

Wednesday 10 October 2007

Embargoed until 0700 hours

The Carphone Warehouse Group PLC

Second Quarter Trading Update

Excellent operational performance; increasing visibility of future profitable growth

Carphone Warehouse today announces its second quarter trading update for the 13 weeks to 29 September 2007.

Second quarter highlights

- Total connections up 19.2% to 2.8m
- Subscription connections up 9.3% to 1.1m; up 13.1% excluding “off-the-page” performance
- 89,000 broadband net adds, taking the base to 2.5m
- 411,000 broadband customers unbundled, taking the on-net base to 1.4m, or 55% of the base
- 500 further exchanges unbundled (137 TalkTalk, 363 AOL), taking the total number of unbundled exchanges to 2,212

Charles Dunstone, Chief Executive Officer, said:

“After an excellent operational performance, we expect to report headline pre-tax profits of £53-56m for the first half, and are confident of the full year outlook.

“In our Distribution business, overall mobile connections growth remains very good and our market share is growing strongly, with continued strength in the pre-pay business offsetting the softer UK direct response market. Our selection as a distributor of the iPhone in the UK is a major endorsement of our retail model and customer proposition, and we expect its launch in November to give us a significant competitive advantage.

“I am very pleased with the progress we have made in our fixed line business, with visibility of future profitable growth increasing all the time. We now have over one million TalkTalk broadband customers, while the focus in AOL has been on customer migrations and network roll-out. As a result, over 80% of all new broadband customers are now connected directly to our own network. We are well ahead of schedule for migrating existing customers to our own network; we have the most extensive unbundled coverage in the UK; and customer service unit costs are falling as our processes improve.”

Distribution

Total connections were up 19.2% to 2.8m year-on-year in the 13 weeks to 29 September 2007. Subscription connections were up 9.3% to 1.1m, with a continued good performance by the store portfolio offset by persistent weakness in the direct response market in the UK. Subscriptions connections growth excluding this channel was 13.1%, and we continue to grow our market share. Pre-pay connections were up 26.8% to 1.6m, reflecting ongoing strength in the pre-pay segment.

We opened 60 net new stores in the period, taking the base to 2,337. The Insurance customer base was up 14.1% year-on-year to 2.4m.

UK Fixed Line

During the period, we added 89,000 customers to our broadband base, taking our total customer base to 2.5m. In September we launched our partnership with Dell, offering free laptops with an AOL broadband subscription. The positive impact on AOL sales, combined with a slight improvement in the runrate of TalkTalk sales, translated into a stronger performance in the last month of the quarter. We expect to add 200,000-250,000 broadband customers over the second half of the year.

We made excellent progress with our network roll-out over the quarter. We unbundled a further 137 TalkTalk exchanges and a further 363 AOL exchanges, taking the totals to 1,384 and 828 respectively. We also connected an additional 411,000 customers to our own network, taking our total of on-net customers to 1.4m, or 55% of our broadband base. Our business now accounts for 43% of all unbundled lines in the UK market. With underlying network economics absolutely in line with our original projections, this gives us increasingly good visibility of future profitable growth.

Our total voice customer base of 2.7m, combining voice only customers with those who take bundled voice and broadband, returned to growth in the quarter, reflecting the success of selling voice services into the AOL broadband base.

Conference call

There will be a conference call for investors and analysts at 9.00am this morning. The number for participants is +44 20 7081 9482. In addition, the freephone number for US callers is 1 866 432 7175. A replay will be available for one week on +44 20 8196 1998 (freephone from US 1 866 583 1035), and the access code is 897311.

Next trading update

The group will publish its interim results on 8 November 2007. The interim results presentation will be slightly earlier than usual, at 8.30am, to allow for other companies' results presentations during the morning.

For Further Information

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Operating Statistics

- **Connections and store numbers**

13 weeks to 29 September 2007

	2007	2006	% change
Connections (000s)			
Subscription	1,054	964	9.3%
Pre-pay	1,630	1,285	26.8%
SIM-free	154	132	16.4%
Group	<u>2,839</u>	<u>2,381</u>	19.2%

26 weeks to 29 September 2007

	2007	2006	% change
Connections (000s)			
Subscription	2,038	1,820	12.0%
Pre-pay	2,861	2,279	25.5%
SIM-free	288	241	19.6%
Group	<u>5,187</u>	<u>4,340</u>	19.5%
Own stores	2,141	1,754	22.1%
Franchises	196	167	17.4%
Total stores	2,337	1,921	21.7%

- **Customer bases and exchanges**

As at 29 September 2007

(000s)	2007	2006
Insurance	2,352	2,061
TPHT base	1,632	1,300
UK MVNO base	519	429
Broadband base	2,486	528
Of which unbundled	1,377	20
Other billed customer base	2,051	2,141
TalkTalk exchanges	1,384	370
AOL exchanges	828	-
Total exchanges	<u>2,212</u>	<u>370</u>