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Under Embargo until 07.00h, 22 July 2004

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Results for the Six Months to 30 June 2004

"The Group made a profit of £1 million in the second quarter leading to an overall loss before tax for the first half of 2004 of £4 million down from a loss of £23 million in the same period last year.

The UK business has delivered a sound performance in the first half of the year despite increased competition and rising interest rates. We achieved a profit of £35 million and we grew our customer base by a further 292,000 giving us a total of almost 3.5 million. Unsecured lending balances continued to grow strongly, with record personal loan drawdowns of over £1.1 billion in the first six months.

"As we announced last week, we have begun to take the necessary steps to withdraw from the French market. We will ensure that this process is effected as sensitively, respectfully and efficiently as possible for our people, our customers and our shareholders.

"Looking forward we are focused on our successful UK business. Research indicates Egg's existing customers have an exceptionally high propensity to buy further products from us. We plan to invest further in our brand, in targeted acquisition and in our cross-sales capability in the second half of the year to augment our core strengths and drive additional value from our customer base." ***Paul Gratton, CEO, Egg plc***

Highlights:

Analysis of Group Profit and Loss Account:

	H1 2004	H1 2003
	£m	£m
Egg UK Operating Profit	**34.5**	36.7
Egg France Operating Loss	**(32.2)**	(48.7)
Other International	**-**	(2.8)
Subsidiaries/Associates/JV's	**(1.7)**	(2.8)
Transaction Costs	**(2.6)**	-
Restructuring Costs	**(2.1)**	(5.2)
Group Loss before Tax	**(4.1)**	(22.8)

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Group

- Group operating income up 21% to £242.3 million (H1 2003: £200.9 million)
- Group loss before tax of £4.1 million (H1 2003: £22.8 million)
- Group loss per share was 0.3p (H1 2003: 3.0p)
- Total group assets of £12.2 billion (H1 2003: £11.2 billion)

UK

- Egg UK delivered an operating profit of £34.5 million (H1 2003: £36.7 million)
- 292,000 net new customers acquired in the first half year (H1 2003: 340,000)
- Unsecured lending balances grew by £559 million (H1 2003: £650 million) leading to period end balances of £5.35 billion (30 June 2003: £3.95 billion)
- Strong sales growth in personal loans with drawdowns of £1,137 million, up 60% on H1 2003 (£711 million)
- Credit quality remains strong and benchmarks continue to show Egg's card portfolio significantly outperforming industry norms

France

- Operating loss of £32.2 million (€47.6 million) for H1 reduced from £48.7 million (€72.1 million) in H1 2003
- Costs to exit the French market estimated at £113 million (€170 million) pre tax

Chief Executive Paul Gratton said:

"The Group made a profit of £1 million in the second quarter leading to an overall loss before tax for the first half of 2004 of £4 million, down from a loss of £23 million in the same period last year.

"The UK business has delivered a sound performance in the first half of the year despite increased competition and rising interest rates. We achieved a profit of £35 million and we grew our customer base by a further 292,000 giving us a customer base of almost 3.5 million.

"Within unsecured lending in the UK we have seen strong net lending growth of £559 million in the first half taking total balances to £5.35 billion up 12% on last year end. Cross selling personal loans into our credit card customer base remains highly successful, delivering record sales volumes with over £1.1 billion disbursed in the first six months this year.

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“Revenues are growing steadily quarter on quarter and have increased some 19% on the same period last year. Net interest income reduced slightly in the second quarter given the increased pressure on interest-bearing balance growth and margins created by competition and rising base rates respectively. Other income was almost £50 million in Q2 and has been growing strongly this year, primarily due to sales of protection policies for balances outstanding on loans and cards. We are keeping tight control on costs and credit quality remains good with provision levels reflecting 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.

“In France, as we announced last week, we have begun to take the necessary steps to withdraw from the market. Our search for a strategic partner, which was started in October last year, was superseded by Prudential considering proposals for its shareholding in Egg and therefore throughout the first half of the year we have been managing discretionary expenditure tightly as we await the conclusion of that process. This is reflected in the significant reduction in losses in the first half. We expect the pre-tax cost of closing Egg France to be approximately €170 million (£113 million).

“We are focused on our successful UK business. Research indicates Egg’s existing customers have an exceptionally high propensity to buy further products from us. We plan to invest further in our brand, in targeted acquisition and in our cross sales capability during the second half augmenting our core strengths and seeking to drive additional value from our customer base. In addition we will be undertaking a review of our cost base to ensure it is focused on our key priorities.

“Egg remains intent on helping people understand and manage their money more effectively through relevant innovation in technology. Egg Money Manager, our account aggregation service, now has almost 250,000 registered users, making us the largest aggregation provider in Europe.

“With the arrival of Chip and PIN in the UK, Egg has recently launched PIN Browser, believed to be a world first, which offers a secure means for Egg customers to view their PIN number online using leading-edge technology. This unique service will enable customers to access their PIN number at any time and also reduce the administration process and therefore resource that would otherwise have to be provided.

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"Looking forward we expect strong competition and margin pressure to remain a feature of the UK credit card market for the foreseeable future. However we are confident that the Egg brand, our strong relationship with our customers, our ability to segment and target the right consumers with our marketing, our dominance in the digital channel and our increasing ability to cross sell additional products leaves us well positioned for further success in this market.

"Egg remains well capitalised and the Board believes that future retained profits at group level and other capital management options available to Egg should enable us to grow the business in line with our plans and maintain our tier 1 capital ratio in our target range of 7% to 9%.

"The past six months have been difficult for Egg with the uncertainty created by the potential sale of the group. However we are unwavering in our belief in Egg's potential and the assets we have built. We enter the second half of the year with confidence and look forward to further developing our UK business."

Overview of Group Results

Summary profit and loss account by quarter (Unaudited)

	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003
UK	**£m**	£m	£m	£m	£m
Net Interest Income	**70.1**	73.7	72.5	64.6	61.6
Other Operating Income	**49.9**	44.7	39.4	43.6	43.0
Egg UK Operating Income	**120.0**	118.4	111.9	108.2	104.6
Operational and Administrative Expenses	**(38.4)**	(41.3)	(39.7)	(36.8)	(34.3)
Brand and Marketing Costs	**(10.6)**	(9.6)	(8.5)	(6.5)	(9.9)
Development Costs	**(4.7)**	(5.9)	(4.5)	(5.9)	(4.6)
Depreciation and Amortisation	**(5.6)**	(5.2)	(6.5)	(4.4)	(3.4)
Amounts written off Fixed Asset Investment	**-**	-	(4.3)	-	-
Provisions for Bad and Doubtful Debts	**(41.3)**	(41.2)	(32.3)	(34.6)	(33.0)
Egg UK Operating Profit	**19.4**	15.2	16.1	20.0	19.4
France					
Net Interest Income	**2.1**	1.9	1.5	1.8	1.3
Other Operating Income	**(0.1)**	-	(0.2)	(0.3)	(0.1)
Egg France Operating Income	**2.0**	1.9	1.3	1.5	1.2
Operational and Administrative Expenses	**(9.9)**	(9.1)	(10.4)	(12.8)	(11.7)
Brand and Marketing Costs	**(0.9)**	(1.6)	(3.2)	(3.6)	(9.5)
Development Costs	**(0.2)**	(0.4)	(0.9)	(0.5)	(1.0)
Depreciation and Amortisation	**(2.0)**	(1.7)	(2.1)	(2.1)	(2.1)
Provisions for Bad and Doubtful Debts	**(5.5)**	(4.9)	(4.3)	(3.3)	(1.7)
Egg France Operating Loss	**(16.5)**	(15.8)	(19.6)	(20.8)	(24.8)
Other International	**-**	-	(0.7)	(0.7)	(0.5)
Subsidiaries/Associates/JV's	**(1.0)**	(0.7)	(0.2)	(0.6)	(1.2)
Transaction Costs	**(1.3)**	(1.3)	-	-	-
Restructuring Costs	**0.2**	(2.3)	(5.1)	-	-
Group Profit/(Loss) Before Tax	**0.8**	(4.9)	(9.5)	(2.1)	(7.1)

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Egg UK

Revenues

Net interest income in Q2 2004 was £70.1 million. The reduction over Q1 (£73.7 million) was in line with our revised expectations following the 50 basis point increase in base rates and hence funding costs during the quarter and taking into account the reduction in interest bearing balances being experienced across the industry (per BBA statistics these have reduced from 75% to 70% of total balances in the five months to May 2004). We forecast that margins will remain under pressure with further base rate rises predicted. However, we expect interest income to be higher in H2 compared to H1 thanks to improved card and loan balance growth and the unwinding of incentive offers on customers acquired in the first six months.

Egg has grown non-interest income significantly over the past few quarters with the Q2 2004 total at £49.9 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 focus on growing our unsecured lending portfolio.

Costs

Operational and administrative costs at £38.4 million for the quarter remain tightly managed with improvements in unit servicing costs and a reduction in overhead expenditure.

Brand and marketing costs were £10.6 million in Q2 2004. This included a new advertising campaign launched in April. Sales performance remained strong with 144,000 customers acquired in the second quarter, which keeps us well on track to achieve our target of 500,000 net new customers for the year. We intend to increase total brand and marketing expenditure to approximately £40 million for the full year compared to £34 million in 2003 as we are still acquiring new customers at an attractive unit marketing cost despite the high levels of competition currently being experienced in the UK card market. We are also increasing our focus on cross sales given the quality of our product range and the propensity of existing customers to buy more from us when appropriately targeted.

Development costs were £4.7 million for the quarter. We still 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 and amortisation at £5.6 million in Q2 2004 was in line with trends and we expect the charge for the second half to be consistent with the first half.

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. As a result of improvements in our analytics capabilities and consequent enhancements to our provisioning methodologies we are able to predict our provision requirements more accurately. Application of this revised methodology has led to overall provisions held against our unsecured lending portfolio being slightly reduced as a proportion of impaired balances and has also effected a shift in mix between general and specific provisions. The bad debt charge for Q2 of £41.3 million was 2.3% of average assets reflecting the combination of additional provisions raised as a result of the growth in the book and the methodology enhancements. As we outlined within our preliminary results we expect the charge to be approximately 2.4% for the full year.

Egg France

The operating loss for the second quarter was £16.5 million (€24.2 million). As we announced on 13 July, we have begun to consult with the Work's Council and to take the other necessary steps to withdraw from the market and we expect the cost of closing Egg France to be approximately €170 million (£113 million) pre tax. A provision for the full estimate of exit costs will be booked in the consolidated Egg accounts in July 2004 and this provision will be revised in line with actual experience, as our consultations progress. This provision estimate includes the operating losses that will be incurred in running the business throughout the closure process, asset impairment write downs, redundancy and other social plan costs, contract break costs and the write off of the remaining goodwill.

Subsidiaries/Associates/JV's

The £1.0 million net loss in Q2 2004 was primarily in respect of Egg's 85% subsidiary Investment Funds Direct Holdings Limited ("Funds Direct").

Transaction Costs

The costs of £1.3 million in Q2 2004 relate to incremental expenses incurred in relation to the ongoing process whereby Prudential is considering proposals for its shareholding in Egg.

Restructuring Costs

There were no further costs in Q2. The charge of £2.3 million in Q1 2004 has been retranslated at revised exchange rates. It related to exit costs on one of our leased properties within Egg France.

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Business Performance

Egg UK

Summary New Business Figures by Quarter

	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003
Net New Egg UK Customers ('000)	**144**	148	150	145	175
Net New Customers by product ('000)					
- Savings	**7**	17	4	(1)	(15)
- Credit Card	**171**	157	160	167	196
- Personal loans	**23**	23	23	23	21
- Mortgages	**(1)**	(1)	(1)	-	-
- Egg Invest	**1**	1	1	-	-
- Egg Insure	**1**	(1)	2	(8)	17
Products	**£m**	£m	£m	£m	£m
- Egg Card Balance Growth	**81**	(5)	122	250	241
- Egg Personal Loan Drawdowns	**574**	563	526	490	427
- Egg Mortgage Drawdowns	**57**	60	58	64	72
- Egg Savings Flows (net)	**244**	(47)	(229)	(637)	(345)

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Cumulative Figures

	30 June 2004	30 June 2003	31 Dec 2003
Total Egg UK Customers [(1)] [(2)]	**3,488,747**	2,901,495	3,196,435
Customers by product [(1)]			
- Credit Card [(4)]	**2,944,969**	2,289,825	2,616,505
- Savings [(3)]	**763,263**	735,864	738,565
- Personal loans [(3)]	**272,829**	181,420	227,195
- Mortgages [(3)]	**27,686**	30,382	28,929
- Egg Invest [(3)]	**59,363**	57,111	57,942
- Egg Insure [(3)]	**118,713**	125,255	118,242
Product balances [(1)]	**£m**	£m	£m
- Egg Card	**3,091**	2,642	3,015
- Egg Savings	**6,402**	7,030	6,164
- Egg Personal Loans	**2,256**	1,307	1,773
- Egg Mortgages	**1,154**	1,251	1,197
- Prudential Savings	**144**	221	185
- Prudential Mortgages	**684**	971	798
- Prudential Personal Loans	**1**	3	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 almost 3.5 million customers including the 144,000 net new customers who joined during the second quarter. This represents a strong performance in an increasingly competitive market with our brand and overall proposition enabling us to continue to acquire high quality customers at an attractive unit marketing cost.

Unsecured Lending

Net lending balance growth was a healthy £559 million in H1 which is encouraging given the increased competition in the market (H1 2003: £650 million). We now have almost 3 million credit card customers, with balances standing at £3.1 billion at period end. We are selling record numbers of personal loans with disbursements of £574 million in Q2 taking the total for the first half to over £1.1 billion.

Savings

Q2 2004 saw a net inflow on deposits of £244 million (H1 net inflow of £197 million). This reflected the success of our bonus account offering which ran in April and May to raise additional monies from the retail savings market as part of Egg's funding strategy.

Financial Review

This section analyses H1 2004 Group results compared to H1 2003.

Net interest income increased by 15.5% to £147.8 million for the period (H1 2003: £128.0 million) resulting from the growth in retail asset balances (30 June 2004: £7.1 billion, 30 June 2003: £6.1 billion). Margins have remained relatively stable.

Other operating income increased by £21.6 million (30%) to £94.5 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 £21.3 million (62%) to £55.9 million on the back of increased loan sales and increased penetration on the product. In addition commission earned on the sale of credit card protection insurance increased by £4.8 million to £23.2 million (H1 2003: £18.4 million). This has been offset by a £3.5 million decrease in profit on the disposal of investment securities to £2.0m (H1 2003: £5.5 million).

Operational and administrative expenses increased by £9.2 million (10%) to £104.6 million. This has resulted from a combination of factors; there has been an increase in the core UK operational cost of £12.5 million (19%) in line with growth in customers, offset by savings of £1.0 million in France. Transaction and restructuring costs also go through this line and show a reduction of £0.5 million in total half year on half year.

Brand and marketing costs have decreased by £15.4 million (40%) to £22.7 million. This predominantly reflects a slowdown in Egg France (£16.7 million lower in 2004). There was a small increase in UK costs (£1.3 million).

Development costs have decreased by £3.7 million (25%) to £11.2 million. There was a decrease in costs relating to France of £1.4 million as the infrastructure is now in place. In addition during H1 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 £2.6 million (22%). The increase was all in the UK. This can largely be attributed to the new building in Derby which opened in July 2003 with associated fixtures, fittings and equipment plus hardware upgrades and new developments such as our Customer Data Warehouse which went live throughout the year.

The charge for bad and doubtful debts was £92.9 million (H1 2003: £62.4 million). The increase in this figure over first half of 2003 has predominantly resulted from strong growth in the UK personal loan book due to the success of the cross-sales strategy and the increasing mix of unsecured lending in the overall retail asset portfolio. Our delinquency levels on cards remain well below the industry average. The France bad debts charge has increased by £7.7 million to £10.4 million largely due to an increase in the credit card provision by £6.8 million to £8.7 million, reflecting the growth in France Credit card balances to £135.8 million (H1 2003: £47.4 million).

The tax credit was £1.2 million compared to a tax charge (30 June 2003: £1.6 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 £2.7 million compared to a loss of £24.2 million for the half year 2003.

Loss per share was 0.3p compared to 3.0p for the half year 2003.

Total assets increased to £12.2 billion as at 30 June 2004 (30 June 2003: £11.2 billion) mainly due to the ongoing growth in UK unsecured lending balances.

Total liabilities increased to £11.8 billion as at 30 June 2004 (30 June 2003: £10.7 billion), largely due to an increase in card securitisation of £1 billion. Wholesale funding has increased by £0.8 billion offsetting a reduction in deposits of £0.6 billion.

Capital ratios at 30 June 2004 were 9.2% (tier 1) and 16.6% (total) (30 June 2003: 9.7% (tier1) and 17.8% (total)).

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 as presented for the half year ended 30 June 2004.

KPMG Audit Plc
Chartered Accountants
London
21 July 2004

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Consolidated profit and loss account (Unaudited)

	Six months to 30 June 2004	Six months to 30 June 2003	(Audited) Full Year 2003
	£m	£m	£m
Interest receivable	**437.6**	408.4	830.8
Interest payable	**(289.8)**	(280.4)	(562.0)
Net interest income	**147.8**	128.0	268.8
Other operating income	**94.5**	72.9	155.2
Operating income	**242.3**	200.9	424.0
Administrative expenses			
- operational and administrative expenses	**(104.6)**	(95.4)	(202.6)
- brand and marketing costs	**(22.7)**	(38.1)	(60.0)
- development costs	**(11.2)**	(14.9)	(25.7)
Depreciation and amortisation	**(14.5)**	(11.9)	(26.9)
Amounts written off fixed asset investment	**-**	-	(4.3)
Provisions for bad and doubtful debts	**(92.9)**	(62.4)	(137.0)
Operating loss	**(3.6)**	(21.8)	(32.5)
Share of operating profit of joint ventures	**0.3**	-	0.1
Share of associates losses	**(0.8)**	(1.0)	(2.0)
Loss on ordinary activities before tax	**(4.1)**	(22.8)	(34.4)
Tax credit/(charge) on loss on ordinary activities	**1.2**	(1.6)	1.4
Minority interests	**0.2**	0.2	0.2
Retained loss for the financial period	**(2.7)**	(24.2)	(32.8)
Loss per share (pence per share)	**(0.3p)**	(3.0p)	(4.0p)

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

Consolidated statement of total recognised gains and losses

	Six months to	Six months to	(Audited)
	30 June	30 June	Full Year
	2004	2003	2003
		Restated	Restated
	£m	£m	£m
Retained loss for the financial period	**(2.7)**	(24.2)	(32.8)
Currency translation differences on foreign currency net investments	**0.4**	4.3	4.4
Adjustment to reserves in respect of UITF 38	**-**	6.1	8.1
Total recognised losses related to the period	**(2.3)**	(13.8)	(20.3)

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Consolidated balance sheet (Unaudited)

	30 June 2004	30 June 2003 Restated	(Audited) 31 December 2003 Restated
	£m	£m	£m
Assets			
Cash and balances at central banks	**13.1**	13.0	13.3
Loans and advances to banks	**294.7**	315.5	329.6
Loans and advances to customers	**7,105.5**	6,063.0	6,718.0
Debt securities	**4,145.8**	4,387.6	4,156.5
Shares in joint ventures	**1.3**	0.8	1.0
Investment in associated undertakings	**4.6**	6.4	5.4
Intangible fixed assets	**6.1**	6.3	6.0
Tangible fixed assets	**100.9**	83.5	95.3
Other assets	**449.4**	183.1	268.5
Deferred tax	**24.9**	20.0	23.3
Prepayments and accrued income	**77.5**	74.8	75.5
Total assets	**12,223.8**	11,154.0	11,692.4
Liabilities			
Deposits by banks	**2,016.0**	1,120.7	1,610.4
Securities sold under agreements to repurchase	**816.8**	20.6	829.2
Customer accounts	**6,698.6**	7,317.0	6,451.7
Debt securities issued	**1,339.2**	1,379.9	1,422.9
Other liabilities	**292.9**	300.7	340.1
Accruals and deferred income	**170.0**	124.1	153.7
Subordinated liabilities			
- Dated loan capital	**450.8**	450.8	450.8
Total liabilities	**11,784.3**	10,713.8	11,258.8

	30 June 2004	30 June 2003 Restated	(Audited) 31 December 2003 Restated
	£m	£m	£m
Shareholders' funds			
Called up share capital	**412.2**	410.1	410.3
Share premium account	**110.9**	107.3	107.5
Capital reserve	**359.7**	359.7	359.7
Own Shares held in ESOP Trust	**(8.2)**	(8.3)	(10.4)
Profit and loss account	**(436.1)**	(429.8)	(434.7)
Shareholders' funds (all attributable to equity interests)	**438.5**	439.0	432.4
Minority interests (equity)	**1.0**	1.2	1.2
Total liabilities and shareholders' funds	**12,223.8**	11,154.0	11,692.4

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Consolidated Cash Flow (Unaudited)

	Six months to 30 June 2004 £m	Six months to 30 June 2003 £m	(Audited) Full Year 2003 £m
Net cash inflow/(outflow) from operating activities	**133.2**	(220.4)	(259.9)
Return on investments and servicing of finance	**(16.2)**	(9.5)	(25.9)
Taxation:			
Tax paid	**(0.2)**	(3.8)	(3.8)
Capital expenditure and financial investment:			
Purchase of tangible fixed assets	**(21.7)**	(21.8)	(46.7)
Sale of tangible fixed assets	**1.7**	0.1	-
Restricted share plan purchase of shares	**-**	(0.9)	(3.0)
Purchase of investments	**(2,924.4)**	(3,581.9)	(5,960.7)
Sale of investments	**2,904.2**	3,458.8	5,996.9
Net cash inflow/(outflow) from capital expenditure and investment	**(40.2)**	(145.7)	(13.5)
Financing:			
Issue of dated loan capital	**-**	249.1	249.1
Issue of share capital	**5.3**	-	0.4
Net cash inflow from financing	**5.3**	249.1	249.5
Increase/(decrease) in net cash	**81.9**	(130.3)	(53.6)

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

	Six months to 30 June 2004 £m	Six months to 30 June 2003 £m	(Audited) Full Year 2003 £m
Operating loss	**(3.6)**	(21.8)	(32.5)
(Increase)/decrease in prepayments and accrued income	**(1.9)**	1.3	0.6
Increase/(decrease) in accruals and deferred income	**16.7**	(22.5)	8.1
Provision for bad and doubtful debts	**37.3**	31.9	64.2
Profit on sale of financial investments	**(1.9)**	(5.5)	(5.3)
Depreciation and amortisation	**24.7**	18.2	47.6
Interest on subordinated liabilities	**16.2**	9.5	25.9
Net increase in loans and advances to banks and customers	**(308.3)**	(755.8)	(1,379.0)
Net decrease in securities purchased under agreements to resell	**-**	150.0	150.0
Net increase/(decrease) in deposits by banks and customer accounts	**652.4**	(79.7)	(455.2)
Net (decrease)/increase in securities sold under agreements to repurchase	**(12.3)**	20.6	829.2
Net (decrease)/increase in debt securities in issue	**(83.7)**	365.0	408.0
Net increase in other assets	**(155.5)**	(17.5)	(47.1)
Net (decrease)/increase in other liabilities	**(69.2)**	84.9	165.8
Net increase/(decrease) in settlement balances	**22.1**	(3.3)	(44.9)
Other non-cash movements	**0.2**	4.3	4.7
Net cash inflow/(outflow) from operating activities	**133.2**	(220.4)	(259.9)

Reconciliation of movement in shareholders' funds (Unaudited)

	Six months to 30 June 2004	Six months to 30 June 2003 Restated	(Audited) Full Year 2003 Restated
	£m	£m	£m
Retained loss for the financial period	**(2.7)**	(24.2)	(32.8)
Exchange and other adjustments	**0.4**	4.3	4.4
Increase in share capital	**1.9**	-	0.2
Share premium	**3.4**	-	0.2
Awards under incentives schemes	**3.1**	1.0	2.5
Net increase/(decrease) in shareholders' funds	**6.1**	(18.9)	(25.5)
Opening shareholders' funds	**432.4**	457.9	457.9
Closing shareholders' funds	**438.5**	439.0	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 30 June 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 £92.9 million (30 June 2003: £62.4 million). The balance sheet provisions for bad and doubtful debts and movements thereon were:

	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	-	(54.8)	**(54.8)**
New and additional provisions	(1.5)	94.4	**92.9**
Net charge against profit and loss	(1.5)	94.4	**92.9**
Balance at 30 June 2004	49.6	181.2	**230.8**
Balance at 30 June 2003	42.9	117.9	**160.8**

Provisions at 30 June 2004 were 3.1% of advances to customers (30 June 2003: 2.7%).

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

	Six months to 30 June 2004	Six months to 30 June 2003
	£m	£m
Tax credit/Corporation tax payable	**1.2**	(1.6)

e) Loss per share of 0.3p (30 June 2003: 3.0p) is calculated by dividing the loss after tax for the financial period of £2.7 million (30 June 2003: £24.2 million) by the weighted average of 818.1 million (30 June 2003: 817.3 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:

	30 June 2004	30 June 2003
	£m	£m
Gross assets	**3.0**	3.2
Gross liabilities	**(1.7)**	(2.4)
Shares in joint ventures	**1.3**	0.8

g) The table below analyses the Group results for the 6 months to 30 June 2004 by the geographical area in which business is generated. Certain costs incurred in the UK on behalf of France are included in the results of France.

	UK	France	Group
	£m	£m	£m
Interest receivable	**431.8**	**5.8**	**437.6**
Fees and commissions receivable	**100.1**	**2.6**	**102.7**
Profit on disposal of investments	**2.0**	**-**	**2.0**
Other operating income	**1.6**	**0.3**	**1.9**
Gross income	**535.5**	**8.7**	**544.2**
Operating profit/(loss)	**28.6**	**(32.2)**	**(3.6)**
Share of operating profit of joint venture	**0.3**	**-**	**0.3**
Share of operating loss of associates and amortisation of goodwill	**(0.8)**	**-**	**(0.8)**
Profit/(loss) before taxation	**28.1**	**(32.2)**	**(4.1)**

h) Subsequent to the balance sheet date the Group announced that it had begun to consult with the Work's Council and to take the other necessary steps to withdraw from the French market and close its business there. This process is expected to take between eighteen months and two years to complete and the total exit costs are estimated to be approximately €170 million (£113 million) pre tax. A provision for the full estimate of exit costs will be booked in the consolidated Egg accounts in July 2004 and this provision will be revised in line with actual experience, as our consultations progress. This provision estimate includes the operating losses that will be incurred in running the business throughout the closure process, asset impairment write downs, redundancy and other social plan costs, contract break costs and the write off of the remaining goodwill.

i) The interim financial statements have been reviewed by the Group's auditors, KPMG Audit Plc, and their report is set out on pages 14 and 15.

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Average Balance Sheet (UK Business Only)

(£m, except percentages)

	30 June 2004		30 June 2003		31 December 2003	
	Avg. Balance	**Avg. Rate %**	Avg. Balance	Avg. Rate %	Avg. Balance	Avg. Rate %
Assets						
Wholesale assets	**4,219**	**4.28**	4,438	4.09	4,345	4.11
Mortgages	**2,014**	**4.74**	2,302	4.81	2,210	4.74
Personal loans	**1,779**	**7.48**	1,115	8.59	1,326	8.03
Credit cards	**2,940**	**9.45**	2,437	9.81	2,650	9.59
Total average interest-earning assets	**10,952**	**6.27**	10,292	6.09	10,531	6.12
Fixed and other assets	**94**		191		157	
Total assets	**11,046**		10,483		10,688	
Liabilities						
Customer accounts	**6,494**	**3.36**	7,620	3.44	7,149	3.32
Wholesale liabilities and subordinated debt	**3,923**	**4.30**	2,176	5.20	2,875	4.04
Total average interest-bearing liabilities	**10,417**	**3.71**	9,796	3.83	10,024	3.52
Other liabilities	**208**		244		234	
Total liabilities	**10,625**		10,040		10,258	
Shareholders' funds	**421**		443		430	
Total liabilities and shareholders funds	**11,046**		10,483		10,688	

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)

	30 June 2004 Average rate %	30 June 2003 Average rate %	31 December 2003 Average rate %
Interest income as a percentage of average interest-earning assets	**6.27**	6.09	6.12
Interest expense as a percentage of average interest-bearing liabilities	**3.71**	3.83	3.52
Interest spread	**2.56**	2.26	2.60
Net interest margin (includes interest on off-balance sheet items)	**2.56**	2.44	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 and is listed on the London Stock Exchange. Prudential plc holds approximately 79% of the share capital.