

M&G plc NEWS RELEASE

25 September 2019

Proposed demerger of M&G plc

Prudential plc (“Prudential”) announced its intention on 14 March 2018 to demerge M&GPrudential, resulting in two separately-listed companies.

On completion of the proposed demerger, shareholders will hold interests in both Prudential and M&GPrudential, which will trade on the main market of the London Stock Exchange as M&G plc (“M&G”).

M&G today announces that the prospectus in relation to the proposed admission of M&G’s ordinary shares to the premium listing segment of the Official List and to trading on the main market of the London Stock Exchange (the “Prospectus”) has been submitted to the Financial Conduct Authority (the “FCA”) by M&G. A further announcement will be made once the Prospectus has been approved for publication by the FCA, which is expected later today. Information on the proposed timetable for the demerger and further information about M&G’s business will be included in that announcement and in the Prospectus.

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

John Foley, Chief Executive of M&G plc, said:

“Independence gives us an exciting opportunity to grow our business by scaling our high-quality savings and investments solutions, both in the UK and internationally. Demand for our propositions is strong and growing, as societies age and savers seek yield. Our unique business mix and our proven record of growing new businesses in the UK and internationally means we are well-placed to deliver not only great customer outcomes, but also attractive total returns for our future shareholders.”

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Notes to Editors

(Information as at 30th June 2019 unless otherwise indicated)

M&G plc highlights

A leading savings and investments business with a unique and compelling business mix

- £341.1bn of assets under management and administration (“**AuMA**”)
- £210.4bn in Savings & Asset Management segment AuMA, comprising £135.9bn in retail AuMA, including the PruFund smoothed return proposition, which has experienced significant growth over the last three years, and nearly £75bn in external institutional AuMA
- £130.7bn in Heritage segment AuMA, primarily comprising traditional with-profits, annuities and corporate pensions businesses
- One of Europe’s largest asset managers, including the UK’s largest open with-profits fund with £143.7bn in AuMA
- One of the UK’s largest active fixed income asset managers
- One of the world’s largest managers of private assets, representing AuMA of just over £60bn

Strong distribution and customer engagement

- Serving around 5.5m retail customers and provides investment solutions to more than 800 institutional clients
- Operates internationally and distributes its products across 28 markets through a network of 20 offices

Well positioned to take advantage of structural trends impacting its markets

- Well positioned in large, growing markets with a broad range of retail and institutional investment capabilities and the ability to provide bespoke solutions to meet clients’ demands
- Favourable demographic developments, the search for yield in a low interest rate environment and the increasing demand for financial solutions in retirement, present significant opportunities for M&G

Proven investment capability driving growth in AuMA

- PruFund attracted net inflows of £8.5bn, £9.0bn and £6.5bn in 2018, 2017 and 2016 respectively and £3.5bn in H1 2019 to total AuMA of £49.6bn
- 55% of M&G’s retail mutual funds were in the top performance quartile of their respective peer group in 2018 based on a three-year track record
- 86% of institutional asset management solutions achieved their investment objectives over the three years ended 30 June 2019

Attractive financial profile with diverse and resilient earnings

- M&G benefits from diverse earnings sources. In the Savings & Asset Management segment, earnings are primarily driven by fees typically related to the level of AuMA net of expenses and by the shareholder share of the PruFund returns. In the Heritage segment, the main sources of earnings are income from shareholder annuities and the shareholder share of the traditional with-profits returns. Both of these Heritage books are closed to new customers, but, subject to financial market conditions, earnings are expected to remain resilient over the medium term.
- H1 2019 adjusted operating profit of £715m (FY 2018: £1,617m), included £262m from Savings & Asset Management (FY2018: £468m), and £474m from Heritage (FY2018: £1,162m). Corporate centre expenses were £21m (FY2018: £13m)

Transformation Programme expected to deliver improved customer experiences and reduced costs

- c.£250m shareholder investment over the course of the five year programme on track to deliver the full benefit of c.£145m per annum anticipated shareholder cost savings by 2022 from enhanced digitalised customer experience, improved efficiency, greater variability in the cost base and increased platform scalability

Clear strategy for growth and returns, focused on:

- Continued expansion of its investment capabilities in private and illiquid asset solutions
- Building further on its leading position and reach in the advised UK savings and asset management market through investing in its digital platforms to improve adviser and customer experience and outcomes
- Leveraging its European distribution network and international relationships with global and local banks to capture growing demand for bespoke and sub-advised investment solutions.

Group financial performance overview

The following table sets out the M&G group's key performance measures used by management, for the six months ended 30 June 2019 and 2018, and for the years ended 31 December 2018, 2017 and 2016.

	For the six months ended 30 June		For the year ended 31 December		
	2019	2018	2018	2017	2016
	£m	£m	£m	£m	£m
Fee based revenues	637	693	1,353	1,311	1,164
Annuity margin	311	392	1,129	673	637
With-profits shareholder transfer net of hedging gains/losses	126	114	255	203	211
Total adjusted operating income	1,074	1,199	2,737	2,187	2,012
Adjusted operating expenses	(424)	(420)	(916)	(834)	(761)
Other shareholder profit/(loss)	57	(15)	(220)	(6)	(60)
Share of associates and joint ventures adjusted operating profit before tax	8	8	16	15	12
Total adjusted operating profit before tax	715	772	1,617	1,362	1,203
Net client flows (£bn)	(4.5)	4.1	(8.7)	18.4	(8.9)
AuMA (£bn)	341.1	341.9	321.2	350.7	310.8

Disclaimer

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

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

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

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

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

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

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