

European Embedded Value (EEV) basis results

Operating profit based on longer-term investment returns^{note (i)}

Results analysis by business area

	Note	2011 £m	2010 £m note (vi)
Asian operations			
New business:			
Excluding Japan	2	1,076	902
Japan ^{note (v)}		–	(1)
Total		1,076	901
Business in force	3	688	549
Long-term business		1,764	1,450
Eastspring Investments		80	72
Development expenses		(5)	(4)
Total		1,839	1,518
US operations			
New business	2	815	761
Business in force	3	616	697
Long-term business		1,431	1,458
Broker-dealer and asset management		24	22
Total		1,455	1,480
UK operations			
New business	2	260	365
Business in force	3	593	571
Long-term business		853	936
General insurance commission		40	46
Total UK insurance operations		893	982
M&G		357	284
Total		1,250	1,266
Other income and expenditure			
Investment return and other income		22	30
Interest payable on core structural borrowings		(286)	(257)
Corporate expenditure		(219)	(223)
Unwind of expected asset management margin ^{note (ii)}		(53)	(44)
Total		(536)	(494)
RPI to CPI inflation measure change on defined benefit pension schemes ^{note (iii)}		45	–
Solvency II implementation costs ^{note (iv)}		(56)	(46)
Restructuring costs ^{note (iv)}		(19)	(28)
Operating profit based on longer-term investment returns^{note (i)}		3,978	3,696
Analysed as profits (losses) from:			
New business:			
Excluding Japan	2	2,151	2,028
Japan ^{note (v)}		–	(1)
Total		2,151	2,027
Business in force	3	1,897	1,817
Long-term business		4,048	3,844
Asset management		461	378
Other results		(531)	(526)
Total		3,978	3,696

European Embedded Value (EEV) basis results continued

Notes

- (i) EEV basis operating profit based on longer-term investment returns excludes the recurrent items of 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. In addition for 2010, operating profit excluded costs associated with the terminated AIA transaction and the gain arising upon the dilution of the Group's holding in PruHealth. The amounts for these items are included in total EEV profit attributable to shareholders. The Company believes 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 this supplementary information.
- (ii) The value of future profits or losses from asset management and service companies that support the Group's covered businesses are included in the profits for new business and the in-force value of the Group's long-term business. The results of the Group's asset management operations include the profits from the management of internal and external funds. For EEV basis reporting, Group shareholders' other income is adjusted to deduct the unwind of the expected margin for the year arising from the management of the assets of the covered business (as defined in note 1(a)). The deduction is on a basis consistent with that used for projecting the results for covered business. Group operating profit accordingly includes the variance between actual and expected profit in respect of covered business.
- (iii) In 2011 the Group altered its inflation measure basis for future statutory increases to pension payments for certain tranches of its UK defined benefit pension schemes. This reflects the UK Government's decision to replace the basis of indexation from RPI with CPI. This resulted in a credit to operating profit for 2011 on an IFRS basis of £42 million and an additional £3 million recognised on the EEV basis.
- (iv) Restructuring costs comprise the charge of £(16) million recognised on an IFRS basis and an additional £(3) million recognised on the EEV basis for the shareholders' share of restructuring costs incurred by the PAC with-profits fund. Solvency II implementation costs comprise the charge of £(55) million recognised on an IFRS basis and an additional £(1) million recognised on the EEV basis.
- (v) For 2010, new business profits for the Group's Japanese insurance subsidiary, which ceased writing new business with effect from 15 February 2010, have been presented separately from those of the remainder of the Group.
- (vi) The comparative results have been prepared using previously reported average exchange rates for the year.

Summarised consolidated income statement

	Note	2011 £m	2010 £m
Operating profit based on longer-term investment returns			
Asian operations		1,839	1,518
US operations		1,455	1,480
UK operations:			
UK insurance operations		893	982
M&G		357	284
		1,250	1,266
Other income and expenditure		(536)	(494)
RPI to CPI inflation measure change on defined benefit pension schemes		45	–
Solvency II implementation costs		(56)	(46)
Restructuring costs		(19)	(28)
Operating profit based on longer-term investment returns			
		3,978	3,696
Short-term fluctuations in investment returns	5	(907)	(30)
Mark to market value movements on core borrowings	9	(14)	(164)
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes		23	(11)
Effect of changes in economic assumptions	6	(158)	(10)
Costs of terminated AIA transaction	4	–	(377)
Gain on dilution of Group holdings	13	–	3
Profit before tax attributable to shareholders (including actual investment returns)			
		2,922	3,107
Tax attributable to shareholders' profit	11	(776)	(530)
Profit for the year			
		2,146	2,577
Attributable to:			
Equity holders of the Company		2,142	2,573
Non-controlling interests		4	4
Profit for the year			
		2,146	2,577

European Embedded Value (EEV) basis results continued

Earnings per share (in pence)

	Note	2011	2010
Based on operating profit based on longer-term investment returns, after related tax and non-controlling interests of £2,930 million (2010: £2,700 million*)	12	115.7p	106.9p
Based on profit after tax and non-controlling interests of £2,142 million (2010: £2,573 million)	12	84.6p	101.9p

* Operating earnings per share for 2010 has been determined after excluding an exceptional tax credit of £158 million which primarily related to the impact of a settlement agreed with the UK tax authorities - see note 11.

Dividends per share (in pence)

	2011	2010
Dividends relating to reporting year:		
Interim dividend	7.95p	6.61p
Final dividend	17.24p	17.24p
Total	25.19p	23.85p
Dividends declared and paid in reporting year:		
Current year interim dividend	7.95p	6.61p
Final/second interim dividend for prior year	17.24p	13.56p
Total	25.19p	20.17p

Movement in shareholders' equity (excluding non-controlling interests)

	Note	2011 £m	2010 £m
Profit for the year attributable to equity shareholders		2,142	2,573
Items taken directly to equity:			
Exchange movements on foreign operations and net investment hedges:			
Exchange movements arising during the year		(90)	659
Related tax		(68)	34
Dividends		(642)	(511)
New share capital subscribed (including shares issued in lieu of cash dividends)		17	75
Reserve movements in respect of share-based payments		44	37
Treasury shares:			
Movement in own shares in respect of share-based payment plans		(30)	(4)
Movement in Prudential plc shares purchased by unit trusts consolidated under IFRS		(5)	3
Mark to market value movements on Jackson assets backing surplus and required capital:			
Mark to market value movements arising during the year		96	105
Related tax		(34)	(37)
Net increase in shareholders' equity	10	1,430	2,934
Shareholders' equity at beginning of year (excluding non-controlling interests)	7,10	18,207	15,273
Shareholders' equity at end of year (excluding non-controlling interests)	7,10	19,637	18,207

	Note	2011 £m			2010 £m		
		Long-term business operations	Asset management and other operations	Total	Long-term business operations	Asset management and other operations	Total
Comprising:							
Asian operations:							
Net assets of operations		8,510	211	8,721	7,445	197	7,642
Acquired goodwill		235	61	296	236	61	297
	7	8,745	272	9,017	7,681	258	7,939
US operations:							
Net assets of operations		5,082	113	5,195	4,799	106	4,905
Acquired goodwill		–	16	16	–	16	16
	7	5,082	129	5,211	4,799	122	4,921
UK insurance operations:							
Net assets of operations	7	6,058	29	6,087	5,970	33	6,003
M&G:							
Net assets of operations		–	229	229	–	254	254
Acquired goodwill		–	1,153	1,153	–	1,153	1,153
	7	–	1,382	1,382	–	1,407	1,407
		6,058	1,411	7,469	5,970	1,440	7,410
Other operations:							
Holding company net borrowings at market value	9	–	(2,188)	(2,188)	–	(2,212)	(2,212)
Other net assets		–	128	128	–	149	149
	7	–	(2,060)	(2,060)	–	(2,063)	(2,063)
Shareholders' equity at end of year (excluding non-controlling interests)	7	19,885	(248)	19,637	18,450	(243)	18,207
Representing:							
Net assets		19,650	(1,478)	18,172	18,214	(1,473)	16,741
Acquired goodwill		235	1,230	1,465	236	1,230	1,466
		19,885	(248)	19,637	18,450	(243)	18,207

European Embedded Value (EEV) basis results continued

Net asset value per share (in pence)

	2011	2010
Based on EEV basis shareholders' equity of £19,637 million (2010: £18,207 million)	771p	715p
Number of issued shares at year end (millions)	2,548	2,546
Return on embedded value*	16%	18%

* Return on embedded value is based on EEV operating profit after related tax and non-controlling interests as a percentage of opening EEV basis shareholders' equity. The 2010 return has been determined after excluding an exceptional tax credit of £158 million, which primarily related to the impact of a settlement agreed with the UK tax authorities.

Summary statement of financial position

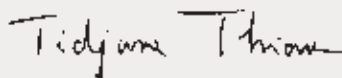
	Note	2011 £m	2010 £m
Total assets less liabilities, before deduction for insurance funds		243,760	231,667
Less insurance funds:*			
Policyholder liabilities (net of reinsurers' share) and unallocated surplus of with-profits funds		(234,643)	(223,636)
Less shareholders' accrued interest in the long-term business		10,520	10,176
		(224,123)	(213,460)
Total net assets	7,10	19,637	18,207
Share capital		127	127
Share premium		1,873	1,856
IFRS basis shareholders' reserves		7,117	6,048
Total IFRS basis shareholders' equity	7	9,117	8,031
Additional EEV basis retained profit	7	10,520	10,176
Total EEV basis shareholders' equity (excluding non-controlling interests)	7,10	19,637	18,207

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

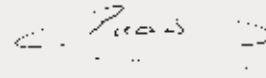
The supplementary information on pages 385 to 432 was approved by the Board of directors on 12 March 2012 and signed on its behalf.



Harvey McGrath
Chairman



Tidjane Thiam
Group Chief Executive



Nic Nicandrou
Chief Financial Officer