

European Embedded Value (EEV) basis supplementary information

Year ended 31 December 2008

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

Results analysis by business area

	Note	2008 £m	2007 £m
Asian operations			
New business	5(b)	741	643
Business in force	6	568	399
Long-term business		1,309	1,042
Asset management		52	72
Development expenses		(26)	(15)
Total		1,335	1,099
US operations			
New business	5(b)	293	285
Business in force	6	293	342
Long-term business		586	627
Broker-dealer and asset management		10	13
Curian		(3)	(5)
Total		593	635
UK operations			
New business	5(b)	273	277
Business in force	6	764	578
Long-term business		1,037	855
General insurance commission		44	4
Total UK insurance operations		1,081	859
M&G		286	254
Total		1,367	1,113
Other income and expenditure			
Investment return and other income	7	47	49
Interest payable on core structural borrowings		(172)	(168)
Corporate expenditure:			
Group Head Office (GHO)		(130)	(129)
Asia Regional Head Office		(41)	(38)
Charge for share-based payments for Prudential schemes		(6)	(11)
Total		(302)	(297)
Restructuring costs [†]	8	(32)	(20)
Operating profit from continuing operations based on longer-term investment returns		2,961	2,530
Analysed as profits (losses) from:			
New business	5(b)	1,307	1,205
Business in force	6	1,625	1,319
Long-term business		2,932	2,524
Asset management		345	334
Other results		(316)	(328)
Total		2,961	2,530

* EEV basis operating profit from continuing operations 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. 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 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.

[†] Restructuring costs comprise the charge of £28 million recognised on an IFRS basis and an additional £4 million recognised on the EEV basis for the shareholders' share of costs incurred by the PAC with-profits fund.

The results for continuing operations shown above exclude those in respect of discontinued banking operations, which were sold on 1 May 2007. In addition, there have been some minor adjustments to 2007 comparatives, as detailed in notes 4f, 5 and 20.

Summarised consolidated income statement - EEV basis

Year ended 31 December 2008

	Note	2008 £m	2007 £m
Operating profit from continuing operations based on longer-term investment returns			
Asian operations		1,335	1,099
US operations		593	635
UK operations:			
UK insurance operations		1,081	859
M&G		286	254
		1,367	1,113
Other income and expenditure		(302)	(297)
Restructuring costs	8	(32)	(20)
Operating profit from continuing operations based on longer-term investment returns		2,961	2,530
Short-term fluctuations in investment returns	9	(5,127)	174
Mark to market value movements on core borrowings	10	656	223
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	11	(15)	(5)
Effect of changes in economic assumptions and time value of cost of options and guarantees	12	(581)	748
(Loss) profit from continuing operations before tax (including actual investment returns)		(2,106)	3,670
Tax attributable to shareholders' (loss) profit	13	771	(927)
(Loss) profit from continuing operations for the financial year after tax before minority interests		(1,335)	2,743
Discontinued operations (net of tax)		–	241
(Loss) profit for the year		(1,335)	2,984
Attributable to:			
Equity holders of the Company		(1,338)	2,963
Minority interests		3	21
(Loss) profit for the year		(1,335)	2,984

Earnings per share (in pence) - EEV basis

Year ended 31 December 2008

	Note	2008	2007
Continuing operations			
From operating profit based on longer-term investment returns, after related tax and minority interests of £2,191m (2007: £1,821m)	14	88.6p	74.5p
Based on (loss) profit from continuing operations after tax and minority interests of £(1,338)m (2007: £2,722m)	14	(54.1)p	111.3p
Discontinued operations			
Based on profit from discontinued operations after tax and minority interests		–	9.9p
Total – based on (loss) profit for the year after tax and minority interests of £(1,338)m (2007: £2,963m)		(54.1)p	121.2p
Average number of shares (millions)		2,472	2,445

Dividends per share (in pence)

Year ended 31 December 2008

	2008	2007
Dividends relating to the reporting period:		
Interim dividend (2008 and 2007)	5.99p	5.70p
Final dividend (2008 and 2007)	12.91p	12.30p
Total	18.90p	18.00p
Dividends declared and paid in the reporting period:		
Current year interim dividend	5.99p	5.70p
Final dividend for prior year	12.30p	11.72p
Total	18.29p	17.42p

European Embedded Value (EEV) basis supplementary information

Year ended 31 December 2008

continued

Movement in shareholders' equity (excluding minority interests) - EEV basis

Year ended 31 December 2008

	Note	2008 £m	2007 £m
(Loss) profit for the year attributable to equity shareholders		(1,338)	2,963
Items taken directly to equity:			
Exchange movements	4(h)	2,010	64
Unrealised valuation movements on securities classified as available-for-sale of discontinued banking operations		–	(2)
Movement on cash flow hedges		–	(3)
Related tax		119	3
Dividends		(453)	(426)
New share capital subscribed		170	182
Reserve movements in respect of share-based payments		18	18
Treasury shares:			
Movement in own shares in respect of share-based payment plans		3	7
Movement on Prudential plc shares purchased by unit trusts consolidated under IFRS		(25)	4
Mark to market value movements on Jackson assets backing surplus and required capital		(148)	(13)
Net increase in shareholders' equity	16	356	2,797
Shareholders' equity at beginning of year (excluding minority interests)			
As previously reported		14,779	11,883
Effect of adoption of principles of IFRIC 14 for accounting for pension schemes	20	(179)	(80)
After adoption of IFRIC 14		14,600	11,803
Shareholders' equity at end of year (excluding minority interests)	15,16	14,956	14,600
Comprising:			
Asian operations:			
Net assets		5,431	3,837
Acquired goodwill		172	172
		5,603	4,009
US operations		4,453	3,686
UK operations:			
Insurance business		4,919	6,497
M&G:			
Net assets		147	271
Acquired goodwill		1,153	1,153
		6,219	7,921
Other operations:			
Holding company net borrowings at market value	15	(818)	(873)
Other net liabilities		(501)	(143)
Shareholders' equity at end of year (excluding minority interests)	15,16	14,956	14,600
Representing:			
Long-term business operations		14,522	13,828
Other operations		434	772
		14,956	14,600
Net asset value per share			
Based on EEV basis shareholders' equity of £14,956m (2007: £14,600m) (in pence)		599p	591p
Number of issued shares at year end (millions)		2,497	2,470
Return on embedded value*		15.0%	15.4%

* Return on embedded value is based on EEV operating profit from continuing operations after tax and minority interests as a percentage of opening EEV basis shareholders' equity.

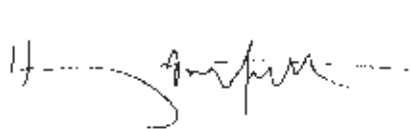
Summarised consolidated balance sheet - EEV basis

31 December 2008

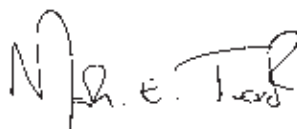
	Note	2008 £m	2007 £m
Total assets less liabilities, excluding insurance funds		186,209	195,596
Less insurance funds:*			
Policyholder liabilities (net of reinsurers' share) and unallocated surplus of with-profits funds		(181,151)	(189,534)
Less shareholders' accrued interest in the long-term business		9,898	8,538
		(171,253)	(180,996)
Total net assets	16	14,956	14,600
Share capital		125	123
Share premium		1,840	1,828
IFRS basis shareholders' reserves		3,093	4,111
Total IFRS basis shareholders' equity		5,058	6,062
Additional EEV basis retained profit		9,898	8,538
Shareholders' equity (excluding minority interests)	16	14,956	14,600

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

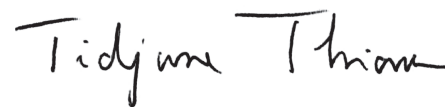
The supplementary information on pages 318 to 356 was approved by the Board of directors on 18 March 2009.



Harvey McGrath
Chairman



Mark Tucker
Group Chief Executive



Tidjane Thiam
Chief Financial Officer