Under Embargo until 07.00h, 22 October 2003

Egg plc

Results for the nine months to 30 September 2003

"Egg UK has delivered another impressive performance this quarter with strong growth in customer numbers, lending balances and profits. Egg now has over 3 million customers in the UK. In France our new management team has developed a strong, value-creating business plan based on both our experience since launch and further research with consumers. However having regard to our previously announced appetite for investment, execution of this revised plan will take longer and requires a greater level of investment than Egg is prepared to undertake on a stand-alone basis. We believe it is in the best interests of Egg's shareholders to form an alliance with a strategic partner and accordingly, we are in negotiations which may lead to a joint venture or other transaction. We anticipate that these negotiations will be concluded by the end of this year."

Paul Gratton, CEO, Egg plc

Highlights:

Analysis of Group Profit and Loss Account

	Nine Months to 30 Sep 2003 £m	Nine Months to 30 Sep 2002 £m
Egg UK	**56.7**	21.0
Egg France	**(69.5)**	(19.4)
Other International	**(3.5)**	(2.6)
Subsidiaries/Associates/JV's	**(3.4)**	(2.9)
Restructuring	**(5.2)**	-
Group Loss before Tax	**(24.9)**	(3.9)

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Group

- Group operating income up 32% to £310.6 million (30 Sep 2002: £235.6 million)
- Group loss before tax of £24.9 million (30 Sep 2002: £3.9 million)
- Group loss per share 3.1p (30 Sep 2002: 1.1p)
- Total group assets of £11.5 billion (30 Sep 2002: £10.4 billion)

UK

- Egg UK delivered a profit before tax for the nine months to September of £56.7 million (30 Sep 2002: £21.0 million)
- Q3 2003 profit before tax was £20.0 million up from £19.4 million in Q2 2003
- Egg customer base now over 3 million with 145,000 net new customers acquired in the third quarter (Q3 2002: 107,000)
- Unsecured lending balances grew by £1.13 billion (30 Sep 2002: £0.70 billion) leading to period end balances of £4.43 billion (30 Sep 2002: £3.06 billion)
- Strong sales growth in personal loans with drawdowns of £1.2 billion year to date, more than double the levels achieved in equivalent period in 2002 (£535 million)
- Credit quality remains strong with card delinquency levels still well below industry average

France

- Balances growing strongly to €126 million (Q2 2003: €68 million)
- 58,000 cards in issue with 76% of card balances now revolving (up from 70% in Q2)
- Loss before tax of £69.5 million (€100.5 million) for period to 30 September 2003

Chief Executive Paul Gratton said:

"The UK business is growing strongly, and delivered a profit before tax of £20 million in the period taking the year to date total to £57 million. Sales performance remained strong on a seasonally adjusted basis in the third quarter with 145,000 customers acquired compared to 107,000 in the same period last year. It is particularly pleasing given the variety of new competitor offers during the quarter, that our marketing efficiency has been maintained at approximately £24 unit marketing cost per card acquired which we believe is about half the industry average.

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“Unsecured lending balances have increased by over £1.1 billion year to date, up 61% on the same period last year. Personal loans performed especially well with disbursements of £1.2 billion and net balance growth of £569 million. Egg’s market share in cards is growing robustly and we now account for approximately 10% of the net growth in UK credit card balances.

“We confirmed at our last set of results that progress in France had not been as rapid as we had anticipated or wished and as a result we were monitoring the business closely. Business performance has improved during the third quarter with balances increasing some 85% on the half-year position and 76% of balances are now revolving. Our new French management team has developed a strong, value-creating business plan based on both our experience since launch and further research with consumers. We therefore remain confident that there is an opportunity in France for a brand such as Egg to develop a valuable business and at the same time consistently provide French consumers with a better deal in banking than they have been used to.

“However having regard to our previously announced appetite for investment, execution of this revised plan will take longer and should be given a greater level of investment than Egg is prepared to undertake on a stand-alone basis. We believe it is in the best interests of Egg’s shareholders to form an alliance with a strategic partner and accordingly, we are in negotiations which may lead to a joint venture or other transaction. We anticipate that these negotiations will be concluded by the end of this year.”

Overview of Group Results

Summary profit and loss account by quarter (Unaudited)

	Q3 2003	Q2 2003	Q1 2003	Q4 2002	Q3 2002
	£m	£m	£m	£m	£m
Net Interest Income	**64.6**	61.6	64.3	58.0	53.8
Other Operating Income	**43.6**	43.0	30.6	30.9	25.8
Egg UK Operating Income	**108.2**	104.6	94.9	88.9	79.6
Operational and Administrative Expenses	**(36.8)**	(34.3)	(32.9)	(36.8)	(33.3)
Brand and Marketing Costs	**(6.5)**	(9.9)	(9.0)	(7.9)	(6.0)
Development Costs	**(5.9)**	(4.6)	(4.9)	(3.3)	(4.2)
Depreciation and Amortisation	**(4.4)**	(3.4)	(4.0)	(4.2)	(4.7)
Provisions for Bad and Doubtful Debts	**(34.6)**	(33.0)	(26.8)	(23.7)	(21.2)
Egg UK Operating Profit	**20.0**	19.4	17.3	13.0	10.2
Net Interest Income	**1.8**	1.3	0.9	0.6	0.1
Other Operating Income	**(0.3)**	(0.1)	(0.7)	(1.0)	1.6
Egg France Operating Income	**1.5**	1.2	0.2	(0.4)	1.7
Operational and Administrative Expenses	**(12.8)**	(11.7)	(10.3)	(9.1)	(10.5)
Brand and Marketing Costs	**(3.6)**	(9.5)	(9.7)	(11.5)	(2.5)
Development Costs	**(0.5)**	(1.0)	(1.0)	(4.9)	(1.6)
Depreciation and Amortisation	**(2.1)**	(2.1)	(2.1)	(0.8)	(0.5)
Provisions for Bad and Doubtful Debts	**(3.3)**	(1.7)	(1.0)	(0.6)	(0.5)
Egg France Operating Loss	**(20.8)**	(24.8)	(23.9)	(27.3)	(13.9)
Other International	**(0.7)**	(0.5)	(2.3)	(0.7)	(0.6)
Subsids/Associates/JV's	**(0.6)**	(1.2)	(1.6)	2.3	(0.8)
Restructuring Costs	**-**	-	(5.2)	-	-
Group Loss Before Tax	**(2.1)**	(7.1)	(15.7)	(12.7)	(5.1)

Egg UK

Revenues

Net interest income in Q3 2003 at £64.6 million increased 5% over Q2 levels (£61.6 million). This was in line with expectations given the first half of the year had seen strong growth in card balances at 0% and this dilution effect on the margin has begun to reduce. Overall margins have been stable over the past few quarters which is encouraging at a time when industry margins are coming under increasing pressure.

Other operating income (£43.6 million) maintained the high level achieved in the second quarter (£43.0 million) mainly due to commissions earned on cross-selling insurance on loans and cards in line with the higher product sales volumes achieved. There was a profit of £2.4 million on disposal of investment securities (Q2 2003: £2.9 million).

Costs

Operational and administrative costs at £36.8 million for the quarter remain tightly managed with the slight increase resulting from the annual salary review which is effective from 1 July and the costs of a second operations centre in Derby opened in Q3 in response to the continuing growth in business volumes.

Brand and marketing costs were £6.5 million in Q3 2003 (Q2 2003: £9.9 million). The decrease from spend levels in the first and second quarters reflected the fact that the summer months are traditionally a less effective time of year to advertise hence a significantly lower TV presence than earlier in the year. However, sales performance remained strong on a seasonally adjusted basis with 145,000 customers acquired compared to 107,000 in the same period last year. Pleasingly this continues to demonstrate Egg's ability to acquire customers cost effectively despite strong competition in the credit card market.

UK development costs were £5.9 million for the quarter (Q2 2003: £4.6 million). The increase over Q2 was primarily due to the beginning of development work in preparation for the implementation of the Basel 2 Capital Accord.

Depreciation at £4.4 million in Q3 2003 rose slightly on Q2 levels due to additional capital expenditure and the occupation of the new operations centre in Derby.

Bad Debt Provisions

Credit quality remains good and increased provision levels reflect the continuing strong growth in the unsecured lending portfolio, the stage in life cycle of the card book and the increasing proportion of personal loans in the book. This results in a quarterly charge for Q3 2003 of £34.6 million (Q2 2003: £33.0 million).

Egg France

The loss for the third quarter was £20.8 million (€30.1 million) a reduction of £4.0 million (€5.9 million) on the Q2 results. This reflects a decision to decrease marketing activity as the summer is traditionally a very quiet period for customer acquisition in France. There were 16,000 new cards issued in the third quarter which was higher than the 14,000 issued in both Q1 and Q2 reflecting the significant improvement in marketing efficiency. The majority of the loss is due to operational and administrative expenses at £12.8 million (€18.6 million).

Subsidiaries/Associates/JV's

The £0.6 million net loss in Q3 2003 includes £0.2 million in respect of Funds Direct which mainly relates to development costs for the integrated business to business platform currently being built. Egg's share of Marlborough Stirling Mortgage Services Limited and IfOnline Group Limited losses amounted to £0.4 million.

Restructuring

Following the scaling back of Egg's short-term international ambitions we are taking the opportunity to review the level of overhead across the business and expect there to be a reduction in headcount in the fourth quarter with associated restructuring costs in the region of £5 million. We expect that this will lead to annualised savings of £7 million.

Business Performance

Egg UK

Summary New Business Figures by Quarter

	Q3 2003	Q2 2003	Q1 2003	Q4 2002	Q3 2002
Net New Egg UK Customers (‘000)	**145**	175	165	141	107
Net New Customers by product (‘000)					
- Deposits	**(1)**	(15)	10	10	45
- Credit Card	**167**	196	181	130	75
- Personal loans	**23**	21	13	15	16
- Mortgages	**-**	-	-	1	1
- Egg Invest	**-**	-	1	-	1
- Egg Insure	**(8)**	12	27	23	18
Products	**£m**	£m	£m	£m	£m
- Egg Card Balance Growth	**250**	241	71	83	126
- Egg Personal Loan Drawdowns	**490**	427	284	294	269
- Egg Mortgage Drawdowns	**64**	72	83	124	132
- Egg Deposit Flows (net)	**(637)**	(345)	(334)	(221)	671

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Cumulative Figures

	30 Sep 2003	30 Sep 2002	31 Dec 2002
Total Egg UK Customers (1) (2)	**3,046,942**	2,419,695	2,561,167
Customers by product (1)			
- Credit Card (4)	**2,457,000**	1,782,798	1,912,526
- Savings (3)	**734,799**	730,526	740,506
- Personal loans (3)	**204,363**	132,000	147,453
- Mortgages (3)	**29,816**	28,887	29,947
- Egg Invest (3)	**57,546**	56,076	55,909
- Egg Insure (3)	**116,588**	62,117	85,468
Product balances (1)	**£m**	£m	£m
- Egg Card	**2,892**	2,247	2,330
- Egg Savings	**6,393**	7,930	7,708
- Egg Personal Loans	**1,536**	810	967
- Egg Mortgages	**1,231**	1,179	1,233
- Prudential Savings	**201**	244	236
- Prudential Mortgages	**883**	1,200	1,127
- Prudential Personal Loans	**2**	6	5

Notes:

(1) Cumulative as at the date indicated.

(2) If a customer holds more than one Egg product they are 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 cardholders 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.

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Egg UK

Customers

Egg now has over 3 million customers including the 145,000 net new customers who joined during the third quarter bringing the year to date total increase to 485,000. It was another excellent quarter for the acquisition of new credit card customers, especially considering the reduction in marketing expenditure over the summer months. It is pleasing to note that our card offer remains attractive to customers more than two years after we introduced 0% on balance transfers, given the number of imitation offers now available. We believe the brand still benefits from first-mover advantage and research shows Egg to be one of the most trusted financial services brands in the UK.

Unsecured Lending

The UK credit card business attracted 167,000 net new customers during the quarter, taking the total to almost 2.5 million, with card balances standing at £2.9 billion at period end. Egg Card balances have consistently grown faster than the card market as a whole. Egg has taken approximately 10% of the net growth in UK card balances so far this year, thus increasing our 5% market share. This is particularly pleasing given we are also successfully cross selling unsecured loans to card customers, with consequent shift in card balances into structured lending.

Personal loan customers increased by a record 23,000 in the quarter with in turn record levels of disbursements (£490 million). This takes the nine-month total for disbursements to £1.2 billion, more than double the levels achieved in the same period last year. The loan book now exceeds £1.5 billion in balances.

As reported previously we manage our unsecured lending portfolio on an integrated basis. In total we have seen a net growth in balances of over £1.13 billion year to date across cards and loans (30 Sep 2002: £702 million).

The performance noted above demonstrates how Egg is now reaping the benefit of its investment in a new CRM platform which enables us to fully capture the value inherent in our customer base through targeted, personalised campaigns and offers. This has been at the heart of Egg's success both in cross-selling loans to the card base and in growing lending balances in total.

Savings

Q3 saw a net outflow on deposits (£637 million), which was in line with our expectations given continued competition in the market during the quarter. At a group level Egg has a surplus of £212 million of retail deposits over retail assets. The business remains well funded following the successful securitisation of £1 billion of card assets. In addition Egg operates at prudent levels of liquidity and a sensible mix between retail and wholesale funding.

Mortgages

Egg Mortgage completions in Q3 at £64 million were slightly down on previous quarterly levels. The product remains competitive in the standard variable rate market and continues to win awards for value and flexibility however we still take a low key approach to the mortgage market, choosing not to compete with the wide variety of introductory offers available to consumers.

Egg France

Business performance in France has improved during the third quarter with card balances increasing strongly in the period to €126 million, up 85% on the end June position. 76% of card balances are now revolving and this percentage has been increasing consistently since launch. Acquisition remains slower than originally anticipated. In part the third quarter result reflected both a tactical reduction in marketing expenditure and seasonal factors. We issued 16,000 new cards in Q3, taking the total to 58,000. Compared to prior quarters this reflected a significant improvement in marketing efficiency, especially given most of the growth was through our primary digital distribution channel.

We have been monitoring progress closely over the past three months. At the Board's request the new French management team has completely revised the business plan based on both our experience since launch and further research with consumers. This work has re-affirmed that there is an opportunity in France for a brand such as Egg to develop a valuable business and at the same time consistently provide French consumers with a better deal in banking than they have been used to.

However having regard to our previously announced appetite for investment, execution of this revised plan will take longer and requires a greater level of investment than Egg is prepared to undertake on a stand-alone basis. We believe it is in the best interests of Egg's shareholders to form an alliance with a strategic partner and accordingly, we are in negotiations which may lead to a joint venture or other transaction. We anticipate that these negotiations will be concluded by the end of this year.

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Financial Review

This section analyses Group results for the nine months ended 30 September 2003 compared to the same period last year, as set out in the consolidated profit and loss account and balance sheet.

Net interest income increased by 18% to £194.6 million for the period (30 September 2002: £165.1 million) resulting from the growth in retail asset balances (30 September 2003: £6.4 billion, 30 September 2002: £5.3 billion). Margins have remained relatively stable with improved card yields offset by more competitive pricing on loans and the additional cost of debt capital.

Other operating income increased by £45.5 million (64%) to £116.0 million. This has largely resulted from the successful cross sale strategy in unsecured personal loans, with commissions and profit share from selling creditor insurance on loans up by £31 million (114%) to £58 million in line with sales volumes. There has also been a £17 million (46%) increase in card fees and commissions to £53 million reflecting the larger book. Profit on disposal of investment securities totalled £7.9 million for the period (30 September 2002: £6.9 million).

Operational and administrative expenses increased by £38.7 million (35%) to £146.6 million, mainly attributable to the £24.3 million increase in operational costs related to Egg France and the inclusion of £5.2 million of restructuring costs in Q1 2003. The core UK operational cost base has increased by £6.5 million (7%) compared to prior year while average customer numbers grew by 27%.

Brand and marketing costs increased by £19.1 million (66%) to £48.2 million, reflecting the additional costs incurred in Egg France of £20.3 million offset by a small reduction in UK spend.

Development costs reduced by £3.0 million (13%) to £20.1 million. There was a small decrease in both UK costs (£1.7 million) and France costs (£1.3 million).

Depreciation and amortisation increased by £3.2 million (20%) to £18.7 million due to the Egg France charge of £5.2 million offset by a £2.5 million decrease in UK depreciation. The majority of the investment needed to deliver the core systems and product infrastructure in the UK was incurred in 1999 and 2000 and as a consequence, we are now seeing a reduction in the nine-monthly charge as this expenditure becomes fully depreciated.

The charge for bad and doubtful debts at £100.4 million (30 September 2002: £61.0 million) reflects the continuing strong growth in the retail asset portfolio and a small element for the French business. In addition the proportion of unsecured assets, especially personal loans, has increased within the portfolio. This change in the mix of the portfolio is the reason why provisions as a percentage of advances to customers has risen to 2.7% at 30 September 2003 (30 September 2002: 2.2%). Our delinquency levels remain well below industry average.

The tax charge was £0.7 million (30 September 2002: £5.2 million). This can largely be attributed to the fact that the UK business is generating profits and tax relief on the French losses has only been recognised since the amalgamation of the France subsidiary to a branch in April 2003.

Loss attributable to ordinary shareholders after tax was £25.3 million compared to a loss of £9.1 million for the period to 30 September 2002.

Loss per share was 3.1p compared to 1.1p for the nine-month period to 30 September 2002.

Total assets increased to £11.5 billion as at 30 September 2003 (30 September 2002: £10.4 billion). Retail assets increased by £1.1 billion to £6.4 billion (30 September 2002: £5.3 billion) mainly due to the ongoing growth in unsecured lending. Treasury assets decreased by £0.7 billion to £3.9 billion. This reflects the reduction in funds available for investment, as a result of the outflow in retail customer deposits and the growth in retail customer assets during 2003.

Total liabilities increased to £11.1 billion as at 30 September 2003 (30 September 2002: £9.9 billion). There were increases in funding from £1.0 billion of credit card securitisations, £1.3 billion of additional wholesale liabilities and the £250 million of tier 2 debt issued this year. This was offset by £1.6 billion of savings outflows. Additionally after the period end in October 2003 Egg has successfully marketed its debut US$ Floating Rate Note attracting a wide range of investors including bondholders in the Far East. The deal size is $350 million and it positions us well for future issues in the Eurobond market as required.

Capital ratios at 30 September 2003 were 9.6% (tier 1) and 17.5% (total) (30 September 2002: 9.4% (tier1) and 12.5% (total)). In 2003 Egg has issued £250 million of tier 2 subordinated debt in addition to securitising a further £500 million of credit card receivables (£500 million of assets were securitised in 2002). In August Egg completed the first Synthetic Residential Mortgage Backed Security transacted in the UK using KfW's Provide programme. This credit derivative effectively means £1.75 billion of mortgage balances are risk-weighted at 0%. These transactions have contributed to the improved capital ratios. This positions Egg well for future growth.

Independent review report by KPMG Audit Plc to Egg plc

Introduction

We have been instructed by the Company to review the financial information set out on pages 17 to 25 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Listing Rules of the Financial Services Authority. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where they are to be changed in the next annual accounts in which case any changes, and the reasons for them, are to be disclosed.

Review work performed

We conducted our review in accordance with guidance contained in the Bulletin 1999/4: Review of interim financial information issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with auditing standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the nine months ended 30 September 2003.

KPMG Audit Plc
Chartered Accountants
London
21 October 2003

Egg plc

Consolidated profit and loss account (Unaudited)

	Nine months to 30 Sept	Nine months to 30 Sept	(Audited) Full Year
	2003	2002	2002
	£m	£m	£m
Interest receivable	**615.7**	467.1	664.7
Interest payable	**(421.1)**	(302.0)	(440.8)
Net interest income	**194.6**	165.1	223.9
Other operating income	**116.0**	70.5	103.4
Operating income	**310.6**	235.6	327.3
Administrative expenses			
- operational and administrative expenses	**(146.6)**	(107.9)	(158.9)
- brand and marketing costs	**(48.2)**	(29.1)	(48.6)
- development costs	**(20.1)**	(23.1)	(26.1)
Depreciation and amortisation	**(18.7)**	(15.5)	(21.7)
Amounts written off fixed asset investment	**-**	-	(3.1)
Provisions for bad and doubtful debts	**(100.4)**	(61.0)	(85.4)
Operating loss	**(23.4)**	(1.0)	(16.5)
Share of operating loss of joint ventures	**-**	(0.1)	(0.1)
Share of Associates losses	**(1.5)**	(2.8)	(3.5)
Profit on partial disposal of continuing operation	**-**	-	3.5
Loss on ordinary activities before tax	**(24.9)**	(3.9)	(16.6)
Tax charge on loss on ordinary activities	**(0.7)**	(5.2)	(2.2)
Minority interests	**0.3**	-	-
Retained loss for the financial period	**(25.3)**	(9.1)	(18.8)
Loss per share (pence per share)	**(3.1p)**	(1.1p)	(2.3p)

All of the Group’s losses arose from continuing operations.

Consolidated statement of total recognised gains and losses

	Nine months to 30 Sept 2003 £m	Nine months to 30 Sept 2002 £m	(Audited) Full Year 2002 £m
Retained loss for the financial period	**(25.3)**	(9.1)	**(18.8)**
Currency translation differences on foreign currency net investments	**4.5**	(0.9)	**0.7**
Total recognised losses related to the period	**(20.8)**	(10.0)	**(18.1)**

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Consolidated balance sheet (Unaudited)

	30 September 2003	30 September 2002	(Audited) 31 December 2002
	£m	£m	£m
Assets			
Cash and balances at central banks	**13.1**	13.0	13.0
Loans and advances to banks	**742.5**	173.3	238.6
Securities purchased under agreement to resell	**-**	43.3	150.0
Loans and advances to customers	**6,456.1**	5,324.5	5,546.3
Debt securities	**3,851.1**	4,578.9	4,267.6
Shares in joint ventures	**0.8**	0.8	0.8
Investment in associated undertakings	**5.9**	8.5	7.4
Intangible fixed assets	**6.1**	7.0	6.7
Tangible fixed assets	**87.8**	64.1	74.1
Own shares	**2.2**	2.2	2.2
Deferred tax	**27.2**	17.1	18.5
Other assets	**244.5**	86.5	164.1
Prepayments and accrued income	**77.8**	84.6	76.1
Total assets	**11,515.1**	10,403.8	10,565.4
Liabilities			
Deposits by banks	**1,464.7**	156.8	501.0
Securities sold under agreements to repurchase	**612.3**	42.0	-
Customer accounts	**6,668.2**	8,263.6	8,016.4
Debt securities issued	**1,422.6**	988.5	1,014.9
Other liabilities	**304.3**	145.5	223.1
Accruals and deferred income	**149.9**	137.2	146.6
Subordinated liabilities			
- Dated loan capital	**450.8**	201.7	201.7
Total liabilities	**11,072.8**	9,935.3	10,103.7

	30 September 2003	30 September 2002	(Audited) 31 December 2002
	£m	£m	£m
Shareholders' funds			
Called up share capital	**410.3**	410.1	410.1
Share premium account	**107.5**	107.3	107.3
Capital reserve	**359.7**	359.7	359.7
Profit and loss account	**(436.4)**	(408.6)	(416.9)
Shareholders' funds (all attributable to equity interests)	**441.1**	468.5	460.2
Minority interests (equity)	**1.2**	-	1.5
Total liabilities and shareholders' funds	**11,515.1**	10,403.8	10,565.4

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Consolidated Cash Flow (Unaudited)

	Nine months to 30 Sept	Nine months to 30 Sept	(Audited) Full Year
	2003	2002	2002
	£m	£m	£m
Net cash (outflow)/inflow from operating activities	**(343.0)**	1,520.6	1,298.1
Return on investments and servicing of finance	**(17.7)**	(7.8)	(11.2)
Taxation:			
Tax (paid)/group relief received	**(4.3)**	8.3	12.5
Capital expenditure and financial investment:			
Purchase of tangible fixed assets	**(32.8)**	(16.0)	(31.6)
Sale of tangible fixed assets	**0.1**	-	0.1
Restricted share plan purchase of shares	**(3.0)**	-	(2.7)
Purchase of investments	**(4,614.9)**	(4,556.9)	(6,154.3)
Sale of investments	**5,022.6**	3,129.1	5,028.6
Net cash inflow/(outflow) from capital expenditure and investment	**372.0**	(1,443.8)	(1,159.9)
Acquisition and disposals			
- Purchase of subsidiary	**-**	(28.4)	(28.4)
- Purchase of associated undertaking	**-**	(1.6)	(1.2)
Net cash outflow from acquisitions and disposals	**-**	(30.0)	(29.6)
Financing:			
Subsidiary share issue	**-**	-	5.0
Issue of dated loan capital	**249.1**	78.1	78.1
Issue of share capital	**0.4**	1.6	1.6
Net cash inflow from financing	**249.5**	79.7	84.7
Increase in net cash	**256.5**	127.0	194.6

Egg plc

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

	Nine months to 30 Sept 2003 £m	Nine months to 30 Sept 2002 £m	(Audited) Full Year 2002 £m
Operating loss	**(23.4)**	(1.0)	(16.5)
(Increase)/decrease in prepayments and accrued income	**(1.7)**	(8.0)	0.5
Increase in accruals and deferred income	**4.3**	7.1	18.0
Provision for bad and doubtful debts	**48.3**	36.3	45.2
Profit on sale of financial investments	**(5.0)**	(6.7)	(9.1)
Depreciation and amortisation	**30.1**	31.6	41.6
Interest on subordinated liabilities	**17.7**	7.8	11.2
Net increase in loans and advances to banks and customers	**(1,205.8)**	(608.4)	(836.9)
Net decrease/(increase) in securities purchased under agreements to resell	**150.0**	(43.3)	(150.0)
Net (decrease)/increase in deposits by banks and customer accounts	**(384.4)**	2,314.3	2,411.3
Net increase/(decrease) in securities sold under agreements to repurchase	**612.3**	(342.2)	(384.2)
Net increase in debt securities in issue	**407.7**	73.5	99.9
Net (increase)/decrease in other assets	**(82.9)**	31.2	(36.9)
Net increase in other liabilities	**73.6**	28.3	74.4
Net increase in settlement balances	**11.7**	1.3	28.9
Other non-cash movements	**4.5**	(1.2)	0.7
Net cash (outflow)/inflow from operating activities	**(343.0)**	1,520.6	1,298.1

Reconciliation of movement in shareholders' funds (Unaudited)

	Nine months to 30 Sept 2003 £m	Nine months to 30 Sept 2002 £m	(Audited) Full Year 2002 £m
Retained loss for the financial period	**(25.3)**	(9.1)	(18.8)
Exchange and other adjustments	**4.5**	(0.9)	0.7
Increase in share capital	**0.2**	0.5	0.5
Share premium	**0.2**	1.1	1.1
Awards under incentives schemes	**1.3**	1.0	0.8
Net decrease in shareholders' funds	**(19.1)**	(7.4)	(15.7)
Opening shareholders' funds	**460.2**	475.9	475.9
Closing shareholders' funds	**441.1**	468.5	460.2

Notes on financial information

a) The financial information has been prepared on the basis of the accounting policies set out on pages 53 to 55 of the Egg plc Annual Report and Accounts for the year ended 31 December 2002 and are unchanged for the period to 30 September 2003.

b) The results for the periods ended 30 September 2003 and 30 September 2002 are unaudited. The comparatives for the full year to 31 December 2002 have been audited. The comparative figures for the financial year ended 31 December 2002 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

c) Group operating loss is stated after charging provisions for bad and doubtful debts of £100.4 million (30 September 2002 - £61.0 million). The balance sheet provisions for bad and doubtful debts and movements thereon were:

	General	Specific	**Total**
	£m	£m	**£m**
Balance at 1 January 2003	36.1	92.6	**128.7**
Exchange adjustment on opening balances	-	0.2	**0.2**
Amounts written off	-	(52.1)	**(52.1)**
New and additional provisions	11.4	89.0	**100.4**
Net charge against profit and loss	11.4	89.0	**100.4**
Exchange Difference	0.1	-	**0.1**
Balance at 30 September 2003	47.6	129.7	**177.3**
Balance at 30 September 2002	33.9	85.9	**119.8**

Provisions at 30 September 2003 were 2.7% of advances to customers (30 September 2002: 2.2%).

d) The taxation charge assumes a UK corporation tax rate of 30% (2002: 30%) and comprises:

	Nine months to 30 Sep 2003	Nine months to 30 Sep 2002
	£m	£m
Corporation tax payable	**(0.7)**	(5.2)

e) Loss per share of 3.1p (30 September 2002: 1.1p) is calculated by dividing the loss after tax for the financial period of £25.3 million (30 September 2002: £9.1 million) by the weighted average of 814.8 million (30 September 2002: 814.0 million) ordinary shares in issue during the period.

f) Egg's share of the gross assets and liabilities in respect of joint venture undertakings is as follows:

	Sep 2003	Sep 2002
	£million	£million
Gross assets	**3.2**	3.1
Gross liabilities	**(2.4)**	(2.3)
Shares in joint ventures	**0.8**	0.8

g) The table below analyses the Group results for the nine months ended 30 September 2003 by the geographical area in which business is generated. The geographical analysis is prepared in accordance with the location of the relevant company with certain costs incurred in the UK on behalf of France included in the results of France.

	UK	**France**	**Group**
	£million	**£million**	**£million**
Interest receivable	**610.9**	**4.8**	**615.7**
Fees and commissions receivable	**128.4**	**2.7**	**131.1**
Profit on disposal of investments	**7.9**	**-**	**7.9**
Other operating income	**1.5**	**0.4**	**1.9**
Gross income	**748.7**	**7.9**	**756.6**
Operating profit/(loss) before exceptional items	**46.1**	**(69.5)**	**(23.4)**
Share of operating loss of associates and amortisation of goodwill	**(1.5)**	**-**	**(1.5)**
Group profit/(loss) before taxation	**44.6**	**(69.5)**	**(24.9)**

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Average Balance Sheet (UK Business Only)

(£m, except percentages)

	Nine months ended 30 September 2003		Nine months ended 30 September 2002		Year ended 31 December 2002	
	Avg. Balance	**Avg. Rate %**	Avg. Balance	Avg. Rate %	Avg. Balance	Avg. Rate %
Assets						
Wholesale assets	**4,389**	**4.04**	4,009	4.73	4,202	4.58
Mortgages	**2,260**	**4.75**	2,397	5.04	2,392	5.00
Personal loans	**1,214**	**8.20**	658	9.52	724	9.59
Credit cards	**2,550**	**9.67**	2,018	8.77	2,081	8.99
Total average interest-earning assets	**10,413**	**6.06**	9,082	6.06	9,399	6.05
Fixed and other assets	**166**		136		109	
Total assets	**10,579**		9,218		9,508	
Liabilities						
Customer accounts	**7,383**	**3.36**	6,794	3.71	7,133	3.77
Wholesale liabilities and subordinated debt	**2,523**	**5.10**	1,599	4.50	1,703	4.60
Total average interest-bearing liabilities	**9,906**	**3.81**	8,393	3.88	8,836	3.93
Other liabilities	**236**		348		197	
Total liabilities	**10,142**		8,741		9,033	
Shareholders' funds	**437**		477		475	
Total liabilities and shareholders funds	**10,579**		9,218		9,508	

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

Average Yields (UK Business Only)

	Nine months ended 30 Sep 2003 Average rate %	Nine months ended 30 Sep 2002 Average rate %	Year ended 31 December 2002 Average rate %
Interest income as a percentage of average interest-earning assets	**6.06**	6.06	6.05
Interest expense as a percentage of average interest-bearing liabilities	**3.81**	3.88	3.93
Interest spread	**2.25**	2.18	2.12
Net interest margin	**2.44**	2.41	2.36

Ends

For further information:

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Analysts / Investors:

Kieran Coleman: 020 7526 2648 / mobile: 07711 717 358

There will be a conference call for investors and analysts at 10.00 am today, Wednesday 22 October 2003.

The phone number is 020-89963920

The access code is C226405

For those who cannot attend the call at that time a replay will be available for up to one week afterwards by dialling 01296-618700 with pin number 762277

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Notes to Editors:

1. Egg plc is the world's largest online bank, providing financial services products through its Internet site and other distribution channels.

2. Egg plc floated on 12 June 2000 raising proceeds of approximately £150 million and is listed on the London Stock Exchange. Prudential plc continues to hold 79% of the share capital.