

Excellent Third Quarter performance confirms Egg is bang on track

Highlights:

- * Over 120,000 new customers acquired during the quarter bringing the total to 1.2 million
- * Over 70,000 products cross-bought in the quarter bringing the total since launch of Egg to 300,000 at 30 September
- * Record sales of personal loans in the three-month period with disbursements of £109 million
- * Egg Insure, online GI supermarket, successfully launched in August
- * 'Boots Advantage Card powered by Egg' successfully launched in late September
- * Launch of £3m brand advertising campaign in October 2000

The Group loss before tax for the nine-month period increased by 7% to £115.1 million (30 September 1999 - £108.0 million) as Egg continued to invest in brand, marketing and the development of new products and services. The Group continues to see encouraging growth in interest margin as the business matures. The Group loss before tax for the three months to 30 September 2000 was £34.4 million (30 September 1999 - £38.2 million)

Egg has continued its strong customer acquisition in the third quarter of 2000 acquiring 120,260 new customers taking the total number of customers to 1.2 million after allowing for attrition of 12,953. The cross buying rate within our existing customer base continued to increase with over 70,000 products cross-bought in the period.

We have continued to see an encouraging shift in the profile of our deposit account customer base from older postal and telephone acquired customers to younger, Internet-friendly professionals who have a higher propensity to buy other financial services products from Egg. However this has meant that, although on a net basis deposit customer numbers grew in the quarter, Egg deposit funds under management reduced by £443 million.

Egg has continued to deliver against its development programme successfully launching both its General Insurance online supermarket and its combined loyalty/credit card in partnership with Boots. Both are industry innovations, offering market-leading rates for customers.

Commenting on the last three months performance, Mike Harris, Chief Executive of Egg, said:

'We have seen good acquisition performance in the third quarter, adding over 120,000 new customers. We have continued to provide innovative new products and services that are proving attractive to our core customer base, with 70,000 new products cross-bought in the period. Our brand goes from strength to strength and we are very pleased with the early results of our new brand advertising, which is having a noticeable effect in increasing traffic to our website.'

'Even the decline in total deposit balances is on the whole positive for Egg, as it reflects a transition to a more valuable customer base with a high propensity to transact over new channels, especially the Internet.

'Our results this quarter reinforce our belief that the UK businesses will break-through into profit during the fourth quarter of 2001.'

For Further Information:

Media Relations:

Pema Radha
Head of Public Relations, Egg
Tel: 0207 526 2600
Mobile: 07803 237 039
E-mail: pema.radha@egg.com

Investor Relations:

Kieran Coleman
Group Financial Controller and Head of Investor Relations, Egg
Tel: 0207 526 2648
Mobile: 07711 717 358
E-mail: kieran.coleman@egg.com

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Customers

We now have 1.2 million customers a net increase of over 107,000 in the quarter. Brand awareness stands at 84%. Recent figures show Egg as the brand most associated with Internet banking in the UK.

Banking

Overall the number of deposit customers rose in the period. However Egg deposit funds under management fell by £443 million in the third quarter predominantly resulting from further attrition of older, postal and telephone acquired customers with large balances. As we observed at the half-year they are continuing to be replaced by younger, Internet lower balances and greater propensity to both transact online and take a broader range of financial services products.

Credit card customer numbers continue to grow strongly with a net increase of over 97,000 in the period. A product re-launch scheduled for 18 October will further boost acquisition.

The 'Boots powered by Egg' Card opened for business with a soft launch on 25 September. The in-store marketing campaign is being rolled out nationally during October.

Egg personal loans enjoyed record sales this quarter with disbursements totalling £109 million. The closing balance at 30 September was £391 million, reflecting net growth of £77 million in the period.

Gross disbursements of mortgages totalled £298 million in the period. The net increase in the mortgage book was £238 million and it now stands at £2.3 billion.

Financial Services Intermediation

Funds Under Administration reached £32 million as at 30 September on behalf of 5,900 customers. Plans are in place to increase marketing activity to support the supermarket over the coming months prior to the ISA season for 2001.

Egg Insure, our online general insurance supermarket launched with motor insurance in August. Promotional activity to date has led to over 300,000 people registering an interest in Egg Insure. This is in advance of a heavyweight three week direct response television advertising and press advertising campaign that is planned to commence on 18 October.

Egg Shop

Our shopping site continues to perform well with high levels of traffic and clickouts to retailers. Egg Shop revenues are now growing rapidly, from a rate of £25,000 per month in July to £103,000 for September.

Overview of Financial Results for the 9 months to 30 September 2000

Group loss before tax increased by 7% to £115.1 million (30 September 1999 - £108.0 million).

Net interest income increased by £48.5 million to £54.6 million for the nine months to 30 September 2000. This reflected an increase of 60 basis points in interest spread from negative 5 basis points for the period to 30 September 1999 to 55 basis points for the period to 30 September 2000.

Other operating income (net) increased by £8.8 million to £6.6 million primarily reflecting sales of payment protection insurance on increased volumes of personal loans and the addition of credit card fee income (net of cashbacks).

Administrative expenses increased by £37.3 million (36%) to £139.9 million, reflecting the development, marketing and operational costs of new products and services launched since September 1999.

Depreciation increased by £5.7 million (93%) to £11.8 million reflecting the growth in fixed assets in the period commensurate with the rate of growth in new product offerings compared to the previous year.

Provisions for bad debts rose to £24.8 million (30 September 1999 - £3.1 million) due to the growth of the retail asset portfolio, predominantly in credit cards and personal loans which require higher associated provisioning levels.

The tax credit was £32.2 million - an effective rate of 28%. Our tax losses will be surrendered to other Prudential Group companies at full value. Loss attributable to ordinary shareholders after tax increased by 4% to £82.9 million.

Loss per share decreased to 11.0p from 13.8p.

Total assets reduced by £0.3 billion, to £8.2 billion at 30 September 2000. Within this, loans and advances to customers grew by £1.9 billion to £3.4 billion.

Regulatory capital ratios at 30 September 2000 were 13.9% (tier 1) and 14.6% (total).

Financial Information

Consolidated profit and loss account (Unaudited)

	Nine months to 30 Sep 2000 £m	Nine months to 30 Sep 1999 £m	(Audited) Full year 1999 £m
Interest receivable	490.2	298.0	463.7
Interest payable	(435.6)	(291.9)	(439.5)
Net interest income	54.6	6.1	24.2
Other operating income/(expense)	6.6	(2.2)	(4.5)
Operating income	61.2	3.9	19.7
Administrative expenses			
- operational and administrative	(76.8)	(69.0)	(101.0)
- brand and marketing costs	(35.1)	(12.8)	(21.7)
- development costs	(27.8)	(20.9)	(27.6)
Depreciation	(11.8)	(6.1)	(10.2)
Provisions for bad and doubtful debts	(24.8)	(3.1)	(8.9)
Loss on ordinary activities before tax	(115.1)	(108.0)	(149.7)
Tax credit on loss on ordinary activities	32.2	28.5	39.8
Retained loss for the financial period	(82.9)	(79.5)	(109.9)

Basic and diluted loss per share (pence per share)	(11.0)p	(13.8)p	(18.1)p
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All of the Group's losses arose from continuing operations. The Group has no other recognised gains or losses apart from those reflected in the above profit and loss account.

Consolidated balance sheet (Unaudited)

	September 1999 £m	September 1999 £m	(Audited) Dec 1999 £m
Assets			
Cash and balances at central banks	4.7	0.9	2.6
Loans and advances to banks	406.8	3,385.7	2,613.2
Loans and advances to customers	3,382.9	1,529.4	2,046.3
Debt securities	4,085.9	3,223.6	3,971.0
Tangible fixed assets	51.8	37.0	49.0
Intangible fixed assets	11.3	-	-
Deferred tax	2.6	-	2.6
Other assets	156.9	233.4	133.3
Prepayments and accrued income	130.9	81.9	118.0
Total assets	8,233.8	8,491.9	8,936.0
Liabilities			
Deposits by banks	56.2	12.8	9.6
Customer accounts	7,250.1	7,685.7	8,156.6
Other liabilities	189.6	132.3	145.0
Accruals and deferred income	182.2	163.8	157.9
Total liabilities	7,678.1	7,994.6	8,469.1
Shareholders' funds			
Called up share capital	409.4	696.8	696.8
Share premium account	106.2	-	-
Capital reserve	359.8	-	-
Profit and loss account	(319.7)	(199.5)	(229.9)
Shareholders' funds (all attributable to equity interests)	555.7	497.3	466.9
Total Liabilities and shareholders' funds	8,233.8	8,491.9	8,936.0

Consolidated cash flow (Unaudited)

	Nine months To 30 Sep 2000 £m	Nine months To 30 Sep 1999 £m	(Audited) Full year 1999 £m
Net cash (outflow)/inflow from operating activities	(43.0)	2,946.6	3,671.9
Taxation:			
Group relief received	19.5	5.1	38.7
Capital expenditure and financial investment	(14.5)	(20.5)	(37.6)
Sale of tangible fixed assets	-	-	0.3
Investment in Ifonline	(15.2)	-	-
Purchase of investments	(117.3)	(3,230.4)	(3,974.1)
Net cash outflow from capital expenditure and investment	(147.0)	(3,250.9)	(4,011.4)
Financing:			
Issue of share capital	172.7	300.0	300.0
Net cash inflow from financing	172.7	300.0	300.0
Increase/(decrease) in net cash	2.2	0.8	(0.8)

Reconciliation of loss before tax to net operating cash flows (Unaudited)

	Nine months To 30 Sep 2000 £m	Nine months To 30 Sep 1999 £m	(Audited) Full year 1999 £m
Loss before tax	(115.1)	(108.0)	(149.7)
Increase in accrued income and prepayments	(14.4)	(53.5)	(92.4)
Increase in accruals and deferred income	24.3	120.8	114.9
Provision for bad and doubtful debts	23.3	3.1	8.8
Profit on sale of financial investment	(0.8)	-	-
Loss on disposal of fixed assets	-	-	0.7
Depreciation and amortisation	16.7	11.9	15.0

Net cash outflow from trading activities	16.7	11.9	15.0
Net decrease/(increase) in loans and advances to banks and customers	842.1	(3,499.3)	(3,252.8)
Net (decrease)/increase in deposits by banks and customer accounts	(859.9)	5,489.2	5,956.9
Net (increase)/decrease in other assets	(3.9)	(49.8)	25.6
Net increase in other liabilities	32.8	52.9	90.4
Net decrease in debt securities	-	923.6	923.6
Net increase in items in course of collection	11.9	55.7	30.9
Net cash (outflow)/inflow from operating activities	(43.0)	2,946.6	3,671.9

Reconciliation of movement in shareholders funds (Unaudited)

	Nine months To 30 Sep 2000 £m	Nine months To 30 Sep 1999 £m	(Audited) Full year 1999 £m
Retained loss for the financial period	(82.9)	(79.5)	(109.9)
(Decrease)/Increase in share capital (see note f)	(287.4)	300.0	300.0
Share premium	106.2	-	-
Capital reserve created (see note f)	359.8	-	-
Other movements	(6.9)	-	-
Net increase in shareholders funds	88.8	220.5	190.1
Opening shareholders funds	466.9	276.8	276.8
Closing shareholders funds	555.7	497.3	466.9

Notes on financial information

a) The financial information has been prepared on the basis of the accounting policies set out on pages 73, 74 and 75 of the Egg plc prospectus ('Egg Share Offer' dated 25 May 2000) and are unchanged for the period to 30 September 2000.

b) The results for nine-month periods ended 30 September 2000 and 30 September 1999 are unaudited. The comparatives for the full year to 31 December 1999 have been taken from the Group's prospectus, dated 25 May 2000 and are not extracted from the financial statements filed with the registrar. In the prospectus, the financial statements for Egg plc (formerly Egg Limited) were prepared using merger accounting principles.

The auditors report contained in the prospectus, based on the work performed in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board, stated that the financial information gave a true and fair view of the state of the affairs of the Group as at 31 December 1999 and of its losses and cashflows for the year ended 31 December 1999.

The audited statutory accounts for Egg Limited for the year ended 31 December 1999 have been delivered to the Registrar. The auditors report was unqualified and did not contain a statement under s237(2) or (3).

c) Group operating loss is stated after charging provisions for bad and doubtful debts of £24.8 million (30 September 1999 - £3.1 million). The balance sheet provisions for bad and doubtful debts and movements thereon were:

	General Bad debt Provision £m	Specific Bad debt Provision £m	Total £m
Balance at 1 January 2000	11.8	-	11.8
Charge for the nine months to 30 September 2000	7.7	17.1	24.8
Amounts written off	-	(1.5)	(1.5)
Balance at 30 September 2000	19.5	15.6	35.1
Balance at 30 September 1999	6.0	-	6.0

Provisions at 30 September 2000 were 1.0% of advances to customers (30 September 1999 - 0.4%). Amounts provided for on a formulated basis are included in specific bad debt provisions in the current year (1999 - £1.6m included in general provision).

d) The taxation credit assumes a UK corporation tax rate of 30% (1999 - 30.25%) and comprises:

	Nine months to 30 Sep 2000 £m	Nine months to 30 Sep 1999 £m
Group relief	32.2	28.5

e) Basic loss per share of 11.0p (1999 - 13.8p) is calculated by dividing the loss for the financial period (after tax) of £82.9 million (30 September 1999 - £79.5 million) by the weighted average of 753.6 million (30 September 1999 - 576.1 million) ordinary shares in issue during the nine month period. Options issued over shares do not affect the calculation of loss per share on a fully diluted basis.

f) In May 2000 the Group converted each of its £1 ordinary shares into one 50p ordinary share and one 50p deferred share. Prudential plc, which at the time owned 100% of the share capital of the Group, then made a capital contribution to Egg by gifting all the deferred shares to Egg. Following this gift, the deferred shares were cancelled and the share capital of Egg was reduced accordingly and a non-distributable capital reserve of £359.8 million was created. This has no net effect on shareholders funds.

Average Balance Sheet (£m, except percentages)

	Nine months ended 30 September 2000		Nine months ended 30 September 1999		Year ended 31 December 1999	
	Average Balance	Rate %	Average Balance	Rate %	Average Balance	Rate %
Assets						
Loans and advances to banks	1,666	5.91	2,924	5.35	2,983	5.33
Debt securities	3,967	6.32	2,264	5.51	2,573	5.53
Mortgages	1,943	6.73	949	6.64	1,087	6.62
Personal loans	288	10.36	81	11.01	108	10.91
Egg Card	526	6.06	-	-	22	2.68
Total average interest earning assets	8,390	6.45	6,218	5.68	6,773	5.69
Fixed assets	48		25		27	
Other assets	189		221		118	
Total assets	8,627		6,464		6,918	
Liabilities						
Customer accounts	7,767	5.90	5,856	5.74	6,375	5.68
Wholesale liabilities	43	5.60	8	2.93	8	4.08
Total average interest-bearing liabilities	7,810	5.90	5,864	5.73	6,383	5.68
Other liabilities	315		174		217	
Total liabilities	8,125		6,038		6,600	
Shareholders' funds	502		426		318	
Total liabilities and shareholders' funds	8,627		6,464		6,918	

Note: The above analysis represents interest earned or borne on on-balance sheet assets and liabilities only.

Average Yields

	Nine months ended 30 September 2000 Average rate %	Nine months ended 30 September 1999 Average rate %	Year ended 31 December 1999 Average rate %
Interest income as a percentage of average interest-earning assets	6.45	5.68	5.69
Interest expense as a percentage of average interest-bearing liabilities	5.90	5.73	5.68
Interest spread	0.55	(0.05)	0.01
Net interest margin	0.95	0.20	0.34

New Business Figures

	30 Sep 2000	30 Jun 2000	31 Mar 2000	31 Dec 1999
Total Unique Egg Customers (1)(2)	1,211,109	1,103,802	989,467	792,348
Customers by product (1)				
- Deposits (3)	618,188	617,137	594,493	571,202
- Credit Card (4)	595,792	498,471	392,592	218,801
- Personal loans (3)	63,328	50,171	39,865	31,337
- Mortgages (3)	18,525	14,544	11,670	8,649
- Egg Invest (3)	5,897	4,561	-	-
- Egg Insure (3)	1,808	-	-	-
Product balances (1)	£m	£m	£m	£m
- Egg Deposits	6,815	7,258	7,337	7,565
- Prudential Deposits	435	464	504	591
- Mortgages	2,291	2,053	1,826	1,623
- Credit Cards	736	617	464	228
- Personal Loans	391	314	257	207
Percentage of Egg Deposit Servicing Transactions Online (5)	74%	69%	64%	61%

Notes:

1) Cumulative as at the date indicated.

2) If a customer holds more than one Egg product he is treated as a single customer for the purposes of this line item.

- 3) Joint holders are treated as two or more customers.
- 4) Includes second card holders and individuals whose applications have been accepted in principle and who have been allocated a credit limit but for whom the application process has not yet been completed.
- 5) Average for the months indicated.