



JONATHAN BLOOMER GROUP CHIEF EXECUTIVE

In 2004, each of our regional businesses delivered double-digit growth in sales and profits. As a result, we achieved record Group insurance annual premium equivalent (APE) sales, and a 23 per cent increase in new business achieved profit compared with 2003*.

We achieved these results by adopting a disciplined approach to investment and growth, allocating capital to those businesses that deliver sustainable high returns. At the same time, we managed our risks by maintaining a diversified portfolio of businesses across our chosen markets, principally in the UK, the US and Asia, including several mature cash generators, as well as attractive newer businesses which require investment.

Going forward, we see excellent growth opportunities across the Group.

UNITED KINGDOM

The UK insurance market is starting to recover from three years of decline. During this period, we transformed our UK insurance business from a direct-sales operation, selling with-profits products, into a company that sells mainly shareholder-backed products through a range of channels, including independent financial advisers, business to business and partnership agreements with other companies. We also improved our efficiency and broadened our product range. These changes enabled us to take advantage of the upturn in the market in 2004, and resulted in a 40 per cent rise in new business achieved profit year-on-year.

Over the next few years, we see new opportunities arising from the creation of multi-ties, and we have won places on many of the multi-tie panels announced to date. We expect these agreements to begin to have an effect on our performance in 2005, and to make an increasing contribution thereafter.

The Rights Issue, announced in October 2004, will allow us to take advantage of these developments in both our business and the marketplace.

In 2005, we expect sales to grow by about 10 per cent from our 2004 base, against an industry expectation of around five per cent market growth. We are aiming for a blended internal rate of return on this business of 14 per cent.

UNITED STATES

The US is the largest long-term savings market in the world, with considerable opportunities for growth.

Jackson National Life is an industry leader in distributing products and is able to react quickly to market changes, establishing strong positions in new products and channels. In 2004 it increased new business achieved profit by 18 per cent, to £156 million, with nearly 90 per cent of new sales coming from products developed in the last two years.

The business continues to fund its own growth, including small acquisitions, such as that of Life Insurance Company of Georgia, announced in November. It also contributed US\$120 million to the Group in 2004, and this is expected to increase to US\$150 million in 2005.

In 2005, we expect the US market to grow at about four per cent and Jackson National Life to grow sales at around twice this rate, while keeping its costs down and delivering above market returns.

ASIA

The Asian economies' consistently high growth rates and favourable demographics, together with the trend towards allowing greater access and ownership to foreign financial services players, make these markets very attractive for Prudential, and we have a strong record of success in the region.

In the past decade we have expanded across 12 countries and delivered APE compound growth of 26 per cent per year, while maintaining margins above 50 per cent. In 2004, new business achieved profit rose 19 per cent.

We are now Europe's leading life insurer in Asia in terms of market coverage and number of top five market positions. We have also established a complementary regional funds management business in seven markets and are setting up a fund management operation in Vietnam.

We see very good growth prospects in the region, particularly in India and China, and we are well placed to take advantage of these.

*All year-on-year comparisons of financial performance are at constant exchange rates (CER), unless otherwise stated.

In India, our joint venture with ICICI delivered APE sales growth of 127 per cent and continues to be the leading private sector player. In 2004, the Indian government announced its intention to allow increased foreign ownership in Indian companies, and we remain interested in increasing our stake in the joint venture. However, the relevant legislation has not yet been put before the Indian Parliament.

In China, our joint venture with CITIC is one of the country's leading foreign players, and it achieved new business APE growth of 70 per cent last year. We already operate in three cities, and will launch our fourth operation, in Shanghai, in the second quarter of 2005. We have recently received licences for two further cities, and a licence to write Group Life insurance business. We expect to continue to develop rapidly in China as geographic licensing restrictions ease further.

We are confident of our ability to grow strongly and profitably in the region, and our Asian business remains on track to become cash positive from 2006.

M&G

M&G provides high quality investment management services for Prudential's customers, and is also a leading UK manager of retail investment funds and institutional fixed income and pooled life and pensions funds. At the end of 2004, it had total funds under management of £126 billion.

External funds under management rose by 19 per cent during the year to £28.7 billion, due to a combination of net fund inflows from both retail and institutional clients and market gains on existing funds.

In recent years, M&G has developed profitable new income streams while keeping a tight control over costs. This powerful combination has resulted in underlying profit of £110 million, up 57 per cent on 2003.

We expect M&G to continue to perform strongly in 2005.

EGG

Egg has closed its loss-making French operation and has recently put its Funds Direct business on the market. It is now firmly focused on its profitable core UK business, where it achieved underlying profit of £74 million in 2004. This was a good performance from Egg's UK business, especially given the increased competition and rising interest rates that have affected the credit card and personal loan markets. Egg's effective cost management and good credit quality also contributed to the solid results from its UK operation.

Looking ahead, Egg will continue to develop its UK operation, building its unsecured lending business, while expanding its product range to increase cross-sales to existing customers.

We expect Egg to finance its own growth without requiring capital support from the Group.

OUTLOOK

Prudential has built strong positions in three of the most attractive savings markets in the world. Each of the businesses is performing well, and is positioned to take advantage of the opportunities in its respective market. We are on track to deliver sustainable, profitable growth and to achieve our target returns on capital in 2005 and beyond.

