

## European Embedded Value (EEV) basis results

### Operating profit based on longer-term investment returns<sup>\*i</sup>

#### Results analysis by business area

	Note	2009	2008	
		£m	£m	£m
		Half year	Half year <sup>*iv</sup>	Full year <sup>*iv</sup>
<b>Asian operations</b>				
New business		277	289	634
Business in force		124	171	579
Long-term business		401	460	1,213
Asset management		21	29	52
Development expenses		(5)	(3)	(26)
<b>Total</b>		<b>417</b>	<b>486</b>	<b>1,239</b>
<b>US operations</b>				
New business		292	137	293
Business in force		209	217	293
Long-term business		501	354	586
Broker-dealer and asset management <sup>*ii</sup>		2	6	7
<b>Total</b>		<b>503</b>	<b>360</b>	<b>593</b>
<b>UK operations</b>				
New business		122	129	273
Business in force		284	361	764
Long-term business		406	490	1,037
General insurance commission		27	14	44
<b>Total UK insurance operations</b>		<b>433</b>	<b>504</b>	<b>1,081</b>
M&G		102	146	286
<b>Total</b>		<b>535</b>	<b>650</b>	<b>1,367</b>
<b>Other income and expenditure</b>				
Investment return and other net income		(3)	51	47
Interest payable on core structural borrowings		(84)	(82)	(172)
Corporate expenditure:				
Group Head Office		(74)	(79)	(130)
Asia Regional Head Office		(23)	(17)	(41)
Charge for share-based payments for Prudential schemes		(11)	(4)	(6)
<b>Total</b>		<b>(195)</b>	<b>(131)</b>	<b>(302)</b>
Restructuring costs <sup>*iii</sup>		(14)	(15)	(32)
<b>Operating profit based on longer-term investment returns<sup>*iv</sup></b>		<b>1,246</b>	<b>1,350</b>	<b>2,865</b>
Analysed as profits (losses) from:				
New business	5	691	555	1,200
Business in force	6	617	749	1,636
Long-term business		1,308	1,304	2,836
Asset management		125	181	345
Other results		(187)	(135)	(316)
<b>Total</b>		<b>1,246</b>	<b>1,350</b>	<b>2,865</b>

- \*i EEV basis operating profit 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 and other gains and losses on defined benefit pension schemes and 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. In addition, in half year 2009 as a result of the exceptional dislocated market conditions, the Group incurred non-recurrent costs from an exceptional overlay short dated hedge to protect against tail events on the Group IGD capital position in addition to our regular operational hedging programme. It also disposed of its Taiwan agency business. These items have been shown separately from operating profit based on longer-term investment returns. The treatment of the Taiwan agency business within the comparatives is discussed below. The amounts for these items are included in total EEV profit attributable to shareholders. The directors believe that operating profit, as adjusted for these items, better reflects underlying performance. Profit before tax includes these items together with actual investment returns. This basis of presentation has been adopted consistently throughout these statements.
- \*ii The US broker-dealer and asset management result includes Curian losses of £3 million (half year 2008: £nil; full year 2008: £3 million).
- \*iii Restructuring costs comprise the charge of £12 million recognised on an IFRS basis and an additional £2 million recognised on the EEV basis for the shareholders' share of costs incurred by the PAC with-profits fund.
- \*iv In June 2009, the Group completed the previously announced sale of its Taiwan agency business. In order to facilitate comparisons of the results of the Group's retained businesses the effect of disposal and the results of the Taiwan agency business are shown separately. The presentation of the comparative results for half year and full year 2008 has been adjusted accordingly as explained in note 12.
- \*v Exchange translation  
The comparative results have been prepared using previously reported exchange rates.

## European Embedded Value (EEV) basis results

continued

### Summary consolidated income statement

	Note	2009 £m		2008 £m	
		Half year	Half year	Full year	Full year
Asian operations		417	486		1,239
US operations		503	360		593
UK operations:					
UK insurance operations		433	504		1,081
M&G		102	146		286
		535	650		1,367
Other income and expenditure		(195)	(131)		(302)
Restructuring costs		(14)	(15)		(32)
<b>Operating profit based on longer-term investment returns</b>		<b>1,246</b>	<b>1,350</b>		<b>2,865</b>
Short-term fluctuations in investment returns	7	(707)	(1,868)		(4,967)
Mark to market value movements on core borrowings		(108)	171		656
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes		(71)	(98)		(14)
Effect of changes in economic assumptions and time value of cost of options and guarantees	8	(384)	(100)		(398)
Profit on sale and results for Taiwan agency business	12	91	(90)		(248)
<b>Profit (loss) before tax (including actual investment returns)</b>		<b>67</b>	<b>(635)</b>		<b>(2,106)</b>
Tax attributable to shareholders' profit/loss		(52)	162		771
<b>Profit (loss) for the period</b>		<b>15</b>	<b>(473)</b>		<b>(1,335)</b>
Attributable to:					
Equity holders of the Company		14	(475)		(1,338)
Minority interests		1	2		3
<b>Profit (loss) for the period</b>		<b>15</b>	<b>(473)</b>		<b>(1,335)</b>

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

		2009 £m		2008 £m	
		Half year	Half year	Full year	Full year
Profit (loss) for the period attributable to equity shareholders		14	(475)		(1,338)
Items taken directly to equity:					
Exchange movements	9	(1,098)	35		2,010
Related tax		(6)	14		119
Dividends		(322)	(304)		(453)
New share capital subscribed		96	137		170
Reserve movements in respect of share-based payments		18	14		18
Treasury shares:					
Movement in own shares in respect of share-based payment plans		7	6		3
Movement on Prudential plc shares purchased by unit trusts consolidated under IFRS		(8)	(8)		(25)
Mark to market value movements on Jackson assets backing surplus and required capital		63	(42)		(148)
Net (decrease) increase in shareholders' equity		(1,236)	(623)		356
Shareholders' equity at beginning of period (excluding minority interests)		14,956	14,600		14,600
<b>Shareholders' equity at end of period (excluding minority interests)</b>		<b>13,720</b>	<b>13,977</b>		<b>14,956</b>

## Summary statement of financial position

	Note	2009 £m		2008 £m	
		Half year	Half year	Half year	Full year
<b>Total assets less liabilities, excluding insurance funds</b>		<b>175,714</b>	186,254		186,209
Less insurance funds:*					
Policyholder liabilities (net of reinsurers' share) and unallocated surplus of with-profits funds		(170,994)	(180,702)		(181,151)
Less shareholders' accrued interest in the long-term business		9,000	8,425		9,898
		<b>(161,994)</b>	<b>(172,277)</b>		<b>(171,253)</b>
<b>Total net assets</b>		<b>13,720</b>	13,977		14,956
Share capital		126	124		125
Share premium		1,840	1,838		1,840
IFRS basis shareholders' reserves		2,754	3,590		3,093
Total IFRS basis shareholders' equity		4,720	5,552		5,058
Additional EEV basis retained profit		9,000	8,425		9,898
<b>Shareholders' equity (excluding minority interests)</b>		<b>13,720</b>	13,977		14,956
* Including liabilities in respect of insurance products classified as investment contracts under IFRS 4.					
<b>Comprising:</b>					
Asian operations:					
Net assets		5,308	3,831		5,431
Acquired goodwill		141	172		172
		<b>5,449</b>	<b>4,003</b>		<b>5,603</b>
US operations		3,953	3,709		4,453
UK operations:					
Insurance business		4,677	5,956		4,919
M&G:					
Net assets		178	193		147
Acquired goodwill		1,153	1,153		1,153
		<b>6,008</b>	<b>7,302</b>		<b>6,219</b>
Other operations:					
Holding company net borrowings at market value	10	(861)	(702)		(818)
Other net liabilities		(829)	(335)		(501)
<b>Shareholders' equity at end of period (excluding minority interests)</b>		<b>13,720</b>	13,977		14,956
Representing:					
Long-term business operations	11	13,674	13,285		14,522
Other operations		46	692		434
		<b>13,720</b>	<b>13,977</b>		<b>14,956</b>