

RESULTS SUMMARY

International Financial Reporting Standards (IFRS) Basis Results*

Statutory IFRS basis results

	2011	2010	
	Half year	Half year	Full year
Profit after tax attributable to equity holders of the Company	£861m	£442m	£1,431m
Basic earnings per share	34.0p	17.5p	56.7p
Shareholders' equity, excluding non-controlling interests	£8.5bn	£7.2bn	£8.0bn

Supplementary IFRS basis information

	2011 £m	2010 £m	
	Half year	Half year note i	Full year
OPERATING PROFIT BASED ON LONGER-TERM INVESTMENT RETURNS*^{note i}	1,058	845	1,941
Short-term fluctuations in investment returns on shareholder-backed business	113	149	(123)
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	(7)	(24)	(10)
Costs of terminated AIA transaction	–	(377)	(377)
Gain on dilution of holding in PruHealth	–	–	30
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX ATTRIBUTABLE TO SHAREHOLDERS	1,164	593	1,461
Operating earnings per share* (reflecting operating profit based on longer-term investment returns after related tax and non-controlling interests) ^{note ii}	32.2p	25.4p	62.0p

European Embedded Value (EEV) Basis Results*

	2011 £m	2010 £m	
	Half year	Half year	Full year
Asian operations	815	669	1,518
US operations	848	682	1,480
UK operations:			
UK insurance operations	558	472	982
M&G	199	143	284
Other income and expenditure	(281)	(262)	(494)
RPI to CPI inflation measure change on defined benefit pension schemes	45	–	–
Restructuring and Solvency II implementation costs	(37)	(27)	(74)
OPERATING PROFIT BASED ON LONGER-TERM INVESTMENT RETURNS*	2,147	1,677	3,696
Short-term fluctuations in investment returns	(111)	(227)	(30)
Mark to market value movements on core borrowings	(74)	(42)	(164)
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	(8)	(25)	(11)
Effect of changes in economic assumptions	(111)	(52)	(10)
Costs of terminated AIA transaction	–	(377)	(377)
Gain on dilution of holding in PruHealth	–	–	3
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX (INCLUDING ACTUAL INVESTMENT RETURNS)	1,843	954	3,107
Operating earnings per share* (reflecting operating profit based on longer-term investment returns after related tax and non-controlling interests) ^{note ii}	61.5p	48.0p	106.9p
Shareholders' equity, excluding non-controlling interests	£19.0bn	£16.7bn	£18.2bn

*See page 41 for notes and basis of preparation.

	2011	2010	
	Half year	Half year	Full year
DIVIDENDS PER SHARE DECLARED AND PAID IN REPORTING PERIOD	17.24p	13.56p	20.17p
DIVIDENDS PER SHARE RELATING TO REPORTING PERIOD	7.95p	6.61p	23.85p
FUNDS UNDER MANAGEMENT	£350bn	£309bn	£340bn
INSURANCE GROUPS DIRECTIVE CAPITAL SURPLUS (AS ADJUSTED)*	£4.1bn	£3.4bn	£4.3bn

Notes

- i In the second half of 2010, the Company amended the presentation of IFRS operating profit for its US insurance operations to remove the net equity hedge accounting effect (incorporating related amortisation of deferred acquisition costs) and include it in short-term fluctuations. Accordingly the half year 2010 operating profit has been amended to remove the positive £123 million effect. Further explanation is provided in Note C to the IFRS financial statements.
- ii Operating earnings per share reflects operating profit based on longer-term investment returns after related tax and non-controlling interests but excludes in full year 2010 an exceptional tax credit of £158 million which primarily relates to the impact of a settlement agreed with the UK tax authorities.

*Basis of preparation

Results bases

The basis of preparation of the statutory IFRS basis results and supplementary IFRS basis information is consistent with that applied for the full year 2010 results and financial statements.

The EEV basis results have been prepared in accordance with the European Embedded Value principles issued by the CFO Forum of European Insurance Companies in May 2004. Life insurance products are, by their nature, long-term and the profit on this business is generated over a significant number of years. Accounting under IFRS alone does not, in Prudential's opinion, fully reflect the value of future profit streams. Prudential considers that embedded value reporting provides investors with a measure of the future profit streams of the Group's in-force long-term businesses and is a valuable supplement to statutory accounts. There has been no change to the basis of presentation of the EEV results from the 2010 results and financial statements.

Exchange translation - Actual Exchange Rate (AER) and Constant Exchange Rate (CER)

The comparative results have been prepared using previously reported exchange rates (AER basis) except where otherwise stated.

Operating profit based on longer-term investment returns

Consistent with previous reporting practice, the Group provides supplementary analysis of IFRS profit before tax attributable to shareholders and analyses its EEV basis results, so as to distinguish operating profit based on longer-term investment returns from other elements of total profit. On both the IFRS and EEV bases, operating earnings per share are calculated using operating profits based on longer-term investment returns, after related tax and non-controlling interests.

These profits exclude short-term fluctuations in investment returns and the shareholders' share of actuarial and other gains and losses on defined benefit pension schemes. The operating profit based on longer-term investment returns for 2010 also excludes the costs associated with the terminated AIA transaction and the gain arising upon the dilution of the Group's holding in PruHealth.

In the second half of 2010, the Company amended its presentation of IFRS operating profit for its US insurance operations to exclude the net equity hedge accounting effect relating principally to its variable annuity business and reclassified it as a short-term fluctuation. Half year 2010 comparatives have been amended to exclude a positive £123 million effect from operating profit before tax. This is a presentational change and it has no impact on the IFRS profit before tax or the IFRS shareholders' funds. The change also has no impact on our EEV financial statements.

Under the EEV basis, where additional profit and loss effects arise, operating profit based on longer-term investment returns also excludes the mark to market value movements on core borrowings and the effect of changes in economic assumptions.

After adjusting for related tax and non-controlling interests, the amounts excluded from operating profit based on longer-term investment returns are included in the calculation of basic earnings per share.

Insurance Groups Directive capital surplus (as adjusted)

The estimated surpluses shown for half year 2011 and half year 2010 are before allowing for the interim dividends for 2011 and 2010 respectively. The surplus for full year 2010 is before the 2010 final dividend. In addition the estimated surplus for half year 2011 anticipates the intended repayment of the €500 million hybrid debt in December 2011, reducing free surplus by £0.4 billion from that reported at 31 December 2010.