

European Embedded Value (EEV) basis supplementary information

Year ended 31 December 2005

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

Results analysis by business area

	Note	2005 £m	2004 £m
UK operations			
New business	5, 17	243	241
Business in force	6	183	245
Long-term business		426	486
M&G		163	136
Egg		44	61
Total		633	683
US operations			
New business	5, 17	211	145
Business in force	6	530	237
Long-term business		741	382
Broker-dealer and fund management		24	15
Curian		(10)	(29)
Total		755	368
Asian operations			
New business	5, 17	413	355
Business in force	6	163	105
Long-term business		576	460
Fund management		12	19
Development expenses		(20)	(15)
Total		568	464
Other income and expenditure			
Investment return and other income	7	42	0
Interest payable on core structural borrowings		(175)	(154)
Corporate expenditure:			
Group Head Office		(70)	(51)
Asia Regional Head Office		(30)	(29)
Charge for share-based payments for Prudential schemes		(11)	(7)
Total		(244)	(241)
Operating profit from continuing operations based on longer-term investment returns		1,712	1,274
Analysed as profits (losses) from:			
New business	5, 17	867	741
Business in force	6	876	587
Long-term business		1,743	1,328
Asia development expenses		(20)	(15)
Other operating results		(11)	(39)
Total		1,712	1,274

* EEV basis operating profit from continuing operations based on longer-term investment returns excludes goodwill impairment charges, short-term fluctuations in investment returns, the shareholders' share of actuarial and other 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 caused by economic factors. The amounts for these items are included in total EEV profit. The directors believe that operating profit, as adjusted for these items, better reflects underlying performance. Profit on ordinary activities 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.

Summarised consolidated income statement – EEV basis

Year ended 31 December 2005

	Note	2005 £m	2004 £m
Operating profit from continuing operations based on longer-term investment returns			
UK insurance operations		426	486
M&G		163	136
Egg		44	61
UK operations		633	683
US operations		755	368
Asian operations		568	464
Other income and expenditure		(244)	(241)
Operating profit from continuing operations based on longer-term investment returns			
Goodwill impairment charge		(120)	–
Short-term fluctuations in investment returns	8	1,001	570
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	9	(47)	(12)
Effect of changes in economic assumptions and time value of cost of options and guarantees	10	(302)	(48)
Profit from continuing operations before tax (including actual investment returns)			
Tax	11	(653)	(553)
Profit from continuing operations for the financial year after tax before minority interests			
Discontinued operations (net of tax)		3	(94)
Profit for the year			
1,594			
1,137			
Attributable to:			
Equity holders of the Company		1,582	1,138
Minority interests		12	(1)
Profit for the year			
1,594			
1,137			

Earnings per share – EEV basis

Year ended 31 December 2005

	Note	2005 £m	2004 £m
Continuing operations			
From operating profit, based on longer-term investment returns, after related tax and minority interests of £1,339m (2004: £916 million)	12	56.6p	43.2p
Based on profit from continuing operations after minority interests of £1,579m (2004: £1,205m)	12	66.8p	56.8p
Discontinued operations			
Based on profit (loss) from discontinued operations after minority interests of £3m (2004: £(67)m)		0.1p	(3.1)p
Total – based on total profit for the financial year after minority interests of £1,582m (2004: £1,138m)		66.9p	53.7p
Average number of shares (million)		2,365	2,121

Dividends per share

Year ended 31 December 2005

	2005	2004
Dividends relating to the reporting period:		
Interim dividend	5.30p	5.19p
Final dividend	11.02p	10.65p
Total	16.32p	15.84p
Dividends declared and paid in the reporting period:		
Current year interim dividend	5.30p	5.19p
Final dividend for prior year	10.65p	10.29p
Total	15.95p	15.48p

European Embedded Value (EEV) basis supplementary information

continued

Movement in shareholders' capital and reserves (excluding minority interests) – EEV basis

Year ended 31 December 2005

	Note	2005 £m	2004 £m
Profit for the year attributable to equity holders of the Company		1,582	1,138
Items taken directly to equity:			
Cumulative effect of IAS 32, IAS 39 and IFRS 4, net of applicable taxes, at 1 January 2005		(25)	–
Unrealised valuation movement on securities classified as available-for-sale at 1 January 2005		(1)	–
Movement on cash flow hedges		(4)	–
Exchange movements		377	(239)
Related tax		65	(1)
Proceeds from Rights Issue, net of expenses		–	1,021
Other new share capital subscribed		55	119
Dividends		(380)	(323)
Reserve movements in respect of share-based payments		15	10
Treasury shares:			
Movement in own shares in respect of share-based payment plans		0	(2)
Movement on Prudential plc shares purchased by unit trusts consolidated under IFRS		3	14
Net increase in shareholders' capital and reserves	14	1,687	1,737
Shareholders' capital and reserves, at beginning of year (excluding minority interests):			
As previously reported on the achieved profits basis		8,596	7,005
Adjustments on implementation of statutory IFRS (excluding IAS 32, IAS 39 and IFRS 4)	17	165	15
Adjustments on implementation of EEV methodology	17	(147)	(143)
As restated on EEV basis	14	8,614	6,877
Shareholders' capital and reserves at end of year (excluding minority interests)	13, 14, 17	10,301	8,614
Comprising:			
UK operations:			
Long-term business		5,132	4,228
M&G:			
Net assets		245	297
Acquired goodwill		1,153	1,153
Egg		303	273
		6,833	5,951
US operations		3,418	2,570
Asian operations:			
Net assets		2,070	1,631
Acquired goodwill		172	292
Other operations:			
Holding company net borrowings		(1,724)	(1,299)
Other net liabilities		(468)	(531)
	13, 14, 17	10,301	8,614
Net asset value per share			
Based on EEV basis shareholders' capital and reserves of £10,301m (2004: £8,614m)		432p	363p
Number of shares at year end (millions)		2,387	2,375

Summarised consolidated balance sheet – EEV basis

31 December 2005

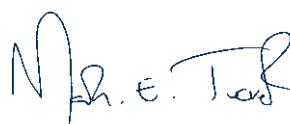
	Note	2005 £m	2004 £m
Total assets less liabilities, excluding insurance funds		174,258	148,682
Less insurance funds:*			
Policyholder liabilities (net of reinsurers' share) and unallocated surplus of with-profits funds		(169,064)	(144,193)
Less shareholders' accrued interest in the long-term business		5,107	4,125
		(163,957)	(140,068)
Total net assets	14, 17	10,301	8,614
Share capital		119	119
Share premium		1,564	1,558
Statutory basis shareholders' reserves (following adoption of IFRS)		3,511	2,812
Additional EEV basis retained profit		5,107	4,125
Shareholders' capital and reserves (excluding minority interests)	14, 17	10,301	8,614

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

The supplementary information on pages 204 to 229 was approved by the Board of Directors on 15 March 2006.



Sir David Clementi
Chairman



Mark Tucker
Group Chief Executive



Philip Broadley
Group Finance Director