

## EUROPEAN EMBEDDED VALUE (EEV) BASIS RESULTS

### OPERATING PROFIT BASED ON LONGER-TERM INVESTMENT RETURNS<sup>i</sup>

#### Results analysis by business area

	Note	2010 £m	2009 £m <sup>v</sup>
<b>ASIAN OPERATIONS</b>			
New business:			
Excluding Japan	2	902	725
Japan <sup>iv</sup>		(1)	(12)
Total		901	713
Business in force	3	549	392
Long-term business		1,450	1,105
Asset management		72	55
Development expenses		(4)	(6)
Total		1,518	1,154
<b>US OPERATIONS</b>			
New business	2	761	664
Business in force	3	697	569
Long-term business		1,458	1,233
Broker-dealer and asset management		22	4
Total		1,480	1,237
<b>UK OPERATIONS</b>			
New business	2	365	230
Business in force	3	571	640
Long-term business		936	870
General insurance commission		46	51
Total UK insurance operations		982	921
M&G		284	238
Total		1,266	1,159
<b>OTHER INCOME AND EXPENDITURE</b>			
Investment return and other income		30	22
Interest payable on core structural borrowings		(257)	(209)
Corporate expenditure		(220)	(203)
Charge for share-based payments for Prudential schemes		(3)	(5)
Charge for expected asset management margin <sup>ii</sup>		(44)	(38)
Total		(494)	(433)
Solvency II implementation costs <sup>iii</sup>		(46)	–
Restructuring costs <sup>iii</sup>		(28)	(27)
<b>OPERATING PROFIT BASED ON LONGER-TERM INVESTMENT RETURNS<sup>i</sup></b>		<b>3,696</b>	<b>3,090</b>
Analysed as profits (losses) from:			
New business:			
Excluding Japan	2	2,028	1,619
Japan <sup>iv</sup>		(1)	(12)
Total		2,027	1,607
Business in force	3	1,817	1,601
Long-term business		3,844	3,208
Asset management		378	297
Other results		(526)	(415)
Total		3,696	3,090

## EUROPEAN EMBEDDED VALUE (EEV) BASIS RESULTS CONTINUED

### Notes

- i EEV basis operating profit based on longer-term investment returns excludes the recurrent items of 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. In addition, for 2010, operating profit excludes costs associated with the terminated AIA transaction and the gain arising upon the dilution of the Group's holding in PruHealth. For 2009, operating profit excluded the non-recurrent cost of hedging the Group IGD capital surplus included within short-term fluctuations in investment returns and the profit on sale and results of the sold Taiwan agency business.
- The amounts for these items are included in total EEV profit attributable to shareholders. The Company believes 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.
- ii The value of future profits or losses from asset management and service companies that support the Group's covered businesses are included in the profits for new business and the in-force value of the Group's long-term business. The results of the Group's asset management operations include the profits from management of internal and external funds. For EEV basis reporting, Group shareholders' other income is adjusted to deduct the expected margins for the period on management of covered business. The deduction is on a basis consistent with that used for projecting the results for covered business. Group operating profit accordingly includes the variance between actual and expected profit in respect of covered business.
- iii Restructuring costs comprise the charge of £(26) million recognised on an IFRS basis and an additional £(2) million recognised on the EEV basis for the shareholders' share of restructuring costs incurred by the PAC with-profits fund (2009: £(23) million on an IFRS basis and an additional £(4) million on the EEV basis). For 2010, Solvency II implementation costs comprise the charge of £(45) million recognised on an IFRS basis and an additional £(1) million recognised on the EEV basis.
- iv New business profits for the Group's Japanese insurance subsidiary, which ceased selling new business with effect from 15 February 2010, have been presented separately from those of the remainder of the Group.
- v Exchange translation  
The comparative results have been prepared using previously reported average exchange rates for the year.

**SUMMARISED CONSOLIDATED INCOME STATEMENT**

	Note	2010 £m	2009 £m
<b>OPERATING PROFIT BASED ON LONGER-TERM INVESTMENT RETURNS</b>			
Asian operations		1,518	1,154
US operations		1,480	1,237
UK operations:			
UK insurance operations		982	921
M&G		284	238
		1,266	1,159
Other income and expenditure		(494)	(433)
Solvency II implementation costs		(46)	–
Restructuring costs		(28)	(27)
<b>OPERATING PROFIT BASED ON LONGER-TERM INVESTMENT RETURNS</b>		3,696	3,090
Short-term fluctuations in investment returns	4	(30)	351
Mark to market value movements on core borrowings	9	(164)	(795)
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes		(11)	(84)
Effect of changes in economic assumptions	5	(10)	(910)
Costs of terminated AIA transaction	6	(377)	–
Gain on dilution of holding in PruHealth	18	3	–
Profit on sale and results for Taiwan agency business	19	–	91
<b>PROFIT FROM CONTINUING OPERATIONS BEFORE TAX (INCLUDING ACTUAL INVESTMENT RETURNS)</b>		3,107	1,743
Tax attributable to shareholders' profit	11	(530)	(481)
<b>PROFIT FROM CONTINUING OPERATIONS AFTER TAX BEFORE NON-CONTROLLING INTERESTS</b>		2,577	1,262
Discontinued operations (net of tax)		–	(14)
<b>PROFIT FOR THE YEAR</b>		2,577	1,248
Attributable to:			
Equity holders of the Company		2,573	1,245
Non-controlling interests		4	3
<b>PROFIT FOR THE YEAR</b>		2,577	1,248

## EUROPEAN EMBEDDED VALUE (EEV) BASIS RESULTS CONTINUED

### EARNINGS PER SHARE (IN PENCE)

	Note	2010	2009
From operating profit based on longer-term investment returns, after related tax and non-controlling interests of £2,700m* (2009: £2,221m)	12	106.9p	88.8p
Based on profit after tax and non-controlling interests of £2,573m (2009: £1,245m)	12	101.9p	49.8p

\* Excluding an exceptional tax credit of £158 million which primarily relates to the impact of a settlement agreed with the UK tax authorities - see note 11.

### DIVIDENDS PER SHARE (IN PENCE)

	2010	2009
Dividends relating to reporting year:		
Interim dividend (2010 and 2009)	6.61p	6.29p
Final/second interim dividend (2010 and 2009)	17.24p	13.56p
Total	23.85p	19.85p
Dividends declared and paid in reporting year:		
Current year interim dividend	6.61p	6.29p
Second interim/final dividend for prior year	13.56p	12.91p
Total	20.17p	19.20p

### MOVEMENT IN SHAREHOLDERS' EQUITY (EXCLUDING NON-CONTROLLING INTERESTS)

	Note	2010 £m	2009 £m
Profit for the year attributable to equity shareholders		2,573	1,245
Items taken directly to equity:			
Exchange movements on foreign operations and net investment hedges:			
Exchange movements arising during the year		659	(761)
Related tax		34	11
Dividends		(511)	(481)
New share capital subscribed (including shares issued in lieu of cash dividends)		75	141
Reserve movements in respect of share-based payments		37	29
Treasury shares:			
Movement in own shares held in respect of share-based payment plans		(4)	3
Movement in Prudential plc shares purchased by unit trusts consolidated under IFRS		3	(3)
Mark to market value movements on Jackson assets backing surplus and required capital (gross movement)		105	205
Related tax		(37)	(72)
Net increase in shareholders' equity	10	2,934	317
Shareholders' equity at beginning of year (excluding non-controlling interests)	7,10	15,273	14,956
<b>SHAREHOLDERS' EQUITY AT END OF YEAR (EXCLUDING NON-CONTROLLING INTERESTS)</b>	<b>7,10</b>	<b>18,207</b>	<b>15,273</b>

	Note	2010 £m			2009 £m		
		Long-term business operations	Asset management and other operations	Total	Long-term business operations	Asset management and other operations	Total
<b>COMPRISING:</b>							
Asian operations:							
Net assets of operations		7,445	197	7,642	5,781	161	5,942
Acquired goodwill		236	61	297	80	61	141
	<b>7</b>	<b>7,681</b>	<b>258</b>	<b>7,939</b>	<b>5,861</b>	<b>222</b>	<b>6,083</b>
US operations:							
Net assets of operations		4,799	106	4,905	4,122	95	4,217
Acquired goodwill		–	16	16	–	16	16
	<b>7</b>	<b>4,799</b>	<b>122</b>	<b>4,921</b>	<b>4,122</b>	<b>111</b>	<b>4,233</b>
UK insurance operations:							
Net assets of operations		5,970	33	6,003	5,439	37	5,476
M&G:							
Net assets of operations		–	254	254	–	173	173
Acquired goodwill		–	1,153	1,153	–	1,153	1,153
		–	1,407	1,407	–	1,326	1,326
	<b>7</b>	<b>5,970</b>	<b>1,440</b>	<b>7,410</b>	<b>5,439</b>	<b>1,363</b>	<b>6,802</b>
Other operations:							
Holding company net borrowings at market value	<b>9</b>	–	(2,212)	(2,212)	–	(1,780)	(1,780)
Other net assets (liabilities)		–	149	149	–	(65)	(65)
	<b>7</b>	<b>–</b>	<b>(2,063)</b>	<b>(2,063)</b>	<b>–</b>	<b>(1,845)</b>	<b>(1,845)</b>
<b>SHAREHOLDERS' EQUITY AT END OF YEAR (EXCLUDING NON-CONTROLLING INTERESTS)</b>	<b>7</b>	<b>18,450</b>	<b>(243)</b>	<b>18,207</b>	<b>15,422</b>	<b>(149)</b>	<b>15,273</b>
Representing:							
Net assets		18,214	(1,473)	16,741	15,342	(1,379)	13,963
Acquired goodwill		236	1,230	1,466	80	1,230	1,310
		<b>18,450</b>	<b>(243)</b>	<b>18,207</b>	<b>15,422</b>	<b>(149)</b>	<b>15,273</b>

## EUROPEAN EMBEDDED VALUE (EEV) BASIS RESULTS CONTINUED

### NET ASSET VALUE PER SHARE (IN PENCE)

	2010	2009
Based on EEV basis shareholders' equity of £18,207 million (2009: £15,273 million)	715p	603p
Number of issued shares at year end (millions)	2,546	2,532
<b>RETURN ON EMBEDDED VALUE*</b>	<b>18%</b>	<b>15%</b>

\* Return on embedded value is based on EEV operating profit after tax and non-controlling interests (adjusted to exclude an exceptional tax credit of £158 million (as shown in note 11)) as a percentage of opening EEV basis shareholders' equity.

### SUMMARY STATEMENT OF FINANCIAL POSITION

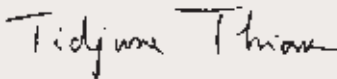
	Note	2010 £m	2009 £m
<b>TOTAL ASSETS LESS LIABILITIES, BEFORE DEDUCTION FOR INSURANCE FUNDS</b>		231,667	201,501
Less insurance funds:*			
Policyholder liabilities (net of reinsurers' share) and unallocated surplus of with-profits funds		(223,636)	(195,230)
Less shareholders' accrued interest in the long-term business		10,176	9,002
		(213,460)	(186,228)
<b>TOTAL NET ASSETS</b>	<b>7,10</b>	<b>18,207</b>	<b>15,273</b>
Share capital		127	127
Share premium		1,856	1,843
IFRS basis shareholders' reserves		6,048	4,301
Total IFRS basis shareholders' equity	7	8,031	6,271
Additional EEV basis retained profit	7	10,176	9,002
<b>SHAREHOLDERS' EQUITY (EXCLUDING NON-CONTROLLING INTERESTS)</b>	<b>7,10</b>	<b>18,207</b>	<b>15,273</b>

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

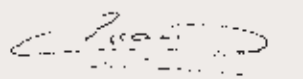
The supplementary information on pages 389 to 433 was approved by the Board of directors on 8 March 2011 and signed on its behalf.



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CHAIRMAN



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