



Broadband update

THE Carphone Warehouse

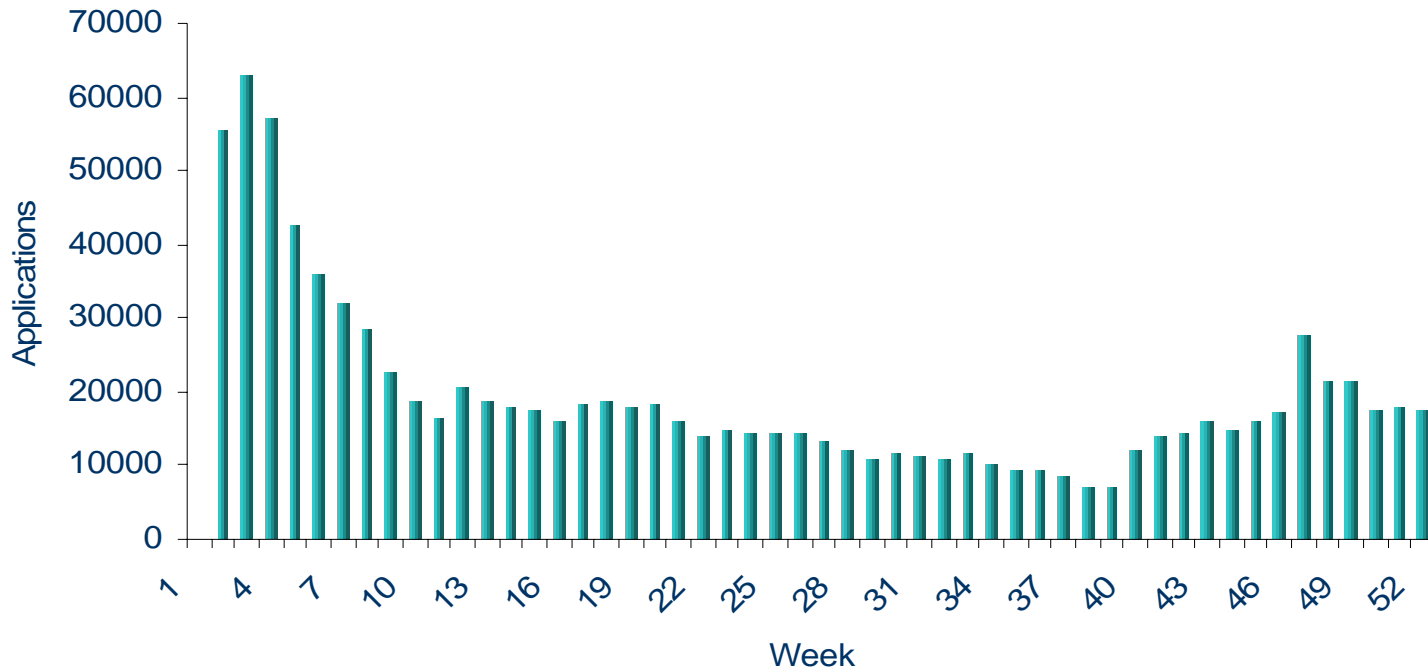
your phone, your way

One year on – report card



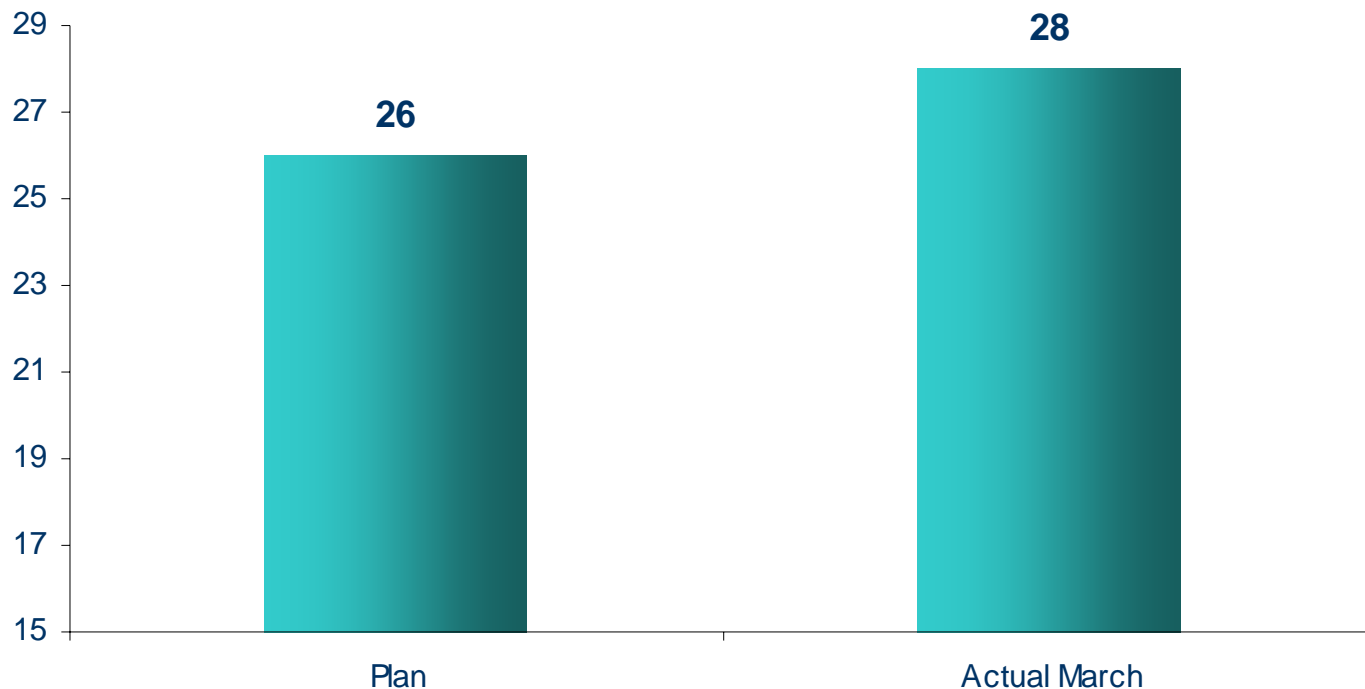
- Customer recruitment ✓ ✓
- ARPU ✓ ✓ ✓
- Cost structure – network/interconnect ✓ ✓ ✓
- Cost structure – customer service ✓
- Exchange roll-out ✓ ✓ ✓
- Migration ✓
- Customer service X

Customer recruitment



- **Huge impact on launch**
- **Subsequent negative publicity**
- **Confidence in service returning by year end**

ARPU



- **ARPU ahead of budget**
- **Out-of-bundle the main driver**
- **Termination just beginning to kick in**

ARPU drivers

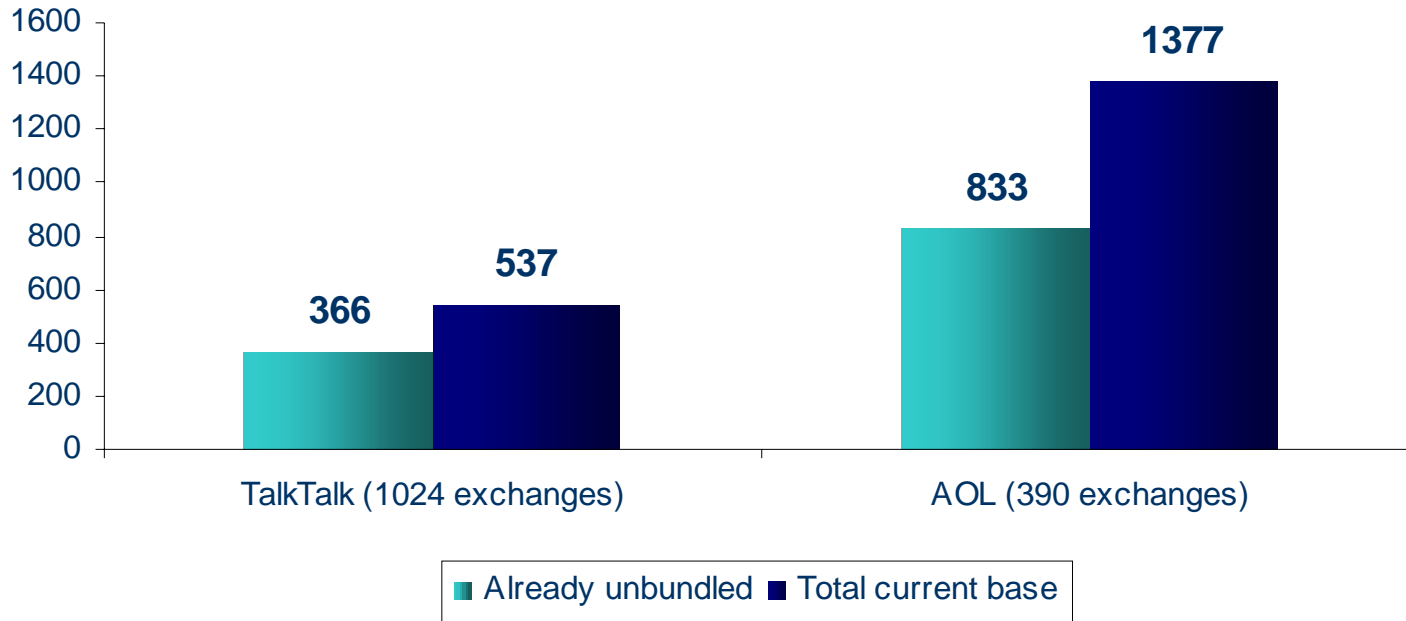


- Termination
- Select services
- Protection products
- “TalkTalk Anywhere”

Exchange density

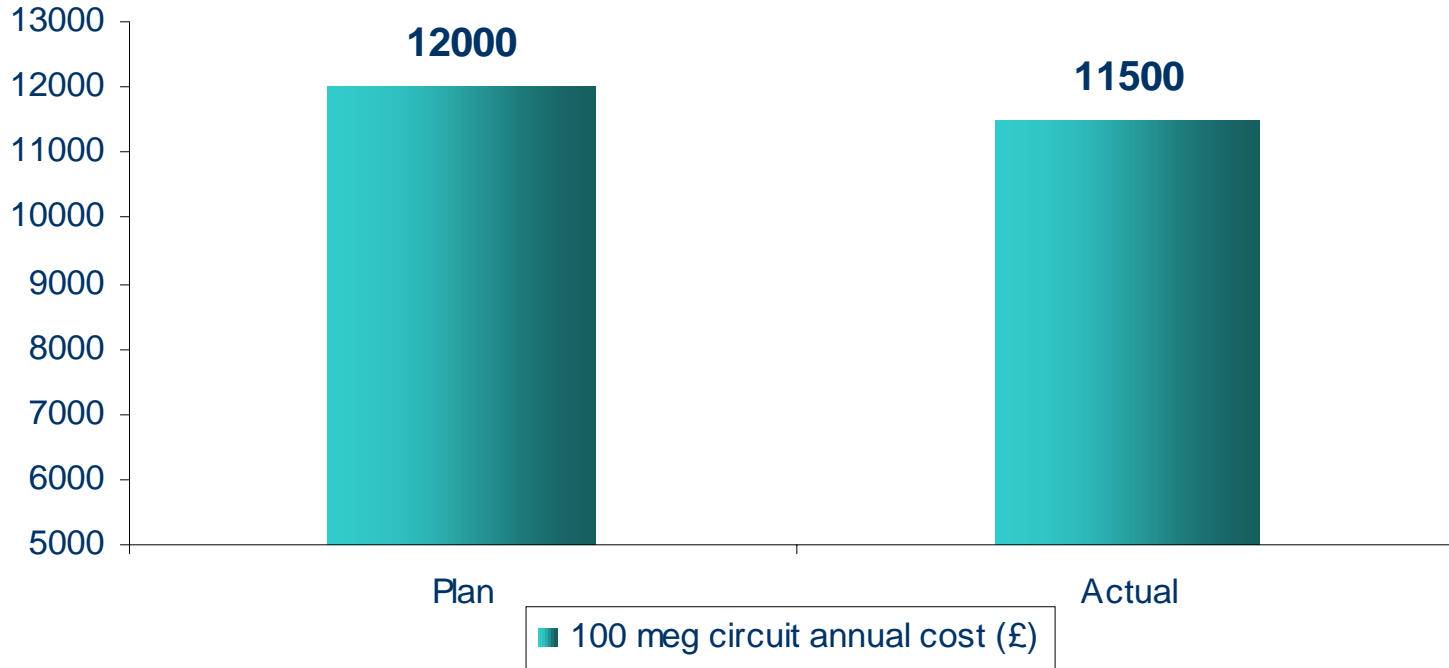


Customers per unbundled exchange



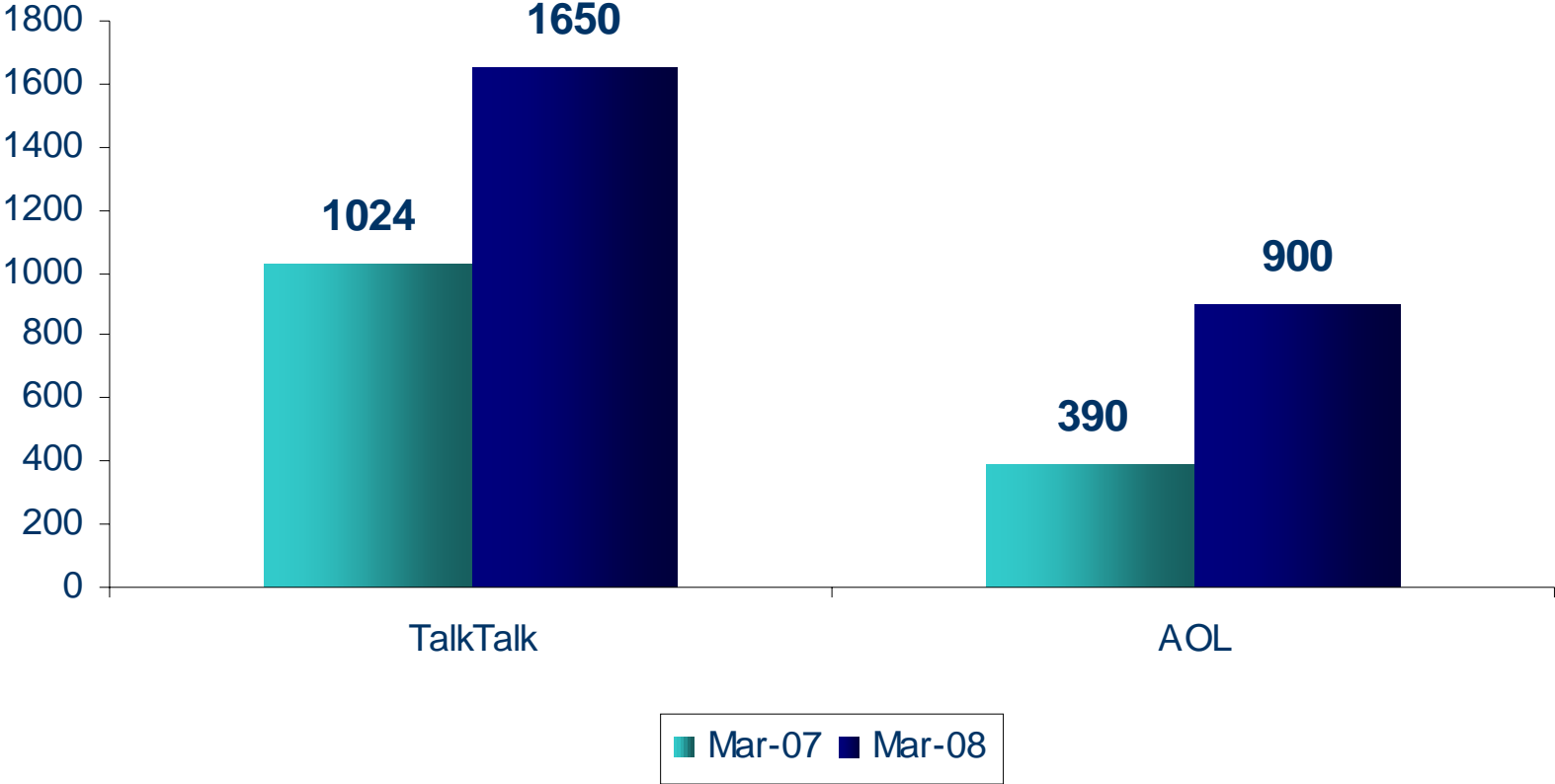
- **Critical mass already achieved in current exchange footprint**
- **Further migration and increased exchange footprint both positive for margin**

Backhaul costs

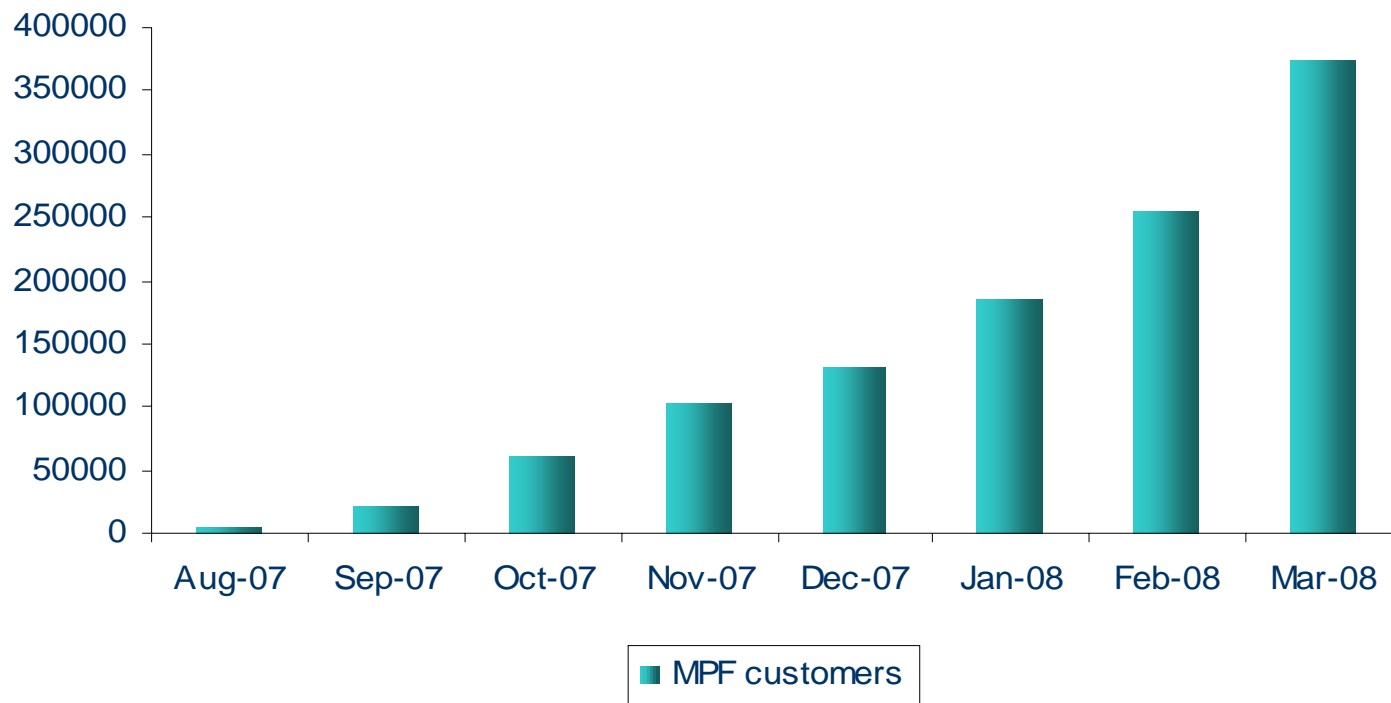


- Shared TalkTalk/AOL backhaul is a key efficiency
- Usage growth expected to be strong
- Current usage suggests 4,000 subs per 100 meg circuit
- “Daisy chain” network structure shares circuits efficiently between exchanges

Exchange roll-out

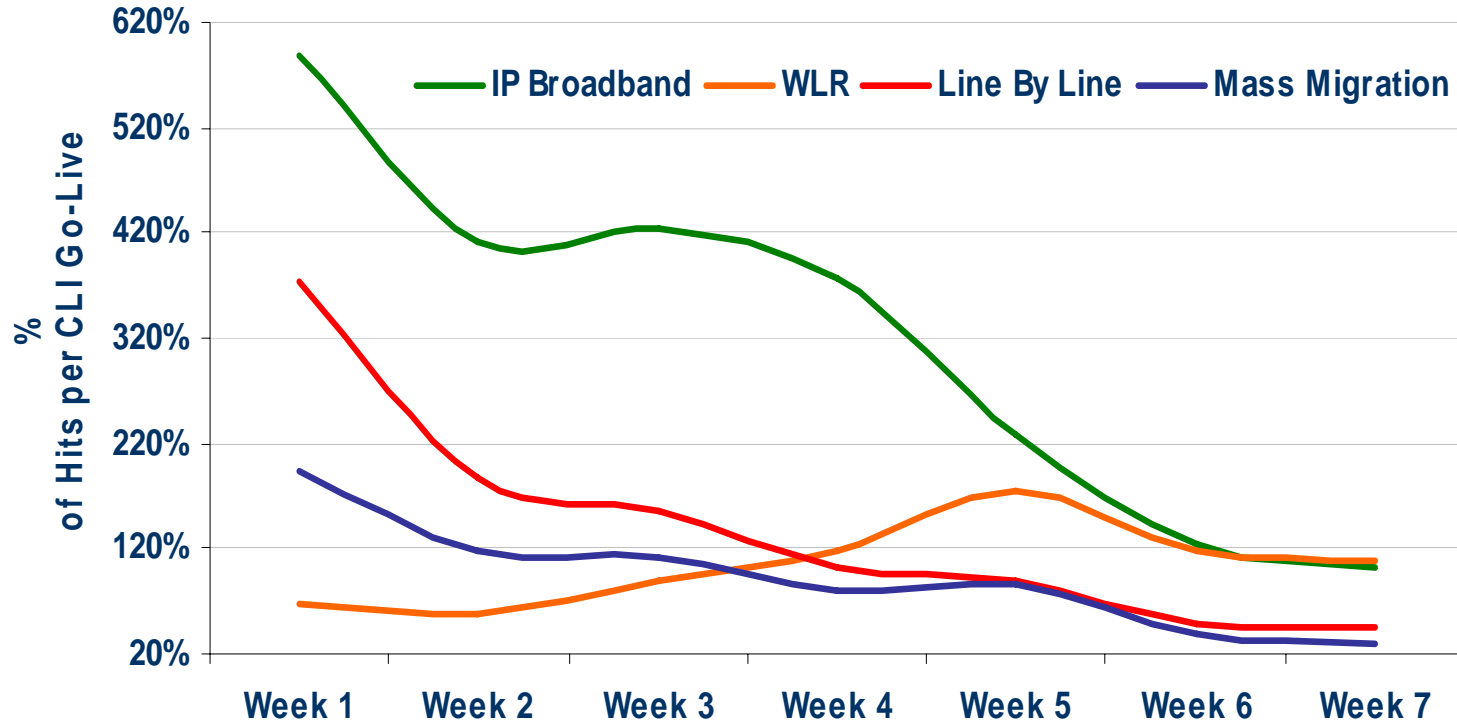


Migration



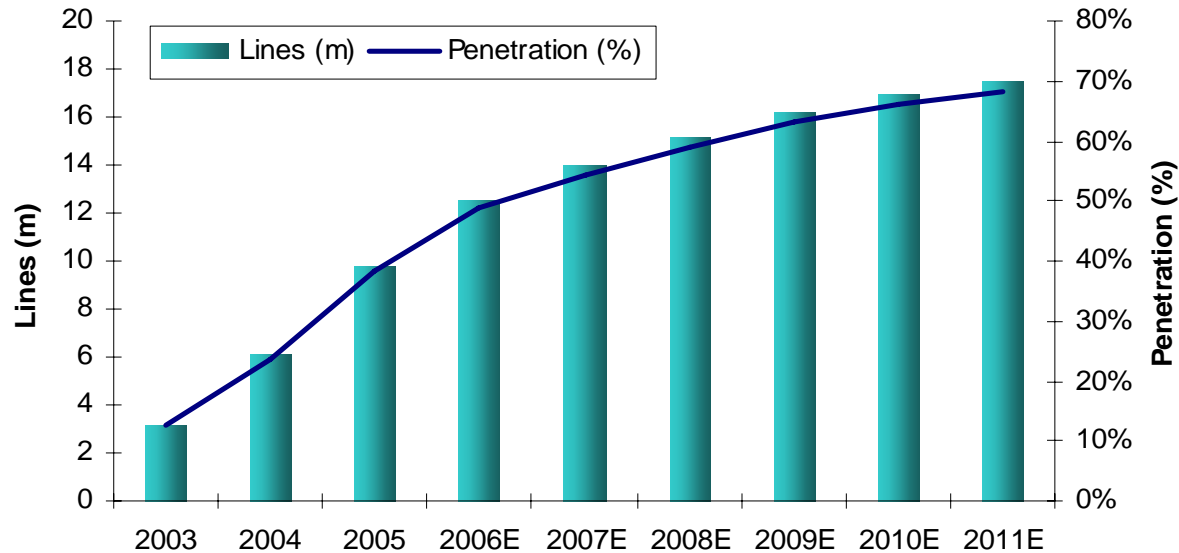
- **Start delayed but good momentum subsequently**
- **Process significantly improved**

Customer service



- Contact rates are high with any go-live process, but tail off quickly
- LLU actually better than the wait for IP Stream

Broadband market continues to offer growth



- 4-5m new connections up for grabs in the next 5 years
- Gross adds market significantly greater
- Aiming to grow market share
- Free broadband increases size of addressable market
- Targeting 3.5m customers by March 2010

Broadband strategy

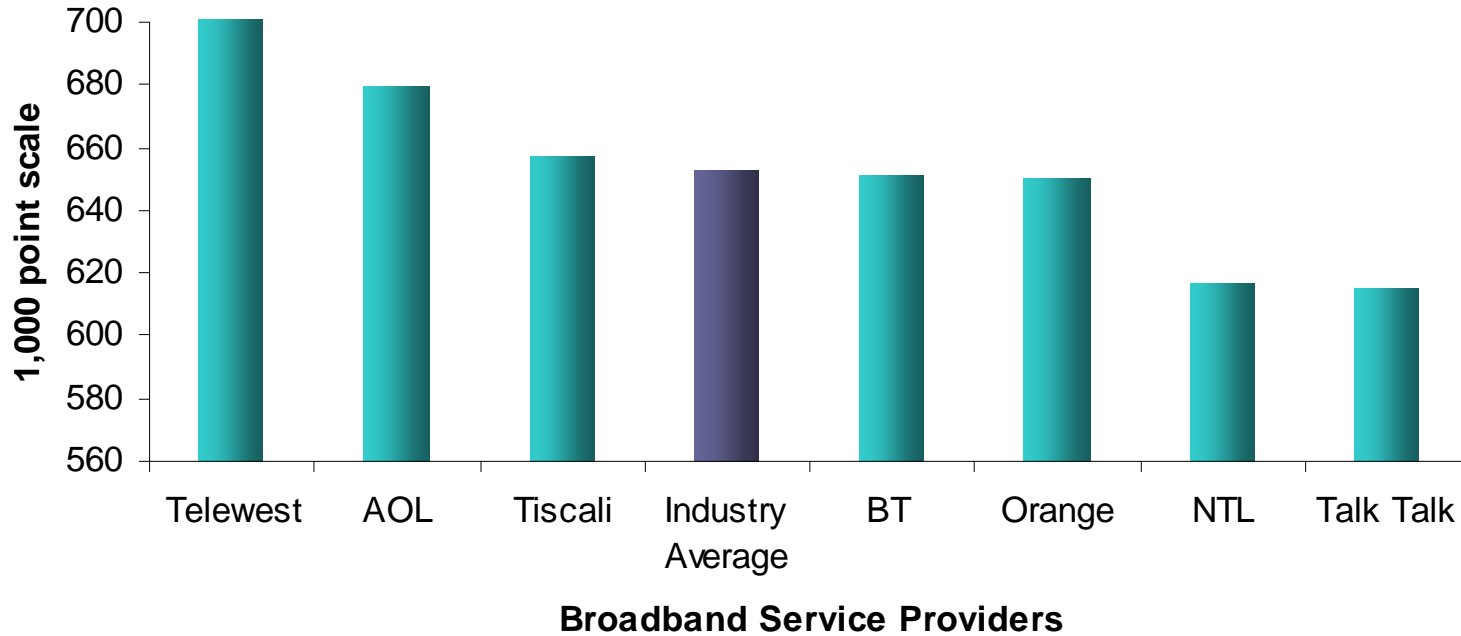


- Still the best value broadband/ telephony product in the market
- Simple and transparent
- Significant market impact
- Very strong ISP brand with good loyalty
- High end offering with free wireless router, parental controls etc
- Opportunity to develop other hardware bundles

AOL ranks highly for customer service



Customer Satisfaction Index Scores



Source: J.D Power and Associates 2006 UK Broadband Internet Service Providers Satisfactory Study



How is the market evolving?



Telco

Media /
Entertainment



TalkTalk
From The Carphone Warehouse

BT 



AOL  **Broadband**

tiscali.

sky



- Focus on being a really good ISP

THE Carphone Warehouse
your phone, your way

Content bundling



- **TalkTalk/AOL aim to be facilitators of customers' needs**
 - Entertainment
 - Mobility
 - Networking
- **Adding value through content provision is challenging and expensive**
- **Content becoming as easily available as music...**

Summary



- **Problems of last 12 months mostly resolved**
- **Customer economics very promising**
- **Market pricing stable**
- **Four key objectives:**
 - **Continued customer growth**
 - **Improve customer experience**
 - **Focus on being lowest cost provider – recruitment, network**
 - **Keep It Simple**