

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. 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 in-force long-term businesses and is a valuable supplement to statutory accounts. With the exception of the presentation of the new business results of the Japan life operation which ceased writing new business in February 2010 there has been no change to the basis of presentation of the EEV results from the 2009 results and financial statements.

With the exception of the adoption of IFRS 3 (Revised) on business combinations, the basis of preparation of the statutory IFRS basis results and supplementary IFRS basis information is consistent with that applied for the 2009 results and financial statements.

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 non-controlling 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. The operating profit based on longer-term investment returns for 2010 also excludes the costs associated with the terminated AIA transaction. In addition, similarly and consistently with the presentation in 2009, the effect of disposal and the results of the Taiwan agency business are shown separate from operating profit based on longer-term investment returns for half year 2009 and full year 2009.

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 non-controlling interests, the amounts excluded from operating profit based on longer-term investment returns are included in the calculation of basic earnings per share.

Insurance Groups Directive capital surplus (as adjusted)

The estimated surpluses shown for half year 2010 and half year 2009 are before allowing for the interim dividends for 2010 and 2009 respectively. The surplus for full year 2009 is before the 2009 second interim dividend.

European Embedded Value (EEV) basis results*

	2010 £m	2009 £m	
	Half year	Half year	Full year
Asian operations	669	417	1,154
US operations	682	503	1,237
UK operations:			
UK insurance operations	472	433	921
M&G	143	102	238
Other income and expenditure	(262)	(195)	(433)
Restructuring and Solvency II implementation costs	(27)	(14)	(27)
Operating profit based on longer-term investment returns*	1,677	1,246	3,090
Short-term fluctuations in investment returns	(227)	(707)	351
Mark-to-market value movements on core borrowings	(42)	(108)	(795)
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	(25)	(71)	(84)
Effect of changes in economic assumptions and time value of cost of options and guarantees	(52)	(384)	(910)
Costs of terminated AIA transaction	(377)	–	–
Profit on sale and results of Taiwan agency business	–	91	91
Profit from continuing operations before tax (including actual investment returns)	954	67	1,743
Operating earnings per share* (reflecting operating profit based on longer-term investment returns after related tax and non-controlling interests)	48.0p	35.4p	88.8p
Shareholders' equity, excluding non-controlling interests	£16.7bn	£13.7bn	£15.3bn

International Financial Reporting Standards (IFRS) basis results*

Statutory IFRS basis results

	2010	2009	
	Half year	Half year	Full year
Profit/(loss) after tax attributable to equity holders of the Company	£442m	£(254)m	£676m
Basic earnings per share	17.5p	(10.2)p	27.0p
Shareholders' equity, excluding non-controlling interests	£7.2bn	£4.7bn	£6.3bn

Supplementary IFRS basis information

	2010 £m	2009 £m	
	Half year	Half year	Full year
Operating profit based on longer-term investment returns*	968 ¹	688	1,405
Short-term fluctuations in investment returns on shareholder-backed business	26	(80)	36
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	(24)	(63)	(74)
Costs of terminated AIA transaction	(377)	–	–
Loss on sale and results of Taiwan agency business	–	(621)	(621)
Profit (loss) from continuing operations before tax attributable to shareholders	593	(76)	746
Operating earnings per share* (reflecting operating profit based on longer-term investment returns after related tax and non-controlling interests)	28.6p	20.5p	43.4p

	2010	2009	
	Half year	Half year	Full year
Dividends per share declared and paid in reporting period	13.56p	12.91p	19.20p
Dividends per share relating to reporting period	6.61p	6.29p	19.85p
Funds under management	£309bn	£245bn	£290bn
Insurance Groups Directive capital surplus (as adjusted)*	£3.4bn	£2.5bn	£3.4bn

* See page 2.

Note

- The Group IFRS operating profit of £968 million includes £123 million of net equity hedging gains (half year 2009: £23 million losses; full year 2009: £159 million losses) representing the movement in fair value of free standing derivatives included in operating profit and the movement in the accounting value of guarantees in Jackson's variable and fixed index annuity products, a significant proportion of which are not fair valued, net of related DAC. Excluding these amounts, which are variable in nature, Group IFRS operating profit increased by 19 per cent as compared to half year 2009.