EGG PLC

Preliminary Results 2000
(full year to 31 December 2000)

Not for Release until 07.00h Monday, 19th February 2001

"We will continue to develop our key strategic assets and leverage our first mover advantage to deliver a sustainable and profitable business for our shareholders. We have the strength of proposition, speed of delivery and stamina of management team to ensure Egg will be a winner in the digital economy."

(Paul Gratton – Chief Executive)

Financial Highlights:

- **Operating Income up 375% to £93.2m**
- **Retail assets grew 84% to £3.8 billion**
- **Pre-tax loss on plan at £155.3m (1999: £149.7m)**
- **Loss per share 15.1p (1999: 18.1p)**
- **On track to breakeven during Q4 2001**

Business Highlights:

- **Customer base up 70% to 1.35m at year-end**
- **Brand awareness increased to 88% (1999: 63%)**
- **Product portfolio strengthened with launch of Egg Invest, Egg Insure, Boots Card and the imminent launch of Mortgage Supermarket**
- ***Egg.com* most frequently visited financial services site**
- **Egg Card fastest growing credit card in UK**
- **Egg Shop now second busiest online retail site in UK**
- **Cross buying in Q4 totalled 97,000 products, giving year end total of 397,000**
- **Strong customer growth continues: over 100,000 net new customers acquired to date in 2001**

Egg plc, the UK's leading online financial services company, announced today that it remains bang on track to break even during the final quarter of 2001. Losses of £155.3m were in keeping with plans laid out at the time of the IPO.

Commenting on the results, Chief Executive, Paul Gratton, said:

"This has been an important and successful year for Egg. In the last 12 months, we have continued to strengthen and consolidate our position within the market place. We have an outstanding customer base fast approaching 1.5 million (1.35 million at year end), to whom we are able to offer a wide range of financial products. Our highly distinctive brand has attained awareness levels of 88% and *egg.com* is the most visited financial services website (source: Jupiter MMXI, November 2000).

"We have achieved significant revenue growth, with total revenues more than quadrupling to £93.2m. Our full year pre-tax loss of £155.3m (1999: £149.7m) is in line with our expectations, and we remain on track to break even during the fourth quarter of this year.

"The Egg Card has been hugely successful this year and, including customers acquired through our innovative partnership with Boots, we had 745,000 card customers at year-end. In addition, customers are proving loyal to the brand once their incentive period ends and over the year we have consistently seen higher than industry average monthly spending and balances. I am pleased to report that the credit card book now exceeds £1 billion.

"Our range of offerings and services has been strengthened considerably this year with a regular flow of best-of-breed products being made available to customers. Cross-buying within our core customer base has been encouraging, with some 97,000 products being cross-bought during the last quarter alone with very little direct advertising or marketing spend. We see this as an area ripe for development within the coming year."

…/3

Outlook

“Moving forward, we are encouraged by the opportunities in the marketplace. A recent study by MORI estimates that some 23 million people will be online by the middle of 2001 and 14 million are expecting to use a new technology product for the first time.

“2001 has started well, with over 100,000 customers acquired so far this year. We have just launched our innovative ISA campaign and we are pleased with the early response. We will shortly be launching our online mortgage “supermarket” which will build on the principles of our existing investment and insurance supermarkets, bringing best-of-breed suppliers to our customers together with competitive pricing. In tandem with this, we continue to develop and invest in making all of our communications channels easy, reliable and secure. We take our position as market leader and innovator seriously, and consequently we are committed to continuing to build confidence in the digital financial world.

“We fully intend to become a global business. We announced at the time of the IPO our aspiration to expand outside the UK within 12 months and we remain confident that this is achievable. We are currently exploring commercial partnerships with a number of significant European businesses.

“We will continue to develop our key strategic assets and leverage our first mover advantage to deliver a sustainable and profitable business for our shareholders. We have the strength of proposition, stamina of management team and speed of delivery to ensure Egg will be a winner in the digital economy.”

…/4

Business Performance:

Customer Acquisition

Egg acquired 559,000 net new customers in 2000 leading to a year-end total of 1.35 million customers acquired since launch of the brand in October 1998. This gives Egg a critical mass of customers to build on as the business moves into profitability.

Banking

Egg saw strong growth in retail assets in 2000 with balances up 84% from £2.1 billion to £3.8 billion mainly on the back of the credit card portfolio.

Egg Card proved a compelling proposition for customers and when combined with the balances on the co-branded Boots card, the year end total for credit cards quadrupled to £929 million (1999: £228 million).

Egg Personal Loans total drawdowns grew by 74% to £347m (1999: £199m), reflecting additional marketing effort and targeted cross sales to Egg Card customers.

Mortgages had a successful year with the book growing by 48% to £2.4 billion. The online Internet application facility has continued to be very successful, accounting for a significant proportion of the £1 billion of loans drawn down over the year.

Whilst the number of Egg deposit customers continued to grow in 2000 by 50,000 to 621,000, we saw a decrease in overall balances of £850 million. The rate of outflow reported in Q3 slowed markedly during Q4 and December 2000 saw a net inflow of £31 million, giving a year-end figure of £6.7 billion.

Intermediation

Egg Invest gives access to leading investment brands and competitive pricing whilst providing Egg with an annuity style revenue stream as it builds funds under management. Volumes have been modest to date with £42 million funds under administration at year-end. These volumes reflect the seasonality in this business with over 90% of all unit trusts being sold during the ISA buying season at tax year-end. We have recently launched a compelling new ISA proposition, supported by a major promotional campaign to capitalise on the 2001 ISA season.

.../5

Launched in June, Egg Insure, which offers access to leading insurers, is an online supermarket that allows customers to compare costs across insurance providers. This is primarily a cross sale product into our customer base and we will develop this further in the coming months adding to the motor and home insurances currently available.

Egg Shop now has a searchable product database of 4.5 million products and has established itself as the second busiest retail site in the UK. We have seen rapid revenue growth over the second half of the year in particular with the full year total reaching almost £1m.

The development of Egg's multi-channel distribution capability continued this year. In addition to being available through the Internet and telephone Egg can now be accessed via WAP and shortly through Sky's Open digital TV network. The relationship with Boots gives us a sales presence in Boots' stores, together with account servicing through Boots in-store kiosks.

Financial Review

The loss before tax for the year of £155.3 million (1999: £149.7 million) was in line with expectations laid out in our prospectus and reflects the significant investment in brand, marketing and development as Egg has built on its first-mover advantage and acquired 559,000 net new customers.

Egg achieved strong revenue growth with operating income earned of £93.2 million (1999: £19.7 million). Net interest margin tripled in the year reaching 1.06% (1999: 0.34%). Other income also grew strongly, primarily reflecting fees and commissions earned from the larger banking book, especially credit cards and personal loans.

The operational and administrative functions have absorbed the significant increases in business volumes, with only a modest increase in costs to £108.4 million (1999: £101.0 million) reflecting greater efficiencies in banking operations and economies of scale on overheads.

Investment in brand and marketing was significantly increased to £50.7 million (1999: £21.7 million) as Egg further established its brand and increased its customer base by more than 70%.

Development costs also increased as Egg introduced the intermediation and portal businesses whilst completing the framework of its core banking business. Egg added new products such as Egg Invest, Egg Insure, share dealing and the Boots powered by Egg credit card in addition to building two new distribution channels, namely WAP and digital TV.

Depreciation increased in line with the capital expenditure for the period. It also reflects the amortisation of goodwill on the acquisition of a minority stake in IFonline plc.

The charge for bad and doubtful debt provisions rose to £37.2 million in accordance with our expectations (1999 - £8.9 million) reflecting the significant growth in retail assets and the change in mix of the book between secured and higher margin unsecured lending.

Egg purchased a 39.6% stake in IFonline plc for £15 million during the year. IFonline operates a business-to-business internet mortgage transaction processing service for financial intermediaries and mortgage product providers and provides the platform for Egg's new mortgage supermarket. The £1.7m charge reflects Egg's share of the IFonline plc losses for the period from purchase to year-end.

The tax credit for the year was £39.7 million, an effective rate of 26%. Egg's tax losses will be surrendered to Prudential plc group companies with Egg being fully reimbursed for the full amount of £39.7 million.

Shareholders' funds at 31 December 2000 were £524.0 million (1999 - £466.9 million). The principal elements in the movement on shareholders' funds during the year were the proceeds of £150 million from the issue of ordinary shares in the IPO and the retained losses of £115.6 million. In addition, £22m of capital was injected into the business prior to the IPO. The loss per share improved to 15.1p (1999 – 18.1p). No dividend is proposed.

ends

New Business Figures

	31 Dec 2000	30 Jun 2000	31 Dec 1999
Total Egg Customers (1) (2) (3)	1,351,339	1,103,802	792,348
Customers by product (1)			
- Deposits (3)	620,804	617,137	571,202
- Credit Card (4)	744,545	498,471	218,801
- Personal loans (3)	78,797	50,171	31,337
- Mortgages (3)	20,545	14,544	8,649
- Egg Invest (3)	10,951	4,561	-
- Egg Insure (3)	7,785	-	-
Product balances (1)	£m	£m	£m
- Egg Deposits	6,715	7,258	7,565
- Prudential Deposits	413	464	591
- Egg Mortgages	853	655	387
- Prudential Mortgages	1,553	1,398	1,236
- Credit Cards	929	617	228
- Egg Personal Loans	427	295	187
- Prudential Personal Loans	18	19	20

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.

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.

Financial Information

Consolidated profit and loss account

	2000 **£m**	1999 £m
Interest receivable	**657.3**	463.7
Interest payable	**(577.3)**	(439.5)
Net interest income	**80.0**	24.2
Fees and commissions receivable	**31.8**	11.2
Fees and commissions payable	**(23.2)**	(13.5)
Other operating income/(expense)	**4.6**	(2.2)
Operating income	**93.2**	19.7
Administrative expenses		
- operational and administrative expenses	**(108.4)**	(101.0)
- brand and marketing costs	**(50.7)**	(21.7)
- development costs	**(33.6)**	(27.6)
Depreciation	**(16.9)**	(10.2)
Provisions for bad and doubtful debts	**(37.2)**	(8.9)
Operating Loss	**(153.6)**	(149.7)
Share of operating loss of associate	**(1.7)**	-
Loss on ordinary activities before tax	**(155.3)**	(149.7)
Tax credit on loss on ordinary activities	**39.7**	39.8
Retained loss for the financial period	**(115.6)**	(109.9)
Basic and diluted loss per share (pence per share)	**(15.1p)**	(18.1p)

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

Egg plc

Consolidated balance sheet

	31 December 2000 £m	31 December 1999 £m
Assets		
Cash and balances at central banks	**7.1**	2.6
Loans and advances to banks	**237.5**	2,613.2
Loans and advances to customers	**3,736.1**	2,046.3
Debt securities	**3,685.9**	3,971.0
Shares in associated undertakings	**2.2**	-
Own shares	**2.2**	-
Intangible fixed assets	**10.8**	-
Tangible fixed assets	**62.8**	49.0
Deferred tax	**-**	2.6
Other assets	**69.4**	133.3
Prepayments and accrued income	**119.7**	118.0
Total assets	**7,933.7**	8,936.0
Liabilities		
Deposits by banks	**5.8**	9.6
Customer accounts	**7,127.6**	8,156.6
Other liabilities	**104.2**	145.0
Accruals and deferred income	**172.1**	157.9
	7,409.7	8,469.1
Shareholders' funds		
Called up share capital	**409.5**	696.8
Share premium account	**106.1**	-
Capital reserve	**359.7**	-
Profit and loss account	**(351.3)**	(229.9)
Shareholders' funds (all attributable to equity interests)	**524.0**	466.9
Total liabilities	**7,933.7**	8,936.0

Consolidated cash flow

	2000 £m	1999 £m
Net cash (outflow)/inflow from operating activities	**(450.0)**	3,674.3
Taxation:		
Group relief received	**42.3**	38.7
Capital expenditure and financial investment:		
Purchase of tangible fixed assets	**(31.2)**	(37.6)
Sale of tangible fixed assets	**1.0**	0.3
Purchase of investment: own shares	**(2.2)**	-
Purchase of associated undertaking	**(15.2)**	-
Purchase of investments	**(6,966.4)**	(13,953.1)
Sale of investments	**7,250.4**	9,976.6
Net cash inflow/(outflow) from capital expenditure and investment	**236.4**	(4,013.8)
Financing:		
Issue of share capital	**172.7**	300.0
Net cash inflow from financing	**172.7**	300.0
Increase/(decrease) in net cash	**1.4**	(0.8)

Reconciliation of loss before tax to net operating cash flows

	2000 **£m**	1999 £m
Loss before tax	**(153.6)**	(149.7)
Increase in accrued income and prepayments	**(1.7)**	(92.4)
Increase in accruals and deferred income	**14.2**	114.9
Provision for bad and doubtful debts	**30.7**	8.8
(Profit)/Loss on sale of investments	**(3.1)**	2.3
Loss on disposal of fixed assets	**-**	0.7
Depreciation and amortisation	**21.8**	15.0
Net cash outflow from trading activities	**(91.7)**	(100.4)
Net decrease/(increase) in loans and advances to banks and customers	**652.1**	(3,252.8)
Net (decrease)/increase in deposits by banks and customer accounts	**(1,032.8)**	5,956.9
Net decrease in other assets	**63.1**	25.7
Net (decrease)/increase in other liabilities	**(29.1)**	90.4
Net decrease in debt securities	**-**	923.6
Net (decrease)/increase in items in the course of collection	**(11.6)**	30.9
Net cash (outflow)/inflow from operating activities	**(450.0)**	3,674.3

Reconciliation of movement in shareholders' funds

	2000 **£m**	1999 £m
Retained loss for the financial period	**(115.6)**	(109.9)
New share capital issued	**72.4**	300.0
Decrease in share capital (see note f)	**(359.7)**	-
Share premium	**106.1**	-
Capital reserve created (see note f)	**359.7**	-
Other movements	**(5.8)**	-
Net increase in shareholders' funds	**57.1**	190.1
Opening shareholders' funds	**466.9**	276.8
Closing shareholders' funds	**524.0**	466.9

Notes on financial information

a) The financial information has been prepared on the basis of the accounting policies set out in our upcoming annual report and are unchanged from those contained in the Egg plc prospectus ("Egg Share Offer" dated 25 May 2000).

b) The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2000 or 1999 but is derived from those accounts. Statutory accounts for 1999 have been delivered to the registrar of companies, and those for 2000 will be delivered following the company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain statements 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 £37.2 million (1999 - £8.9 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 year	12.0	25.2	**37.2**
Amounts written off	-	(6.5)	**(6.5)**
Balance at 31 December 2000	23.8	18.7	**42.5**

Provisions at 31 December 2000 were 1.1% of advances to customers (1999 – 0.6%).

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

	Full year 2000 £m	Full year 1999 £m
Group relief	**43.2**	37.6
Adjustment in respect of prior years	**(0.9)**	(0.4)
Deferred tax charge	**(2.6)**	2.6
	39.7	39.8

e) Basic and diluted loss per share of 15.1p (1999 – 18.1p) is calculated by dividing the loss for the financial year (after tax) of £115.6 million (1999 - £109.9 million) by the weighted average of 767.4 million (1999 – 606.5 million) ordinary shares in issue during the year. 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 £359.7 million was created. This has no net effect on shareholders' funds.

Average Balance Sheet

	Year ended 31 December 2000		Year ended 31 December 1999	
	Average Balance	Average Rate %	Average Balance	Average Rate %
Assets				
Loans and advances to banks	**1,343**	**5.89**	2,983	5.33
Debt securities	**3,936**	**6.34**	2,573	5.53
Mortgages	**2,044**	**6.77**	1,087	6.62
Personal loans	**322**	**10.16**	108	10.91
Egg Card	**599**	**6.69**	22	2.68
Total average interest-earning assets	**8,244**	**6.55**	6,773	5.69
Fixed assets	**50**		27	
Other assets	**182**		118	
Total assets	**8,476**		6,918	
Liabilities				
Customer accounts	**7,613**	**5.92**	6,375	5.68
Wholesale liabilities	**27**	**3.67**	8	4.08
Total average interest-bearing liabilities	**7,640**	**5.91**	6,383	5.68
Other liabilities	**324**		217	
Total liabilities	**7,964**		6,600	
Shareholders' funds	**512**		318	
Total liabilities and shareholders funds	**8,476**		6,918	

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

Average Yields

	Year ended 31 December 2000 Average rate %	Year ended 31 December 1999 Average rate %
Interest income as a percentage of average interest-earning assets	**6.55**	5.69
Interest expense as a percentage of average interest-bearing liabilities	**5.91**	5.68
Interest spread	**0.64**	0.01
Net interest margin	**1.06**	0.34

(4)

Capital Resources

The following table analyses the Group's capital resources at 31 December in accordance with supervisory requirements:

	2000	1999
	£m	£m
Capital base		
Tier 1 capital	**536.4**	421.4
Tier 2 capital	**17.8**	11.8
Total capital	**554.2**	433.2
Less: investments in certain subsidiaries, associated undertakings and other supervisory deductions	**(57.2)**	(30.0)
	497.0	403.2
Weighted risk assets		
On balance sheet	**3,858.2**	2,737.7
Off balance sheet	**3.5**	3.7
	3,861.7	2,741.4
Risk asset ratio		
Tier 1	**12.4**	14.3
Total	**12.9**	14.7

It is the Group's policy to maintain a strong capital base and to utilise it efficiently throughout its activities with the aim of optimising the return to shareholders whilst maintaining a prudent relationship between the capital base and the underlying risks of the business. In carrying out this policy, a guiding factor is the supervisory requirements of the Financial Services Authority. Egg is required to maintain a minimum capital adequacy ratio, the risk asset ratio, expressed in terms of the ratio of capital to the risk weighted value of assets and contingent liabilities. The Group's total capital ratio at 31 December 2000 was 12.9% (1999 – 14.7%) and the Tier 1 ratio was 12.4% (1999 – 14.3%).

For further information / interview requests / pix, please contact:

Media:	**020 7526 2565**	**Analysts:**	
Emma Byrne	07775 657 241	Kieran Coleman	07711 717 358
Rebecca Gudgeon	07748 703 660		
Mark Maguire	07771 808 624		

Notes to Editors:

1. A copy of the presentation made by the Senior Management Team to Analysts has been recorded and can be viewed after 17.00h via the Investor Relations section of our website, www.egg.com

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

3. Egg has established itself as the UK's leading e-commerce financial services company, providing banking, insurance, investments, mortgages and shopping portal through its Internet site and other distribution channels.

4. Paul Gratton assumed the role of Chief Executive on 1 January 2001, having previously been Deputy Chief Executive. Mike Harris had previously held the position of CEO and is now Executive Vice-Chairman of Egg plc, playing a key role in Egg's strategy and direction.