



Europe's number Carphone Warehouse



Designed by Tor Pedersen & Partners. Printed in England by Litho-Tech.



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The Carphone Warehouse Group PLC
Interim Report 2000

Upwardly mobile

Highlights

- Continued market growth
- 62% growth in turnover
- 62% growth in EBITDA (pre MViva)
- 1,009 stores operating in 14 markets across Europe
- Leading position in eight markets
- Good performance in Telecoms Services
- Encouraging start in Wireless Internet Services

Contents

Chairman's statement	2-9
Consolidated profit and loss account	10
Consolidated balance sheet	11
Consolidated cash flow statement	12
Notes to the accounts	13-17



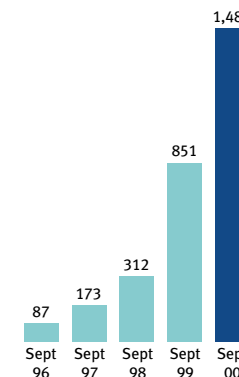
Performing to target

Financial highlights	26 weeks ended	26 weeks ended
	23 September 2000	24 September 1999
	£m	£m
Turnover	447.9	277.3
Gross profit	115.3	73.4
EBITDA	15.6	10.6
Distribution and Telecoms	17.1	10.6
MViva	(1.5)	–
Exceptional items	13.0	–
Profit before tax*	21.0	6.7
Earnings per share**	2.3p	**0.7p

* Before amortisation of goodwill

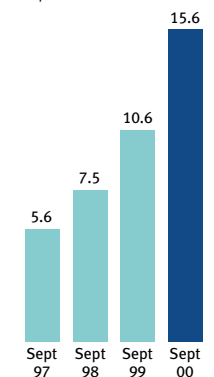
** Adjusted for share capital restructuring

Connections (000's)



EBITDA (£million)

Earnings before interest, taxation, depreciation and amortisation



Chairman's statement

I am pleased to report strong growth in both turnover and earnings for the six months ended 23 September 2000, our first results since our flotation on 21 July 2000.

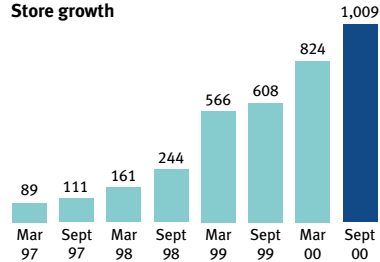
This growth has been driven by further investment in our distribution business, resulting in the opening of our 1,000th store; extensive pan-European expansion in 14 markets; strong performance in our Telecoms Services division and an encouraging start in our Wireless Internet Services division. Across all our businesses customer service and employee training remain a key focus.

This has all been achieved in a market preceding new technological developments,

which reinforces our belief that CPW's unique proposition is beneficial for customers, networks and manufacturers alike.

Total sales for the period ending 23 September 2000 increased by 62% to £447.9 million and EBITDA increased 62% to £17.1 million (pre MViva).

Store growth



Extensive pan-European expansion in 14 markets



Portugal
32 stores



Italy
3 stores



Holland
76 stores



Sweden
47 stores



Hungary
9 stores



Germany
72 stores



Poland
4 stores

France
121 stores



Ireland
20 stores

Spain
104 stores



Switzerland
13 stores



Czech Republic
13 stores



Belgium
40 stores

UK
455 stores
(including Tandy)

Investing for growth



Einfach unparteiisch Rat

Simple imparcial consejo

Egyszeru partatlan tanacs

Jednoduchost nestrannost dobry' tip

Simplicité impartialité conseil

Talking the customer's language

Semplice imparziale consiglio

Simple impartial advice

Simple impartial conseil

Simples imparcial conselho



Gör dig oberoende

Mobiel bellen zoals u dat

Chairman's statement continued

Earnings per share before amortisation of goodwill for the period increased from 0.7p to 2.3p.

The period showed significant growth in store numbers through a combination of new openings and acquisitions. As at 23 September 2000 we operated 1,009 stores across 14 markets, in contrast to 608 stores in nine markets at the same time last year. During the period we invested £69 million in the future of the group by way of capital expenditure in new stores, acquisitions and further enhancements in our operating systems.

Store growth was also achieved through a series of acquisitions in Belgium, France, Germany, Holland, Poland and Portugal, increasing our store portfolio by 185 since March 2000 and giving us leading independent positions in eight markets.

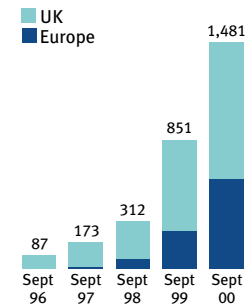
Notably in Germany we have converted 66 stores to The Phone House brand in the last three months and, as such, are in a strong position to maximise Q3 trading opportunities. In addition we have now developed transactional websites across five markets and continue to invest in our online distribution channels.

Our Telecoms Services division has seen extensive growth in the number of customers managed following the acquisition of Cellcom.

MViva, our European wireless Internet portal, has performed ahead of expectations with over 30,000 registered customers and availability in five European markets all as at end of September 2000.

We are confident there remains enormous potential in the mobile communications market due to the continued growth in mobile phone penetration and replacement, driven by continued

Connections growth (000's)



enhancements in new technology and greater functionality. The market will also see a changing landscape with the recent 3G licence auctions across Europe and the emergence of a number of new operators. Our independent proposition clearly enables us to fully exploit the opportunities available from these new developments.

Distribution

The Distribution business enjoyed a strong performance generating total revenues of £436.0 million (1999 £264.1 million) and contribution of £32.1 million (1999 £20.2 million). The results clearly justify our growth strategy of expanding our store network and growing our online channels.

The revenue streams for Distribution are divided into Retail, Online activities, Insurance and Wholesale.

Our Retail business connected over 1.4 million customers, reflecting an increase of 76% from the comparative period last year. This growth came from both subscription (post-pay), where handsets are sold to customers who enter into airtime contracts and pre-pay, where users pay for airtime in advance. We continue to outperform the market significantly in terms of our proportion of subscription to pre-pay connections.

Growing customer approval

-  No lemons
-  The ultimate price promise
-  Price promise
-  14 day exchange
-  Extended warranty

Our Online sales were also strong, derived predominantly through our European call-centres, our transactional websites and our presence on Open, the interactive TV channel.

Our Insurance business continues to perform well with growth in our policyholder base of 27% to over 650,000 by the end of September. We fully expect this trend to continue.

Other Distribution activities including our Wholesale division continued to reflect the level of handset demand globally, with a strong performance.

Telecoms Services

The Telecoms Services division progressed considerably in the period with 188% increase in revenue to £11.5 million (1999 £4.0 million) and contribution of £7.0 million (1999 £4.0 million). Our on-going strategy is to leverage our pan-European retail presence by establishing long-term customer relationships.

We achieved this with continued growth in our own customer and facilities management base.

We believe that this will enhance our alignment with the networks by ensuring the users of wireless devices continue to receive a high quality of service. We now manage over 75,000 such customers, up from 9,000 at March 2000.

Wireless Internet Services

The Wireless Internet Services division has made

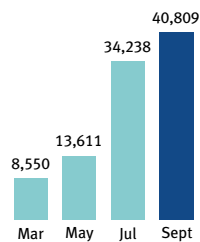
significant progress in the period. Our aim is to take a leading role in the wireless revolution through the emergence of mobile access to the Internet particularly through the launch of MViva, our mobile Internet portal, in July. MViva is now available in the UK, France, Spain, Sweden and Holland and has exceeded our own expectations by securing 30,000 registered customers and over 100 content providers by the end of September. MViva will continue to rollout across Europe during the next 12 months.

Demonstrating the strength of our position

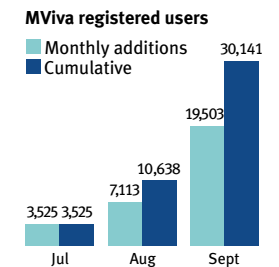
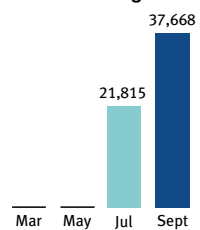
in this exciting market the group entered into a strategic alliance whereby AOL Europe acquired a 15% stake in MViva and was issued warrants to acquire a further 4.9% interest at a total valuation for MViva of \$700m.

In addition to our own Internet portal, our Wireless Internet Service portfolio has made a number of strategic investments in new wireless technology companies in order to assist in strengthening our ability to capture and influence the rapid advance within this emerging market. To date the fund has invested almost

Telecoms Services: Own Customer Base



Telecoms Services: Facilities Management Base



Online for growth

Launched in July, MViva has already attracted over

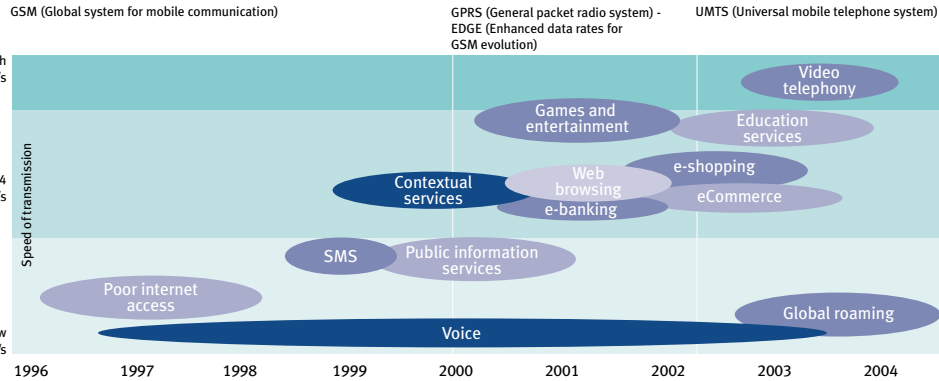
30,000

customer registrations



Future signals are strong

Roll out of new generation technologies (Source: Arthur Andersen, J.P. Morgan)



\$50 million in 18 companies including application, technology and service providers. Plans are underway to generate additional value by making strategic investments in other wireless businesses in the future.

Summary

As the rapid pace of change in the mobile communications market continues and the reliance on the mobile phone and other wireless devices increases we reaffirm our intention to enhance our unique impartial position.

The continued strength of our independent proposition gives us further confidence in our ability to build a truly pan-European group covering the full spectrum of the wireless industry.

We will achieve this through our passion for customer service and proven track record in selling complex products tailored to individual needs. In addition we will build on the strength of our brand across Europe as well as our relationships with mobile network operators and manufacturers. Above all, our employees across Europe have contributed hugely to this impressive growth and their considerable efforts are vital to our future success. Our thanks go to each and every one of them.

Charles Dunstone Chairman and Chief Executive Officer
3 November 2000

Consolidated profit and loss account

For the 26 weeks ended 23 September 2000

		26 weeks ended 23 September 2000	26 weeks ended 24 September 1999*	Year ended 25 March 2000*
	Notes	£'000	£'000	£'000
Turnover	2	447,910	277,291	697,720
Cost of sales		(332,630)	(203,868)	(505,738)
Gross profit		115,280	73,423	191,982
Operating expenses (excluding depreciation and amortisation)		(99,656)	(62,842)	(150,593)
EBITDA		15,624	10,581	41,389
Distribution and Telecoms		17,133	10,581	41,842
MViva		(1,509)	–	(453)
Depreciation		(8,808)	(4,332)	(10,617)
Operating profit before amortisation of goodwill		6,816	6,249	30,772
Amortisation of goodwill	7	(3,597)	(75)	(340)
Operating profit	2	3,219	6,174	30,432
Exceptional items	3	13,014	–	(5,132)
Net interest receivable (payable)		1,191	453	(196)
Profit on ordinary activities before taxation		17,424	6,627	25,104
Tax on profit on ordinary activities	4	(1,190)	(2,320)	(8,831)
Profit on ordinary activities after taxation		16,234	4,307	16,273
Minority interests		(1,130)	393	54
Retained profit for the period		15,104	4,700	16,327
Earnings per share	5	1.8p	**0.7p	**2.3p
Earnings per share before amortisation of goodwill	5	2.3p	**0.7p	**2.3p

* Turnover and operating profit comprise continuing and discontinued operations (note 2)

** Share capital has been adjusted to reflect restructuring of minority interests (note 5)

All material gains and losses are included in the Consolidated profit and loss account.

Consolidated balance sheet

As at 23 September 2000

		23 September 2000	24 September 1999	25 March 2000
	Notes	£'000	£'000	£'000
Fixed assets				
Intangible assets – goodwill	7	233,309	3,013	26,933
Tangible assets		90,383	37,715	63,190
Other investments		39,671	–	11,584
		363,363	40,728	101,707
Current assets				
Stock		59,371	55,421	51,842
Debtors	8	110,695	46,355	82,826
Investments		35,240	23,716	11,144
Cash at bank and in hand		78,203	10,411	25,348
		283,509	135,903	171,160
Creditors: Amounts falling due within one year	9	(184,734)	(112,343)	(173,820)
Net current assets (liabilities)		98,775	23,560	(2,660)
Total assets less current liabilities		462,138	64,288	99,047
Creditors: Amounts falling due after more than one year	10	(14,890)	(13,585)	(21,033)
Provisions for liabilities and charges		(35,081)	(18,723)	(34,594)
Net assets		412,167	31,980	43,420
Capital and reserves				
Called-up share capital	13	819	570	600
Share premium	13	353,070	–	–
Capital redemption reserve	13	30	30	30
Profit and loss account	13	55,993	32,439	43,560
Equity shareholders' funds	14	409,912	33,039	44,190
Minority interests		2,255	(1,059)	(770)
Total capital employed		412,167	31,980	43,420

Approved by the Board of The Carphone Warehouse Group PLC

3 November 2000

Consolidated cash flow statement

For the 26 weeks ended 23 September 2000

	Notes	26 weeks ended 23 September 2000 £'000	26 weeks ended 24 September 1999 £'000	Year ended 25 March 2000 £'000
Net cash inflow from operating activities	11	1,380	4,412	44,475
Returns on investments and servicing of finance		1,191	453	(196)
Taxation		(1,777)	(298)	(7,412)
Capital expenditure and financial investment				
Payments to acquire fixed asset investments		(28,087)	–	(11,584)
Payments to acquire tangible fixed assets		(35,501)	(7,794)	(36,662)
Net (outflows) receipts from (acquisition) disposal of current asset investments		(24,096)	(11,639)	864
Receipts from sale of tangible fixed assets		–	–	392
Net cash outflow from capital expenditure and financial investment		(87,684)	(19,433)	(46,990)
Acquisitions and disposals				
Purchase of subsidiary undertakings		(33,274)	(2,700)	(25,206)
Sale of subsidiary undertakings		–	–	3,680
Part disposal of subsidiary undertakings		9,699	–	–
Exceptional sale of assets		–	–	4,419
Net cash outflow from acquisitions and disposals		(23,575)	(2,700)	(17,107)
Net cash outflow before management of liquid resources and financing		(110,465)	(17,566)	(27,230)
Management of liquid resources				
Transfers from short-term deposits		196	–	7,296
Financing				
Issue of share capital		186,213	–	–
Loans		(15,292)	(832)	11,425
Capital element of hire purchase and finance lease payments		(77)	(25)	(224)
Net cash inflow (outflow) from financing		170,844	(857)	11,201
Increase (decrease) in cash in the period	12	60,575	(18,423)	(8,733)

Notes

For the 26 weeks ended 23 September 2000

1 Basis of preparation and accounting policies

The interim financial information has been prepared on a basis consistent with the basis of preparation and accounting policies set out on pages 11 to 14 of The Carphone Warehouse Group PLC annual report for the year ended 25 March 2000.

The information set out in this interim report for the 26 weeks ended 23 September 2000 does not comprise statutory accounts within the meaning of section 240 of the Companies Act 1985. The statutory accounts for the year ended 25 March 2000, incorporating the unqualified auditors' report, have been filed with the Registrar of Companies.

2 Segmental analysis

Divisional results are analysed as follows:

	26 weeks ended 23 September 2000		26 weeks ended 24 September 1999		Year ended 25 March 2000	
	Turnover	Operating profit	Turnover	Operating profit	Turnover	Operating profit
Distribution	436.0	32.1	264.1	20.2	667.3	65.6
Telecoms Services	11.5	7.0	4.0	4.0	10.5	9.7
Wireless Internet Services	0.4	(1.7)	–	–	1.4	1.0
Divisional contribution	447.9	37.4	268.1	24.2	679.2	76.3
Common costs		(21.8)		(13.0)		(32.5)
Depreciation		(8.8)		(4.3)		(10.4)
Amortisation		(3.6)		(0.1)		(0.3)
Continuing operations	447.9	3.2	268.1	6.8	679.2	33.1
Discontinued operations	–	–	9.2	(0.6)	18.5	(2.7)
Operating profit	447.9	3.2	277.3	6.2	697.7	30.4

Discontinued operations relates to Tecno, a camera retail business.

Acquisitions included within continuing operations generated turnover of £28.8m and an operating profit of £0.6m for the period ended 23 September 2000.

3 Exceptional items

		26 weeks ended 23 September 2000 £'000	26 weeks ended 24 September 1999 £'000	Year ended 25 March 2000 £'000
Provision for fundamental reorganisation	(i)	(3,500)	–	(5,500)
Profit (loss) on disposal of subsidiary undertakings	(ii)	16,514	–	(1,613)
Profit on disposal of tangible fixed assets	(iii)	–	–	1,981
Net income (expense)		13,014	–	(5,132)

(i) Provision for fundamental reorganisation

An additional charge of £3.5m has been made for further integrating the head office and retail operations of Antika Retail Limited (trading as Tandy) into those of the other UK operations. The additional charge arises following a final review of the integration process.

(ii) Profit (loss) on disposal of subsidiary undertakings

On 13 June 2000, the group entered into a strategic partnership agreement with AOL Europe to provide functionality, content and services to the group's subsidiary MViva Limited, whereby AOL Europe paid \$25m for a 15% interest, resulting in a profit of £16.5m.

During the prior year the group disposed of its shareholding in Tecno Holdings Limited. This resulted in a loss to the group of £1.8m. In addition, the group undertook a reorganisation which led to the part disposal of its holding in certain overseas subsidiaries. This resulted in an exceptional profit for the group of £0.2m.

(iii) Profit on disposal of tangible fixed assets

During the prior year the group disposed of various properties during the year for a cash consideration of £4.4m, resulting in an exceptional gain of £2m.

4 Tax on profit on ordinary activities

Taxation has been provided using the estimated effective rate of taxation for the year ended 31 March 2001 of 27% (2000 – 35%), amounting to a charge of £1.2m.

5 Earnings per share

Earnings per share is analysed as follows:

	26 weeks ended 23 September 2000	26 weeks ended 24 September 1999	Year ended 25 March 2000
Share capital ('000)	819,340	713,195*	713,195*
Basic earnings per share	1.8p	0.7p	2.3p
Earnings per share before amortisation of goodwill	2.3p	0.7p	2.3p
Earnings per share before amortisation of goodwill and exceptional items			
– Pre MViva	1.1p	0.7p	3.0p
– Post MViva	0.9p	0.7p	3.0p

* Share capital has been adjusted for 113 million shares issued in exchange for certain minority interests pre flotation and bonus share issues

6 Dividends

No interim dividend is proposed.

7 Goodwill

	Positive goodwill £'000	Negative goodwill £'000	Total £'000
Cost			
At 25 March 2000	28,943	(1,776)	27,167
Acquisition of minority interests	169,050	–	169,050
Cash acquisitions during the period	40,923	–	40,923
At 23 September 2000	238,916	(1,776)	237,140
Amortisation			
At 25 March 2000	(582)	348	(234)
(Charge) credit for the period	(3,641)	44	(3,597)
At 23 September 2000	(4,223)	392	(3,831)
Net book value			
At 23 September 2000	234,693	(1,384)	233,309
At 25 March 2000	28,361	(1,428)	26,933

Cash acquisitions

During the period to 23 September 2000, the group made the following significant cash acquisitions:

Date	Country	Companies/Assets	Gross consideration
April 2000	Germany	Portfolio of 76 stores from Otto Boenicke	£6.7 million
June 2000	UK	Assets and trade of Cellcom Limited UK	£9.0 million
July 2000	Portugal	Various (14 stores)	£3.6 million
August 2000	France	Portfolio of 28 stores from Multiples	£8.0 million
August 2000	Netherlands	Road Phone NV (18 stores)	£6.4 million
August 2000	Belgium	Time & Light (8 stores)	£1.5 million

Acquisition of minority interests

In addition, in June 2000, the group acquired 24% of the issued share capital of The Phone House Holdings UK Limited, a company in which it already had a 76% interest, in exchange for shares in the group. In July 2000, the group acquired minority interests in respect of The Phone House SA (France), Phone Warehouse SL (Spain) and Polirent Comercio e Aluguer de Bens e Servicos LDA (Portugal), in exchange for shares in the group. These transactions gave rise to goodwill of £169 million.

8 Debtors

	23 September 2000 £'000	24 September 1999 £'000	25 March 2000 £'000
Amounts falling due within one year:			
Trade debtors	77,574	33,741	55,557
VAT	10,857	463	3,649
Other debtors	12,213	8,103	16,770
Prepayments and accrued income	10,051	4,048	6,850
	110,695	46,355	82,826

9 Creditors: amounts falling due within one year

	23 September 2000 £'000	24 September 1999 £'000	25 March 2000 £'000
Loans and overdrafts	8,387	4,317	28,131
Trade creditors	112,379	39,225	65,948
Corporation tax	8,990	11,180	9,577
Other taxes and social security costs	6,400	8,371	6,772
Other creditors	12,243	9,141	24,959
Obligations under finance leases and hire purchase contracts	98	297	125
Accruals and deferred income	36,237	39,812	38,308
	184,734	112,343	173,820

10 Creditors: amounts falling due after more than one year

	23 September 2000 £'000	24 September 1999 £'000	25 March 2000 £'000
Loans and overdrafts	–	2,911	3,180
Other creditors	6,700	54	6,832
Obligations under finance leases and hire purchase contracts	80	157	130
Accruals and deferred income	8,110	10,463	10,891
	14,890	13,585	21,033

11 Net cash inflow from operating activities

	23 September 2000 £'000	24 September 1999 £'000	25 March 2000 £'000
Reconciliation to operating profit:			
Operating profit	3,219	6,174	30,432
Depreciation of tangible assets	8,808	4,332	10,617
Amortisation of goodwill	3,597	75	340
Profit on disposal of tangible assets	–	–	(254)
(Decrease) increase in provisions	(4,521)	(2,506)	7,233
Increase in stock	(2,578)	(19,400)	(14,446)
(Increase) decrease in debtors	(10,648)	1,625	(36,661)
Increase in creditors	3,503	14,112	47,214
Net cash inflow from operating activities	1,380	4,412	44,475

12 Net funds

Net funds are analysed as follows:

	At 25 March 2000 £'000	Foreign exchange £'000	Cash flows £'000	At 23 September 2000 £'000
Cash at bank and in hand	25,152	75	52,976	78,203
Overdrafts	(15,414)	33	7,599	(7,782)
	9,738	108	60,575	70,421
Short term deposits	196	–	(196)	–
Debt due within one year	(12,717)	–	12,112	(605)
Debt due after one year	(3,180)	–	3,180	–
Finance leases	(255)	–	77	(178)
	(6,218)	108	75,748	69,638

13 Capital and reserves

	Called up share capital £'000	Share premium £'000	Capital Redemption Reserve £'000	Profit and loss account £'000	Total £'000
At 25 March 2000	600	–	30	43,560	44,190
Profit for period	–	–	–	15,104	15,104
Foreign exchange movement	–	–	–	(769)	(769)
Employee Share Ownership Trust	–	–	–	(1,902)	(1,902)
Issue of new shares	219	353,070	–	–	353,289
At 23 September 2000	819	353,070	30	55,993	409,912

14 Shareholders' funds

The reconciliation of shareholders' funds is as follows:

	26 weeks ended 23 September 2000 £'000	26 weeks ended 24 September 1999 £'000	Year ended 25 March 2000 £'000
Profit for the period	15,104	4,700	16,327
Foreign exchange movement	(769)	(67)	(543)
Employee Share Ownership Trust	(1,902)	–	–
Issue of new shares	353,289	–	–
Net movement in shareholders' funds	365,722	4,633	15,784
Opening shareholders' funds	44,190	28,406	28,406
Closing shareholders' funds	409,912	33,039	44,190

Issue of new shares arises as a result of the acquisition of minority interests (note 7) and shares issued for cash.