

# European Embedded Value (EEV) basis results

<b>Condensed consolidated income statement</b>	2008 £m	2007* £m	2007* £m
	Half year	Half year	Full year
Asian operations	579	520	1,103
US operations	360	351	635
UK operations:			
UK insurance operations	504	462	859
M&G	146	140	254
	650	602	1,113
Other income and expenditure	(144)	(155)	(301)
Restructuring costs	(15)	0	(20)
<b>Operating profit from continuing operations based on longer-term investment returns</b>	<b>1,430</b>	<b>1,318</b>	<b>2,530</b>
Short-term fluctuations in investment returns	(1,949)	241	174
Mark to market value movements on core borrowings	171	113	223
Shareholders' share of actuarial gains and losses on defined benefit pension schemes	(98)	39	(5)
Effect of changes in economic assumptions and time value of cost of options and guarantees	(189)	275	748
<b>(Loss) profit from continuing operations before tax (including actual investment returns)</b>	<b>(635)</b>	<b>1,986</b>	<b>3,670</b>
Tax attributable to shareholders' (loss) profit	162	(521)	(927)
(Loss) profit from continuing operations for the period after tax before minority interests	(473)	1,465	2,743
Discontinued operations (net of tax)	–	241	241
<b>(Loss) profit for the period</b>	<b>(473)</b>	<b>1,706</b>	<b>2,984</b>
Attributable to:			
Equity holders of the Company	(475)	1,705	2,963
Minority interests	2	1	21
<b>(Loss) profit for the period</b>	<b>(473)</b>	<b>1,706</b>	<b>2,984</b>

<b>Earnings per share (in pence)</b>	2008	2007*	2007*
	Half year	Half year	Full year
<b>Continuing operations</b>			
From operating profit, based on longer-term investment returns, after related tax and minority interests	41.6p	39.1p	74.5p
Adjustment from post-tax longer-term investment returns to post-tax actual investment returns (after minority interests)	(58.3)p	7.0p	6.1p
Adjustment for effect of mark to market value movements on core borrowings	6.9p	4.6p	9.1p
Adjustment for post-tax effect of shareholders' share of actuarial gains and losses on defined benefit pension schemes	(2.8)p	1.1p	(0.2)p
Adjustment for post-tax effect of changes in economic assumptions and time value of cost of options and guarantees (after minority interests)	(6.7)p	8.2p	21.8p
Based on (loss) profit from continuing operations after tax and minority interests	(19.3)p	60.0p	111.3p
<b>Discontinued operations</b>			
Based on profit from discontinued operations after tax and minority interests	–	9.9p	9.9p
<b>Based on (loss) profit for the period after tax and minority interests</b>	<b>(19.3)p</b>	<b>69.9p</b>	<b>121.2p</b>
Average number of shares (millions)	2,465	2,437	2,445

<b>Dividends per share (in pence)</b>	2008	2007	2007
	Half year	Half year	Full year
<b>Dividends relating to reporting period:</b>			
Interim dividend (2008 and 2007)	5.99p	5.70p	5.70p
Final dividends (2007)	–	–	12.30p
Total	5.99p	5.70p	18.00p
<b>Dividends declared and paid in reporting period:</b>			
Current year interim dividend	–	–	5.70p
Final dividend for prior year	12.30p	11.72p	11.72p
Total	12.30p	11.72p	17.42p

\*See note 10.

## Operating profit from continuing operations based on longer-term investment returns\*

### Results analysis by business area

	2008 £m	2007 £m	2007 £m	2007 £m
	Half year	CER** Half year	RER** Half year	RER** Full year
<b>Asian operations</b>				
New business	336	291	282	653
Business in force	217	219	211	393
Long-term business	553	510	493	1,046
Asset management	29	34	33	72
Development expenses	(3)	(6)	(6)	(15)
<b>Total</b>	<b>579</b>	<b>538</b>	<b>520</b>	<b>1,103</b>
<b>US operations</b>				
New business	137	144	144	285
Business in force	217	200	200	342
Long-term business	354	344	344	627
Broker-dealer and asset management	6	9	9	13
Curian	0	(2)	(2)	(5)
<b>Total</b>	<b>360</b>	<b>351</b>	<b>351</b>	<b>635</b>
<b>UK operations</b>				
New business	129	108	108	277
Business in force	375	354	354	582
Long-term business	504	462	462	859
M&G	146	140	140	254
<b>Total</b>	<b>650</b>	<b>602</b>	<b>602</b>	<b>1,113</b>
<b>Other income and expenditure</b>				
Investment return and other income	38	13	13	45
Interest payable on core structural borrowings	(82)	(88)	(88)	(168)
Corporate expenditure:				
Group Head Office	(79)	(58)	(58)	(129)
Asia Regional Head Office	(17)	(17)	(17)	(38)
Charge for share-based payments for Prudential schemes	(4)	(5)	(5)	(11)
<b>Total</b>	<b>(144)</b>	<b>(155)</b>	<b>(155)</b>	<b>(301)</b>
Restructuring costs	(15)	0	0	(20)
<b>Operating profit from continuing operations based on longer-term investment returns</b>	<b>1,430</b>	<b>1,336</b>	<b>1,318</b>	<b>2,530</b>
Analysed as profits (losses) from:				
New business	602	543	534	1,215
Business in force	809	773	765	1,317
Long-term business	1,411	1,316	1,299	2,532
Asset management	181	181	180	334
Other results	(162)	(161)	(161)	(336)
<b>Total</b>	<b>1,430</b>	<b>1,336</b>	<b>1,318</b>	<b>2,530</b>

\* EEV basis operating profit from continuing operations based on longer-term investment returns excludes short-term fluctuations in investment returns, the mark to market value movements on core borrowings, the shareholders' share of actuarial gains and losses on defined benefit pension schemes, the effect of changes in economic assumptions and changes in the time value of cost of options and guarantees arising from changes in economic factors. The amounts for these items are included in EEV profit attributable to shareholders. The directors believe that operating profit, as adjusted for these items, better reflects underlying performance. Profit before tax and basic earnings per share include these items together with actual investment returns. This basis of presentation has been adopted consistently throughout these statements.

\*\* The comparative results analysis by business area using previously Reported Exchange Rates (RER), after adjusting for the change in accounting policy for pension schemes, are as shown above. Also, to enable consistency with the basis of presentation of the Operating and Financial Review for profit items, additional half-year 2007 comparative results on a Constant Exchange Rates (CER) basis, calculated by applying average exchange rates for the six months to 30 June 2008 are provided above.

# European Embedded Value (EEV) basis results

## continued

### Movement in shareholders' equity (excluding minority interests)

	2008 £m	2007* £m	2007* £m
	Half year	Half year	Full year
(Loss) profit for the period attributable to equity shareholders	(475)	1,705	2,963
Items taken directly to equity:			
Exchange movements	35	(65)	64
Unrealised valuation movements on securities classified as available-for-sale of discontinued banking operations	–	(2)	(2)
Movement on cash flow hedges	–	(3)	(3)
Related tax	14	(11)	3
Dividends	(304)	(288)	(426)
New share capital subscribed	137	117	182
Reserve movements in respect of share-based payments	14	9	18
Treasury shares:			
Movement in own shares in respect of share-based payment plans	6	11	7
Movement on Prudential plc shares purchased by unit trusts consolidated under IFRS	(8)	1	4
Mark to market value movements on Jackson assets backing surplus and required capital <sup>note 2</sup>	(42)	(15)	(13)
Net (decrease) increase in shareholders' equity	(623)	1,459	2,797
Shareholders' equity at beginning of period (excluding minority interests)			
— As previously reported	14,779	11,883	11,883
— Effect of accounting policy change for pension schemes <sup>note 10</sup>	(179)	(80)	(80)
— After change in accounting policy	14,600	11,803	11,803
Shareholders' equity at end of period (excluding minority interests)	13,977	13,262	14,600
<b>Comprising:</b>			
Asian operations:			
Net assets	3,831	3,012	3,837
Acquired goodwill	172	172	172
	4,003	3,184	4,009
US operations	3,709	3,544	3,686
UK operations:			
Long-term business	5,956	6,308	6,497
M&G:			
Net assets	193	287	271
Acquired goodwill	1,153	1,153	1,153
	7,302	7,748	7,921
Other operations:			
Holding company net borrowings at market value <sup>note 9</sup>	(702)	(811)	(873)
Other net liabilities	(335)	(403)	(143)
Shareholders' equity at end of period (excluding minority interests)	13,977	13,262	14,600

\* See note 10.

## Summarised consolidated balance sheet

	2008 £m 30 Jun	2007** £m 30 Jun	2007** £m 31 Dec
Total assets less liabilities, excluding insurance funds	186,254	189,129	195,628
Less insurance funds*:			
Policyholder liabilities (net of reinsurers' share) and unallocated surplus of with-profits funds	(180,702)	(183,342)	(189,566)
Less shareholders' accrued interest in the long-term business	8,425	7,475	8,538
	(172,277)	(175,867)	(181,028)
<b>Total net assets</b>	<b>13,977</b>	<b>13,262</b>	<b>14,600</b>
Share capital	124	123	123
Share premium	1,838	1,823	1,828
IFRS basis shareholders' reserves	3,590	3,841	4,111
Total IFRS basis shareholders' equity	5,552	5,787	6,062
Additional EEV basis retained profit	8,425	7,475	8,538
<b>Shareholders' equity (excluding minority interests)</b>	<b>13,977</b>	<b>13,262</b>	<b>14,600</b>

\* Including liabilities in respect of insurance products classified as investment contracts under IFRS 4.

\*\* See note 10.

## Net asset value per share (in pence)

	2008 30 Jun	2007 30 Jun	2007 31 Dec
Based on EEV basis shareholders' equity of £13,977m (£13,262m, £14,600m)	561p	539p	591p
Number of issued shares at end of reporting period (millions)	2,491	2,460	2,470