

## Results summary

### \* 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. With the exception of the presentation of the results for the Taiwan agency business, for which (as described below) the sale process was completed in June 2009, the basis of preparation of statutory IFRS basis results and supplementary IFRS basis information is consistent with that applied for the 2008 results and financial statements.

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 long-term businesses and is a valuable supplement to statutory accounts.

#### *Exchange translation*

The comparative results have been prepared using previously reported exchange rates, except where otherwise stated.

#### *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 elements of total profit. On both the EEV and IFRS bases, operating earnings per share are calculated using operating profits based on longer-term investment returns, after related tax and minority 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. 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.

In half year 2009, as a result of the exceptional dislocated market conditions, the Group incurred non-recurrent costs of £216 million for hedging its Insurance Group's Directive (IGD) capital surplus. These costs have been shown separately from operating profit based on longer-term investment returns as part of short-term fluctuations in investment returns. After adjusting for related tax and minority interests, these amounts are included in the calculation of basic earnings per share.

Also, in June 2009 the Group completed the previously announced sale of its Taiwan agency business. In order to facilitate comparisons of the Group's businesses, the effect of disposal and the results of the Taiwan agency business are shown separately from operating profit based on longer-term investment returns. The presentation of the comparative results for half year and full year 2008 has been adjusted accordingly as described in notes I2 and G of the EEV and IFRS financial statements.

#### *Insurance Groups Directive capital surplus (as adjusted)*

The estimated surpluses shown for half year 2009 and half year 2008 are before allowing for the interim dividends for 2009 and 2008. The surplus for full year 2008 of £1.5 billion is determined as the estimate provided with the year end results of £1.4 billion (i.e. before allowing for the 2008 final dividend) plus final adjustments of £0.1 billion included with the filing to the Financial Services Authority (FSA) in April 2009 and before the benefit of £0.3 billion allowed by the FSA in February 2009, for a portion of the shareholders' interest in the future transfers from the PAC with-profits fund. Due to a change in the tax applied to this benefit since February 2009, it is estimated at £0.4 billion at 30 June 2009, up £0.1 billion from the £0.3 billion estimate in February 2009.

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### European Embedded Value (EEV) basis results\*

	2009 £m	2008 £m	
	Half year	Half year	Full year
Asian operations	417	486	1,239
US operations	503	360	593
UK operations:			
UK insurance operations	433	504	1,081
M&G	102	146	286
Other income and expenditure	(195)	(131)	(302)
Restructuring costs	(14)	(15)	(32)
<b>Operating profit based on longer-term investment returns*</b>	<b>1,246</b>	<b>1,350</b>	<b>2,865</b>
Short-term fluctuations in investment returns	(707)	(1,868)	(4,967)
Mark to market value movements on core borrowings	(108)	171	656
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	(71)	(98)	(14)
Effect of changes in economic assumptions and time value of cost of options and guarantees	(384)	(100)	(398)
Profit on sale and results of Taiwan agency business	91	(90)	(248)
<b>Profit (loss) before tax (including actual investment returns)</b>	<b>67</b>	<b>(635)</b>	<b>(2,106)</b>
Shareholders' equity, excluding minority interests	£13.7bn	£14.0bn	£15.0bn

### International Financial Reporting Standards (IFRS) basis results\*

#### Statutory IFRS basis results

	2009	2008	
	Half year	Half year	Full year
Loss after tax attributable to equity holders of the Company	£(254)m	£(116)m	£(396)m
Basic earnings per share	(10.2)p	(4.7)p	(16.0)p
Shareholders' equity, excluding minority interests	£4.7bn	£5.6bn	£5.1bn

#### Supplementary IFRS basis information

	2009 £m	2008 £m	
	Half year	Half year	Full year
Operating profit based on longer-term investment returns*	688	647	1,283
Short-term fluctuations in investment returns on shareholder-backed business	(80)	(617)	(1,721)
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	(63)	(92)	(13)
Profit (loss) before loss on sale and results of Taiwan agency business	545	(62)	(451)
Loss on sale and results of Taiwan agency business	(621)	(40)	1
Loss from continuing operations before tax attributable to shareholders	(76)	(102)	(450)
Operating earnings per share* (reflecting operating profit based on longer-term investment returns after related tax and minority interests)	20.5p	18.6p	39.9p

	2009	2008	
	Half year	Half year	Full year
Dividends per share declared and paid in reporting period	12.91p	12.30p	18.29p
Dividends per share relating to reporting period	6.29p	5.99p	18.90p
Funds under management	£245bn	£256bn	£249bn
Insurance Groups Directive capital surplus (as adjusted)*	£2.5bn	£1.4bn	£1.5bn

\* See page 2.