



**Friday 18 January 2008**

**For immediate release**

**The Carphone Warehouse Group PLC**

**Interim Management Statement**

**Third Quarter Revenues up 14%  
Outlook for the full year unchanged**

The Carphone Warehouse announces its third quarter trading update for the thirteen weeks to 29 December 2007.

**Distribution**

- 13% growth in Retail revenue to £650m, 1.0% like-for-like
- 3.1% growth in like-for-like Retail gross profit
- December like-for-like revenue up 3.6%, gross profit up 8.0%
- 11% growth in connections to 3.6m
- 11% growth in subscription connections to 1.3m; up 16% excluding off-the-page
- 17% growth in all telecoms subscriptions; up 22% excluding off-the-page
- 86 net new stores opened, taking the total to 2,423

**UK Fixed Line**

- 36% growth in revenue to £349m
- 118,000 broadband net adds, taking total base to 2.6m
- 221,000 customers unbundled, taking unbundled base to 1.6m or 61% of the total
- 1,533 TalkTalk exchanges and 924 AOL exchanges now unbundled

Charles Dunstone, Chief Executive Officer, said:

“We have enjoyed a good third quarter across the Group. In the Distribution business, we significantly outperformed the market in both subscription and pre-pay, reflecting the enduring strength of our customer proposition and good execution. Within UK Fixed Line, we continued to make excellent progress in customer growth, network roll-out and profitability, with recruitment trends strengthening into 2008. Overall our expectations for the full year are unchanged.

“We believe we are well positioned as a Group, despite the more uncertain consumer environment. This year a significant proportion of profits will come from recurring revenue streams. In our Distribution business, the mobile industry business model and ancillary revenue streams provide strong earnings support. In our broadband business, our value proposition and the success of unbundling significantly enhance the visibility of future earnings.”

## **Distribution**

Total Distribution revenues were up 9% to £900m (2006: £827m).

Retail revenues were up 13% to £650m. Like-for-like revenue growth was 1.0% for the 13 weeks, and like-for-like gross profit growth was 3.1%. In the four week period of December, like-for-like revenue was up 3.6% and like-for-like gross profit was up 8.0%. We opened 86 net new stores in the quarter, taking the total portfolio to 2,423. Total connections were up 11% to 3.6m. Subscription connections were up 11% to 1.3m, and pre-pay connections (including SIM-free sales) were up 11% to 2.3m. The off-the-page channel continued to lag, as expected, and subscription connections excluding this channel rose 16% year-on-year.

Although the pre-pay market was a little more subdued than last year, we significantly outperformed the market and grew our share, thanks to our differentiated product range and our clear value proposition. In particular, we saw further encouraging developments in our plans to provide a broader connectivity proposition, with strong growth in mobile data and fixed line broadband sales: total connections growth was 17% across all telecoms subscriptions, or 22% excluding off-the-page business.

Insurance revenues rose 22% to £43m, driven by continued good growth in the customer base. Ongoing revenues were up 34% to £24m, continuing the positive trend of previous periods.

Total Mobile revenues were up 1% to £133m. Within this, The Phone House Telecom, our German service provision business, grew revenues by 10%, reflecting a more stable ARPU trend in the subscription customer base and further customer growth.

## **UK Fixed Line**

Total UK Fixed Line revenues were up 36% to £349m. Residential revenues rose 57% to £273m. Our broadband business continued to demonstrate very good momentum, with 118,000 net adds in the quarter, taking the total broadband base to over 2.6m. We now expect total net adds in the second half to be towards the upper end of the 200-250,000 range indicated in October 2007. Despite significant numbers of TalkTalk customers coming out of their initial 18 month contract period, we saw no increase in churn levels. Blended broadband ARPU was stable at £22.1.

During the period a further 221,000 customers were connected to our own unbundled network, taking the total on-net base to 1.6m, or 61% of all broadband subscribers. We continued our exchange roll-out in line with our plans, and ended the period with 1,533 fully-unbundled TalkTalk exchanges and 924 partially-unbundled AOL exchanges.

The base of other billed residential customers was 1.9m at the end of the period, reflecting continued migration from narrowband and voice-only services to bundled broadband services.

B2B revenues fell 9% to £77m. Excluding low margin premium rate services, revenues were flat year-on-year. The underlying quality of business continued to improve, translating into improving margins.

## **Associates and joint ventures**

Virgin Mobile, our joint venture MVNO in France, made further good progress over the period, establishing itself clearly as the fourth largest network in the French market. At the end of 2007 Virgin Mobile had 800,000 customers and has set a target of 2 million by the end of 2010.

In the US, Best Buy Mobile, our mobile retail venture with Best Buy, is progressing well. By the end of the period we were present in 181 Best Buy stores with the new concept, with 8 standalone stores also in operation. We are well on target to cover the entire US portfolio by the end of 2009.

Our Geek Squad home technology support service continues its measured roll-out in the UK, and is launching in Spain this month.

### **Financial position**

As required by the Interim Management Statement provisions, we confirm that there has been no significant change in the financial position of the Group since the interim results in November 2007, save for the information contained in this Interim Management Statement.

### **Outlook**

Our outlook for the Group remains positive. In the Distribution business, we expect to continue to gain share through ongoing expansion and our clear customer focus. The development of our broader connectivity proposition will gain pace during 2008. On the Fixed Line side, we have already laid the foundations for a further significant step forward in profitability next year through the success of our unbundling programme, and we expect customer growth to continue, particularly in light of our value proposition. In addition, our ventures with Virgin and Best Buy are progressing well and offer incremental growth opportunities.

### **Conference call**

There will be a conference call for investors and analysts at 9.00 am this morning. The dial-in number is +44 20 7806 1956, with an alternative Freephone number – 1 888 935 4577 - for US callers. The call will also be broadcast on our website, [www.cpwplc.com](http://www.cpwplc.com). A replay will be available for seven days, for which the dial-in number is +44 20 7806 1970, or 1 866 883 4489 for US callers, and the code is 9547197.

### **Next trading update**

The next trading update will be on 14 April 2008, when we will publish Q4 connections and customer numbers and give further guidance on the full year outcome. We will also be hosting a morning of presentations for investors and analysts on that day, in line with previous years.

### **For Further Information**

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## Operating and Financial Statistics

### Revenues

£m	13 weeks to 29 December 2007			39 weeks to 29 December 2007		
	2007	2006	% change	2007	2006	% change
<b>Distribution</b>						
Retail	650	574	13%	1,606	1,440	12%
Insurance	43	35	22%	123	99	24%
Ongoing	24	17	34%	64	50	28%
Mobile	133	132	1%	392	378	4%
Non-UK Fixed Line	24	29	(17%)	75	83	(10%)
Dealer	46	53	(14%)	137	154	(11%)
Eliminations	(19)	(13)	45%	(40)	(31)	30%
<b>Total</b>	<b>900</b>	<b>827</b>	<b>9%</b>	<b>2,357</b>	<b>2,174</b>	<b>8%</b>
<b>UK Fixed Line</b>						
Business	77	84	(9%)	232	237	(2%)
Residential	273	174	57%	815	490	66%
<b>Total</b>	<b>349</b>	<b>258</b>	<b>36%</b>	<b>1,047</b>	<b>727</b>	<b>44%</b>
Eliminations	(16)	(3)	N/M	(31)	(10)	207%
<b>Group Total</b>	<b>1,233</b>	<b>1,082</b>	<b>14%</b>	<b>3,373</b>	<b>2,891</b>	<b>17%</b>

### Like for like data

	13 weeks to 29 December 2007		39 weeks to 29 December 2007	
	Revenue	Gross Profit	Revenue	Gross Profit
Group	1.0%	3.1%	1.3%	2.5%

### Connections and store numbers

000s	13 weeks to 29 December 2007			39 weeks to 29 December 2007		
	2007	2006	% change	2007	2006	% change
<b>Connections*</b>						
Subscription	1,303	1,177	11%	3,342	2,997	12%
Pre-pay	2,150	1,909	13%	5,010	4,189	20%
SIM-free	155	174	(11%)	443	415	7%
Group	3,608	3,260	11%	8,795	7,601	16%
* Excludes Best Buy Mobile						
<b>Own stores</b>	2,207	1,884	17%			
<b>Franchises</b>	216	186	16%			
<b>Total stores</b>	2,423	2,070	17%			

## Customer bases

	As at 29 December 2007		
(000s)	2007	2006	% change
Insurance	2,405	2,207	9%
TPHT base	1,780	1,416	26%
TPHT subscription ARPU (£)	23.25	23.54	(1%)
UK MVNO base	523	536	(2%)
Broadband base	2,604	2,155	21%
Of which unbundled	1,598	413	N/M
% unbundled	61%	19%	
ARPU	22.08	N/A	
Other billed customer base	1,888	2,628	(28%)
ARPU	17.32	N/A	
TalkTalk exchanges	1,533	569	
AOL exchanges	924	-	
Total unbundled exchanges	2,457	569	