The Carphone Warehouse Group PLC
Interim Results 2007

8 November 2007

Your phone, your way.

Agenda

- Summary
- Financial performance
- Strategic development & outlook

Summary

Charles Dunstone

THE Carphone Warehouse

Your phone, your way.

Headlines

- **Group revenues up 18% to £2,140m**
- **Distribution revenues up 8% to £1,457m**
- **Retail revenue up 1.6% LFL, gross profit up 2.1% LFL**
- **UK Fixed line revenues up 49% to £697m**
- **Group PBT £56m (2006: £14m)**
- **Dividend raised 25% to 1.25p**


193 new store openings
UK
786 stores
17 openings
Sweden
88 stores
6 openings
Ireland
57 stores
3 openings
Belgium
73 stores
3 openings
The Netherlands
192 stores
9 openings
France
286 stores
16 openings
Germany
210 stores
50 openings
Switzerland
64 stores
0 openings
Portugal
163 stores
79 openings
Spain
418 stores
10 openings
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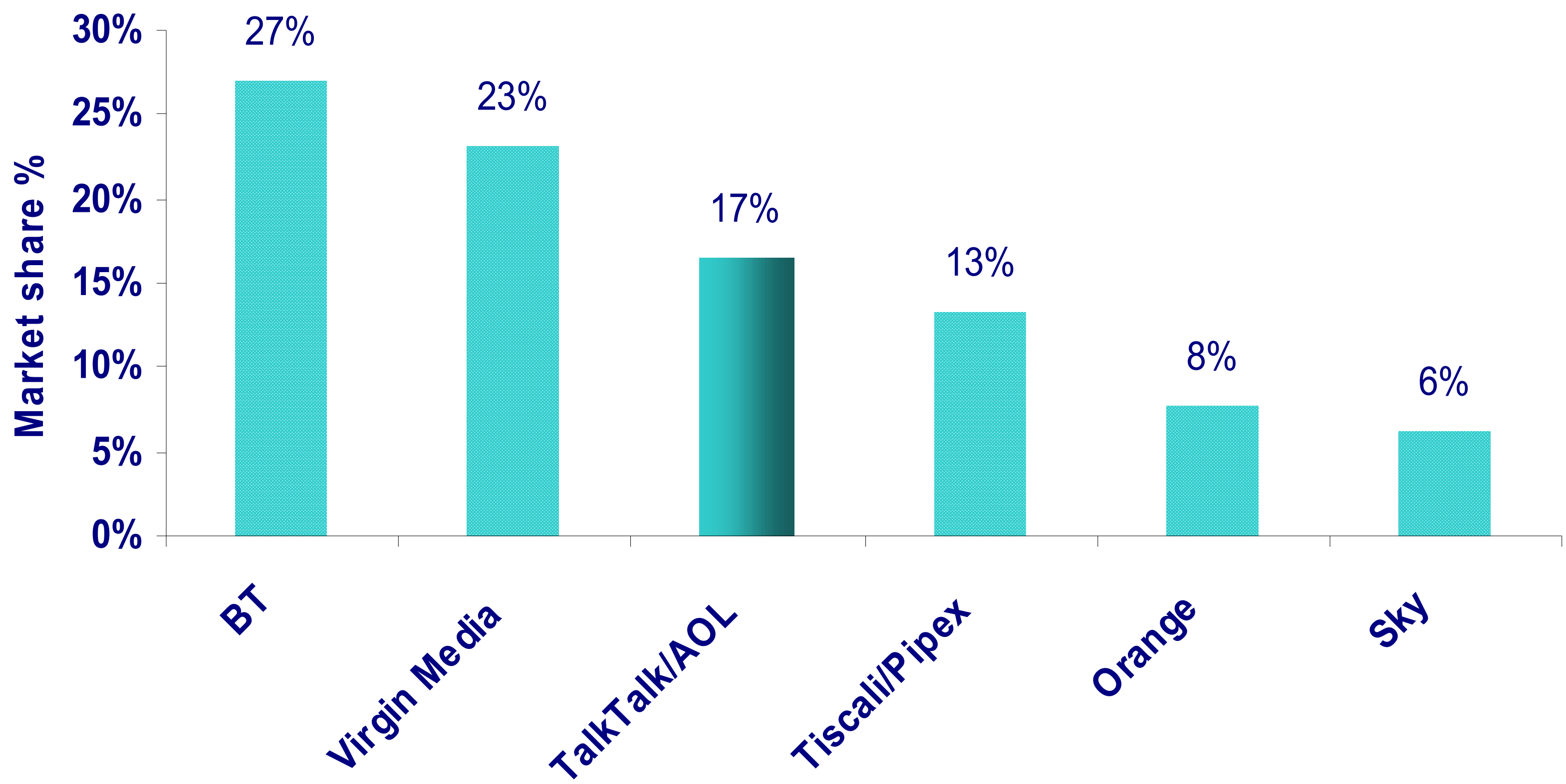
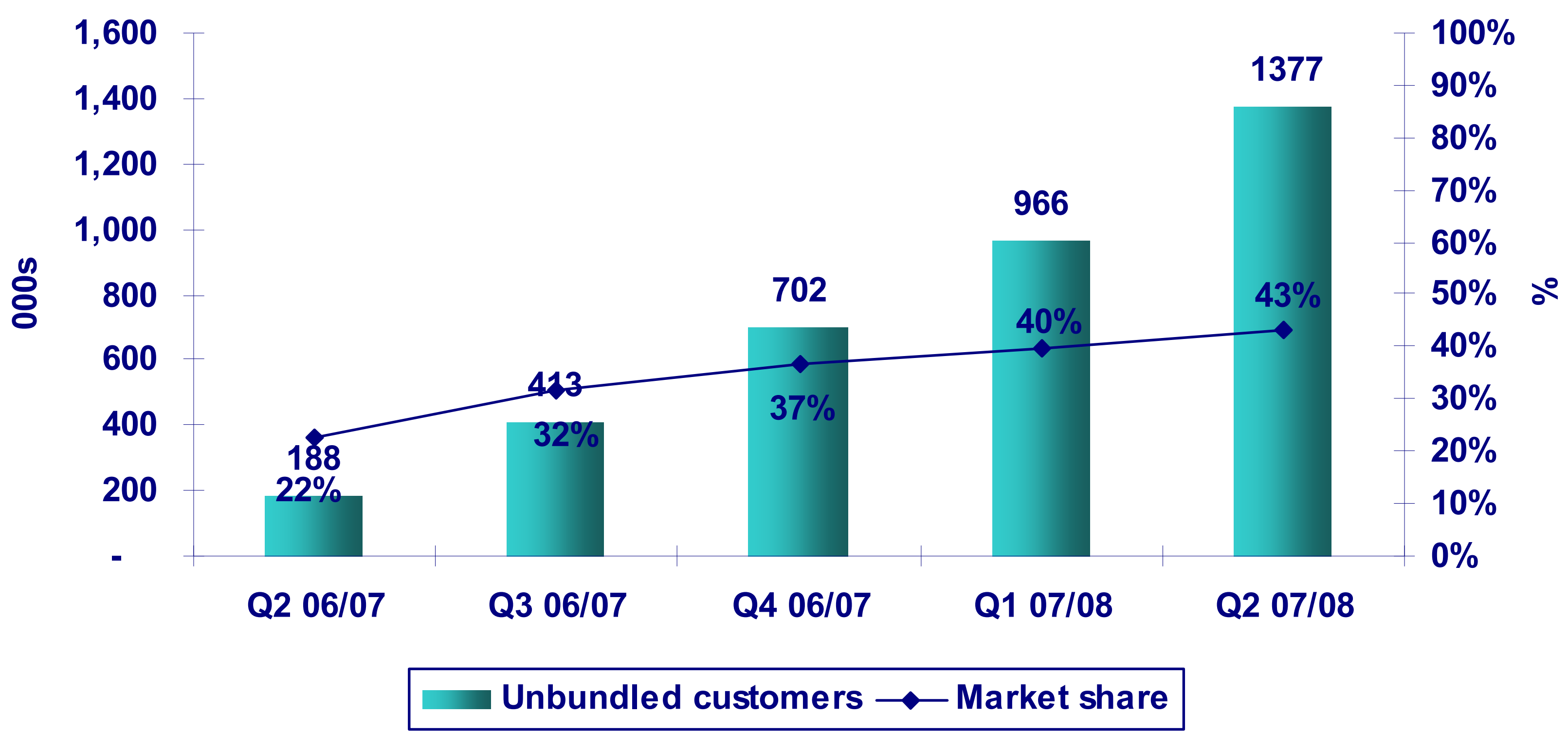
New store formats rolling out

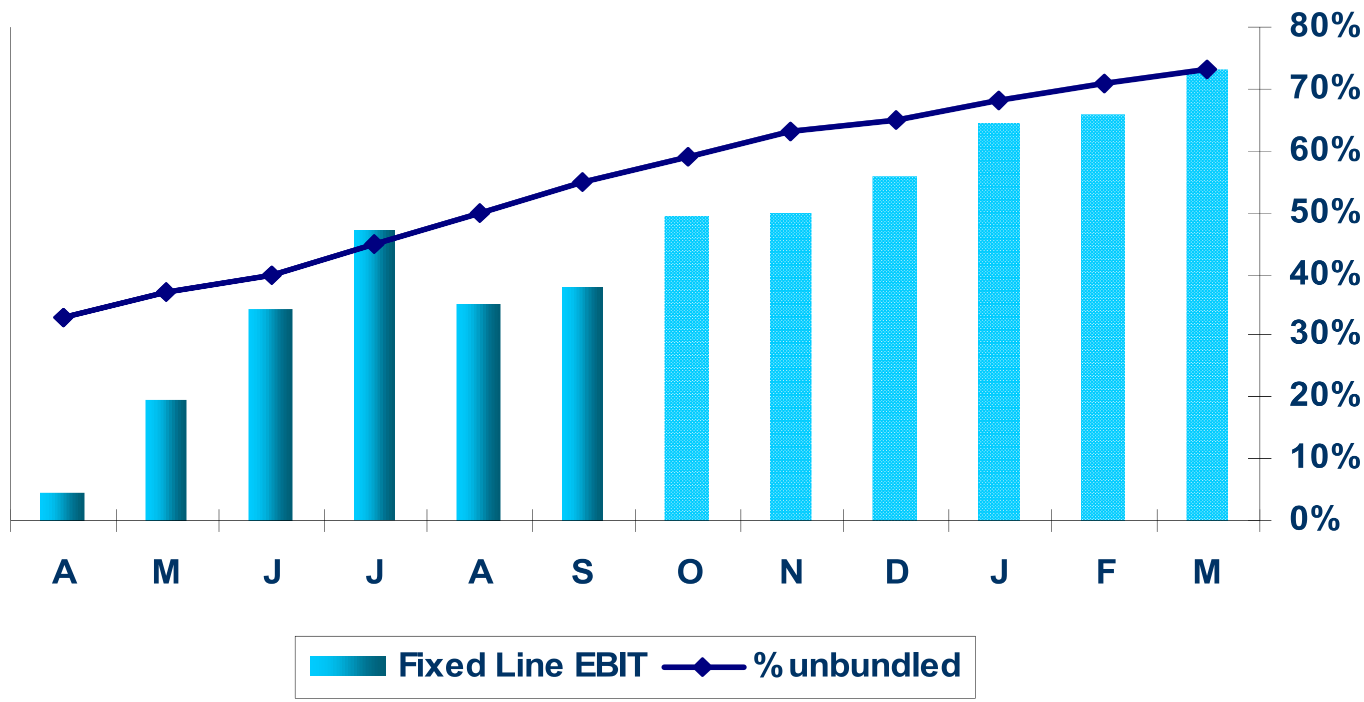
Share of broadband market



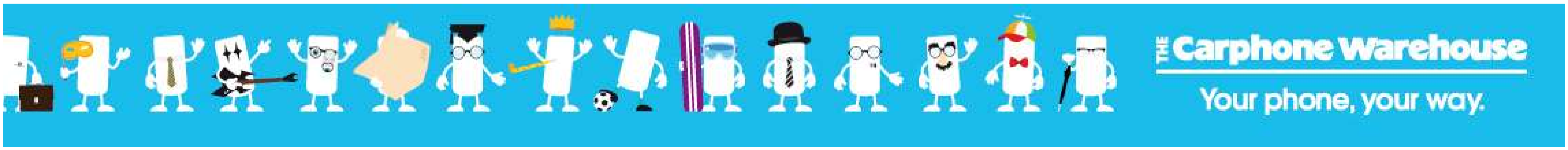
Share of LLU market



Fixed Line EBIT progress



- **Unbundling drives monthly improvement in profitability**



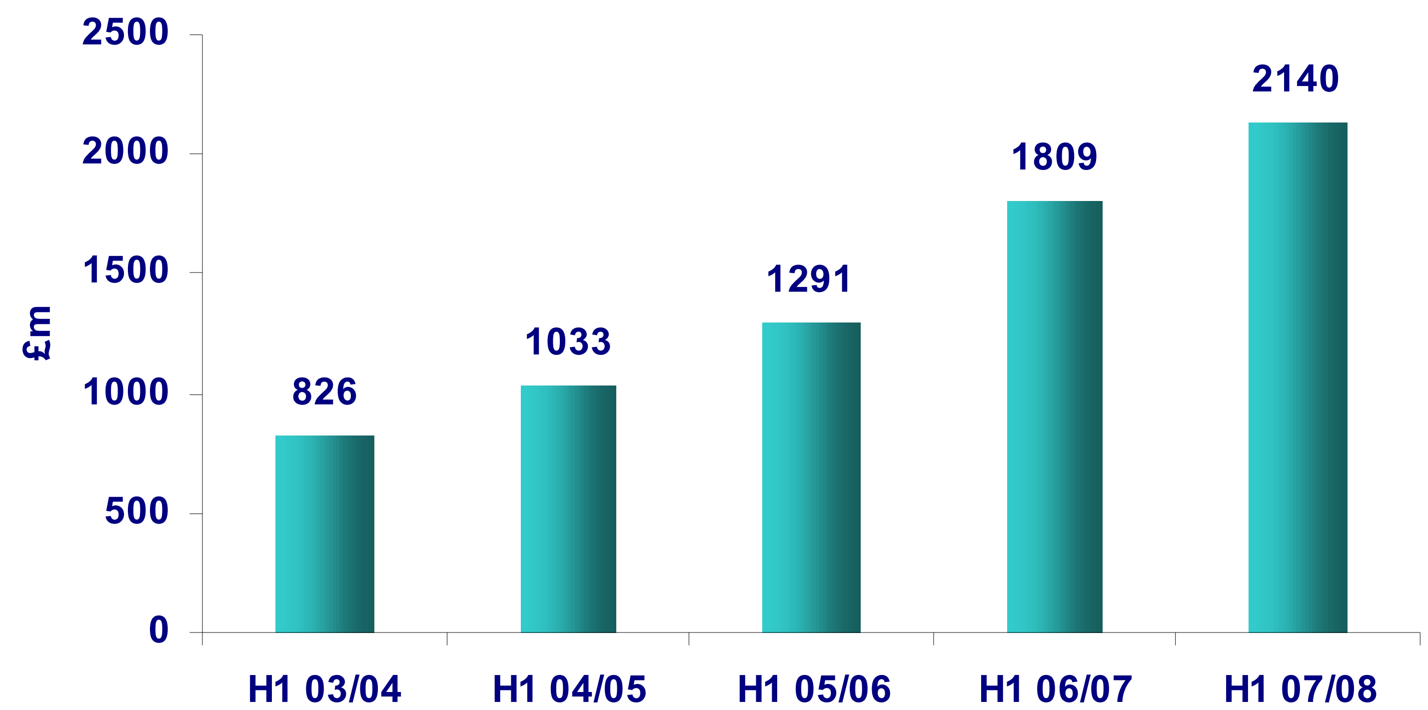
Financial Performance

Roger Taylor - CFO

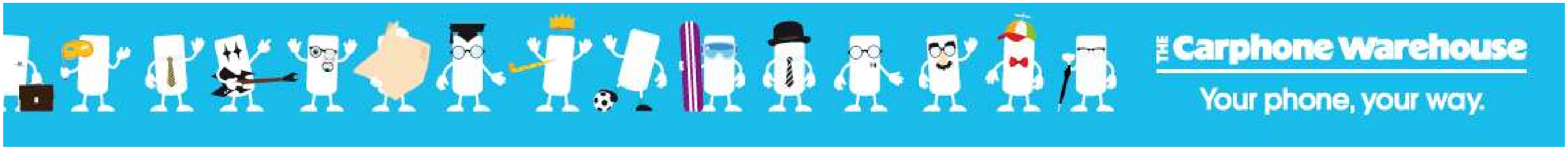
The Carphone Warehouse

Your phone, your way.

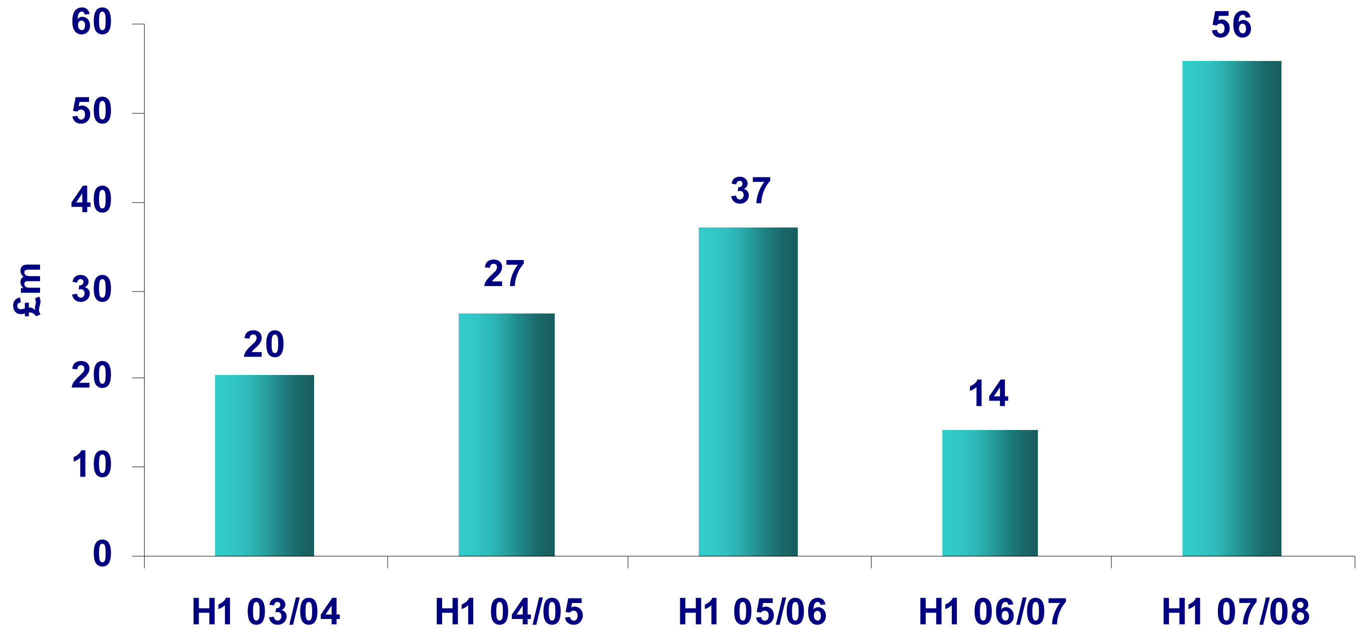
Continued strong top line growth



- **Group revenues up 18%**

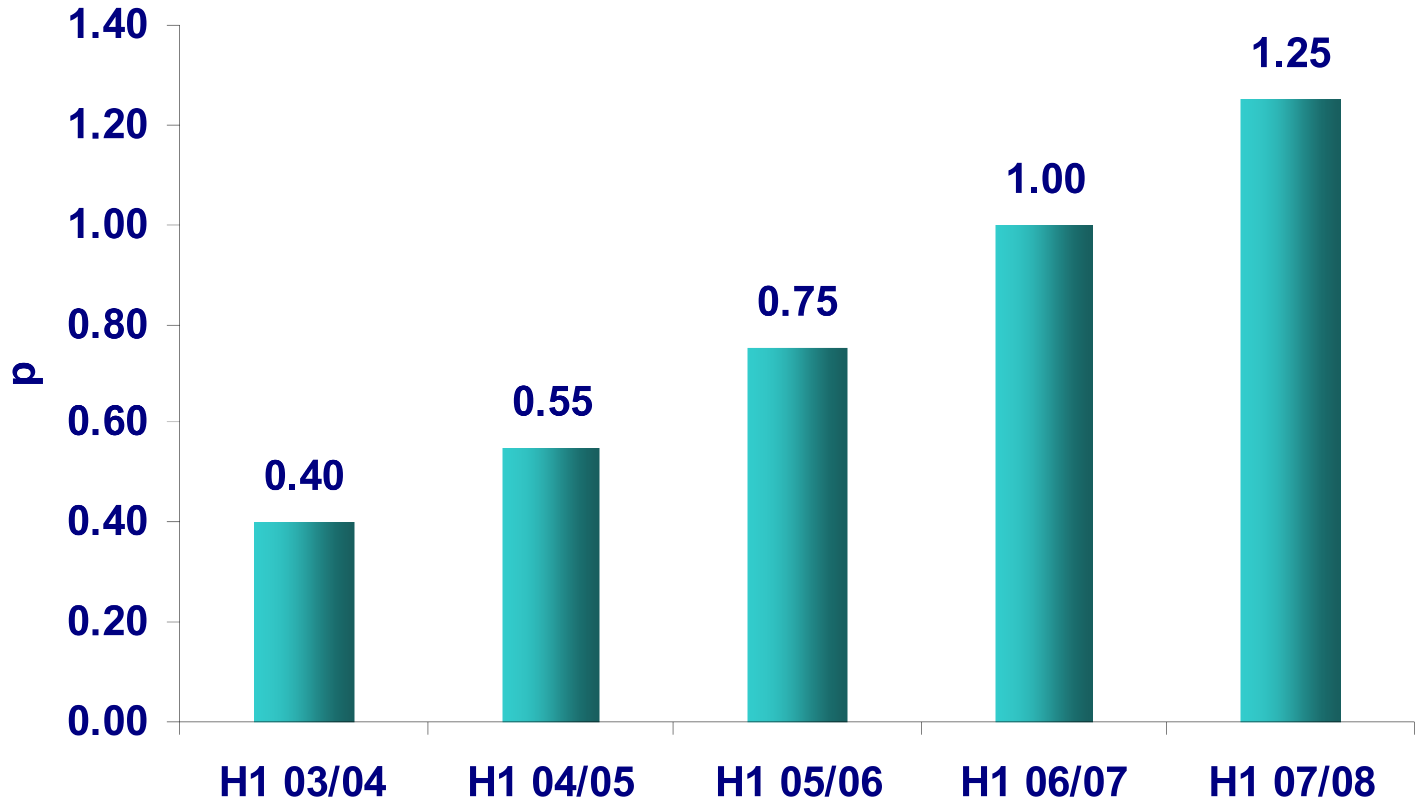


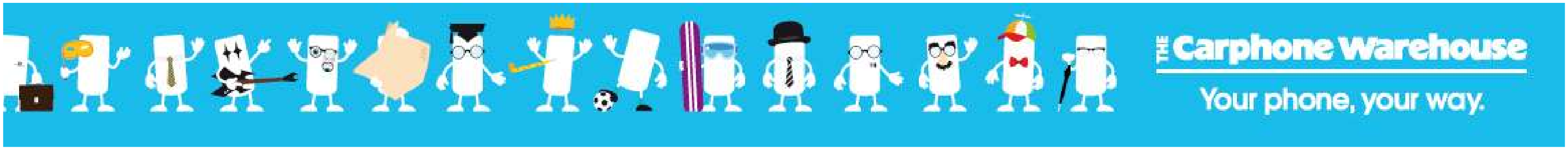
Headline PBT



- **4 year CAGR of 29%**

Dividend reflects confidence in future performance

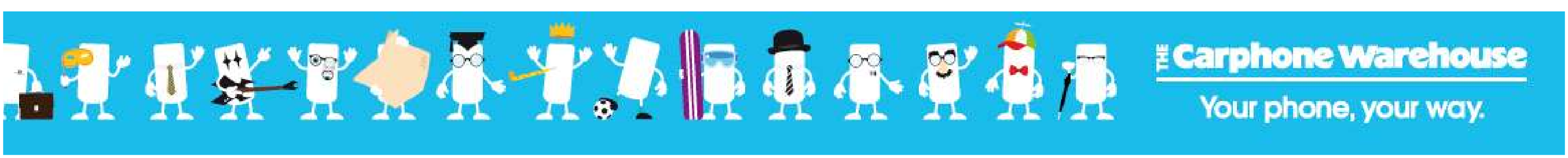




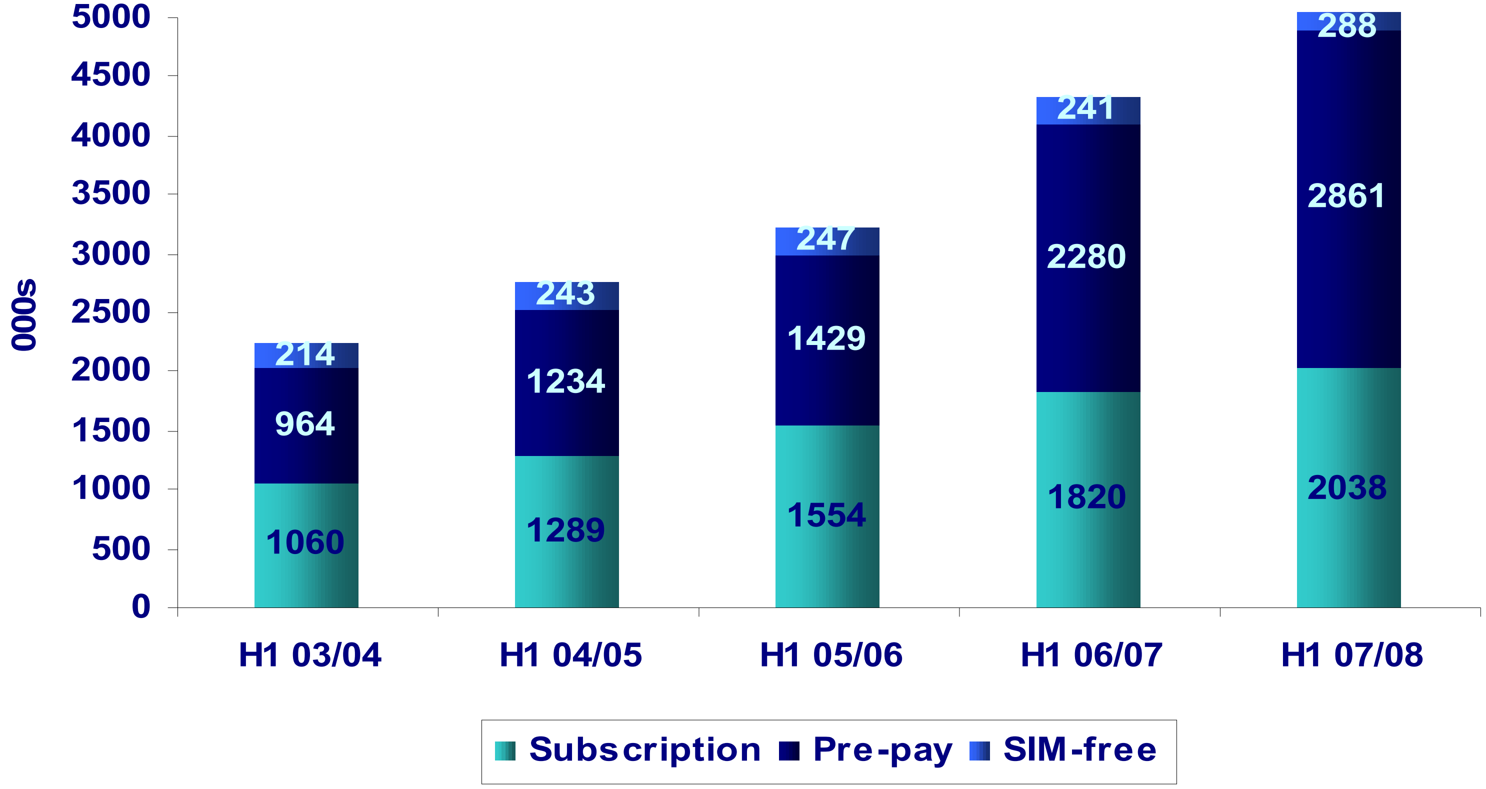
Distribution

£m	H1 07/08	H1 06/07	% change
Revenue	1457	1347	8%
EBITDA	105	94	12%
Depreciation and Amortisation	(49)	(40)	22%
EBIT	56	54	4%
EBIT %	3.8%	4.0%	

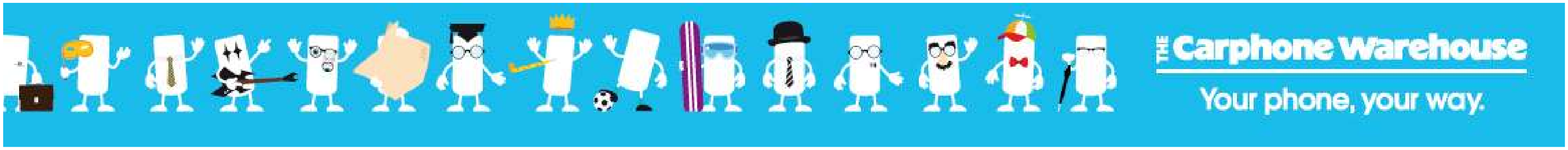
- **Revenue growth of 8%**
- **Growth of 10% excluding Non-UK Fixed Line and Dealer**



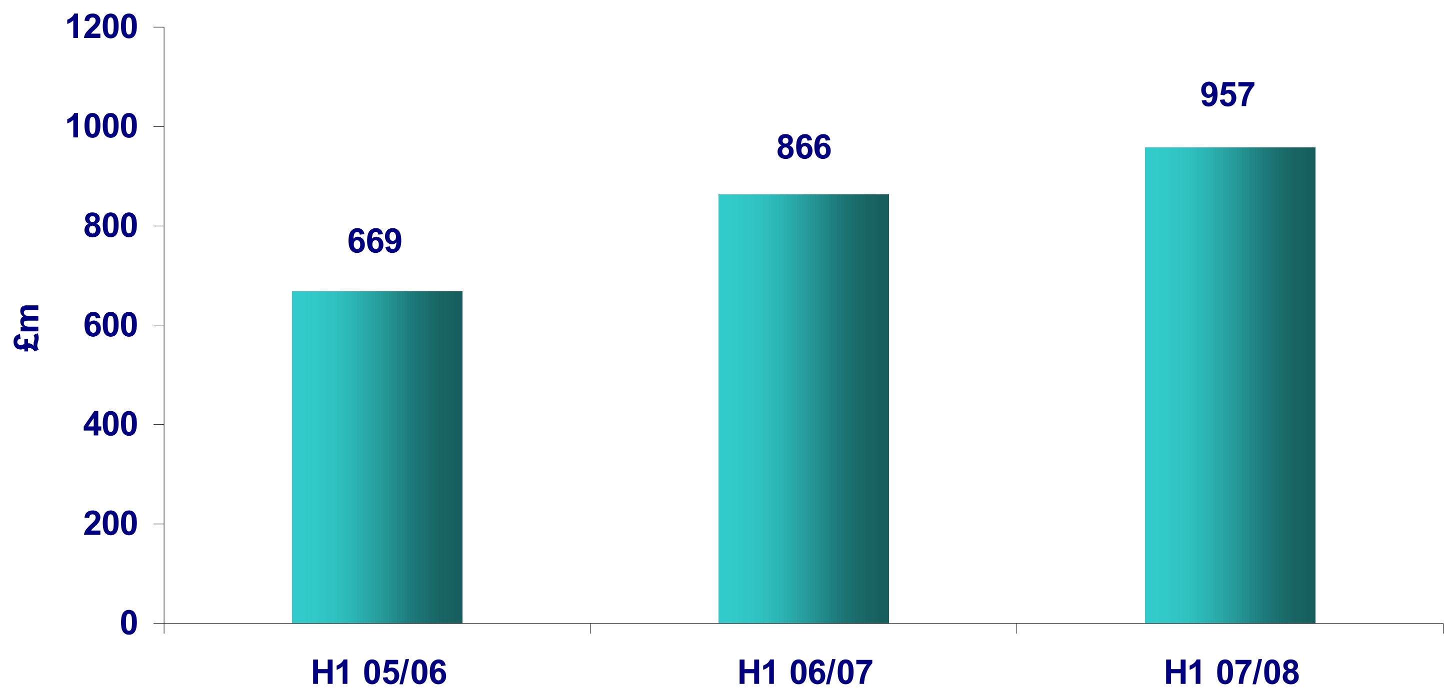
Connections (000s)



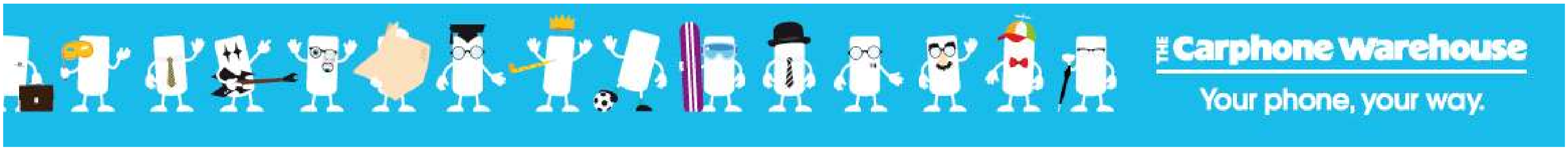
- **4 year CAGR of 18% in subscription connections**



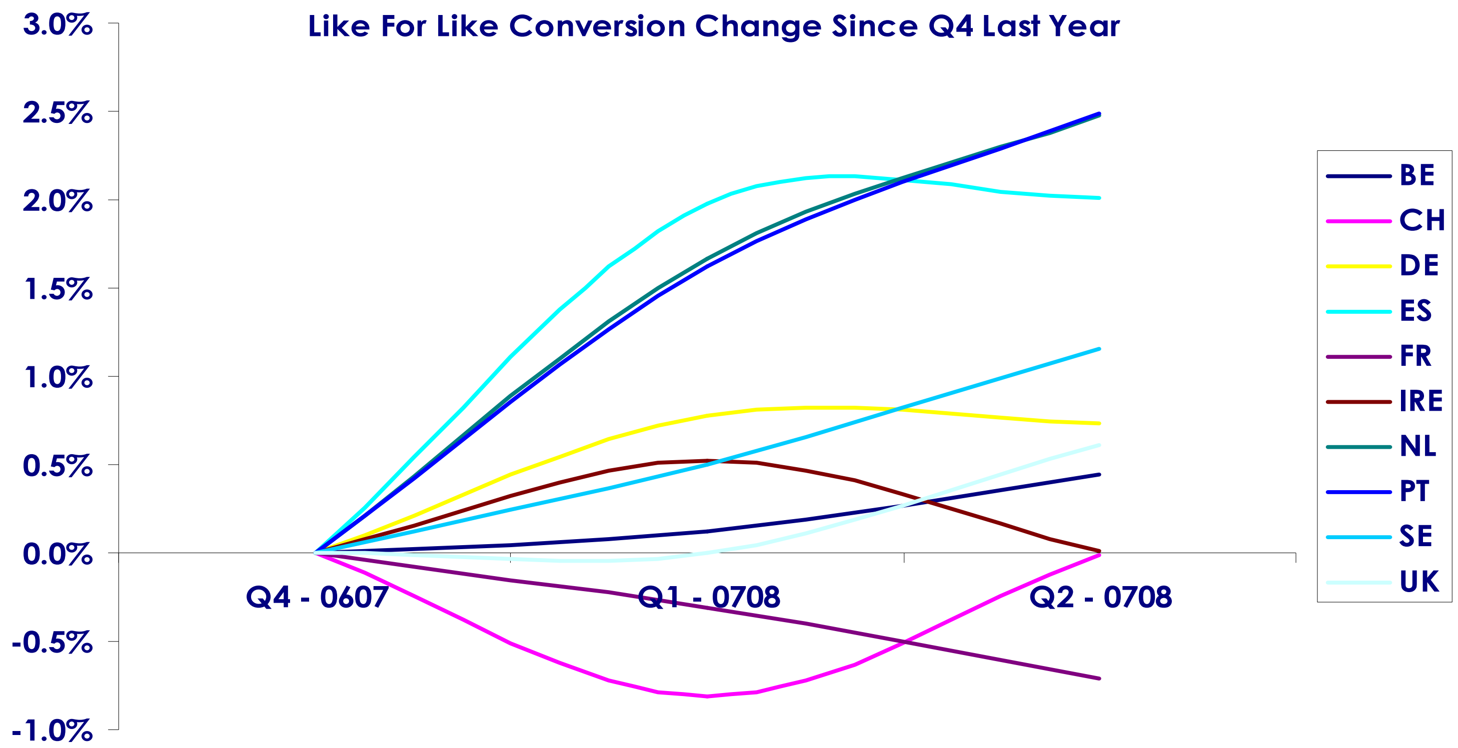
Retail revenue



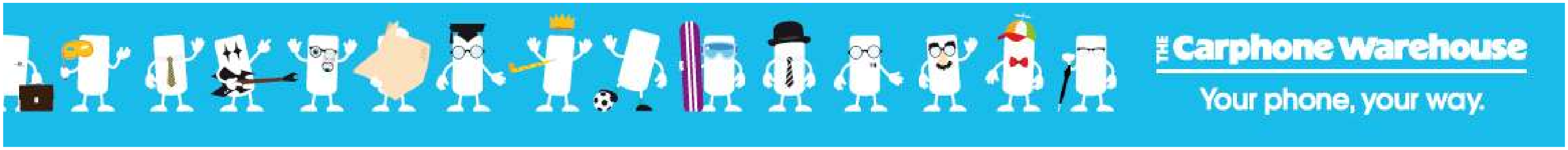
- **Retail revenue up 11%**
- **16% growth from "pure" retail**



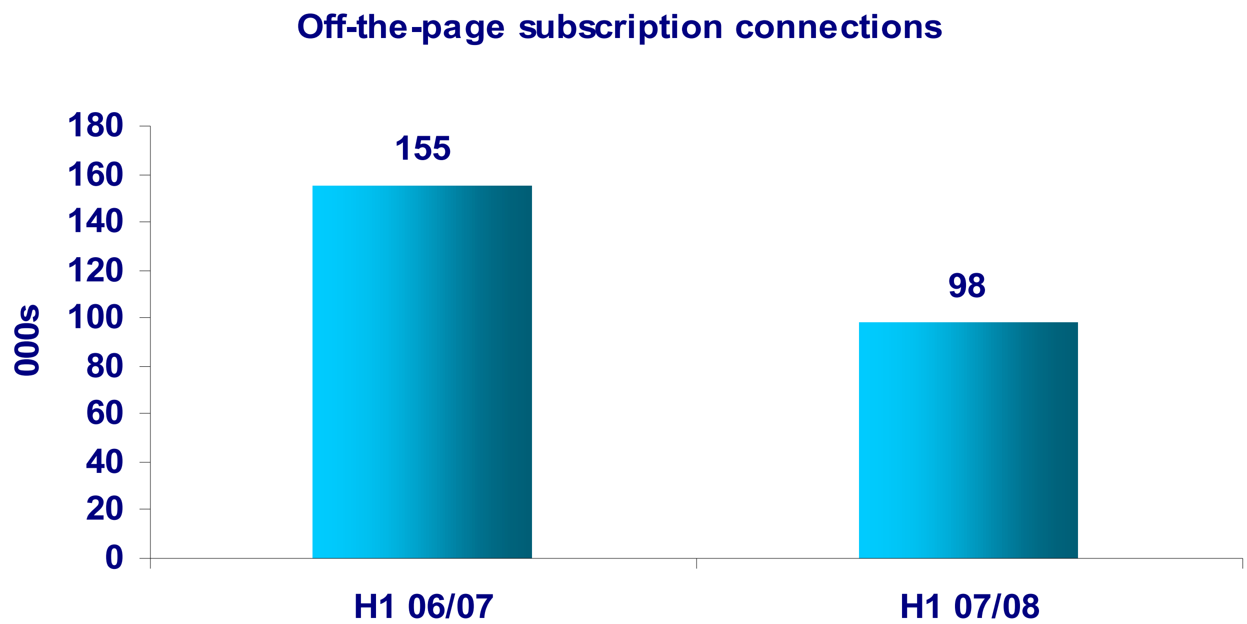
Store footfall – sales conversion performance



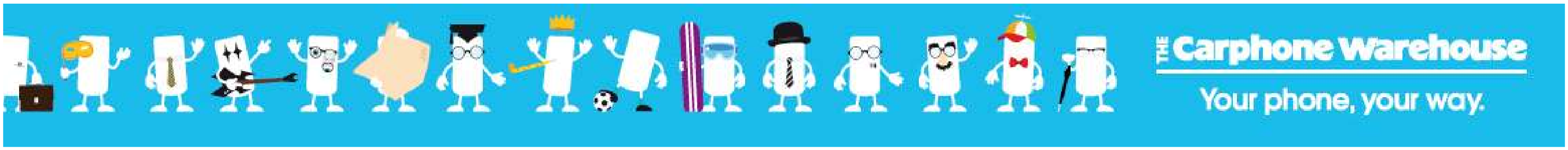
- Over 1,300 counters now installed across the Group
- 7 markets increased like for like conversion since Q4 last year



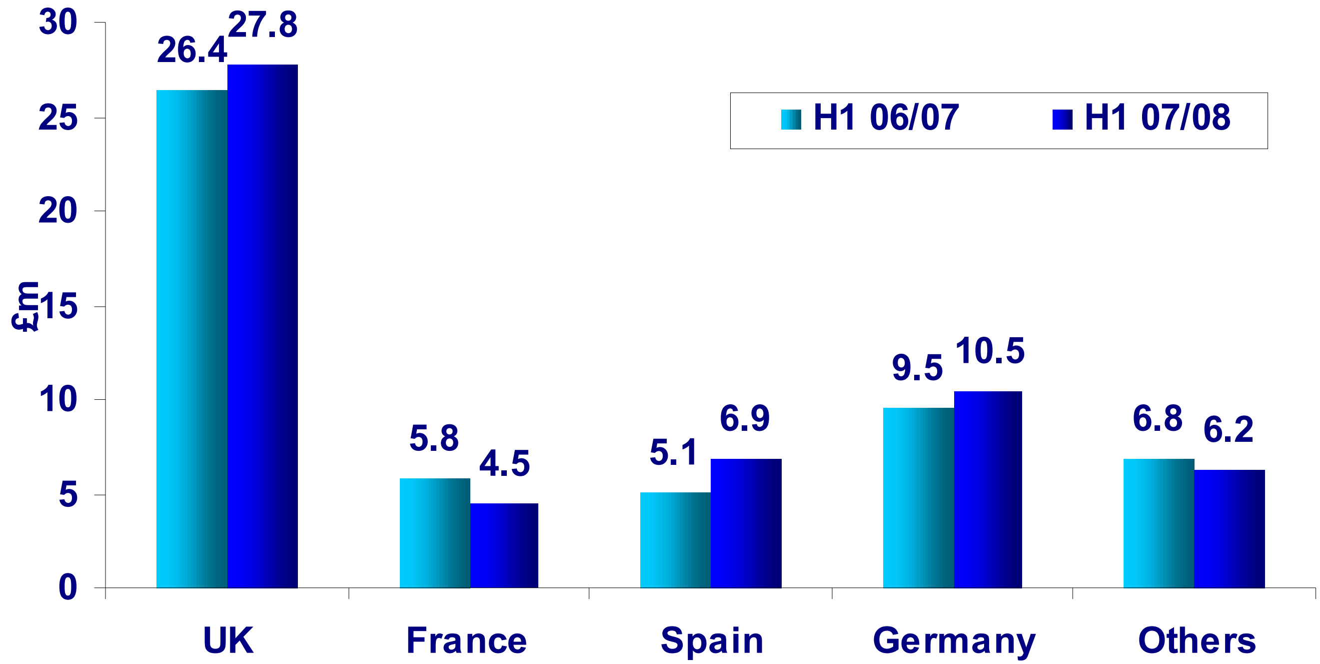
Off-the-page performance



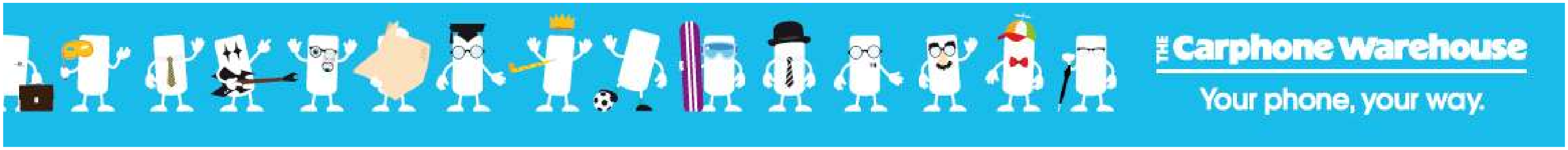
- **Less promotion through newspaper channels**



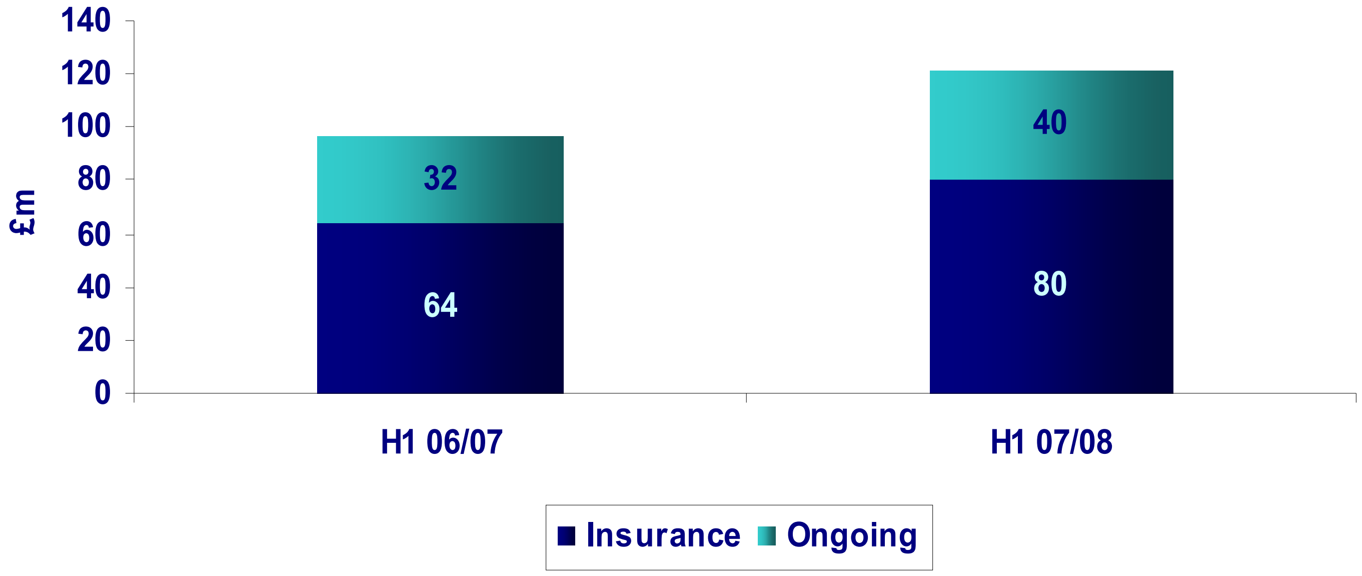
Distribution EBIT by market



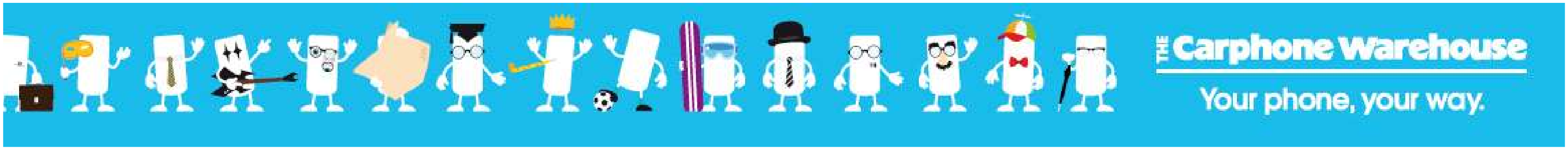
- **France impacted by FM disposal and tough comp**



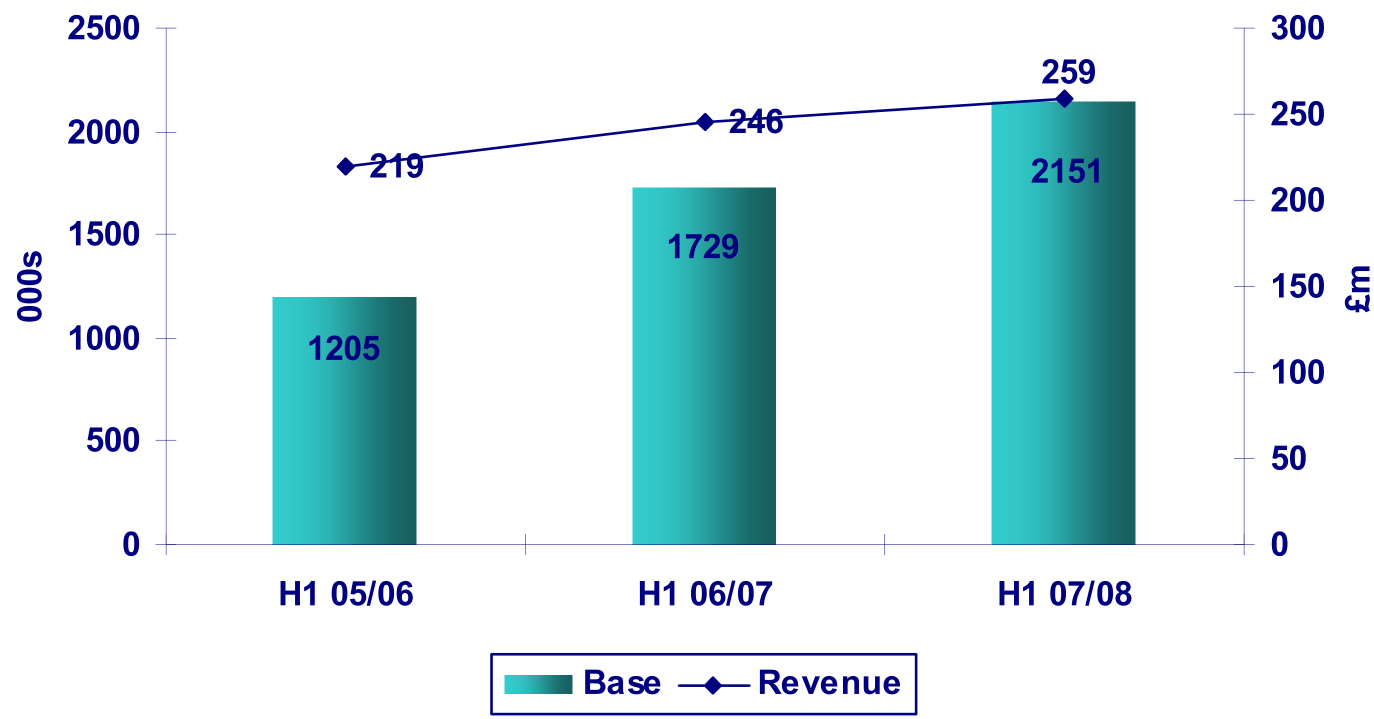
Insurance and Ongoing



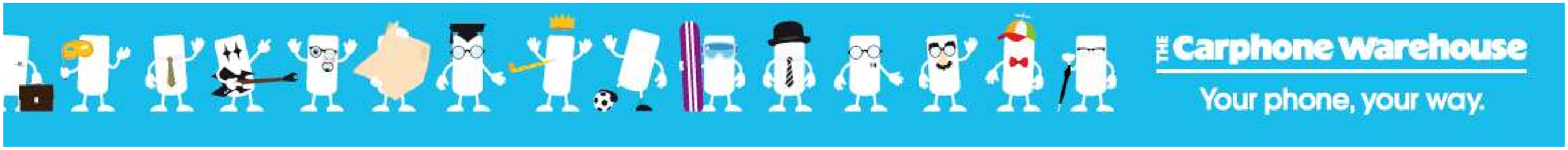
- **Strong subscriptions growth continuing to drive high margin ancillary revenues**



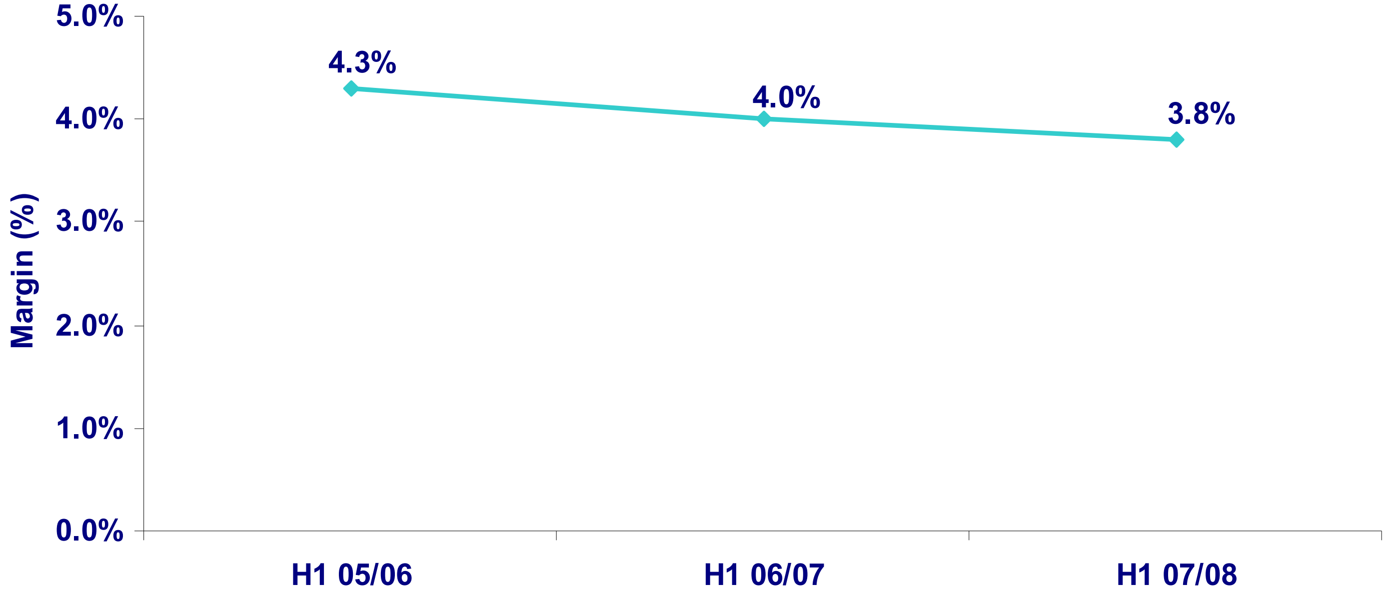
Mobile



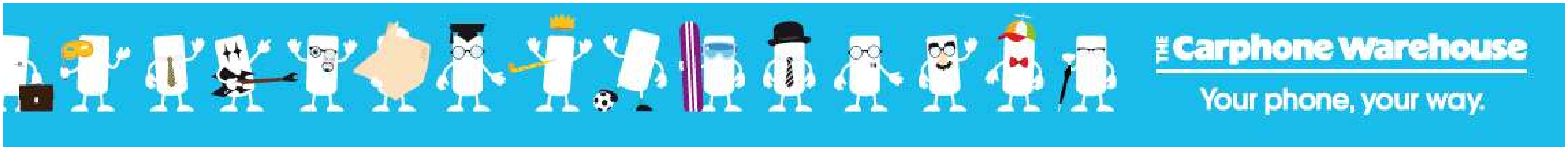
- Revenue growth of 10% excluding French FM disposal
- Evolution of German SP model in discussion



Distribution EBIT margin



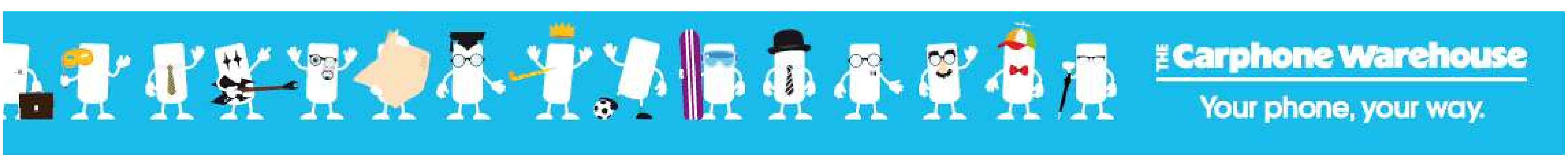
- **Margin decline predominantly reflects off-the-page performance**



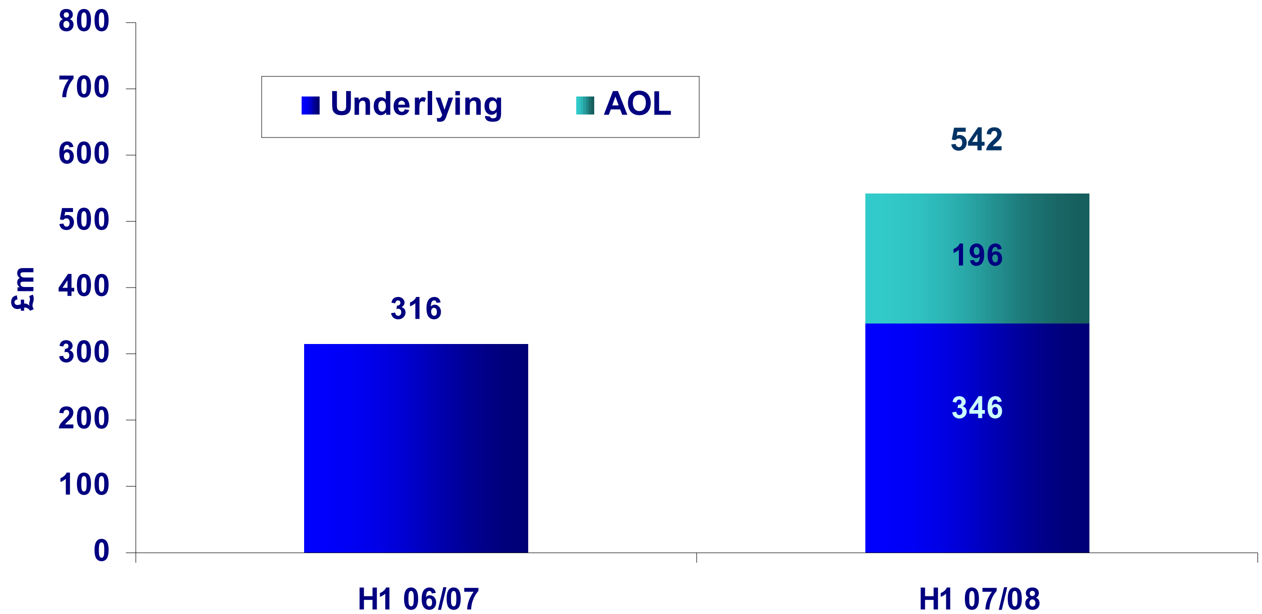
UK Fixed Line

£m	H1 07/08	H1 06/07	% Change
Revenue	697	469	49%
EBITDA	83	4	N/M
Depreciation and Amortisation	(44)	(16)	180%
EBIT	39	(11)	N/M
EBIT %	5.6%	-	

- **Transformation of business with LLU migration and AOL deal**
- **Migration costs and additional customer care costs weighted to H1**

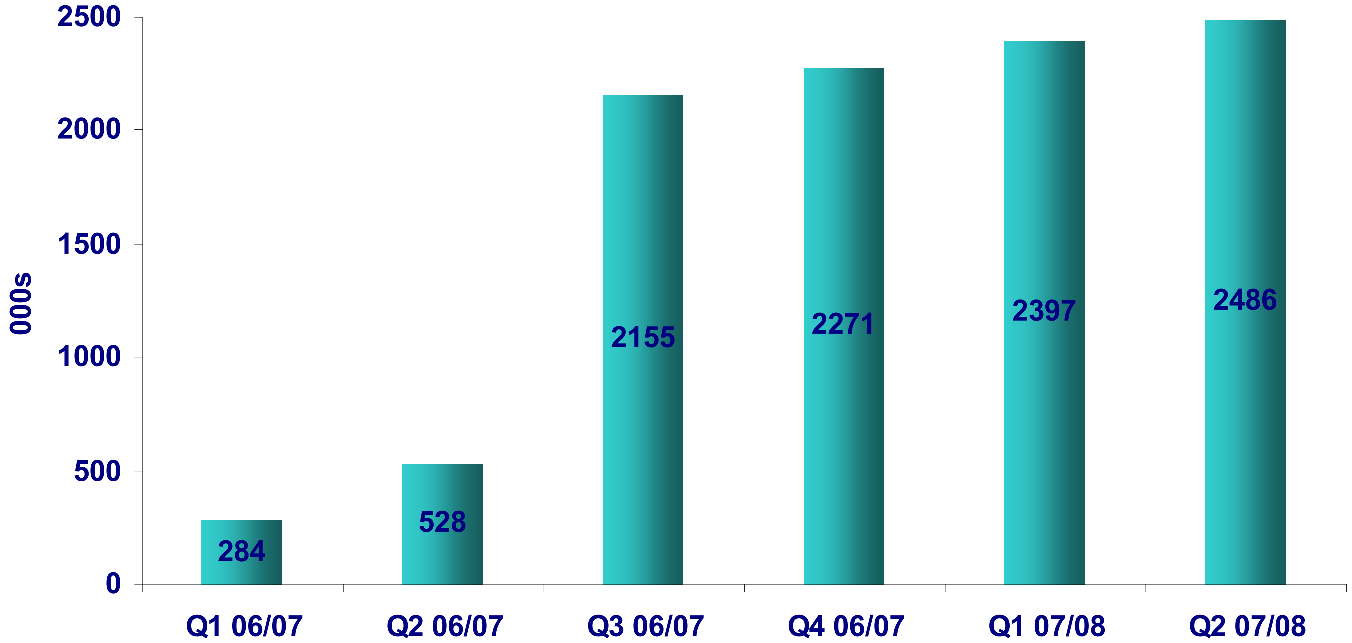


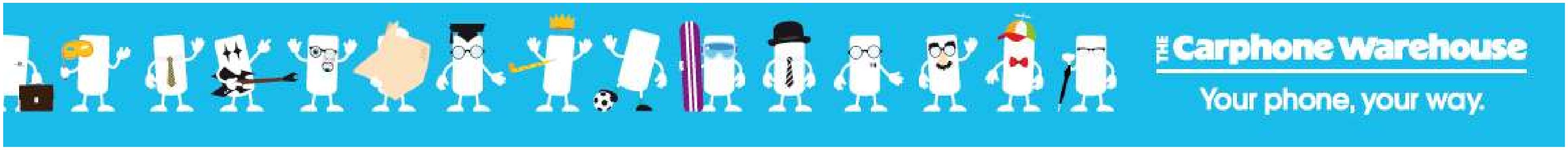
Residential revenues



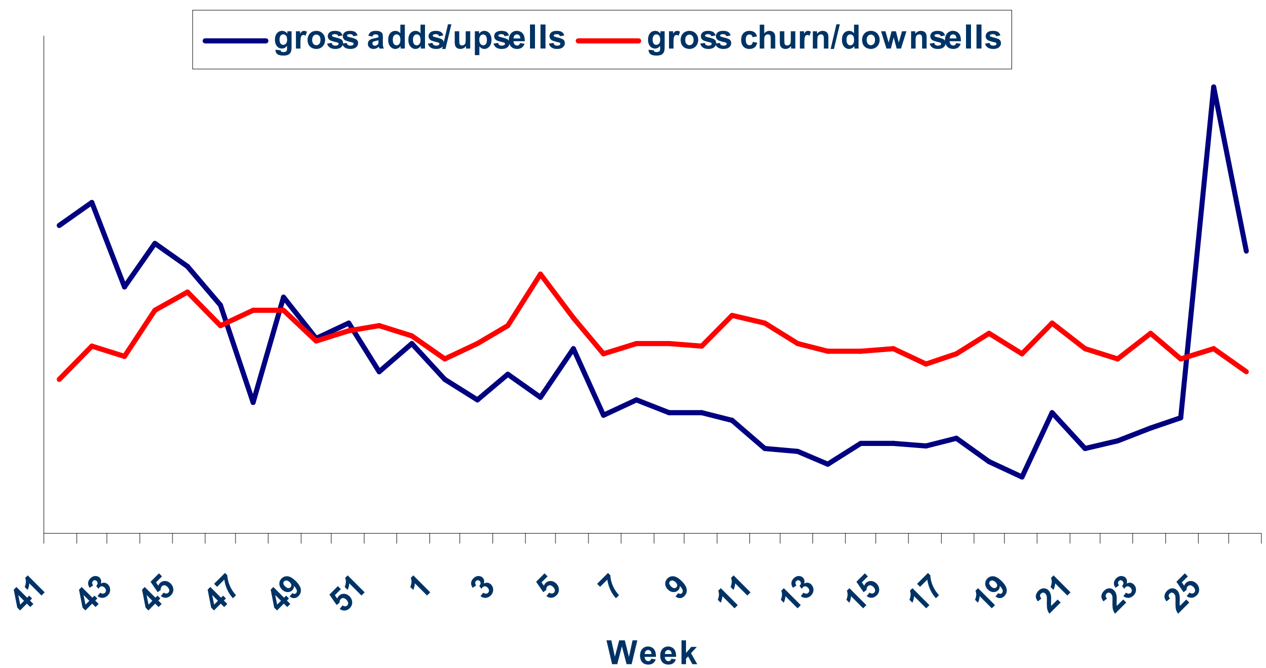
- **Revenues up 72%**
- **Up 10% ex-AOL**
- **ARPU in line with plan**

Broadband customers

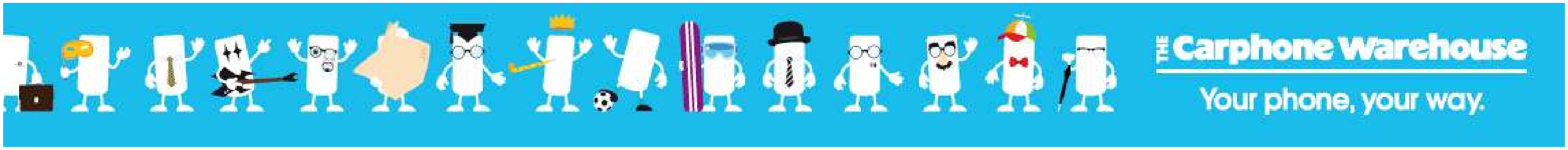




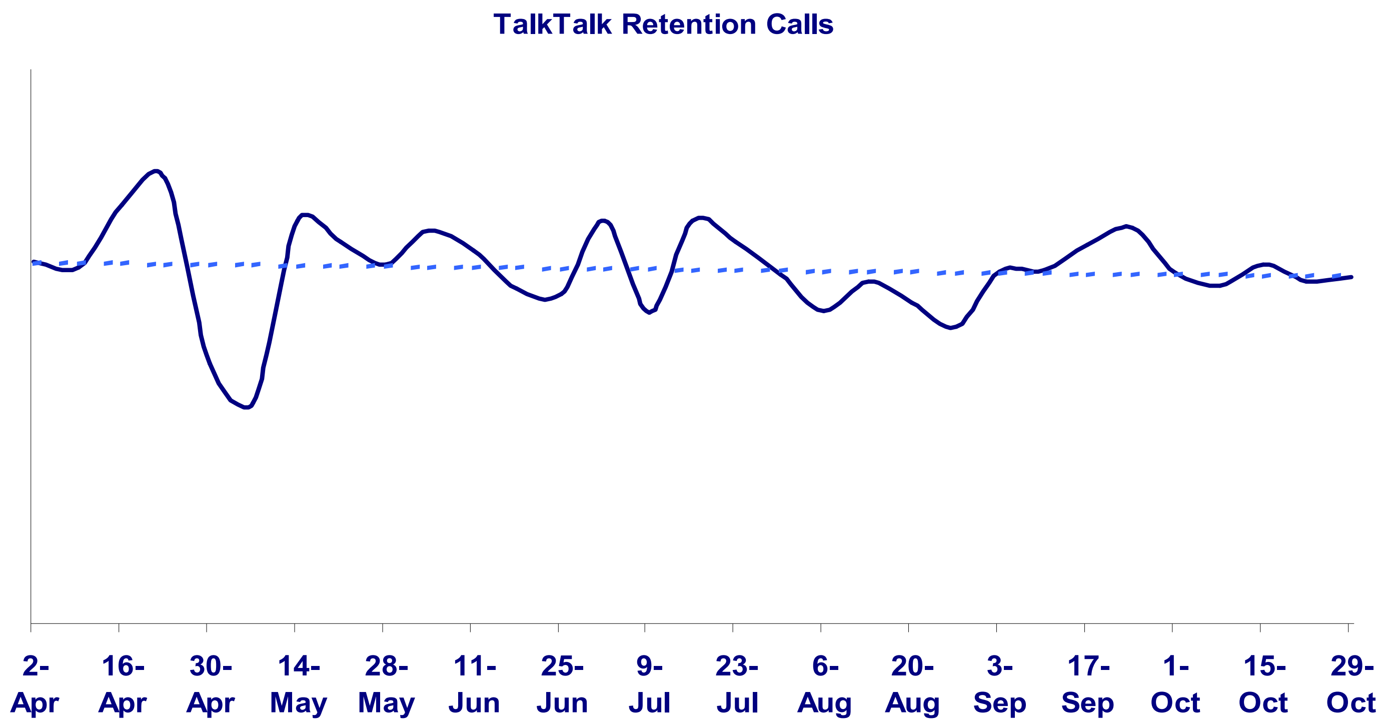
AOL base evolution since acquisition



- **Churn relatively steady**
- **Base returned to growth at end Sept**

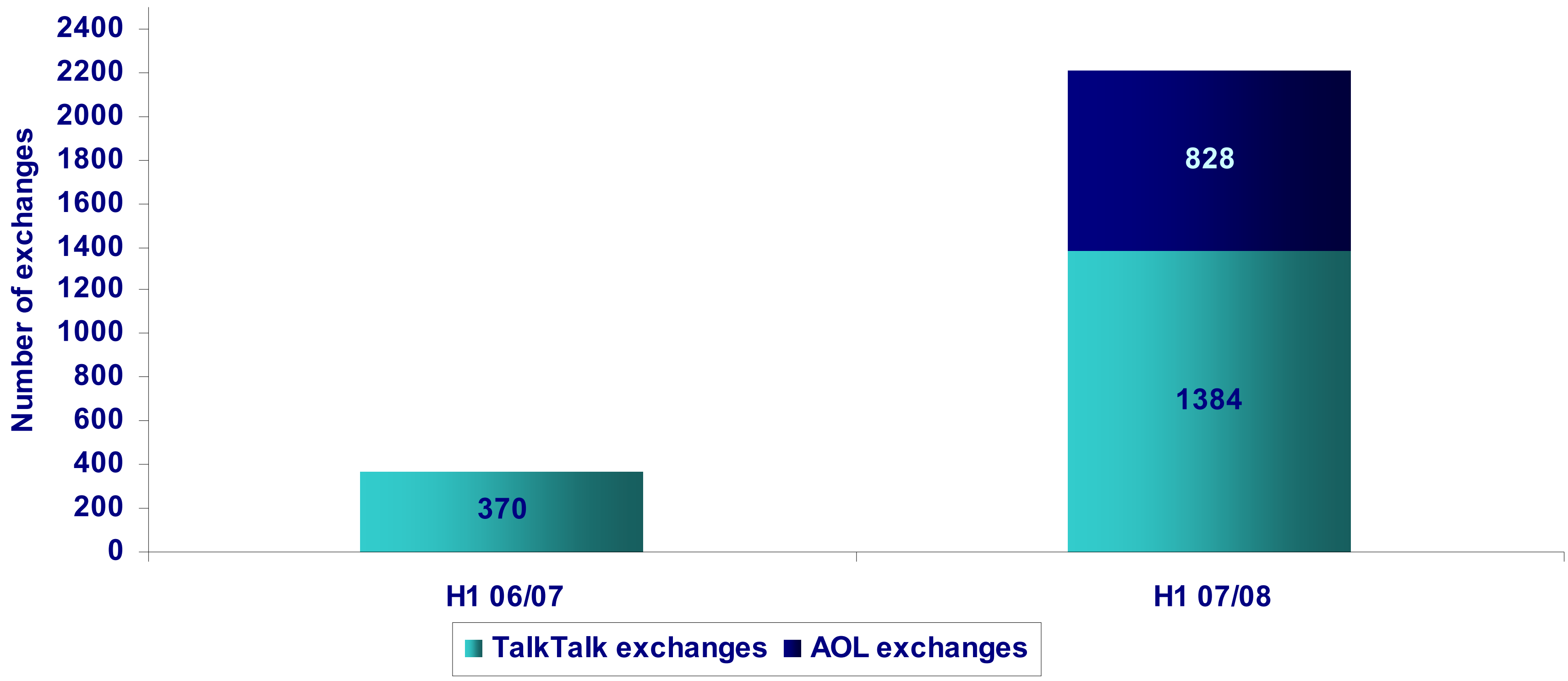


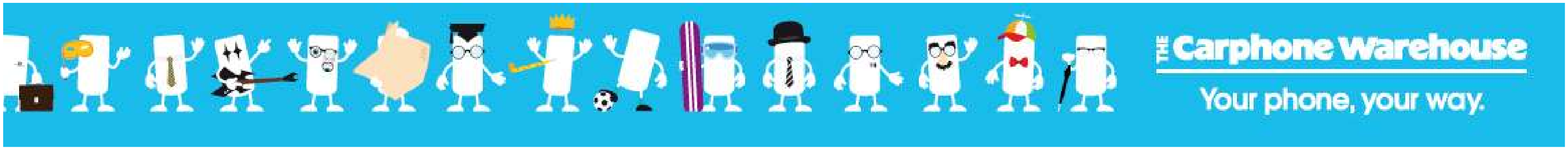
TalkTalk churn



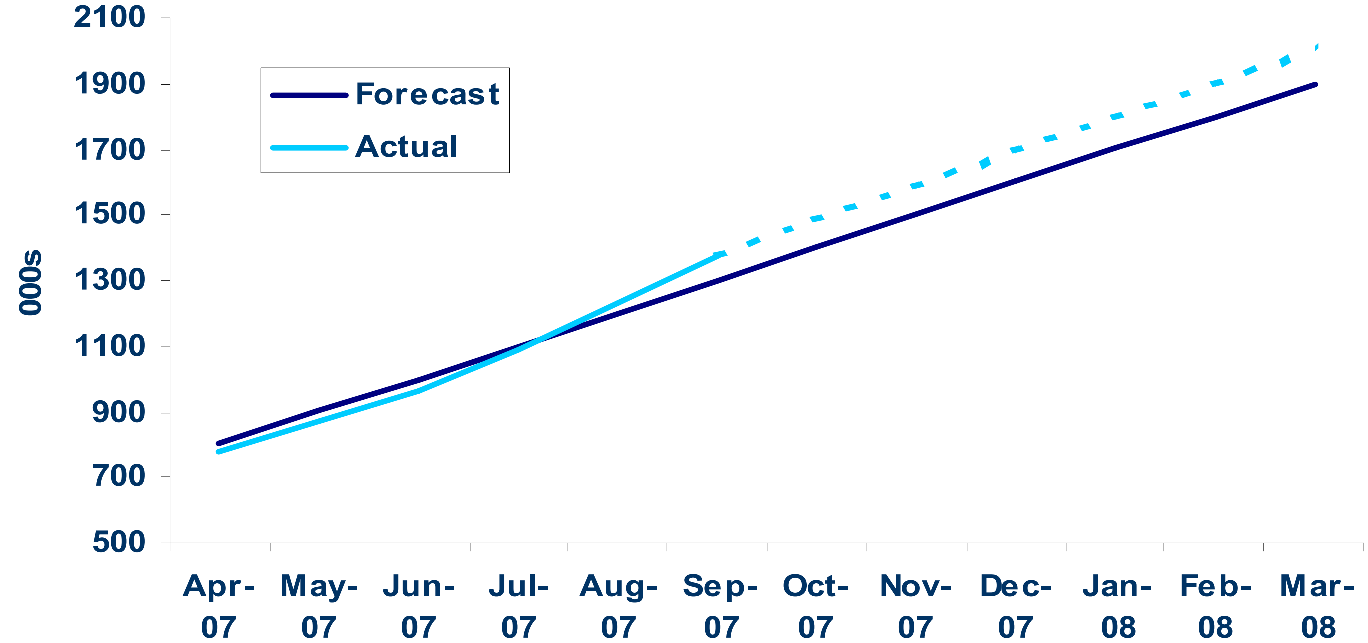
- **No pick-up in contact rates post initial contract period**

TalkTalk / AOL exchanges

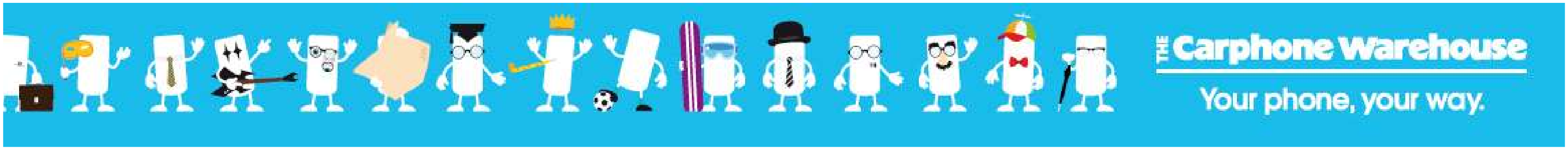




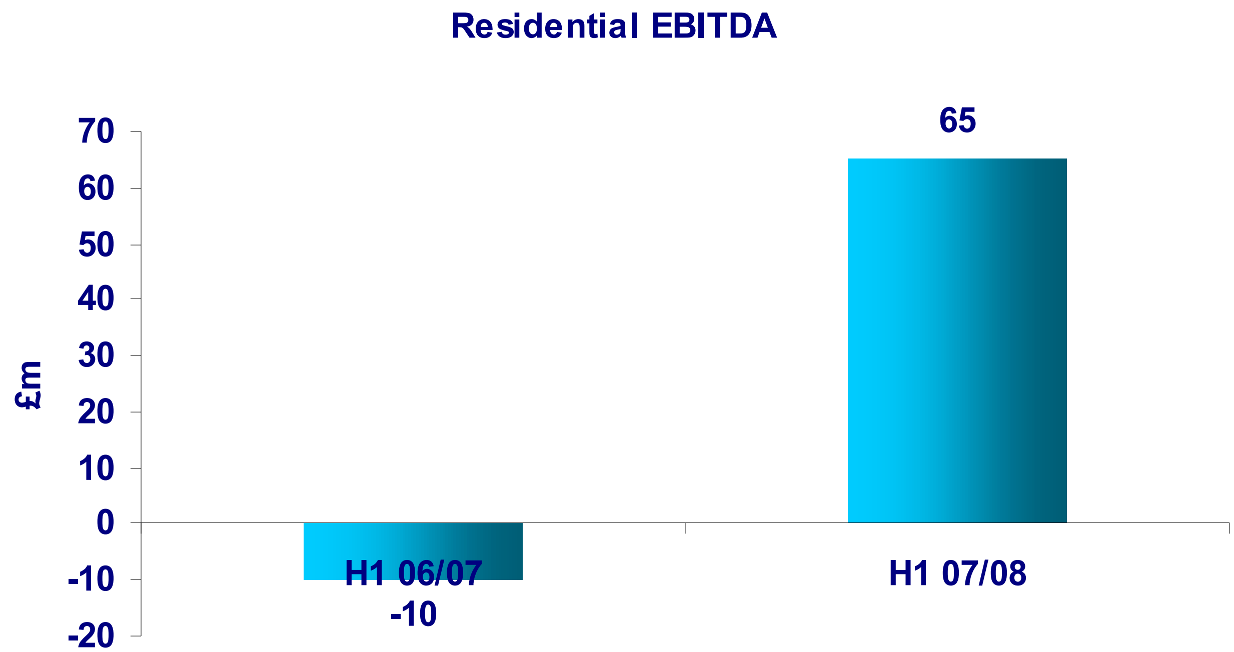
On track to hit migration targets



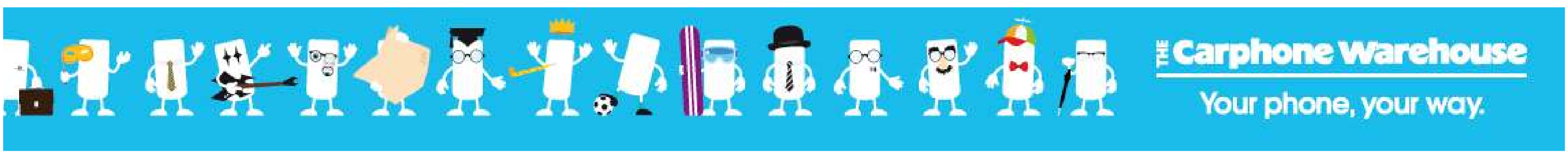
- **By March 2008, more than 70% of all our broadband customers will be on LLU (55% at September 2007)**
- **Exit runrate of profitability gives excellent visibility for following year**



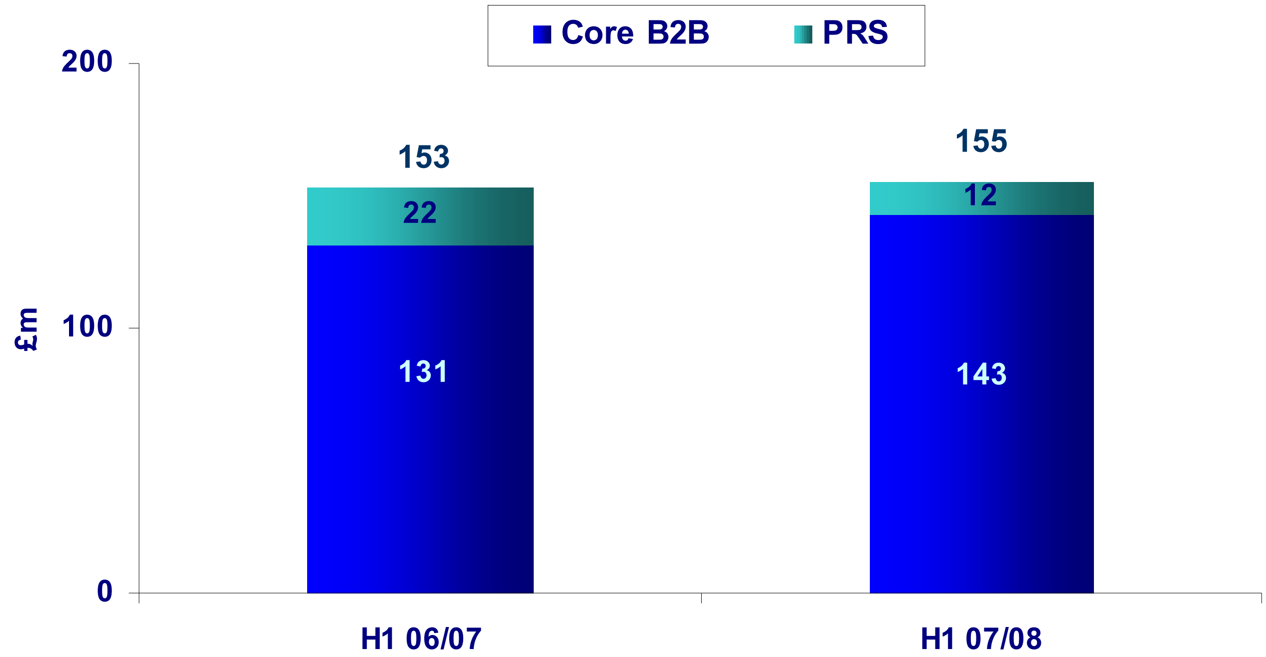
Residential EBITDA



- **Significant turn-around in EBITDA performance, as planned**
- **H1 Margin 12.0%, full year margin >15%**



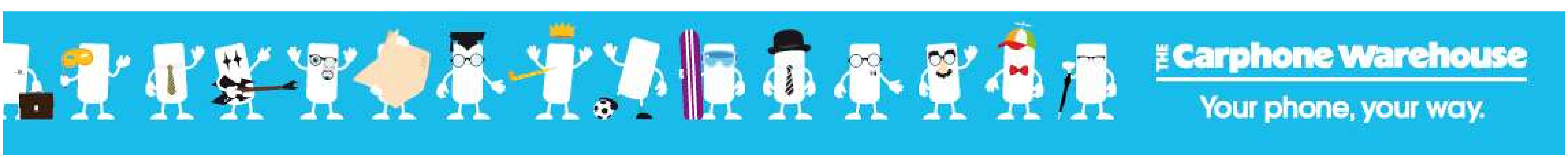
B2B Revenue



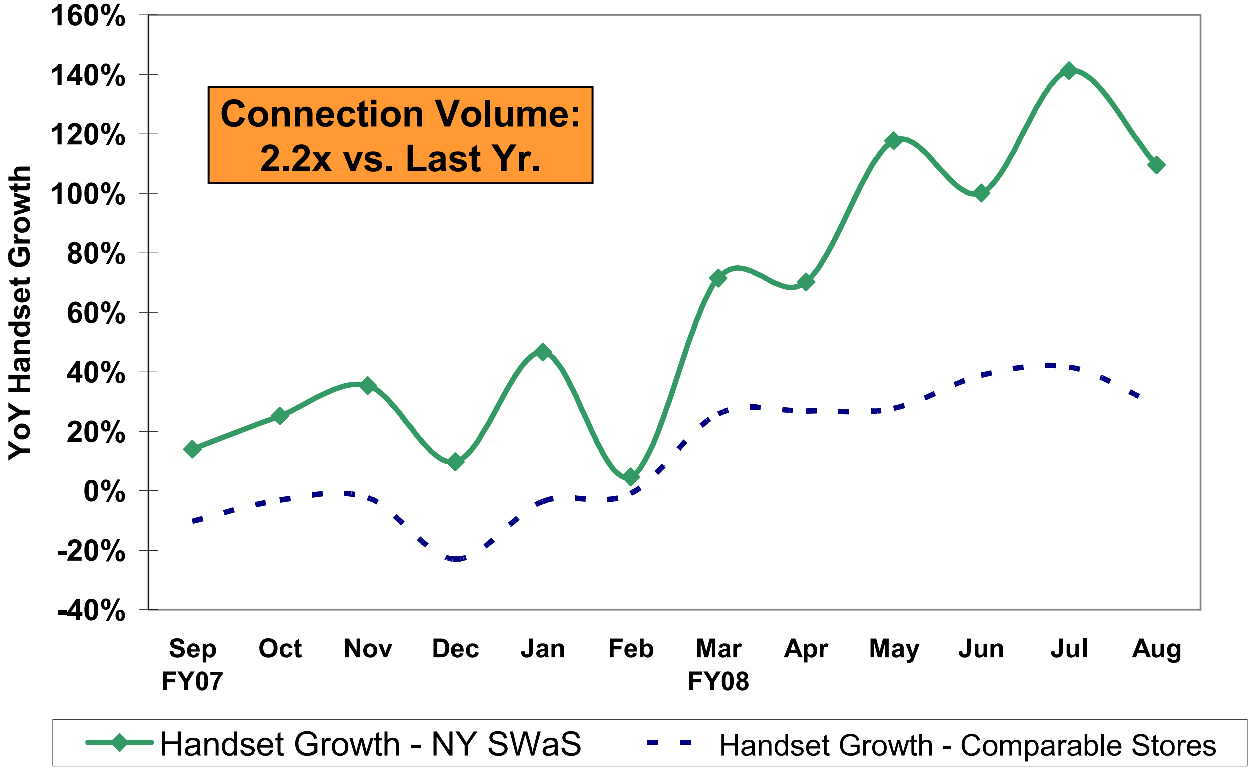
- **Revenues up 10% ex low margin PRS**
- **EBITDA up 26% to £18m**
  - **Good underlying performance**
  - **More accurate cost allocation**

Best Buy Mobile

- **Commercial agreement finalised**
- **Profit share rather than formal JV**
- **All funding provided by Best Buy**
  - **Venture pays a financing charge for cost of funds**
- **CPW takes a share of incremental profit above an agreed base level**
  - **Sliding scale depending on performance**



Strong performance from SwaS format

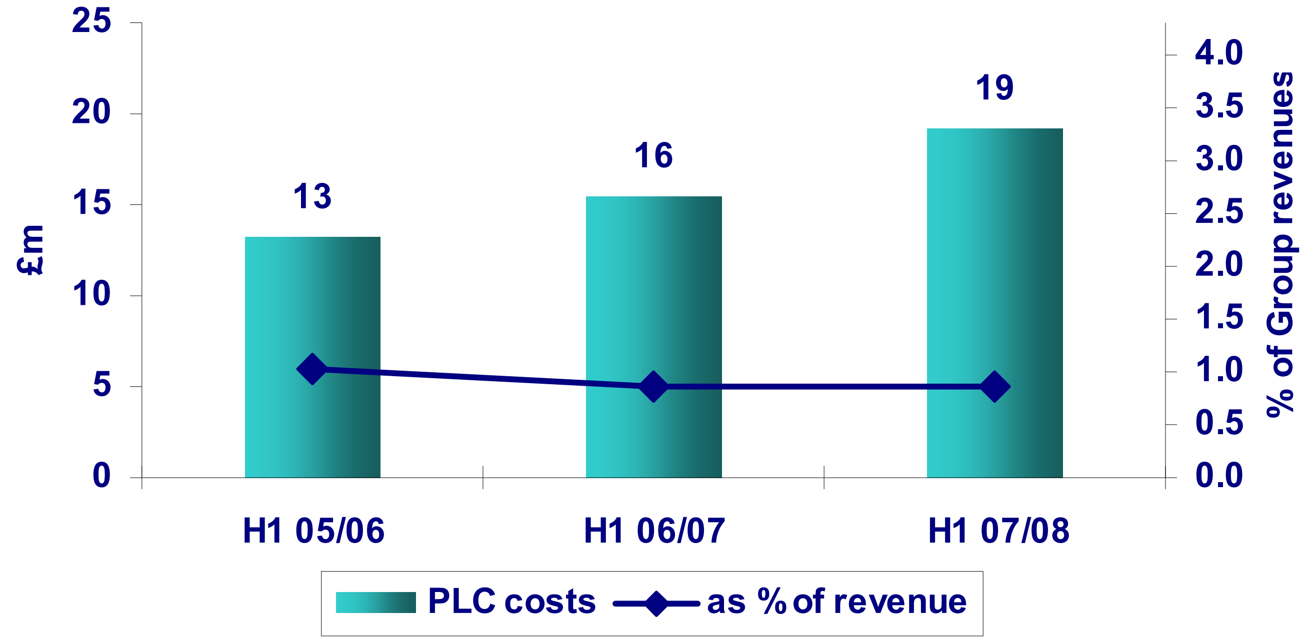


- SWaS stores in New York have doubled handset sales vs last year

Roll-out plans

- **Plan to roll-out SwaS format across entire Best Buy portfolio**
  - **c. 1,000 stores by end calendar 2009**
  - **Continue to test and evaluate standalone store model**
- **Considering further international expansion into existing Best Buy territories**
- **Small loss this year; break-even/small profit in FY09**

PLC costs



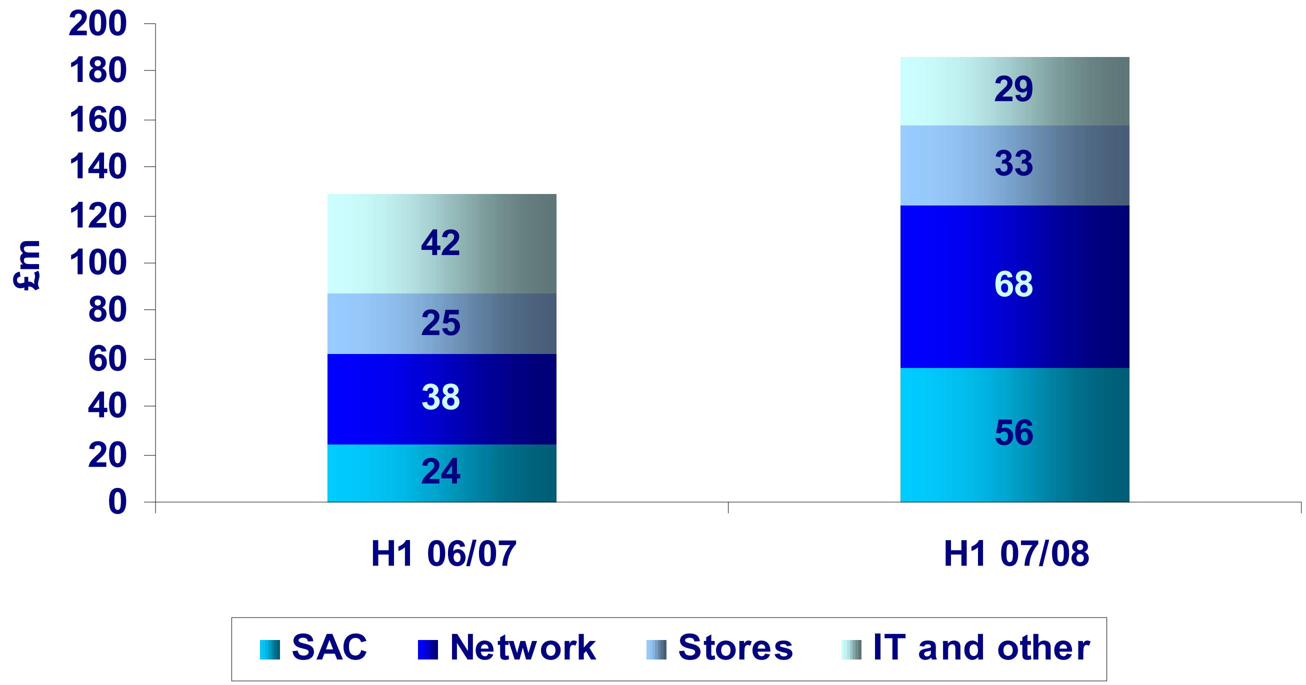
- **Double non-cash charge for options costs this year**

Depreciation and amortisation

£m	H1 06/07	H1 07/08
Depreciation	**29**	**38**
Operational intangibles amortisation	**28**	**56**
SAC	19	39
Key money and Internal software	9	18
Total	**57**	**94**

- **Network and store investment driving depreciation**
- **SAC reflects full impact of 2006/7 plus AOL acquisition**

Capex and SAC



- Customer recruitment, exchange roll-out and new stores remain the key drivers
- Exchange roll-out substantially complete by March 2008

Cash flow (£m)

£m	H1 07/08	H1 06/07
Operating cash flow net of interest and tax	90	7
SAC	(56)	(24)
Capex	(130)	(105)
Acquisitions/JVs	(34)	(15)
Dividends	(20)	(15)
Shares/FX	4	14
Net cash outflow	(146)	(138)
Opening net debt	(617)	(273)
Closing net debt	(763)	(411)

- **Working capital outflow £61m (2006: £70m)**
- **Underlying growth plus laptop inventory**

Highlights of H1

- **Strong operational performance and significant investment in future growth and profitability**
  - **LLU roll-out and execution**
  - **Integration of AOL**
  - **Ongoing development of Retail proposition**
- **Delivered turnaround in Fixed Line profitability in line with plan**
- **Continued Distribution market share gains**
- **Dividend up 25%**

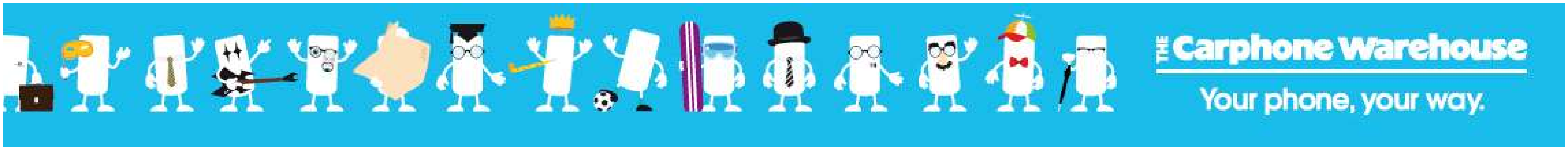
Strategic development

Charles Dunstone

The Carphone Warehouse

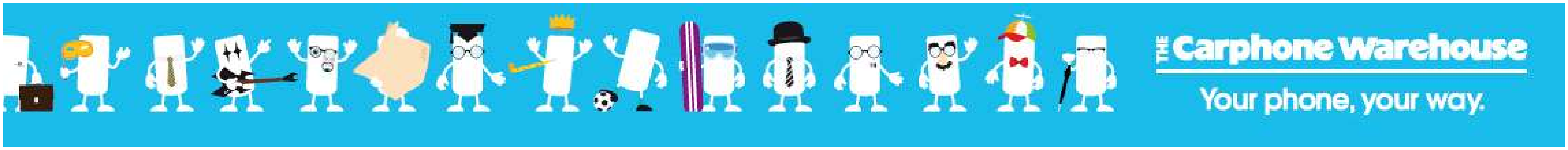
Your phone, your way.

Mobility changes everything



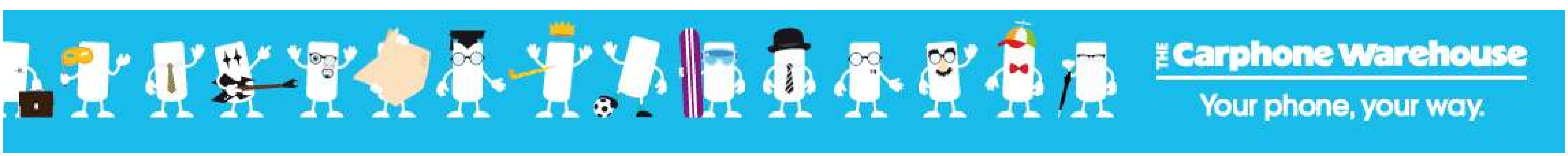
Significant player in UK residential market

- **Telephony – 11% market share**
- **Broadband – 17% market share**

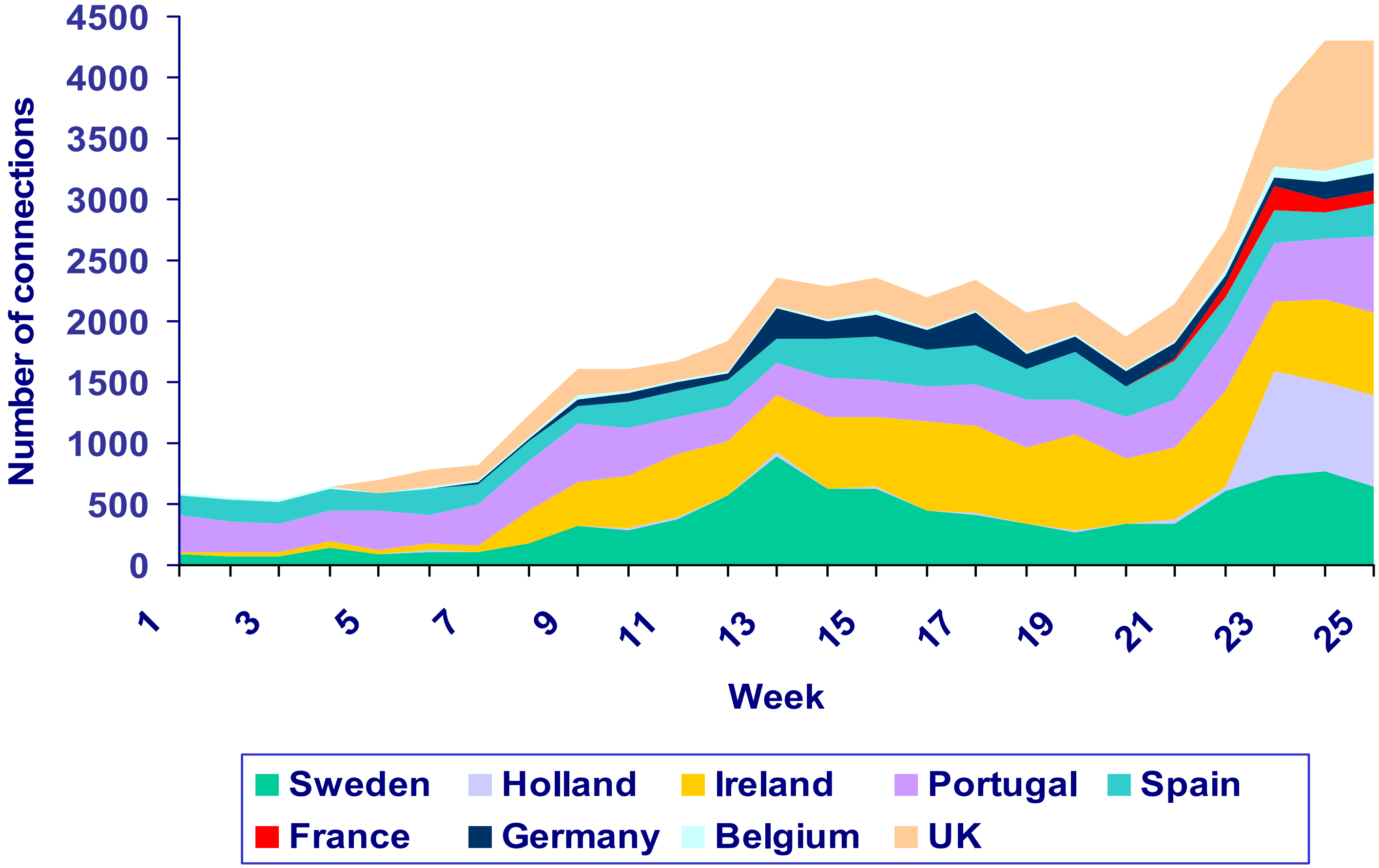


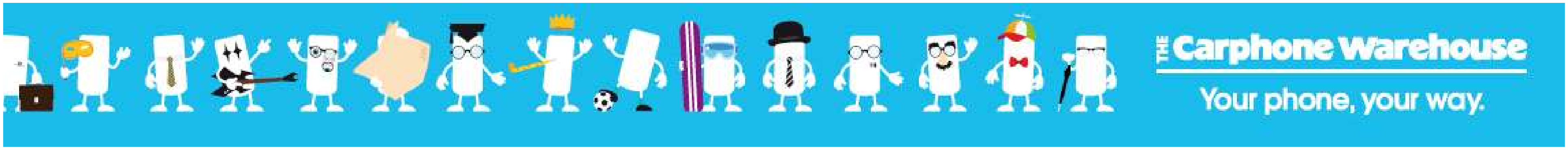
Our Customer Proposition - Solutions

	Content	Connection	Storage	Enabler	Service
Internet Anywhere	Google UK	T··Mobile·			Geek Squad
Email Anywhere		O2 TalkTalk From The Carphone Warehouse			Geek Squad
Music Anywhere		AOL			Geek Squad
TV Anywhere	BBC	TalkTalk From The Carphone Warehouse			Geek Squad
Talk Anywhere		orange			Geek Squad

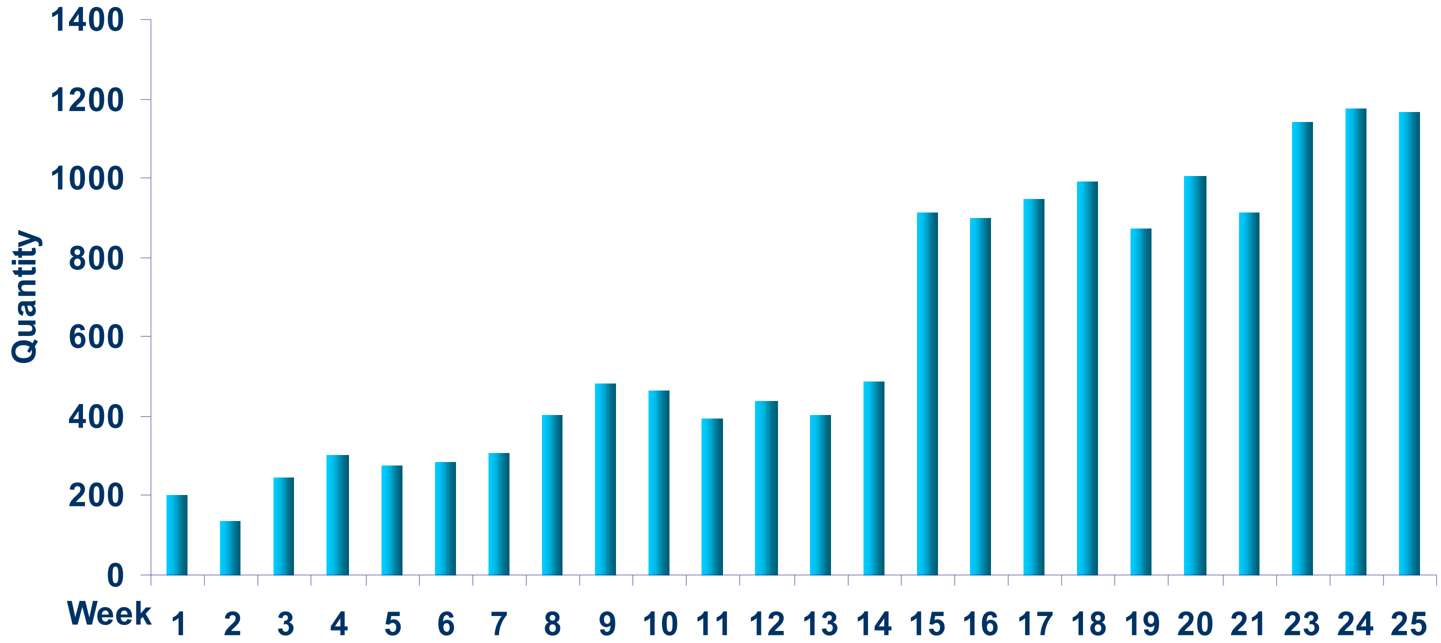


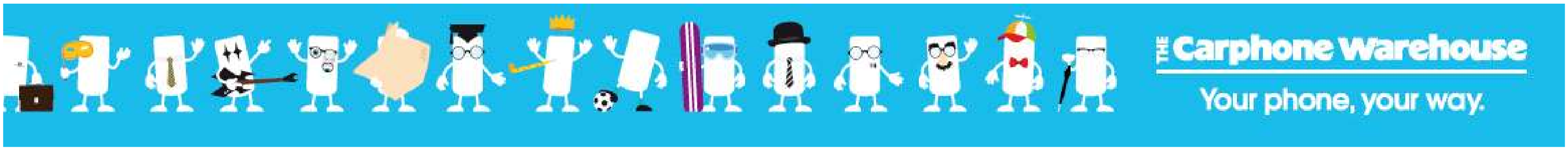
Mobile broadband sales taking off



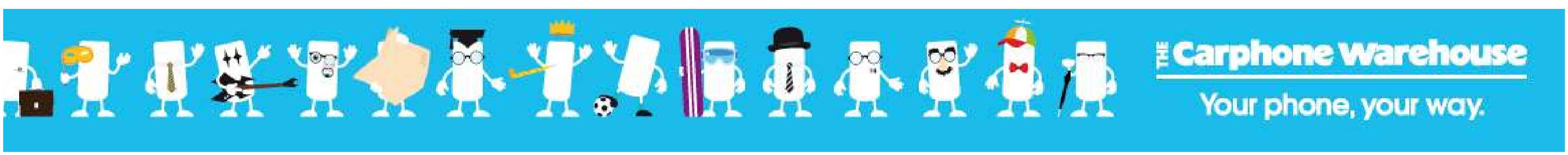


UK introduces blackberry in-store





Free Geek Squad set-up



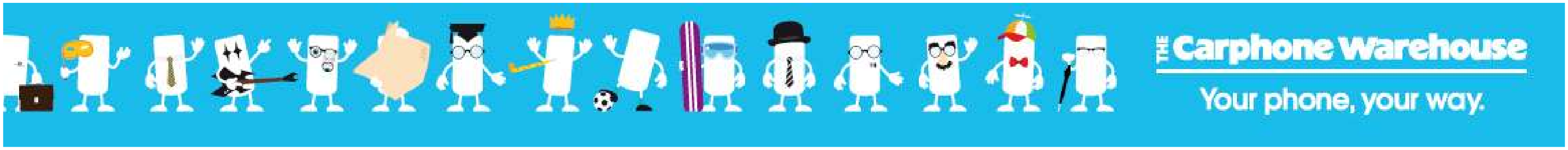
Broadband strategy

TalkTalk
From The Carphone Warehouse

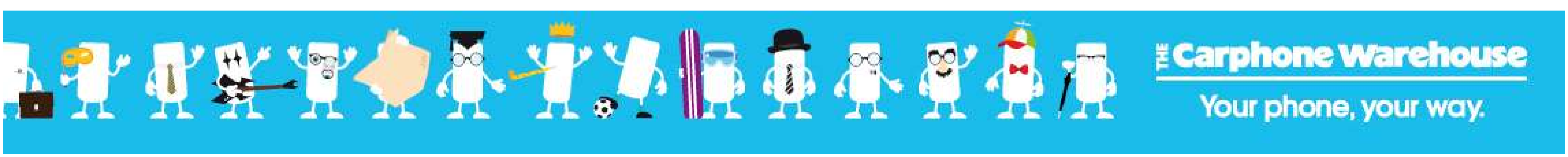
- Still the best value broadband/ telephony product in the market
- Simple and transparent

AOL Broadband

- High end offering with free wireless router, parental controls etc
- Hardware bundles – free laptop



Best Buy relationship



Christmas outlook

Charles Dunstone

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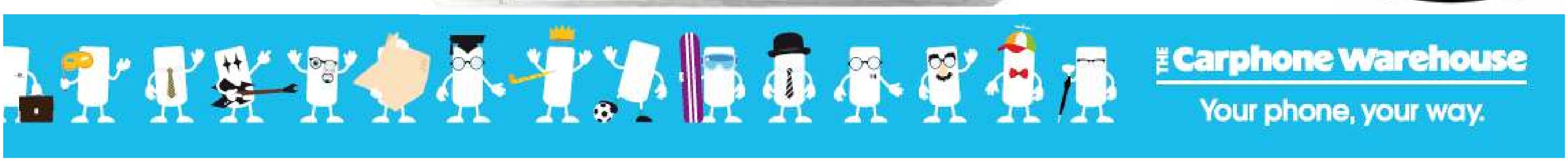
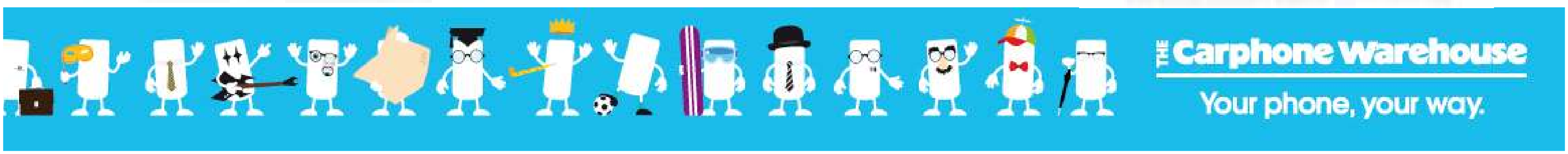
Fashion at Christmas



iPhone

Top subscription phones



Best pay as you go deals

With no contract to sign and no unexpected bills, these phones make excellent Christmas presents. And as **we won't be beaten on price**, you'll be tempted to put one in your own stocking, too!

Best for Value
Nokia 2310
£14.95*
New and exclusive

Colour screen. FM radio. Built in games.

Best for Camera
Sony Ericsson K800i
£89.95*
Amazing digital camera

3.2 megapixel Cyber-shot™ camera. Expandable memory. Bluetooth & MP3 Player.

Best for Fashion
LG Chocolate Lilac
£49.95*
New and exclusive

Incredible stylish looks. 1.3 megapixel camera. Bluetooth & touch sensitive menu keys.

Best for Music
Nokia 5310
£129.95*
New and exclusive

MP3 player. FM radio & standard 3.5mm earphone slot. 2 megapixel camera & expandable memory. Bluetooth.

Best for camera

Sony Ericsson K800i
£89.95*

3.2 megapixel Cyber-shot™ camera. Expandable memory. Bluetooth & MP3 Player.

Sony Ericsson K550i Plum
£59.95*
Exclusive

2 megapixel camera with autofocus & flash. MP3 player & FM radio with RDS. Bluetooth & expandable memory.

Sony Ericsson T250i
£49.95*
New and exclusive

2 megapixel camera. MP3 player. FM radio & expandable memory. Bluetooth & 3G-enabled.

Best for music

Nokia 5310
£129.95*
New and exclusive

MP3 player. FM radio & standard 3.5mm earphone slot. 2 megapixel camera & expandable memory. Bluetooth.

Sony Ericsson W300i
£49.95*
Exclusive

Walkman™ MP3 player & FM radio with RDS. FREE stereo headset. FREE 256MB Sony M2 Micro Stick. Integrated camera & Bluetooth.

Sony Ericsson W810i
£69.95*
New and exclusive

Walkman™ MP3 player & FM radio with RDS. 2 megapixel camera & FREE 512 Memory Stick Duo Pro. Bluetooth.

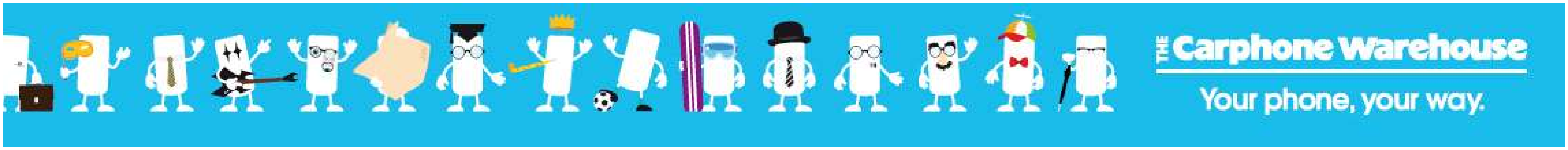
Summary outlook

- **Short term**
  - **iPhone/good Christmas line-up**
  - **Continued LLU migration and improving fixed line profitability**
  - **Further roll-out of Geek Squad and Best Buy Mobile**
- **Long term**
  - **Evolution of retail proposition towards connectivity**
  - **Build further scale within fixed line to maintain competitive advantage**
  - **Maximise potential of US market with Best Buy**

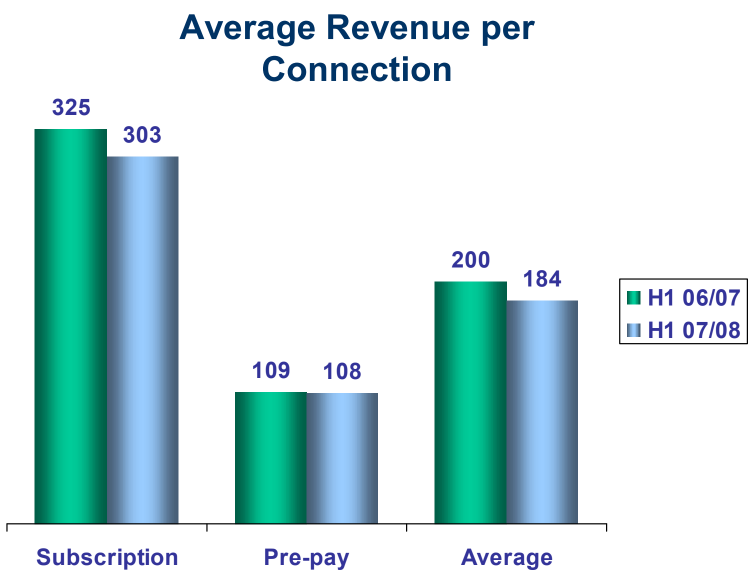
Appendix

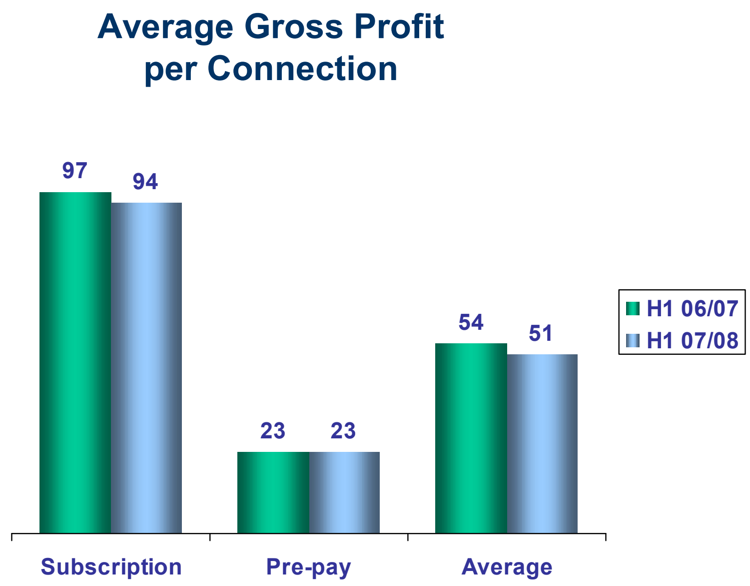
Distribution

£m	H1 07/08	H1 06/07	% change
Revenue	1457	1347	8%
Retail	957	866	11%
Insurance	80	64	25%
Ongoing	40	32	25%
Mobile	259	246	5%
Non-UK Fixed line	51	54	(6%)
Dealer	91	101	(10%)
EBITDA	105	94	12%
Depreciation and Amortisation	(49)	(40)	22%
EBIT	56	54	4%
EBIT %	3.8%	4.0%	



Revenue & gross profit per connection

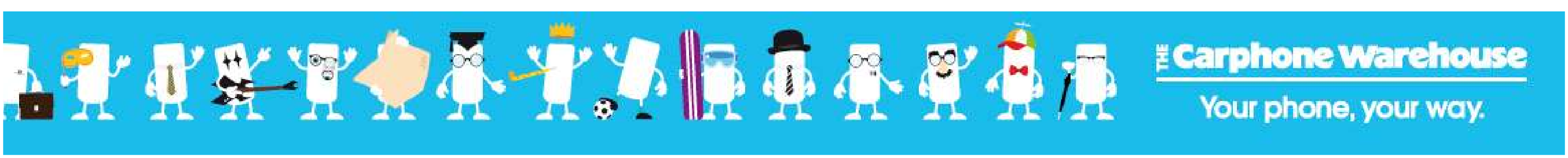




- **NB now includes Online**

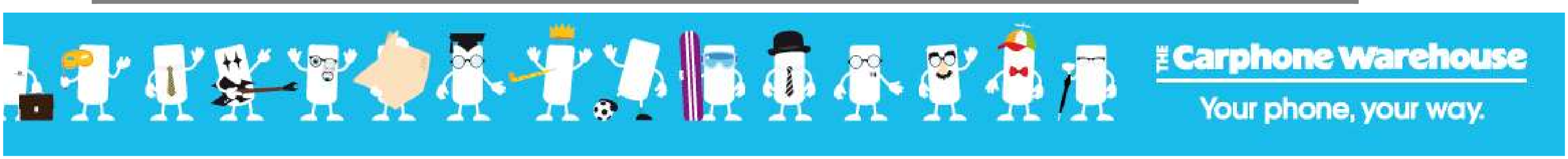
Geographical Analysis

£m	Revenue		EBITDA		EBIT	
	H1 07/08	H1 06/07	H1 07/08	H1 06/07	H1 07/08	H1 06/07
UK	1408	1170	111	31	48	(0.5)
France	103	107	7	8	5	6
Germany	239	211	26	21	7	5
Spain	167	140	15	13	11	10
Other	223	183	11	10	6	7
Total Pre-JVs	2140	1809	169	83	76	27



Store Portfolio

	March 2007	Opened	Closed / Sold	September 2007
UK	769	42	25	786
Spain	408	16	6	418
France	270	22	6	286
Netherlands	183	16	7	192
Germany	160	62	12	210
Sweden	82	6	-	88
Portugal	84	83	4	163
Belgium	70	4	1	73
Ireland	54	5	2	57
Switzerland	64	2	2	64
Total	2,144	258	65	2,337



Connections by country (000's)

	H1 07/08	H1 06/07	% Change
UK	2,762	2,320	19%
Spain	727	634	15%
France	419	380	10%
Netherlands	173	141	23%
Germany	161	118	36%
Sweden	216	175	23%
Portugal	212	140	51%
Belgium	206	170	21%
Ireland	224	197	14%
Switzerland	86	66	30%
Total	5,187	4,340	20%

Services by country