

Egg plc

Under Embargo until 07.00h, 21 April 2004

Egg plc Q1 Financial Results and New Business Figures

“In the UK Egg has had a solid start to the year. First quarter profits were £15 million and we added a further 148,000 net new customers. Unsecured lending balances continued to grow strongly, with record personal loan drawdowns of £563 million in the period. Total balances outstanding on credit cards and personal loans are now over £5 billion.

In France, as previously reported, we are managing discretionary expenditure tightly as we await the conclusion of the ongoing process whereby Prudential is considering proposals for its shareholding in Egg. As a result losses in France for the quarter reduced to £16 million.”

Paul Gratton, CEO, Egg plc

Highlights:

Analysis of Group Profit and Loss Account:

	Q1 2004	Q1 2003
	£m	£m
Egg UK Operating Profit	15.2	17.3
Egg France Operating Loss	(15.8)	(23.9)
Other International	-	(2.3)
Subsidiaries/Associates/JV's	(0.7)	(1.6)
Transaction Costs	(1.3)	-
Restructuring Costs	(2.3)	(5.2)
Group Loss before Tax	<u>(4.9)</u>	<u>(15.7)</u>

Group

- Group operating income up 26% to £120.3 million (Q1 2003: £95.2 million)
- Group loss before tax of £4.9 million (Q1 2003: £15.7 million)
- Group loss per share was 0.7p (Q1 2003: 2.2p)
- Total group assets of £11.2 billion (Q1 2003: £10.5 billion)

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UK

- Egg UK delivered an operating profit of £15.2 million (Q1 2003: £17.3 million)
- 148,000 net new customers acquired in the first quarter (Q1 2003: 165,000)
- Unsecured lending balances grew by £238 million (Q1 2003: £200 million) leading to quarter end balances of £5.0 billion (31 March 2003: £3.5 billion)
- Strong sales growth in personal loans with drawdowns of £563 million, up 164% on Q1 2003 (£213 million).
- Credit quality remains strong and benchmarks continue to show Egg's card portfolio significantly outperforming industry norms.

France

- Operating loss of £15.8 million (€23.2 million) for Q1 reduced from £19.6 million (€27.6 million) in Q4 2003.
- Card balances growing to €186 million, up 9% on Q4 2003
- 71,000 cards in issue with 85% of card balances now revolving

Chief Executive Paul Gratton said:

"The UK business has performed solidly in the first quarter. Profits were £15 million and we have grown our customer base by a further 148,000.

"Within unsecured lending in the UK we have seen net lending growth of £238 million this quarter which is encouraging compared to the £200 million growth in the same period last year. Total balances now exceed £5 billion with credit cards contributing £3 billion and personal loans £2 billion. We continue to successfully cross sell personal loans into our credit card customer base which has helped Egg to grow unsecured lending balances in a traditionally quiet period for the card market.

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“The UK operating profit of £15 million was in line with internal forecasts. Revenues grew almost 6% compared to Q4 2003 and 24% compared to the same period last year. Net interest income growth has slowed as expected this quarter given the margin pressures created by base rate increases. We expect revenues to grow strongly again over the rest of the year as card balances grow. Credit quality remains good and provision levels reflect the continuing growth in the unsecured lending portfolio, the stage in life cycle of the card and loan books and the increasing proportion of personal loans in the book. The bad debt charge for Q1 was 2.4% of average assets, in line with our plans, and as we outlined within our preliminary results we expect the charge to stay at this level for the rest of 2004.

“In Egg France, as previously reported, our search for a strategic partner has been superseded by Prudential considering proposals for its shareholding in Egg. In the meantime we are managing discretionary expenditure tightly as we await the conclusion of this process. This is reflected in the reduction in quarterly losses from £20 million to £16 million.”

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Overview of Group Results

Summary profit and loss account by quarter (Unaudited)

	Q1 2004	Q4 2003	Q3 2003	Q2 2003	Q1 2003
<u>UK</u>	£m	£m	£m	£m	£m
Net Interest Income	73.7	72.5	64.6	61.6	64.3
Other Operating Income	44.7	39.4	43.6	43.0	30.6
Egg UK Operating Income	118.4	111.9	108.2	104.6	94.9
Operational and Administrative Expenses	(41.3)	(39.7)	(36.8)	(34.3)	(32.9)
Brand and Marketing Costs	(9.6)	(8.5)	(6.5)	(9.9)	(9.0)
Development Costs	(5.9)	(4.5)	(5.9)	(4.6)	(4.9)
Depreciation and Amortisation	(5.2)	(6.5)	(4.4)	(3.4)	(4.0)
Amounts written off Fixed Asset Investment	-	(4.3)	-	-	-
Provisions for Bad and Doubtful Debts	(41.2)	(32.3)	(34.6)	(33.0)	(26.8)
Egg UK Operating Profit	15.2	16.1	20.0	19.4	17.3
France					
Net Interest Income	1.9	1.5	1.8	1.3	0.9
Other Operating Income	-	(0.2)	(0.3)	(0.1)	(0.7)
Egg France Operating Income	1.9	1.3	1.5	1.2	0.2
Operational and Administrative Expenses	(9.1)	(10.4)	(12.8)	(11.7)	(10.3)
Brand and Marketing Costs	(1.6)	(3.2)	(3.6)	(9.5)	(9.7)
Development Costs	(0.4)	(0.9)	(0.5)	(1.0)	(1.0)
Depreciation and Amortisation	(1.7)	(2.1)	(2.1)	(2.1)	(2.1)
Provisions for Bad and Doubtful Debts	(4.9)	(4.3)	(3.3)	(1.7)	(1.0)
Egg France Operating Loss	(15.8)	(19.6)	(20.8)	(24.8)	(23.9)
Other International	-	(0.7)	(0.7)	(0.5)	(2.3)
Subsidiaries/Associates/JV's	(0.7)	(0.2)	(0.6)	(1.2)	(1.6)
Transaction Costs	(1.3)	-	-	-	-
Restructuring Costs	(2.3)	(5.1)	-	-	(5.2)
Group Loss Before Tax	(4.9)	(9.5)	(2.1)	(7.1)	(15.7)

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Egg UK

Revenues

Net interest income in Q1 2004 was £73.7 million. The increase over previous quarters was in line with expectations. The margin improvements we have seen as the card portfolio matures and the 0% offers become a smaller proportion of the total book were partially offset by base rates rising a further 25 basis points in February. While our forecasts indicate margins will remain relatively flat this year we do expect continued growth in net interest income this year on the back of card and loan balance increases.

Egg has maintained a high level of non-interest income over the past few quarters with the Q1 2004 total at £44.7 million. This has mainly resulted from commissions earned cross-selling insurance at point of sale on loans and cards, reflecting the higher product sales volumes achieved, particularly on loans. Looking ahead we expect further growth in other income over the remainder of 2004 as we continue to improve our penetration levels on payment protection insurance on cards and loans.

Costs

Operational and administrative costs at £41.3 million for the quarter remain tightly managed with the slight increase over previous quarters arising mainly from the continuing growth in business volumes.

Brand and marketing costs were £9.6 million in Q1 2004. This included an investment in new brand creative designs which will benefit the remainder of the year. Sales performance remained strong with 148,000 customers acquired in the first quarter, which puts us well on track to achieve our target of 500,000 customers for the year. We have just launched a new advertising campaign in Q2 which will be the peak quarter for investment in brand and marketing, as it was in 2003.

UK development costs were £5.9 million for the quarter. We expect the total expenditure on this line to be higher in the first half of 2004 than the second half with the full year investment to be at similar levels to 2002 and 2003.

Depreciation at £5.2 million in Q1 2004 was in line with plans and we expect the charge to remain stable at this level over the remainder of this year.

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Bad Debt Provisions

Credit quality remains good and provision levels reflect the continuing growth in the unsecured lending portfolio, the stage in the life cycle of the card and loan books and the increasing proportion of personal loans in the book. The bad debt charge for Q1 was 2.4% of average assets, in line with our plans, and as we outlined within our preliminary results we expect the charge to stay at this level for the rest of 2004. In the first quarter the most significant factor affecting the relative bad debt charge was the fact that the maturing loan book is now within the peak period for the emergence of bad debt on such portfolios. Having begun to cross sell loans in earnest towards the end of 2002 and delivered record volumes in 2003 the average age of the book is increasing. Experience shows that bad debt typically peaks between 9 and 18 months after a loan is written.

Egg France

The operating loss for the first quarter was £15.8 million (€23.2 million). The increased savings compared to the quarterly run rate last year were mainly achieved in operational and administrative expenses at £9.1 million (Q4 2003: £10.4 million) and brand and marketing at £1.6 million (Q4 2003: £3.2 million) as discretionary expenditures were kept under tight control.

Subsidiaries/Associates/JV's

The £0.7 million net loss in Q1 2004 was primarily in respect of Egg's 85% subsidiary Investment Funds Direct Holdings Limited ("FundsDirect") which mainly relates to development costs for the integrated business to business platform scheduled for launch later this year.

Transaction Costs

The costs of £1.3 million in Q1 2004 relate to incremental expenses incurred in relation to the ongoing process whereby Prudential is considering proposals for its shareholding in Egg.

Restructuring Costs

The charge of £2.3 million in Q1 2004 relates to exit costs on one of our leased properties within Egg France which is redundant as employees now work on other premises.

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Business Performance

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Summary New Business Figures by Quarter

	Q1 2004	Q4 2003	Q3 2003	Q2 2003	Q1 2003
Net New Egg UK Customers ('000)	148	150	145	175	165
Net New Customers by product ('000)					
- Savings	17	4	(1)	(15)	10
- Credit Card	157	160	167	196	181
- Personal loans	23	23	23	21	13
- Mortgages	(1)	(1)	-	-	-
- Egg Invest	1	1	-	-	1
- Egg Insure	(1)	2	(8)	17	27
Products					
	£m	£m	£m	£m	£m
- Egg Card Balance Growth	(5)	122	250	241	71
- Egg Personal Loan Drawdowns	563	526	490	427	284
- Egg Mortgage Drawdowns	60	58	64	72	83
- Egg Savings Flows (net)	(47)	(229)	(637)	(345)	(334)

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Cumulative Figures

	31 Mar 2004	31 Mar 2003	31 Dec 2003
Total Egg UK Customers ^{(1) (2)}	3,345,230	2,725,915	3,196,435
Customers by product ⁽¹⁾			
- Credit Card ⁽⁴⁾	2,774,001	2,093,229	2,616,505
- Savings ⁽³⁾	756,030	750,658	738,565
- Personal loans ⁽³⁾	249,875	160,745	227,195
- Mortgages ⁽³⁾	28,427	30,444	28,929
- Egg Invest ⁽³⁾	58,713	56,465	57,942
- Egg Insure ⁽³⁾	117,327	112,633	118,242
Product balances ⁽¹⁾	£m	£m	£m
- Egg Card	3,010	2,401	3,015
- Egg Savings	6,117	7,374	6,164
- Egg Personal Loans	2,015	1,096	1,773
- Egg Mortgages	1,181	1,253	1,197
- Prudential Savings	161	215	185
- Prudential Mortgages	738	1,054	798
- Prudential Personal Loans	1	4	2

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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Customers

Egg now has over 3.3 million customers including the 148,000 net new customers who joined during the first quarter. We have just launched a new advertising campaign in April 2004 and we expect acquisition levels over the remainder of the year to remain strong. We believe that our target level of 500,000 net new customers per annum remains achievable over the next few years as our target market grows in line with internet penetration and usage and the widening appeal of the brand.

Unsecured Lending

The UK credit card business attracted 157,000 net new customers during the quarter, taking the total to almost 2.8 million, with card balances standing at £3.0 billion at period end. In Q1 2004 we have maintained our market share in credit cards. This is particularly pleasing given we are also successfully cross selling record volumes of unsecured personal loans to card customers, with consequent shift in card balances into structured lending and, based on BBA statistics, VISA card balances actually reduced by £232 million in the UK market across January and February.

Personal loan customers increased by another 23,000 in the quarter with record levels of disbursements (£563 million). The loan book now exceeds £2 billion in balances.

Savings

Q1 2004 saw a net outflow on deposits of £47 million. This reflected two different trends within the quarter with an outflow of £273 million in January and February combined followed by a net inflow of £226 million in March following the launch of a new bonus account to raise additional monies from the retail savings market as part of Egg's funding strategy.

Egg France

In France we issued a further 5,000 cards and balances grew by €15 million. Total unsecured lending balances now exceed €200 million with 85% of the credit card balances now revolving.

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Financial Review

This section analyses Q1 2004 Group results compared to Q1 2003.

Net interest income increased by 16% to £75.6 million for the period (Q1 2003: £65.3 million) resulting from the continued growth in UK retail asset balances (31 March 2004: £6.8 billion, 31 March 2003: £5.7 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 £14.8 million (49%) to £44.7 million. This has largely resulted from the continued success of our cross sale strategy in unsecured personal loans, with commissions and profit share from selling creditor insurance on loans in the UK up by £13.0 million (193%) to £26.9 million in line with the near doubling in sales volumes (23,000 in Q1 2004 compared to 13,000 in Q1 2003). Profit on disposal of investment securities totalled £1.5 million for the period (Q1 2003: nil).

Operational and administrative expenses increased by £5.7 million (12%) to £54.6 million. This has resulted from a combination of factors; there has been an increase in the core UK operational cost of £8.4 million (26%) in line with growth in customers and the £1.3 million of transaction related costs. In addition there has been an increase in the Egg France operating costs of £1.1 million due to the Q1 2004 restructuring costs of £2.3 million. However offsetting these variances is the £5.2 million of UK restructuring costs, incurred in Q1 2003 and not repeated in Q1 2004.

Brand and marketing costs decreased by £7.5 million (40%) to £11.2 million, predominantly reflecting a reduction in the marketing costs incurred in Egg France of £8.1 million, offset by a small increase in UK costs (£0.6 million).

Development costs decreased by £2.4 million (28%) to £6.2 million. There was a decrease in France costs of £0.6 million as the infrastructure for France is now in place. In addition UK costs decreased by £1.7 million; during Q1 2003 there was R&D expenditure in the USA of £2.3 million which has not been repeated this year.

Depreciation and amortisation increased by £0.8 million (13%) reflecting an increase of £1.2 million in the UK charge offset by a reduction in the Egg France charge of £0.4 million.

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The charge for bad and doubtful debts at £46.1 million (Q1 2003: £27.9 million) reflects the continuing strong growth in the UK retail asset portfolio and includes £4.9 million for the French business. The proportion of unsecured assets, especially personal loans, has continued to increase within the portfolio. This change in the mix of the portfolio has resulted in an increase in closing provisions as a percentage of advances to customers to 3.01% at 31 March 2004 (31 March 2003: 2.41%). Our delinquency levels remain well below the industry average.

The tax charge was £0.9 million (31 March 2003: £2.7 million). The reduction in the charge reflects the fact that tax relief on French losses has been recognised following the amalgamation of the French business into a branch of Egg Banking plc in April 2003.

Loss attributable to ordinary shareholders after tax was £5.7 million compared to a loss of £18.3 million for the quarter ended 31 March 2003.

Loss per share was 0.7p compared to 2.2p for the quarter ended 31 March 2003.

Total assets increased moderately to £11.2 billion as at 31 March 2004 (31 March 2003: £10.5 billion). Retail assets increased by £1.2 billion to £6.9 billion (31 March 2003: £5.7 billion) mainly due to the ongoing growth in UK unsecured lending balances. Treasury assets decreased slightly by £0.3 billion to £3.8 billion (31 March 2003: £4.1 billion).

Total liabilities also increased moderately to £10.8 billion as at 31 March 2004 (31 March 2003: £10.1 billion).

Capital ratios at 31 March 2004 were 9.6% (tier 1) and 17.4% (total) (31 March 2003: 10.9% (tier1) and 14.6% (total)).

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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 14 to 22 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.

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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 three months ended 31 March 2004.

KPMG Audit Plc
Chartered Accountants
London
21 April 2004

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Consolidated profit and loss account (Unaudited)

	Three months to 31 March 2004 £m	Three months to 31 March 2003 £m	(Audited) Full Year 2003 £m
Interest receivable	214.0	202.7	830.8
Interest payable	(138.4)	(137.4)	(562.0)
Net interest income	75.6	65.3	268.8
Other operating income	44.7	29.9	155.2
Operating income	120.3	95.2	424.0
Administrative expenses			
- operational and administrative expenses	(54.6)	(48.9)	(202.6)
- brand and marketing costs	(11.2)	(18.7)	(60.0)
- development costs	(6.3)	(8.6)	(25.7)
Depreciation and amortisation	(6.9)	(6.2)	(26.9)
Amounts written off fixed asset investment	-	-	(4.3)
Provisions for bad and doubtful debts	(46.1)	(27.9)	(137.0)
Operating loss	(4.8)	(15.1)	(32.5)
Share of operating profit/(loss) of joint ventures	0.3	(0.1)	0.1
Share of associates losses	(0.4)	(0.5)	(2.0)
Loss on ordinary activities before tax	(4.9)	(15.7)	(34.4)
Tax (charge)/group relief on loss on ordinary activities	(0.9)	(2.7)	1.4
Minority interests	0.1	0.1	0.2
Retained loss for the financial period	(5.7)	(18.3)	(32.8)
Loss per share (pence per share)	(0.7p)	(2.2p)	(4.0p)

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

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Consolidated statement of total recognised gains and losses

	Three months to 31 March 2004 £m	Three months to 31 March 2003 £m	(Audited) Full Year 2003 £m
Retained loss for the financial period	(5.7)	(18.3)	(32.8)
Currency translation differences on foreign currency net investments	0.2	3.9	4.4
Total recognised losses related to the period	(5.5)	(14.4)	(28.4)

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Consolidated balance sheet (Unaudited)

	31 March 2004	31 March 2003 Restated	(Audited) 31 December 2003 Restated
	£m	£m	£m
Assets			
Cash and balances at central banks	13.2	13.3	13.3
Loans and advances to banks	268.6	253.1	329.6
Securities purchased under agreement to resell	-	75.0	-
Loans and advances to customers	6,864.0	5,692.9	6,718.0
Debt securities	3,557.6	4,127.2	4,156.5
Shares in joint ventures	1.2	0.7	1.0
Investment in associated undertakings	5.0	6.9	5.4
Intangible fixed assets	5.9	6.5	6.0
Tangible fixed assets	95.1	78.4	95.3
Other assets	336.7	152.2	268.5
Deferred tax	23.3	19.4	23.3
Prepayments and accrued income	64.0	76.0	75.5
Total assets	11,234.6	10,501.6	11,692.4
Liabilities			
Deposits by banks	1,613.5	1,050.4	1,610.4
Securities sold under agreements to repurchase	239.2	-	829.2
Customer accounts	6,408.8	7,672.3	6,451.7
Debt securities issued	1,581.6	719.5	1,422.9
Other liabilities	358.8	271.1	340.1
Accruals and deferred income	147.5	141.3	153.7
Subordinated liabilities			
- Dated loan capital	450.8	201.7	450.8
Total liabilities	10,800.2	10,056.3	11,258.8

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	31 March 2004	31 March 2003 Restated	(Audited) 31 December 2003 Restated
	£m	£m	£m
Shareholders' funds			
Called up share capital	411.8	410.1	410.3
Share premium account	110.4	107.3	107.5
Capital reserve	359.7	359.7	359.7
Own Shares held in ESOP Trust	(9.4)	(10.7)	(10.4)
Profit and loss account	(439.2)	(422.4)	(434.7)
Shareholders' funds (all attributable to equity interests)	433.3	444.0	432.4
Minority interests (equity)	1.1	1.3	1.2
Total liabilities and shareholders' funds	11,234.6	10,501.6	11,692.4

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Consolidated Cash Flow (Unaudited)

	Three months to 31 March 2004 £m	Three months to 31 March 2003 £m	(Audited) Full Year 2003 £m
Net cash outflow from operating activities	(502.5)	(169.0)	(259.9)
Return on investments and servicing of finance	(8.1)	(3.4)	(25.9)
Taxation:			
Tax paid	(1.8)	(0.3)	(3.8)
Capital expenditure and financial investment:			
Purchase of tangible fixed assets	(6.9)	(11.1)	(46.7)
Sale of tangible fixed assets	-	0.1	-
Restricted share plan purchase of shares	-	(0.9)	(3.0)
Purchase of investments	(1,377.6)	(1,526.9)	(5,960.7)
Sale of investments	1,941.1	1,695.7	5,996.9
Net cash inflow/(outflow) from capital expenditure and investment	556.6	156.9	(13.5)
Financing:			
Issue of dated loan capital		-	249.1
Issue of share capital	4.4	-	0.4
Net cash inflow from financing	4.4	-	249.5
Increase/(decrease) in net cash	48.6	(15.8)	(53.6)

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

	Three months to 31 March 2004 £m	Three months to 31 March 2003 £m	(Audited) Full Year 2003 £m
Operating loss	(4.8)	(15.1)	(32.5)
Decrease in prepayments and accrued income	11.5	0.1	0.6
(Decrease)/Increase in accruals and deferred income	(6.6)	(5.3)	8.1
Provision for bad and doubtful debts	20.4	11.8	64.2
Profit on sale of financial investments	(1.5)	(2.5)	(5.3)
Depreciation and amortisation	10.3	9.7	25.9
Interest on subordinated liabilities	8.1	3.4	47.6
Net increase in loans and advances to banks and customers	(56.4)	(189.0)	(1,379.0)
Net decrease in securities purchased under agreements to resell	-	75.0	150.0
Net (decrease)/increase in deposits by banks and customer accounts	(39.8)	205.3	(455.2)
Net (decrease)/increase in securities sold under agreements to repurchase	(590.0)	-	829.2
Net increase /(decrease) in debt securities in issue	158.7	(295.4)	408.0
Net increase in other assets	(34.0)	(15.5)	(47.1)
Net increase in other liabilities	6.4	71.1	165.8
Net (decrease)/increase in settlement balances	13.4	(26.5)	(44.9)
Other non-cash movements	1.8	3.9	4.7
Net cash outflow from operating activities	(502.5)	(169.0)	(259.9)

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Reconciliation of movement in shareholders' funds (Unaudited)

	Three months to 31 March 2004	Three Months to 31 March 2003 Restated	(Audited) Full Year 2003 Restated
	£m	£m	£m
Retained loss for the financial period	(5.7)	(18.3)	(32.8)
Exchange and other adjustments	0.2	3.9	4.4
Increase in share capital	1.5	-	0.2
Share premium	2.9	-	0.2
Awards under incentives schemes	2.0	0.5	2.5
Net increase/(decrease) in shareholders' funds	0.9	(13.9)	(25.5)
Opening shareholders' funds	432.4	457.9	457.9
Closing shareholders' funds	433.3	444.0	432.4

Notes on financial information

- a) The financial information has been prepared on the basis of the accounting policies set out in the Notes to the Financial Statements within the Egg plc Annual Report and Accounts for the year ended 31 December 2003 and are unchanged for the period to 31 March 2004, with the exception of the adoption of the requirements of Abstract 38 issued by the Urgent Issues Task Force on Accounting for ESOP Trusts, the effect of which has been to reclassify shares held by the Egg Employee Trust as a deduction from shareholders' funds. The comparatives have been amended as appropriate.
- b) The financial information set out above does not constitute the Group's statutory accounts for the years ended 31 December 2003 but is derived from those accounts. Statutory accounts for 2003 will be delivered to the registrar of companies following Egg plc's annual general meeting. The auditors have reported on this set of 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 £46.1 million (31 March 2003 - £27.9 million). The balance sheet provisions for bad and doubtful debts and movements thereon were:

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	General	Specific	Total
	£m	£m	£m
Balance at 1 January 2004	51.2	142.2	193.4
Exchange adjustments	(0.1)	(0.6)	(0.7)
Amounts written off	-	(25.3)	(25.3)
New and additional provisions	0.9	45.2	46.1
Net charge against profit and loss	0.9	45.2	46.1
Balance at 31 March 2004	52.0	161.5	213.5
Balance at 31 March 2003	38.0	102.7	140.7

Provisions at 31 March 2004 were 3.01% of advances to customers (31 March 2003: 2.41%).

- d) The taxation charge assumes a UK corporation tax rate of 30% (2003: 30%) and comprises:

	Three months to 31 March 2004	Three months to 31 March 2003
	£m	£m
Corporation tax payable	(0.9)	(2.7)

- e) Loss per share of 0.7p (31 March 2003: 2.2p) is calculated by dividing the loss after tax for the financial period of £5.7 million (31 March 2003: £18.3 million) by the weighted average of 817.3 million (31 March 2003: 814.7 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:

	March 2004	March 2003
	£m	£m
Gross assets	2.9	3.0
Gross liabilities	(1.7)	(2.3)
Shares in joint ventures	1.2	0.7

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- g) The table below analyses the Group results for the 3 months to 31 March 2004 by the geographical area in which business is generated. Certain costs incurred in the UK on behalf of France included in the results of France.

	UK	France	Group
	£m	£m	£m
Interest receivable	211.4	2.6	214.0
Fees and commissions receivable	52.2	1.6	53.8
Profit on disposal of investments	1.8	-	1.8
Other operating income	0.7	(0.1)	0.6
Gross income	266.1	4.1	270.2
Operating profit/(loss)	13.3	(18.1)	(4.8)
Share of operating profit of joint venture	0.3	-	0.3
Share of operating loss of associates and amortisation of goodwill	(0.4)	-	(0.4)
Profit/(loss) before taxation	13.2	(18.1)	(4.9)

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Average Balance Sheet (UK Business Only)

(£m, except percentages)

	31 March 2004		31 March 2003		31 December 2003	
	Avg. Balance	Avg. Rate %	Avg. Balance	Avg. Rate %	Avg. Balance	Avg. Rate %
Assets						
Wholesale assets	4,254	4.13	4,356	4.49	4,345	4.11
Mortgages	2,111	4.70	2,373	4.94	2,210	4.74
Personal loans	1,547	7.73	831	9.31	1,326	8.03
Credit cards	2,808	9.55	2,210	9.39	2,650	9.59
Total average interest-earning assets	10,720	6.18	9,770	6.12	10,531	6.12
Fixed and other assets	156		128		159	
Total assets	10,876		9,898		10,690	
Liabilities						
Customer accounts	6,754	3.28	7,577	3.76	7,149	3.32
Wholesale liabilities and subordinated debt	3,471	4.13	1,646	4.20	2,875	4.04
Total average interest-bearing liabilities	10,225	3.57	9,223	3.83	10,024	3.52
Other liabilities	235		196		234	
Total liabilities	10,460		9,419		10,258	
Shareholders' funds	416		479		432	
Total liabilities and shareholders funds	10,876		9,898		10,690	

Note: The above analysis represents interest earned or borne on on-balance sheet assets and liabilities only. In each case the average balances and yields have been calculated on a 12-month rolling basis. Comparatives have been restated.

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Average Yields (UK Business Only)

	31 March 2004 Average rate %	31 March 2003 Average rate %	31 December 2003 Average rate %
Interest income as a percentage of average interest-earning assets	6.18	6.12	6.12
Interest expense as a percentage of average interest-bearing liabilities	3.57	3.83	3.52
Interest spread	2.61	2.29	2.60
Net interest margin (includes interest on off-balance sheet items)	2.54	2.38	2.50

Note:

This press release contains certain forward-looking statements with respect to the financial condition, results of operations, and businesses of the Egg Group. These statements and forecasts involve risk and uncertainty because they relate to events that depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. The statements have been made with reference to forecast price changes, economic conditions and the current regulatory environment. Nothing in this press release should be construed as a profit forecast.

Ends

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Notes to Editors:

1. Egg plc is the world's largest pure 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 holds 79% of the share capital.
3. On 26 January Prudential plc made the following announcement.

“On 14 January 2004, Prudential plc announced that it was in preliminary discussions regarding a possible transaction with respect to its approximately 79 per cent shareholding in Egg. While these discussions have been continuing Prudential has received unsolicited indications of interest from a number of other parties and, with a view to delivering value for its shareholders, Prudential has now begun a process that will give a number of potential purchasers an opportunity to make a proposal. This may or may not lead to a transaction.”