

2007 unaudited interim results

Results summary

European Embedded Value (EEV) basis results*

	Half year 2007 £m	Half year 2006 £m	Full year 2006 £m
UK insurance operations	462	336	686
M&G	140	100	204
UK operations	602	436	890
US operations	351	350	718
Asian operations	520	374	864
Other income and expenditure	(147)	(141)	(298)
UK restructuring costs	0	(12)	(41)
Operating profit from continuing operations based on longer-term investment returns*	1,326	1,007	2,133
Short-term fluctuations in investment returns	241	73	738
Mark to market value movements on core borrowings	113	168	85
Shareholders' share of actuarial gains and losses on defined benefit pension schemes	125	246	207
Effect of changes in economic assumptions and time value of cost of options and guarantees	275	(20)	59
Profit from continuing operations before tax	2,080	1,474	3,222
	Half year 2007	Half year 2006	Full year 2006
Operating earnings per share from continuing operations after related tax and minority interests*	39.4p	29.3p	62.1p
Basic earnings per share	72.8p	43.8p	91.7p
Shareholders' equity, excluding minority interests	£13.4bn	£10.9bn	£11.9bn

International Financial Reporting Standards (IFRS) basis results*

Statutory IFRS basis results

	Half year 2007	Half year 2006	Full year 2006
Profit after tax attributable to equity holders of the Company	£715m	£449m	£874m
Basic earnings per share	29.3p	18.7p	36.2p
Shareholders' equity, excluding minority interests	£5.9bn	£5.0bn	£5.5bn

Supplementary IFRS basis information

	Half year 2007	Half year 2006	Full year 2006
Operating profit from continuing operations based on longer-term investment returns*	£601m	£498m	£1,050m
Operating earnings per share from continuing operations after related tax and minority interests*	16.3p	14.0p	30.9p

	Half year 2007	Half year 2006	Full year 2006
Dividends per share declared and paid in reporting period	11.72p	11.02p	16.44p
Dividends per share relating to reporting period	5.70p	5.42p	17.14p
Funds under management	£256bn	£238bn	£251bn

*Basis of preparation

Results bases

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. The basis of preparation of the statutory IFRS basis results and supplementary IFRS basis information is consistent with that applied for the 2006 full year results and financial statements.

Operating profit based on longer-term investment returns

Consistent with previous reporting practice, the Group analyses its EEV basis results and provides supplementary analysis of IFRS profit before tax attributable to shareholders, so as to distinguish operating profit based on longer-term investment returns from other constituent elements of total profit. On both the EEV and IFRS bases, operating earnings per share are calculated using operating profits from continuing operations based on longer-term investment returns, after tax and minority interests. These profits exclude short-term fluctuations in investment returns and the shareholders' share of actuarial gains and losses on defined benefit pension schemes. 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 and changes in the time value of cost of options and guarantees arising from changes in economic factors. After adjusting for related tax and minority interests, the amounts for these items are included in the calculation of basic earnings per share.

For half year 2007, the EEV basis operating profit from continuing operations based on longer-term investment returns before tax of £1,326m includes a credit of £92m that arises from including the benefits, grossed up for notional tax, of altered corporate tax rates for the UK, Singapore and China. Further details are explained in note 7 to the EEV basis supplementary information.

Discontinued operations

The results for continuing operations shown above and throughout this Interim Report exclude those in respect of discontinued banking operations. On 1 May 2007, the Company sold Egg Banking plc. Accordingly, the presentation of the comparative results for half year and full year 2006 has been adjusted from those previously published.