or more. Eligibility for the discount capital gain concession depends on various factors. In broad terms, the discount capital gain concession operates to include only one-half (for an individual or trust) or two-thirds (for a complying superannuation fund) of the nominal capital gain in a Qualifying Shareholder's assessable income. The nominal capital gain should first be reduced by any available capital losses. Qualifying Shareholders that are Australian resident companies will not be entitled to the discount capital gain concession.

Foreign Investment Fund Provisions

Qualifying Shareholders may in certain circumstances be subject to Australia's Foreign Investment Fund ("FIF") provisions in respect of their holdings of New Shares acquired on exercise of the Rights. In the event that the FIF provisions apply, the Australian taxation consequences of disposing of a New Share by a Qualifying Shareholder may be significantly different to that discussed above.

The FIF provisions are generally only relevant to institutional investors as there is an exemption from these rules for individual (non-trustee) investors who, together with their associates, hold A$50,000 or less in value of total FIF and foreign life assurance policy interests in an income year.

The FIF rules are complicated and Qualifying Shareholders should seek their own tax advice in respect of the potential application of those rules.

12.5 Dutch Taxation

The following is a summary of the Dutch tax consequences of the acquisition, ownership and disposal of New Shares and of the right to subscribe for New Shares. This summary is only intended for individuals and entities, resident in the Netherlands, (which do not have an actual or deemed substantial interest (statutorily defined term) in Prudential and does not purport to describe all possible tax consequences that may be relevant to a Shareholder. In view of the general nature of this summary, it should be treated with corresponding caution. Shareholders should consult with their tax advisors with regard to the tax consequences of the acquisition, ownership, disposition and disposal of New Shares and of the right to subscribe for New Shares.

Except as otherwise indicated, this summary only addresses the Dutch tax legislation, as in force and in effect as of the date hereof and as interpreted in published case law at the date hereof and is subject to change after such date, including changes that could have retro-active effect.

Dutch income tax and corporate income tax: Dutch resident individuals

As a general rule, individuals who are resident or deemed to be resident in the Netherlands or have opted to be taxed as a resident of the Netherlands for Dutch tax purposes ("Dutch resident individual") will be taxed annually on a deemed income of 4 per cent. of their net investment assets at an income tax rate of 30 per cent. The net investment assets for the year are the average of the investment assets less the attributable liabilities at the beginning and at the end of the relevant year. The value of the New Shares and of the right to subscribe for New Shares is included in the calculation of the net investment assets. A tax-free allowance for the first EUR 19,252 (EUR 38,504 for partners (statutorily defined term)) of the net investment assets may be available. Actual benefits derived from the New Shares and of the right to subscribe for New Shares, including any capital gains, are not as such subject to Netherlands income tax.

However, if the New Shares or the right to subscribe for New Shares are attributable to an enterprise from which a Dutch resident individual derives a share of the profit, whether as an entrepreneur or as a person who has a co-entitlement to the net worth of such enterprise without being a shareholder, any benefit derived or deemed to be derived from the New Shares or of the right to subscribe for New Shares, including any capital gain realised on the disposal thereof, are generally subject to income tax at a progressive rate with a maximum of 52 per cent. Subject to the same progressive rate are benefits derived from the New Shares or from the right to subscribe for New Shares in case a Netherlands resident individual carries out activities that exceed regular portfolio asset management in relation to those New Shares or rights to subscribe for New Shares.

Dutch income tax and corporate income tax: Dutch resident entities

Any benefit derived or deemed to be derived from the New Shares or the right to subscribe for further New Shares held by entities, resident in the Netherlands for Dutch tax purposes ("Dutch resident entities"), including any capital gains realised on the disposal thereof, is generally subject to corporate income tax at a rate of 34.5 per cent (29 per cent, over the first EUR 22,689), unless the participation exemption is applicable with respect to the New Shares. Under the participation exemption Dutch resident entities are exempt from corporate income tax with respect to dividends and capital gains (and losses), including currency exchange results, derived from or realised on the disposal of a qualifying shareholding. Generally, the participation exemption applies if a Netherlands resident entity holds an interest of at least 5 per cent, of the nominal value in the issued and paid-up share capital of a company.

A Dutch qualifying pension fund is exempt from corporate income tax and a qualifying Dutch resident investment fund ("fiscale beleggingsinstelling") is subject to corporate income tax at a special rate of 0 per cent.

Netherlands gift, estate and inheritance tax

Gift, estate and inheritance taxes are payable in the Netherlands in respect of any gift by, or inheritance on the death of, a holder of New Shares who is a resident or deemed to be a resident of the Netherlands at the time of the gift or his death. Furthermore, Dutch estate and inheritance taxes are payable in the case of an acquisition of New Shares or the right to subscribe for New Shares by way of a gift by an individual who dies within 180 days after the date of the gift, and who is not at the time of the gift, but is at the time of the death a resident or a deemed resident of the Netherlands.

For the purposes of Dutch gift, estate and inheritance taxes, an individual who holds the Dutch nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his death. Additionally, for the purposes of Dutch gift tax, an individual not holding Dutch nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the twelve months preceding the date of the gift. Furthermore, in certain specific circumstances, the donor or the deceased will be deemed to be resident in the Netherlands for the purposes of Dutch gift, estate and inheritance taxes if the beneficiary of the gift or the beneficiaries under the estate jointly, as the case may be, make an election to that effect. Applicable tax treaties may override deemed residency.

Other taxes

No Netherlands registration tax, capital tax, customs duty, transfer tax, stamp duty or any other similar tax or duty will be payable in the Netherlands in respect of or in connection with the subscription, issue, placement, allotment or delivery of New Shares or of the right to subscribe for New Shares.

Dividend stripping

On 26 July 2002, but with retroactive effect from 27 April 2001, new legislation entered into force in order to counteract "dividend stripping". Pursuant to this legislation, a reduction, credit or refund of dividend tax is denied if the recipient of the dividend is not considered to be the beneficial owner of such dividend. This legislation generally targets situations, commonly referred to as "dividend stripping", in which a shareholder retains its economic interest in shares, but reduces the withholding tax cost on dividends by a transaction with another party. It is not required for these rules to apply that the recipient of the dividends is aware that a dividend stripping transaction took place. However, the Dutch state secretary of Finance published its view that the rules should not be applicable to an unsuspecting recipient who purchased the shares on the stock exchange. Furthermore, the state secretary of Finance takes the position that the definition of beneficial ownership introduced by this legislation will also be applied in the context of a double taxation convention.

13. Litigation and Contingent Liabilities

Neither Prudential nor any member of the Group is, or has been, involved in any legal or arbitration proceedings nor, as far as the Directors are aware, are any such proceedings pending or threatened by or against any member of the Group which may have, or have had within the previous 12 months, a significant effect on the Group's financial position.

14. Significant Changes

Save as disclosed in sections 5 and 7 of Part I and Part VI of this document, there has been no significant change in the financial or trading position of the Group since 30 June 2004, the date to which the unaudited interim results of the Group for the six months ended on such date were drawn up.

15. General

15.1 No person has been authorised to give any information or to make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised. The New Shares are not being marketed or made available to the public in whole or in part other than in connection with the Rights Issue. This document does not constitute an offer to sell or the solicitation of an offer to buy any securities in any circumstances in which such offer or solicitation is unlawful. The delivery of this document and the Provisional Allotment Letters shall not under any circumstances imply or constitute a representation that the information contained in this document is correct as at any time subsequent to the date hereof or that there has not been any change in the affairs of the Group since the date hereof.

15.2 The accounts of the Group for the three years ended 31 December 2003 have been audited by KPMG Audit plc, Chartered Accountants and Registered Auditors in accordance with Auditing Standards issued by the Auditing Practices Board, and have been reported upon without qualification. The business address of KPMG Audit plc is 8 Salisbury Square, London, EC4Y 8BB.

15.3 UBS, Cazenove and Goldman Sachs have given and not withdrawn their written consent to the inclusion of their name and references to them in the form and context in which they are included in this document.

15.4 The Issue Price of 308 pence per Share represents a premium of 303 pence per Share over the nominal value of 5 pence per Share on 13 October 2004, the latest practicable date prior to the publication of this document.

15.5 The total costs and expenses of, or incidental to, the Rights Issue are estimated to be approximately £25 million.

15.6 The following information (together with the information set out in section 12.3 in this Part VII) is provided in compliance with the European Communities (Transferable Securities and Stock Exchange) Regulations, 1992 of Ireland in connection with the Rights Issue in Ireland:

(a) Capita Corporate Registrars Plc will act as paying agent in Ireland in respect of any payments which are due to Irish Shareholders;

(b) Prudential will send any notices of meetings and other notices from Prudential to Shareholders with registered addresses in Ireland and/or will, as applicable, place a notice of meetings in an Irish daily national newspaper so long as the Shares are listed on the Official List and traded on the London Stock Exchange's market for listed securities.

15.7 On 23 April 2004 a bankruptcy petition was filed in the Jakarta Commercial Court against PT Prudential Life Assurance as a result of the termination of a consultancy contract for agency sales force management. PT Prudential Life Assurance decided to terminate this consultancy contract on the basis of legal advice. The Jakarta Commercial Court held that PT Prudential Life Assurance owed its consultant approximately US$165,000 and as a consequence placed PT Prudential Life Assurance into bankruptcy. PT Prudential Life Assurance considers, on the basis of its legal advice, that the bankruptcy petition is misconceived and will appeal the Jakarta Commercial Court's decision to the Indonesian Supreme Court. It should be noted that under Indonesian bankruptcy law, a company may be made bankrupt even when it is solvent. PT Prudential Life Assurance remains financially strong. Its risk-based capital ratio of 255% (as at 31 December, 2003) compares favourably with the 100% requirement dictated by the Indonesian Ministry of Finance.

16. Documents Available for Inspection

Copies of the following documents will be available for inspection at the registered office of the Company and at the offices of Slaughter and May, One Bunhill Row, London EC1Y 8YY during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document up to and including 11 November 2004:

(1) the memorandum and articles of association of the Company;

(2) the unaudited interim results of the Company for the six months ended 30 June 2004;

(3) the audited consolidated accounts of the Company for the years ended 31 December 2002 and 31 December 2003;

(4) the material contracts referred to in section 11 of this Part VII above;

(5) the written consents referred to in section 15.3 above;

(6) the service contracts and letters of appointment referred to in section 8 of Part VII above; and

(7) this document.

Definitions and Glossary

"ABI"	Association of British Insurers
"Admission"	admission of the New Shares, nil paid, to (i) the Official List and (ii) trading on the London Stock Exchange's market for listed securities becoming effective in accordance with, respectively, the Listing Rules and the Admission and Disclosure Standards
"Admission and Disclosure Standards"	the requirements contained in the publication "Admission and Disclosure Standards" dated April 2004 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
"ADRs"	American Depository Receipts of the Company
"Cazenove"	Cazenove & Co. Ltd
"certificated" or "in certificated form"	a share or other security which is not in uncertificated form (that is, not in CREST)
"Companies Act"	the Companies Act 1985 (as amended)
"CREST"	the relevant system (as defined in the Regulations) in respect of which CRESTCo is the operator (as defined in the Regulations)
"CRESTCo"	CRESTCo Limited
"CREST Manual"	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by CRESTCo on 15 July 1996 and as amended since)
"CREST member"	a person who has been admitted by CRESTCo as a system-member (as defined in the Regulations)
"CREST participant"	a person who is, in relation to CREST, a system-participant (as defined in the Regulations)
"CREST sponsor"	a CREST participant admitted to CREST as a CREST sponsor
"CREST sponsored member"	a CREST member admitted to CREST as a sponsored member
"Directors" or "Board"	the directors of the Company, whose names are set out in section 6 of Part VII of this document
"Employee Option Schemes"	Prudential Savings-Related Share Option Scheme ("UK SRSOS"), Prudential Europe Management Services Sharesave Plan ("PEMS"), Prudential International Savings-Related Share Option Scheme ("ISSOS"), Prudential International Savings-Related Share Option Scheme for Non-Employees ("ISSOSNE")
"EU"	the union of countries established by the Treaty on European Union dated 7 February 1992 (the Maastricht Treaty) as amended by the Treaty of Amsterdam dated 2 October 1997, the Treaty of Nice dated 26 February 2001 and as may be amended from time to time thereafter
"Exchange Act"	the United States Securities Exchange Act of 1934, as amended
"Excluded Territories"	Canada, France, New Zealand, South Africa, Spain and Switzerland
"Existing Shares"	the 2,023,294,186 Shares currently in issue at the date of this document
"FSA"	the Financial Services Authority
"Fully Paid Rights"	rights to acquire New Shares, fully paid

"Goldman Sachs"	Goldman Sachs International
"IFA"	independent financial adviser
"Ireland"	The Republic of Ireland
"Issue Price"	308 pence per New Share
"Listing Rules"	the listing rules made by the UK Listing Authority in accordance with section 74 of the Financial Services and Markets Act 2000 (as amended from time to time)
"London Stock Exchange"	London Stock Exchange PLC
"New Shares"	337,215,697 ordinary shares of 5 pence each in the capital of the Company to be issued pursuant to the Rights Issue
"Nil Paid Rights"	rights to acquire New Shares, nil paid
"Official List"	the Official List of the UK Listing Authority
"Overseas Shareholders"	Qualifying Shareholders with registered addresses in, or who are citizens, residents or nationals of, jurisdictions outside the United Kingdom
"Provisional Allotment Letter" or "PAL"	the provisional allotment letter to be issued to Qualifying non-CREST Shareholders (other than certain Overseas Shareholders)
"Prudential" or "Company"	Prudential PLC
"Prudential Group" or "Group"	Prudential and its subsidiaries
"Prudential Share Schemes"	Prudential-Jackson US. Performance Share Plan, Prudential Annual Incentive Scheme, Prudential Corporation plc Restricted Share Plan, Prudential Corporation plc Group Head Office Managers' Share Plan, Managers Share Plan Scheme, Prudential Corporation plc Share Participation Plan, Prudential Corporation plc Executive Share Option Scheme, M&G 1992 Savings Related Share Option Scheme, M&G Profit Share Scheme, M&G Employee Share Option Scheme, Prudential Professional Reward Scheme, and Prudential On-Appointment Share Award
"Qualified Institutional Buyer" or "QIB"	means a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act
"Qualifying CREST Shareholders"	Qualifying Shareholders holding Shares in uncertificated form
"Qualifying non-CREST Shareholders"	Qualifying Shareholders holding Shares in certificated form
"Qualifying Shareholders"	Shareholders on the register of members of the Company at the Record Date
"Record Date"	the close of business on 15 October 2004
"Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001/3755) "Resilience Reserve"; an additional Prudential liability required by the FSA to cover specified adverse economic contingencies
"Rights Issue"	means the offer by way of rights to Qualifying Shareholders to subscribe for New Shares, on the terms and conditions set out in this document and, in the case of Qualifying non-CREST Shareholders only, the Provisional Allotment Letter
"Securities Act"	the United States Securities Act of 1933, as amended

"Shareholder Helpline"	the helpline set up for Prudential Shareholders which will advise Shareholders how to complete the Provisional Allotment Letter (if they are Qualifying non-CREST Shareholders) and answer questions about the Rights Issue: Freephone 0800 174350 (from inside the UK) or +44 1903 702767 (from outside the UK)
"Shareholders"	the holders of Shares
"Shares" or "Ordinary Shares"	ordinary shares of 5 pence each in the capital of the Company and includes Existing Shares and New Shares
"UK Listing Authority"	the Financial Services Authority acting in its capacity as the competent authority for the purposes of the Financial Services and Markets Act 2000
"uncertificated" or "in uncertificated form"	recorded on the register of members as being held in uncertificated form in CREST and title to which, by virtue of the Regulations, may be transferred by means of CREST
"UBS" or "UBS Investment Bank"	UBS Limited
"Underwriters" and "Joint Sponsors"	UBS, Cazenove and Goldman Sachs
"Underwriting Agreement"	the conditional underwriting agreement relating to the Rights Issue described in section 10 of Part VII of this document
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"United States" or "US"	the United States, its territories and possessions, any State of the United States and the District of Columbia, and all other areas subject to its jurisdiction

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Printed by RR Donnelley 35243