Egg plc

Results for the six months to 30 June 2003

"Egg UK has delivered strong growth in customer numbers, lending balances and profits during the first half of the year. In France, as highlighted in April, sales volumes have been slower than expected and we continue to monitor progress closely."

Paul Gratton, CEO, Egg plc

<u>Highlights</u>:

Analysis of Group Profit and Loss Account

	H1 2003	H1 2002
	£m	£m
Egg UK	**36.7**	11.6
Egg France	**(48.7)**	(5.5)
Other International	**(2.8)**	(2.1)
Subsidiaries/Associates/JV's	**(2.8)**	(2.8)
Restructuring	**(5.2)**	-
Group (Loss)/Profit before Tax	**(22.8)**	1.2

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Group

- Group operating income up 30% to £200.9 million (H1 2002: £154.4 million)
- Group loss before tax of £22.8 million (H1 2002: £1.2 million profit)
- Group loss per share 3.0p (H1 2002: 0.1p)
- Total group assets of £11.2 billion (H1 2002: £9.7 billion)

UK

- Egg UK delivered a profit before tax for the half year of £36.7 million (H1 2002: £11.6 million)
- Q2 2003 profit before tax was £19.4 million up from £17.3 million in Q1 2003
- 175,000 net new customers acquired in the second quarter (Q1 2003: 165,000) taking the total to 2.9 million
- Unsecured lending balances grew by £650 million (H1 2002: £422 million) leading to period end balances of £3.95 billion (30 June 2002: £2.78 billion)
- Strong sales growth in personal loans with drawdowns of £711 million, almost three times the levels achieved in H1 2002 (£266 million)
- Credit quality remains strong and benchmarks continue to show Egg's card portfolio significantly outperforming industry norms

France

- Total French customer base now 115,000
- Increase in brand awareness (77%) and consideration (29%) are encouraging
- 42,000 cards in issue with balances of €68 million (Q1 2003: €34 million)
- 70% of card balances are now revolving (up from 41% in Q1)
- Loss before tax of £48.7 million (€71.3 million) for H1

Chief Executive Paul Gratton said:

"The UK business is growing strongly, attracting another 340,000 customers in the first half of the year. In addition Egg UK contributed a profit before tax of £36.7 million in the period. This represents excellent progress in an increasingly competitive marketplace.

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“Unsecured lending balances increased by over £650 million in the first half of 2003, up 86% on the same period last year. Personal loan sales have been particularly successful with disbursements of £711 million and net balance growth of £340 million, almost five times the level of net balance growth achieved in the first half of 2002.

“Looking at Q2 in particular, revenues exceeded £100 million in the quarter for the first time with strong growth in fees and commissions, especially from cross selling insurance products to new loan and card customers. Margins tightened slightly as expected due to the successful card acquisition campaign which saw 196,000 new card customers join Egg, our biggest quarter ever, exceeding even Q2 last year when we refreshed the Egg brand. Furthermore, we are actively managing operational and administrative costs and we have seen no deterioration in the credit quality of our retail asset portfolio which remains well above industry average for credit cards.

“With regards to France, while there are encouraging signs with both card usage and percentage of balances that revolve trending upwards in line with our forecasts and brand awareness now being a very creditable 77%, sales volumes are lower than plan. We continue to closely monitor performance having regard to our planned €300 million profit and loss investment”.

Overview of Group Results

Summary profit and loss account by quarter (Unaudited)

	Q2 2003	Q1 2003	Q4 2002	Q3 2002	Q2 2002
	£m	£m	£m	£m	£m
Net Interest Income	**61.6**	64.3	58.0	53.8	56.2
Other Operating Income	**43.0**	30.6	30.9	25.8	24.5
Egg UK Operating Income	**104.6**	94.9	88.9	79.6	80.7
Operational and Administrative Expenses	**(34.3)**	(32.9)	(36.8)	(33.3)	(31.7)
Brand and Marketing Costs	**(9.9)**	(9.0)	(7.9)	(6.0)	(12.9)
Development Costs	**(4.6)**	(4.9)	(3.3)	(4.2)	(4.2)
Depreciation and Amortisation	**(3.4)**	(4.0)	(4.2)	(4.7)	(4.7)
Provisions for Bad and Doubtful Debts	**(33.0)**	(26.8)	(23.7)	(21.2)	(20.6)
Egg UK Operating Profit	**19.4**	17.3	13.0	10.2	6.6
Net Interest Income	**1.3**	0.9	0.6	0.1	(0.3)
Other Operating Income	**(0.1)**	(0.7)	(1.0)	1.6	0.2
Egg France Operating Income	**1.2**	0.2	(0.4)	1.7	(0.1)
Operational and Administrative Expenses	**(11.1)**	(9.6)	(9.1)	(10.5)	(2.1)
Brand and Marketing Costs	**(9.5)**	(9.7)	(11.5)	(2.5)	-
Development Costs	**(1.6)**	(1.7)	(4.9)	(1.6)	(2.2)
Depreciation and Amortisation	**(2.1)**	(2.1)	(0.8)	(0.5)	(0.5)
Provisions for Bad and Doubtful Debts	**(1.7)**	(1.0)	(0.6)	(0.5)	(0.1)
Egg France Operating Loss	**(24.8)**	(23.9)	(27.3)	(13.9)	(5.0)
Other International	**(0.5)**	(2.3)	(0.7)	(0.6)	(0.8)
Subsids/Associates/JV's	**(1.2)**	(1.6)	2.3	(0.8)	(2.0)
Restructuring Costs	**-**	(5.2)	-	-	-
Group Loss Before Tax	**(7.1)**	(15.7)	(12.7)	(5.1)	(1.2)

Egg UK

Revenues

Net interest income in Q2 2003 at £61.6 million reduced over Q1 levels (£64.3 million). This was in line with expectations following the highly successful credit card acquisition campaign and in particular the resulting strong growth in balances at 0%. In addition Egg raised £250 million of tier 2 debt capital paying 7.5% which led to an increase in the relative cost of funding for the group. This deal was well received in the debt markets and provides Egg with capital for future growth.

Other operating income (£43.0 million) was particularly strong in the second quarter with the increase of £12.4 million over Q1 2003 mainly resulting from additional commissions earned on cross-selling insurance on loans and cards in line with the higher product sales volumes achieved. Profit on disposal of investment securities was £2.9 million (Q1 2003: £2.6 million).

Costs

Operational and administrative costs at £34.3 million for the quarter remain tightly managed and we are achieving lower unit operating costs as business volumes increase. In addition, overheads have decreased following the restructuring programme in Q1 2003.

Brand and marketing costs were £9.9 million in Q2 2003. The 10% increase over Q1 (£9.0 million) reflected a TV campaign in May which contributed to Egg delivering a stronger sales performance than the previous quarter with 175,000 customers acquired (Q1 2003: 165,000). Pleasingly this was a record quarter for card acquisition with 196,000 customers joining Egg, exceeding our previous best of 182,000 in Q2 2002.

UK development costs were £4.6 million for the quarter consistent with Q1 2003 (£4.9 million).

Depreciation at £3.4 million in Q2 2003 follows the downward trend which began towards the end of last year.

Bad Debt Provisions

Credit quality remains strong and provision levels reflect the 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. There has been no deterioration in the performance of the book. This results in a quarterly charge for Q2 2003 of £33.0 million (Q1 2003: £26.8 million).

Egg France

The loss in France for Q2 was £24.8 million (€36.0 million). The majority of the loss results from operational and administrative expenses (£11.1 million) and brand and marketing (£9.5 million).

Subsidiaries/Associates/JV's

The £1.2 million net loss in Q2 2003 includes £0.8 million for Funds Direct which is mainly in relation 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 £0.2 million.

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Business Performance

Egg UK

Summary New Business Figures by Quarter

	Q2 2003	Q1 2003	Q4 2002	Q3 2002	Q2 2002
Net New Egg UK Customers (‘000)	**175**	165	141	107	205
Net New Customers by product (‘000)					
- Deposits	**(15)**	10	10	45	57
- Credit Card	**196**	181	130	75	182
- Personal loans	**21**	13	15	16	8
- Mortgages	**-**	-	1	1	2
- Egg Invest	**-**	1	-	1	5
- Egg Insure	**17**	27	23	18	12
Products	**£m**	£m	£m	£m	£m
- Egg Card Balance Growth	**241**	71	83	126	207
- Egg Personal Loan Drawdowns	**427**	284	294	269	150
- Egg Mortgage Drawdowns	**72**	83	124	132	118
- Egg Deposit Flows (net)	**(345)**	(334)	(221)	671	1,947

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Cumulative Figures

	30 June 2003	30 June 2002	31 Dec 2002
Total Egg UK Customers (1) (2)	**2,901,495**	2,312,417	2,561,167
Customers by product (1)			
- Credit Card (4)	**2,289,825**	1,707,883	1,912,526
- Savings (3)	**735,864**	685,129	740,506
- Personal loans (3)	**181,420**	115,632	147,453
- Mortgages (3)	**30,382**	27,697	29,947
- Egg Invest (3)	**57,111**	54,507	55,909
- Egg Insure (3)	**125,255**	44,282	85,468
Product balances (1)	**£m**	£m	£m
- Egg Card	**2,642**	2,121	2,330
- Egg Savings	**7,030**	7,258	7,708
- Egg Personal Loans	**1,307**	659	967
- Egg Mortgages	**1,251**	1,117	1,233
- Prudential Savings	**221**	255	236
- Prudential Mortgages	**971**	1,271	1,127
- Prudential Personal Loans	**3**	7	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

The Egg customer base grew by a further 175,000 during the second quarter bringing the half year total to 340,000. It was another excellent quarter for the acquisition of new credit card customers, due in part to a highly successful advertising campaign begun in May. It is pleasing to note that our card offer is still proving attractive to customers more than two years after we introduced 0% on balance transfers and given the number of imitation offers now available. We believe the brand still benefits from first-mover advantage.

Unsecured Lending

The UK credit card business attracted a record 196,000 net new customers during the quarter, taking the total to almost 2.3 million, with card balances standing at £2.6 billion at period end. Following a slight slowdown in consumer spending in the early part of Q1 2003, especially in areas such as travel, we have seen a return to more traditional levels of spend within our book. However balance transfers remain another real driver of growth in our card book as to date most customers choose to remain with us once the six-month incentive period has ended. According to the BBA data issued on 9 July net growth in UK credit card balances for the period January to May was £2.1 billion which means that Egg accounted for 9% market share of this growth. 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 21,000 in the quarter with high levels of disbursements (£427 million). This takes the half year total to £711 million, a three fold increase on the first half last year. The loan book now exceeds £1.3 billion in balances.

We continue to manage our unsecured lending portfolio on an integrated basis. In total we have seen a net growth in balances of over £650 million in H1 across cards and loans (H1 2002: £422 million).

Savings

Q2 saw a net outflow on deposits (£345 million) and a net reduction of 15,000 in savings customers, which was in line with our expectations given competition in the market during the quarter. At a group level Egg has a surplus of £1.3 billion of retail deposits over retail assets and following the successful securitisation of £1 billion of the credit card portfolio, the business remains very well funded.

Other Products

Egg Mortgage completions in Q2 at £72 million were down on 2002 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 Insure performed well and now has a customer base of 125,000.

Egg France

The customer base in France now totals 115,000. We currently have 42,000 cards in issue. Encouragingly, behavioural data shows these customers continue to have a high usage rate, indicating that *la Carte Egg* is their primary card and importantly the percentage of balances revolving has risen from 41% during Q1 to 70% in June. Card balances are now €68 million, up from €34 million at the end of Q1.

We are continuing to closely monitor the business in France having regard to our planned profit and loss investment of €300 million.

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Financial Review

This section analyses Group results for the six months ended 30 June 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 15% to £128.0 million for the period (H1 2002: £111.3 million) resulting from the growth in retail asset balances (30 June 2003: £6.1 billion, 30 June 2002: £5.1 billion). Margins have remained relatively stable with the improving card yields offset by more competitive pricing on loans and the additional cost of debt capital.

Other operating income increased by £29.7 million to £72.9 million. This resulted from the successful loans cross sale strategy, with commissions and profit share from selling creditor insurance on personal loans up by £18.7 million in line with sales volumes. There has also been a £9.6 million increase in card fees and commissions reflecting the larger book. Profit on disposal of investment securities totalled £5.5 million for the half year (H1 2002: £2.5 million).

Operational and administrative expenses increased by £27.8 million to £95.4 million, mainly attributable to the £20.7 million of operational costs associated with running Egg France and the inclusion of £5.2 million of restructuring costs in Q1 2003. We are keeping firm control of UK operational costs and continue to achieve further economies of scale.

Brand and marketing costs increased by £17.3 million to £38.1 million at Group level due to the Egg France costs of £19.2 million. In the UK costs have reduced reflecting the fact that Q2 last year saw a £5 million investment in the refresh of the Egg brand.

Development costs increased to £14.9 million at Group level (30 June 2002: £13.1 million), with the Egg France development programme (£3.3 million) being offset by a reduction in other development spend of £1.5 million.

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Depreciation and amortisation increased by £1.9 million to £11.9 million due to the Egg France charge of £4.2 million offset by a £2.3 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 depreciation charge as this expenditure becomes fully depreciated.

The charge for bad and doubtful debts at £62.4 million (30 June 2002: £39.2 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. Credit quality remains strong.

The tax charge was £1.6 million (30 June 2002: £2.1 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 £24.2 million compared to a loss of £0.9 million for the period to 30 June 2002.

Loss per share was 3.0p compared to 0.1p in H1 2002.

Total assets increased to £11.2 billion as at 30 June 2003 (30 June 2002: £9.7 billion). Retail assets grew by £1.0 billion to £6.1 billion (30 June 2002: £5.1 billion) mainly due to the ongoing growth in unsecured lending. Investment in debt securities increased by £0.4 billion reflecting the additional funding available from bank deposits and securities issued.

Total liabilities increased to £10.7 billion as at 30 June 2003 (30 June 2002: £9.2 billion), largely as a result of the £1.0 billion of funding received via the credit card securitisations and the £250 million tier 2 debt issued this year.

Capital adequacy ratios at 30 June 2003 were 9.7% (tier 1) and 17.8% (total) (30 June 2002: 10.4% (tier1) and 13.3% (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 the second half of 2002). A credit default swap over £1.7 billion of the mortgage book has also been transacted this year replacing the previous £0.9 billion swap. 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 16 to 24 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 for the six months ended 30 June 2003.

KPMG Audit Plc
Chartered Accountants
London
22 July 2003

Egg plc

Consolidated profit and loss account (Unaudited)

	Six months to 30 June 2003 £m	Six months to 30 June 2002 £m	(Audited) Full year 2002 £m
Interest receivable	**408.4**	285.9	664.7
Interest payable	**(280.4)**	(174.6)	(440.8)
Net interest income	**128.0**	111.3	223.9
Other operating income	**72.9**	43.1	103.4
Operating income	**200.9**	154.4	327.3
Administrative expenses			
- operational and administrative expenses	**(95.4)**	(67.6)	(158.9)
- brand and marketing costs	**(38.1)**	(20.8)	(48.6)
- development costs	**(14.9)**	(13.1)	(26.1)
Depreciation and amortisation	**(11.9)**	(10.0)	(21.7)
Amounts written off fixed asset investment	**-**	-	(3.1)
Provisions for bad and doubtful debts	**(62.4)**	(39.2)	(85.4)
Operating (loss)/profit	**(21.8)**	3.7	(16.5)
Share of operating loss of joint ventures	**-**	(0.2)	(0.1)
Share of Associates losses	**(1.0)**	(2.3)	(3.5)
Profit on partial disposal of continuing operation	**-**	-	3.5
(Loss)/profit on ordinary activities before tax	**(22.8)**	1.2	(16.6)
Tax charge on (loss)/profit on ordinary activities	**(1.6)**	(2.1)	(2.2)
Minority interests	**0.2**	-	-
Retained loss for the financial period	**(24.2)**	(0.9)	(18.8)
Loss per share (pence per share)	**(3.0p)**	(0.1p)	(2.3p)

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

Consolidated statement of total recognised gains and losses

	Six Months to 30 June 2003 £m	Six Months to 30 June 2002 £m	(Audited) Full Year 2002 £m
Retained loss for the financial period	**(24.2)**	(0.9)	**(18.8)**
Currency translation differences on foreign currency net investments	**4.3**	0.5	**0.7**
Total recognised losses related to the period	**(19.9)**	(0.4)	**(18.1)**

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Consolidated balance sheet (Unaudited)

	30 June 2003 £m	30 June 2002 £m	(Audited) 31 December 2002 £m
Assets			
Cash and balances at central banks	**13.0**	12.6	13.0
Loans and advances to banks	**315.5**	367.5	238.6
Securities purchased under agreement to resell	**-**	-	150.0
Loans and advances to customers	**6,063.0**	5,070.3	5,546.3
Debt securities	**4,387.6**	3,945.5	4,267.6
Shares in joint ventures	**0.8**	0.7	0.8
Investment in associated undertakings	**6.4**	8.7	7.4
Intangible fixed assets	**6.3**	7.9	6.7
Tangible fixed assets	**83.5**	61.6	74.1
Own shares	**2.2**	2.2	2.2
Deferred tax	**20.0**	15.8	18.5
Other assets	**183.1**	87.6	164.1
Prepayments and accrued income	**74.8**	82.7	76.1
Total assets	**11,156.2**	9,663.1	10,565.4
Liabilities			
Deposits by banks	**1,120.7**	8.2	501.0
Securities sold under agreements to repurchase	**20.6**	-	-
Customer accounts	**7,317.0**	7,667.4	8,016.4
Debt securities issued	**1,379.9**	1,101.9	1,014.9
Other liabilities	**300.7**	108.5	223.1
Accruals and deferred income	**124.1**	96.8	146.6
Subordinated liabilities			
- Dated loan capital	**450.8**	201.7	201.7
Total liabilities	**10,713.8**	9,184.5	10,103.7

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	30 June 2003 £m	30 June 2002 £m	(Audited) 31 December 2002 £m
Shareholders' funds			
Called up share capital	**410.1**	410.1	410.1
Share premium account	**107.3**	107.2	107.3
Capital reserve	**359.7**	359.7	359.7
Profit and loss account	**(435.9)**	(398.4)	(416.9)
Shareholders' funds (all attributable to equity interests)	**441.2**	478.6	460.2
Minority interests (equity)	**1.2**	-	1.5
Total liabilities and shareholders' funds	**11,156.2**	9,663.1	10,565.4

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Consolidated Cash Flow (Unaudited)

	Six months to 30 June 2003 £m	Six months to 30 June 2002 £m	(Audited) Full year 2002 £m
Net cash (outflow)/inflow from operating activities	**(220.4)**	777.0	1,298.1
Return on investments and servicing of finance	**(9.5)**	(4.3)	(11.2)
Taxation:			
Tax (paid)/group relief received	**(3.8)**	10.6	12.5
Capital expenditure and financial investment:			
Purchase of tangible fixed assets	**(21.8)**	(8.1)	(31.6)
Sale of tangible fixed assets	**0.1**	-	0.1
Restricted share plan purchase of shares	**(0.9)**	-	(2.7)
Purchase of investments	**(3,581.9)**	(2,154.3)	(6,154.3)
Sale of investments	**3,458.8**	1,388.7	5,028.6
Net cash inflow/(outflow) from capital expenditure and investment	**(145.7)**	(773.7)	(1,159.9)
Acquisition and disposals			
- Purchase of subsidiary	**-**	(28.4)	(28.4)
- Purchase of associated undertaking	**-**	(1.1)	(1.2)
Net cash outflow from acquisitions and disposals	**-**	(29.5)	(29.6)
Financing:			
Subsidiary share issue	**-**	78.1	5.0
Issue of dated loan capital	**249.1**	1.5	78.1
Issue of share capital	**-**	-	1.6
Net cash inflow from financing	**249.1**	79.6	84.7
(Decrease)/increase in net cash	**(130.3)**	59.7	194.6

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

	Six months to 30 June 2003 £m	Six months to 30 June 2002 £m	(Audited) Full year 2002 £m
Operating (loss)/profit	**(21.8)**	3.7	(16.5)
Decrease/(increase) in prepayments and accrued income	**1.3**	(6.1)	0.5
(Decrease)/increase in accruals and deferred income	**(22.5)**	(34.9)	18.0
Provision for bad and doubtful debts	**31.9**	24.3	45.2
Profit on sale of financial investments	**(5.5)**	(2.5)	(9.1)
Depreciation and amortisation	**9.5**	23.5	41.6
Interest on subordinated liabilities	**18.2**	4.3	11.2
Net increase in loans and advances to banks and customers	**(755.8)**	(602.8)	(836.9)
Net decrease/(increase) in securities sold under agreements to resell	**150.0**	-	(150.0)
Net (decrease)/increase in deposits by banks and customer accounts	**(79.7)**	1,569.5	2,411.3
Net increase/(decrease) in securities sold under agreements to repurchase	**20.6**	(384.2)	(384.2)
Net (decrease)/increase in debt securities in issue	**365.0**	186.9	99.9
Net (increase)/decrease in other assets	**(17.5)**	2.6	(36.9)
Net increase in other liabilities	**84.9**	5.0	74.4
Net (decrease)/increase in settlement balances	**(3.3)**	(12.8)	28.9
Other non-cash movements	**4.3**	0.5	0.7
Net cash (outflow)/inflow from operating activities	**(220.4)**	777.0	1,298.1

Reconciliation of movement in shareholders' funds (Unaudited)

	Six months to 30 June 2003 £m	Six months to 30 June 2002 £m	(Audited) Full year 2002 £m
Retained profit/(loss) for the financial period	**(24.2)**	(0.9)	(18.8)
Exchange and other adjustments	**4.3**	0.5	0.7
Increase in share capital	**-**	0.5	0.5
Share premium	**-**	1.1	1.1
Awards under incentives schemes	**0.9**	1.5	0.8
Net increase/(decrease) in shareholders' funds	**(19.0)**	2.7	(15.7)
Opening shareholders' funds	**460.2**	475.9	475.9
Closing shareholders' funds	**441.2**	478.6	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 June 2003.

b) The results for the periods ended 30 June 2003 and 30 June 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)/profit is stated after charging provisions for bad and doubtful debts of £62.4 million (30 June 2002 - £39.2 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	-	(30.5)	**(30.5)**
New and additional provisions	6.8	55.6	**62.4**
Net charge against profit and loss	6.8	55.6	**62.4**
Balance at 30 June 2003	42.9	117.9	**160.8**
Balance at 30 June 2002	31.5	75.7	**107.2**

Provisions at 30 June 2003 were 2.65% of advances to customers (30 June 2002: 2.1%).

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

	Six months to 30 June 2003	Six months to 30 June 2002
	£m	£m
Corporation tax payable	**(1.6)**	(2.1)

e) Loss per share of 3.0p (30 June 2002: 0.1p) is calculated by dividing the loss after tax for the financial period of £24.2 million (30 June 2002: £0.9 million) by the weighted average of 817.3 million (30 June 2002: 813.8 million) ordinary shares in issue during the period.

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

	June 2003	June 2002
	£million	£million
Gross assets	**3.2**	3.4
Gross liabilities	**(2.4)**	(2.7)
Shares in joint ventures	**0.8**	0.7

g) The table below analyses the Group results for the half year ended 30 June 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	**405.8**	**2.6**	**408.4**
Fees and commissions receivable	**79.8**	**1.7**	**81.5**
Profit on disposal of investments	**5.5**	**-**	**5.5**
Other operating income	**2.1**	**0.3**	**2.4**
Gross income	**493.2**	**4.6**	**497.8**
Operating profit/(loss) before exceptional items	**26.9**	**(48.7)**	**(21.8)**
Share of operating loss of joint venture	**-**	**-**	**-**
Share of operating loss of associates and amortisation of goodwill	**(1.0)**	**-**	**(1.0)**
Group profit/(loss) before taxation	**25.9**	**(48.7)**	**(22.8)**

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Average Balance Sheet (UK Business Only)

(£m, except percentages)

	Six months ended 30 June 2003		Six months ended 30 June 2002		Year ended 31 December 2002	
	Avg. Balance	**Avg. Rate %**	Avg. Balance	Avg. Rate %	Avg. Balance	Avg. Rate %
Assets						
Wholesale assets	**4,438**	**4.09**	3,666	4.92	4,202	4.58
Mortgages	**2,302**	**4.81**	2,405	5.08	2,392	5.00
Personal loans	**1,115**	**8.59**	624	9.60	724	9.59
Credit cards	**2,437**	**9.81**	1,930	8.45	2,081	8.99
Total average interest-earning assets	**10,292**	**6.09**	8,625	6.10	9,399	6.05
Fixed and other assets	**193**		130		109	
Total assets	**10,485**		8,755		9,508	
Liabilities						
Customer accounts	**7,620**	**3.44**	6,126	3.55	7,133	3.77
Wholesale liabilities and subordinated debt	**2,176**	**5.20**	1,817	4.43	1,703	4.60
Total average interest-bearing liabilities	**9,796**	**3.83**	7,943	3.76	8,836	3.93
Other liabilities	**244**		335		197	
Total liabilities	**10,040**		8,278		9,033	
Shareholders' funds	**445**		477		475	
Total liabilities and shareholders funds	**10,485**		8,755		9,508	

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

Average Yields (UK Business Only)

	Six months ended 30 June 2003 Average rate %	Six months ended 30 June 2002 Average rate %	Year ended 31 December 2002 Average rate %
Interest income as a percentage of average interest-earning assets	**6.09**	6.10	6.05
Interest expense as a percentage of average interest-bearing liabilities	**3.83**	3.76	3.93
Interest spread	**2.26**	2.34	2.12
Net interest margin	**2.44**	2.58	2.36

ends

<u>For further information:</u>

Media:

Egg Press Office (main number) 020 7526 2600

Emma Byrne: 020 7526 2565 / mobile: 07775 657 241

Analysts / Investors:

Kieran Coleman 020 7526 2648 / mobile: 07711 717 358

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<u>Notes to Editors:</u>

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.