

Thursday 8 November 2007

For immediate release

The Carphone Warehouse Group PLC**Interim Results for the 26 weeks to 29 September 2007****Group revenues up 18%
Dividend up 25%****Financial Headlines**

- Group revenues up 18% to £2,140m
- Distribution revenues up 8% to £1,457m
- Retail revenue up 1.6% like-for-like, gross profit up 2.1% like-for-like
- UK Fixed Line revenues up 49% to £697m
- Headline pre-tax profit £56m (2006: £14m)
- Cash flow from operations of £107m (2006: £15m)

Operational Headlines

- iPhone launches tomorrow in 786 Carphone Warehouse stores
- 193 net new stores opened
- Further acceleration of Best Buy Mobile roll-out – 1,000 stores by 2009
- 2.5m broadband customers
 - 1.4m broadband customers now unbundled – 55% of total broadband base
 - 2,212 exchanges unbundled
- Reorganisation costs of £7m relating to AOL integration

	26 weeks ended 29 September 2007 £m	26 weeks ended 30 September 2006 £m	% growth
Revenue	2,140	1,809	18%
EBITDA*	169	83	104%
Headline profit before tax**	56	14	N/M
Reorganisation costs	7	-	-
Earnings per share**	4.97p	1.56p	N/M
Dividend per share	1.25p	1.00p	25%

* before reorganisation costs

** before amortisation of acquisition intangibles and reorganisation costs

Charles Dunstone, CEO, said:

“We have made good progress across the Group in the first half. The Retail business continues to prosper across Europe, and we are announcing today a major roll-out of our US venture. In our UK Fixed Line operations, the majority of our broadband customers are now on our own network, with profitability and quality of service improving all the time.

“We expect a good second half in the retail business, with new product launches and the rising interest in mobile data services driving consumer demand. We are delighted to be the only independent distributor selected by Apple to launch the iPhone. It goes on sale from 6pm tomorrow and has already attracted widespread customer interest. In UK Fixed Line, we are confident of growing our market share in a growing market, while our unique network asset is set to deliver significant progress in profitability. This confidence in the future is reflected by the Board’s decision to increase the interim dividend by 25%.”

Overview

Group revenue for the period was £2,140m compared with £1,809m for the prior year, representing growth of 18%. Headline pre-tax profits before amortisation of acquisition intangibles were £56m (2006: £14m).

Within Distribution, we have achieved further good growth over the last six months, and the strength of our proposition and the depth of our presence has enabled us to continue to grow our market share significantly. Our store opening programme is proceeding in line with plan and, in addition, we are relocating a number of stores in key areas to much larger premises to improve the customer experience and grow our share further. Our US trial has continued to go well, giving us the confidence to pursue a roll-out to 1,000 Best Buy stores over the next two years.

As previously highlighted, the UK off-the-page market has been much slower in the first half of the year, with a noticeable effect on overall subscriptions growth. While we see no signs yet of an improvement in this channel, its weighting within the business is typically smaller through the second half of the financial year given the seasonal strength of the stores over Christmas.

Growth in Distribution’s main recurring revenue streams, Insurance and Ongoing, continues to be very strong, driven by our track record of subscriptions growth, and enhancing the quality of our earnings.

Within our Mobile operations, our German service provision business, The Phone House Telecom, is making steady progress in a competitive market. Our MVNO operations are expanding, with launches in a number of European countries over the last 12 months and our recent introduction of a subscription service in the UK. Virgin Mobile France is well on the way to its target of one million customers, with losses reflecting the ongoing investment in brand marketing and customer recruitment.

On the UK Fixed Line side, it has been a period of considerable operational achievement. CPW Networks has extended its reach, such that we now have over 2,200 exchanges unbundled and already 55% of our broadband customer base is on our own network. By the end of the financial year this will be over 70%, with further progress expected in future years. At the same time, we have continued to grow our broadband customer base in line with our aspirations, and have made significant progress on the integration of the AOL acquisition. As a result of this process we have incurred reorganisation costs of approximately £7m in the first half, with additional costs of £10-15m expected in the second half.

Fixed Line B2B has had a good six months in a stable marketplace. While revenue growth has been held back by a slowdown in low margin premium rate services, the improvement in underlying profitability is beginning to reflect the efficiency of our unbundled network, as well as a fairer allocation of network costs between Residential and B2B operations.

Outlook

The outlook for continued growth is good. We see considerable scope for further physical expansion, both in Europe and the US, over the coming years. At the same time, the evolution of the Distribution model towards the broader provision of connectivity services addresses a growing customer need as

technologies converge. In the shorter term, the launch of the iPhone and the mass adoption of mobile data services are likely to stimulate market growth.

In our UK Fixed Line operations, our focus on operational execution is delivering increasing visibility of future profitable growth. Our network coverage now allows us to address more of the population profitably than any other alternative provider in a market that continues to offer attractive growth opportunities, and our unique success with full unbundling gives us a significant cost advantage. As a result, we are confident that we will meet our medium term customer targets while achieving material margin improvements and improving cash generation.

Distribution

	2007	2006
	£m	£m
Revenue	1,457	1,347
Retail inc Online	957	866
Insurance	80	64
Ongoing	40	32
Mobile	259	246
Non-UK Fixed Line	51	54
Dealer	91	101
Eliminations	(20)	(17)
EBITDA	105	94
Depreciation and amortisation	(49)	(40)
EBIT	56	54
EBIT %	3.8%	4.0%

The Distribution division generated revenues of £1,457m and EBIT of £56m, representing growth of 8% and 4% respectively on the prior year. The EBIT margin fell 20 basis points, with the slowdown in the UK off-the-page retail market offsetting a good performance from the stores and strong growth in higher margin ancillary revenue streams.

Retail (including Online)

Total connections grew 20% to 5.2m. Subscription connections were up 12% to 2.0m. Although market growth was slower, we made significant market share gains over the period as we continued to improve and refine our retail proposition. Overall subscriptions growth was depressed by a much more subdued off-the-page market in the UK, whereas the stores continued to trade well, with subscriptions growth excluding Online of 18%. Pre-pay connections were up 26% to 2.9m, as the pre-pay segment of the market continued to be buoyant.

We opened 258 stores (including the acquisition of Osfone in Portugal in April 2007, with 73 stores) and relocated or closed 65 in the first half, taking the total number of stores in the portfolio to 2,337, of which 196 are franchise stores (2006: 167 franchise stores). We expect to open a net 350 stores in total in the current financial year, including the acquisition of Osfone. Total average selling space in all stores grew by 20% to 120,000 sqm (2006: 100,000 sqm). Excluding franchise stores, average space was up 19% to 111,000 sqm (2006: 93,000 sqm).

Total Retail revenues grew 11% to £957m. Retail like-for-like revenue growth was 1.6%. Subscription revenue per connection fell 7%, reflecting a greater weighting to non-UK subscription sales and the growth in mobile data subscriptions. Pre-pay revenue per connection was flat year-on-year. Retail like-for-like gross profit growth was 2.1%. Subscription gross profit per connection was down 3% at £94 (2006: £97), again reflecting the change in geographical mix. Gross profit per connection on pre-pay remained flat year-on-year at £23.

Aside from the weakness in the off-the-page market, the UK continued to trade well. We have made good progress with our new store format, opening or relocating 42 stores during the period. We have started to introduce a wider range of products and services as we evolve our proposition to a broader connectivity offering. During the period, we launched the Broadband Shop, our multi-carrier proposition giving advice across a range of DSL, cable and mobile data offerings, with the latter in particular beginning to show very strong customer interest.

Outside the UK, trading was for the most part good, with continued strong performances in Sweden and Spain, and a very encouraging recovery in the Netherlands. Switzerland continued to suffer from being sub-scale, and our French business was contending with a strong comparative period last year.

Insurance

Insurance revenues grew 25% year-on-year to £80m (2006: £64m). The customer base was up 14% to 2.4m, driven by the continued growth in subscription connections.

Ongoing

Growth in Ongoing revenues, our ARPU-sharing agreements with mobile networks, also continued to be supported by subscription connections growth, and an increasing trend towards revenue-sharing on the part of mobile networks. Ongoing revenues grew 25% to £40m (2006: £32m).

Mobile

Mobile revenues rose 5% to £259m (2006: £246m). Within these figures, revenues at The Phone House Telecom, our German service provision business, were up 4% to £186m (2006: £180m), reflecting continued growth in the customer base, offset by a fall in the blended ARPU. The subscription base rose 8% to 933,000 and the pre-pay base rose 59% to 700,000. Subscription ARPU fell 6% year-on-year to £23.2.

In the balance of our Mobile operations, revenues were up 9% to £72m. Excluding the partial disposal of our French facilities management business in April 2007, revenues rose 33%. Our wholly-owned MVNO operations across Europe performed well, with renewed customer growth in the UK supplemented by some promising progress in other markets, particularly Spain. After the period end, we announced a new subscription MVNO service in the UK, Talk Mobile, targeted at lower end contract customers.

UK Fixed Line

	2007	2006
	£m	£m
Revenue	697	469
Residential	542	316
B2B	155	153
EBITDA*	83	4
Residential	65	(10)
B2B	18	14
Depreciation and amortisation**	(44)	(16)
EBIT	39	(11)
EBIT %	5.6%	-

* excluding reorganisation costs

** excluding amortisation of acquisition intangibles

The UK Fixed Line division generated revenues of £697m and EBIT of £39m, compared to revenues of £469m and a loss of £11m last year. Excluding the AOL acquisition, revenues grew 7%, primarily reflecting continued growth in the residential customer base and rising blended ARPU.

Residential

Total Residential revenues were up 72% to £542m (2006: £316m). Excluding AOL revenues of £196m, revenue growth was 10%. During the period we combined our ongoing focus on broadband customer recruitment with our major exchange unbundling programme, delivering both continued top line growth and improving margins.

We added 215,000 net new broadband customers during the period, taking our total customer base to 2.5m, equivalent to a share of approximately 17% of the UK broadband market. The AOL base declined during the period, as we focused on recruiting customers only within our exchange footprint through geographical pricing variations. However, towards the end of the period, as our AOL footprint extended rapidly and we introduced our free Dell laptop offer, the AOL base stabilised. The TalkTalk

base made further good progress, reaching one million customers within 18 months of the launch of Free Broadband. Blended broadband ARPU for the first half was £21.7, ahead of our expectations and reflecting a higher proportion of TalkTalk customers and good sell-through of voice services to AOL customers.

During the period we added a further 675,000 broadband customers to our own network, taking the total to 1.4m or 55% of our broadband customer base. Our business now accounts for 43% of all unbundled lines in the UK market.

Our base of other billed customers, comprising voice-only and AOL dial-up accounts, declined to 2.1m, as expected, as customers migrated to broadband and bundled services or churned off. The blended ARPU from this base was £17.8. The total voice base, including voice-only customers and those taking voice services as part of a broadband bundle, stood at 2.7m at the end of September.

Residential EBITDA was £65m, compared to a loss of £10m in the prior period. The increase in EBITDA reflects the acquisition of the AOL business, the underlying growth in our customer base and ARPU, and the significant cost efficiency created by migrating customers onto our own network. We expect to make further material margin progress in the second half and the subsequent financial year, as excess customer service costs decline and a higher proportion of the base is serviced off our own network.

The integration of the AOL acquisition has proceeded very well. We now have shared backhaul across relevant exchange sites, and CPW Networks has successfully overseen the AOL exchange roll-out programme. Looking ahead, we have further work to do on migrating AOL's customers onto our own systems, which we expect to take place over the next 12 months. At this stage, we anticipate a total reorganisation cost of approximately £17-22m, of which £7m has been incurred in the interim period.

B2B

B2B revenues were up 1% to £155m (2006: £153m), with EBITDA up 26% to £18m (2006: £14m). Excluding Premium Rate Services, where revenue was down 47% to £12m, revenues were up 10%. The core business continued to perform in line with expectations in a stable market, with management increasingly looking to focus on expanding its range of services to customers, on the back of the LLU network investment. The strong growth in EBITDA partly reflects a good operational performance, but has also been enhanced by a more accurate allocation of shared overhead between the Residential and B2B operations this year.

Associate operations

During the period, we formalised the terms of our commercial agreement with Best Buy for the development of our US mobile retail venture, Best Buy Mobile. Under the agreement, Best Buy will fund the operation, with the venture paying a financing charge to Best Buy for the cost of funds. Carphone Warehouse will receive a share of incremental profits above the historical profitability of Best Buy's mobile retail operations, based on a sliding scale.

The US trial has continued to progress well and by the end of September we had 70 Best Buy Mobile outlets open. We are now planning for a more extensive roll-out of the concept across Best Buy's store portfolio in the US, and aim to have up to 1,000 outlets within existing Best Buy stores in operation during 2009, as well as a growing number of stand alone stores. In addition, we are exploring opportunities to expand the venture into other markets where Best Buy has a presence.

We expect Carphone Warehouse to make a small loss from the venture in the current financial year and to break even in the year to March 2009, with the potential for significant profitable growth thereafter.

Also in partnership with Best Buy, we launched the Geek Squad, a home technology support service, in the UK in March. We are currently offering home visits in the Greater London area and are steadily rolling out to other centres in the UK. We offer a remote service across the whole of the country. Customer reception has been very positive and we are now developing the brand across a range of our after-sales services, as we build it into an integral part of our strategy to offer customers a full service

across a range of connectivity applications. The Geek Squad will launch in Spain in January 2008, with other territories to follow.

Our French MVNO in partnership with Virgin, Virgin Mobile France, is making good progress. We now have well over half a million active customers, of whom approximately 60% are subscription customers. We continue to invest in building the brand and customer recruitment, with underlying economics supporting the future profitability of the business.

Total losses from joint ventures and associates, principally comprising The Geek Squad and Virgin Mobile France, amounted to £4m (2006: £5m loss).

Central costs

Central costs not directly allocable to business units amounted to £19m, a rise of 24% year-on-year (2006: £16m). The increase reflects further investment in providing central support for our operating businesses, and a higher non-cash charge for share-based compensation.

Amortisation of acquisition intangibles

The amortisation charge on acquisition intangibles was £39m (2006: £19m), the increase reflecting intangible assets arising on the acquisition of AOL's UK business in December 2006. The Group receives UK tax relief on the amortisation charge.

Cash flow, interest and dividend

At 29 September 2007, the Group had net debt of £763m, compared to net debt of £617m at the last financial year end. The net interest charge for the period was £16m (2006: £8m), the increase reflecting higher average levels of net debt after the broadband investment and AOL acquisition, and higher interest rates.

During the period the Group generated cash flow from operations of £107m (2006: £15m). Total capex investment during the period was £130m (2006: £105m), of which £33m related to the store portfolio and £68m related to telecoms infrastructure, with the balance being predominantly IT spend. Total capitalised SAC for the period was £56m (2006: £24m). The Group invested £41m in acquisitions during the period, primarily being deferred consideration in respect of AOL, and received £11m in relation to the disposal of 62% of one of its French subsidiaries, The Phone House Services Telecoms SAS. We continue to expect net debt at March 2008 to be approximately £600-650m.

The Board has declared an interim dividend of 1.25p per share (2006: 1.00p per share), up 25%. Subject to performance in the second half of the year, we expect the total pay-out for the year to represent an increase of approximately 30% over last year's distribution.

The ex-dividend date will be 14 November 2007 and the record date will be 16 November 2007. The intended payment date will be 7 December 2007.

Analysts' presentation and webcast

There will be a presentation for investors and analysts at 8.30 am this morning at the offices of UBS, 1 Finsbury Avenue, London EC2M 2PP. The event will be audio webcast and the presentation slides will be available on our website, www.cpwplc.com.

Next trading update

The Group will give a full trading update, including revenues, connections and customer bases, for the third quarter of the current financial year on 18 January 2008.

For Further Information

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FINANCIAL REVIEW

Consolidated income statement for the 26 weeks ended 29 September 2007 With 26 weeks ended 30 September 2006 comparatives

		Before amortisation of acquisition intangibles and reorganisation costs	Amortisation of acquisition intangibles and reorganisation costs (see note 3)	After amortisation of acquisition intangibles and reorganisation costs	Before amortisation of acquisition intangibles	Amortisation of acquisition intangibles	After amortisation of acquisition intangibles
	Notes	26 weeks ended 29 September 2007 (Unaudited)			26 weeks ended 30 September 2006 (Unaudited)		
		£m	£m	£m	£m	£m	£m
Continuing operations							
Revenue	2	2,140.3	-	2,140.3	1,809.4	-	1,809.4
Cost of sales		(1,330.5)	-	(1,330.5)	(1,239.1)	-	(1,239.1)
Gross profit		809.8	-	809.8	570.3	-	570.3
Operating expenses excluding amortisation and depreciation		(640.6)	(7.3)	(647.9)	(487.1)	-	(487.1)
EBITDA		169.2	(7.3)	161.9	83.2	-	83.2
Depreciation		(37.6)	-	(37.6)	(29.0)	-	(29.0)
Amortisation		(55.9)	(39.0)	(94.9)	(27.5)	(18.8)	(46.3)
Share of results of joint ventures and associates		(3.9)	-	(3.9)	(4.6)	-	(4.6)
Profit before interest and taxation	2	71.8	(46.3)	25.5	22.1	(18.8)	3.3
Interest payable		(21.1)	-	(21.1)	(10.4)	-	(10.4)
Interest receivable		5.2	-	5.2	2.4	-	2.4
Profit (loss) before taxation		55.9	(46.3)	9.6	14.1	(18.8)	(4.7)
Taxation	4	(11.2)	13.9	2.7	(0.2)	5.6	5.4
Net profit for the financial period		44.7	(32.4)	12.3	13.9	(13.2)	0.7
Earnings per share							
Basic	5	4.97p		1.36p	1.56p		0.08p
Diluted	5	4.65p		1.28p	1.48p		0.07p

Consolidated income statement for the 26 weeks ended 29 September 2007
With 52 weeks ended 31 March 2007 comparatives

		Before amortisation of acquisition intangibles and reorganisation costs	Amortisation of acquisition intangibles and reorganisation costs (see note 3)	After amortisation of acquisition intangibles and reorganisation costs	Before amortisation of acquisition intangibles and goodwill expense	Amortisation of acquisition intangibles and goodwill expense	After amortisation of acquisition intangibles and goodwill expense
	Notes	26 weeks ended 29 September 2007 (Unaudited)			52 weeks ended 31 March 2007 (Audited)		
		£m	£m	£m	£m	£m	£m
Continuing operations							
Revenue	2	2,140.3	-	2,140.3	3,991.5	-	3,991.5
Cost of sales		(1,330.5)	-	(1,330.5)	(2,731.3)	-	(2,731.3)
Gross profit		809.8	-	809.8	1,260.2	-	1,260.2
Operating expenses excluding amortisation and depreciation		(640.6)	(7.3)	(647.9)	(966.2)	-	(966.2)
EBITDA		169.2	(7.3)	161.9	294.0	-	294.0
Depreciation		(37.6)	-	(37.6)	(65.9)	-	(65.9)
Amortisation		(55.9)	(39.0)	(94.9)	(68.7)	(54.3)	(123.0)
Goodwill expense		-	-	-	-	(0.5)	(0.5)
Share of results of joint ventures and associates		(3.9)	-	(3.9)	(9.9)	-	(9.9)
Profit before interest and taxation	2	71.8	(46.3)	25.5	149.5	(54.8)	94.7
Interest payable		(21.1)	-	(21.1)	(32.4)	-	(32.4)
Interest receivable		5.2	-	5.2	6.1	-	6.1
Profit (loss) before taxation		55.9	(46.3)	9.6	123.2	(54.8)	68.4
Taxation	4	(11.2)	13.9	2.7	(17.7)	16.3	(1.4)
Net profit for the financial period		44.7	(32.4)	12.3	105.5	(38.5)	67.0
Earnings per share							
Basic	5	4.97p		1.36p	11.82p		7.51p
Diluted	5	4.65p		1.28p	11.20p		7.11p

Consolidated statement of changes in equity for the 26 weeks ended 29 September 2007

	Notes	26 weeks ended 29 September 2007 (Unaudited) £m	26 weeks ended 30 September 2006 (Unaudited) £m	52 weeks ended 31 March 2007 (Audited) £m
At the beginning of the period		689.6	619.0	619.0
Net profit for the financial period		12.3	0.7	67.0
Currency translation		(0.6)	(2.1)	(0.2)
Tax on items recognised directly in reserves		9.9	4.8	3.2
Net change in available-for-sale investments		(2.9)	(0.1)	3.6
Unrealised gain on disposal of subsidiary		-	1.7	1.7
Net cost of share-based payments		5.1	3.3	10.4
Total recognised income and expense for the period		23.8	8.3	85.7
Issue of share capital		26.5	4.5	8.5
Net (purchase) sale of own shares		(14.6)	0.3	0.6
Equity dividends	8	(20.1)	(15.4)	(24.2)
At the end of the period		705.2	616.7	689.6

Consolidated balance sheet as at 29 September 2007

	Notes	29 September 2007 (Unaudited) £m	30 September 2006 (Unaudited) £m	31 March 2007 (Audited) £m
Non-current assets				
Goodwill		641.5	559.9	639.0
Other intangible assets		518.2	167.8	513.6
Property, plant and equipment		385.0	287.4	337.4
Non-current asset investments		5.3	10.8	14.5
Interests in joint ventures		1.9	-	1.4
Investment in associate		5.3	-	-
Deferred tax assets		52.3	41.4	51.6
		1,609.5	1,067.3	1,557.5
Current assets				
Stock		213.2	166.9	161.5
Trade and other receivables		846.2	696.7	743.8
Current asset investments		7.5	3.9	2.3
Cash and cash equivalents		114.5	117.1	111.1
		1,181.4	984.6	1,018.7
Total assets		2,790.9	2,051.9	2,576.2
Current liabilities				
Trade and other payables		(1,048.5)	(737.5)	(922.1)
Corporation tax liabilities		(39.7)	(40.1)	(52.7)
Loans and other borrowings		(0.7)	(9.2)	(22.7)
Provisions		(111.4)	(117.4)	(109.9)
		(1,200.3)	(904.2)	(1,107.4)
Non-current liabilities				
Trade and other payables		(1.0)	(6.7)	(71.6)
Loans and other borrowings		(884.4)	(523.2)	(707.6)
Interests in joint ventures		-	(1.1)	-
		(885.4)	(531.0)	(779.2)
Total liabilities		(2,085.7)	(1,435.2)	(1,886.6)
Total assets and liabilities		705.2	616.7	689.6
Equity				
Share capital	6	0.9	0.9	0.9
Share premium reserve	6	453.3	425.7	426.8
Capital redemption reserve	6	-	-	-
Translation reserve	6	1.3	-	1.9
Accumulated profits	6	249.7	190.1	260.0
Funds attributable to equity shareholders		705.2	616.7	689.6

Approved by the Board of The Carphone Warehouse Group PLC
7 November 2007

Consolidated cash flow statement for the 26 weeks ended 29 September 2007

	26 weeks ended 29 September 2007 (Unaudited) £m	26 weeks ended 30 September 2006 (Unaudited) £m	52 weeks ended 31 March 2007 (Audited) £m
Operating activities			
Profit before interest and taxation	25.5	3.3	94.7
Adjustments for non-cash items:			
Share-based payments	5.1	3.3	10.4
Non-cash movements on joint ventures and associates	3.9	3.2	8.0
Depreciation	37.6	29.0	65.9
Amortisation	94.9	46.3	123.0
Goodwill expense	-	-	0.5
Operating cash flows before movements in working capital	167.0	85.1	302.5
(Profit) loss on disposal of property, plant and equipment and intangible assets	(0.1)	0.1	(3.7)
Increase in trade and other receivables	(90.4)	(148.3)	(175.4)
Increase in stock	(51.6)	(32.0)	(26.4)
Increase in trade and other payables	84.2	115.9	180.4
Decrease in provisions	(2.1)	(5.7)	(21.1)
Cash generated from operations	107.0	15.1	256.3
Taxation (paid) received	(1.1)	0.1	(6.5)
Net cash generated from operating activities	105.9	15.2	249.8
Investing activities			
Proceeds from sale of property, plant and equipment and intangible assets	0.4	0.1	13.5
Acquisition of subsidiaries, net of cash acquired	(40.7)	(14.4)	(258.3)
Disposal of subsidiary, net of cash disposed	11.1	-	-
Interest received	5.2	2.4	6.1
Acquisition of intangible assets	(97.1)	(51.6)	(148.1)
Acquisition of property, plant and equipment	(88.8)	(77.3)	(161.4)
Acquisition of non-current asset investments	(0.3)	-	-
Investment in joint ventures	(4.6)	(0.6)	(8.3)
Cash flows from investing activities	(214.8)	(141.4)	(556.5)
Financing activities			
Proceeds from the issue of share capital	26.5	4.5	8.5
Net (purchase) sale of own shares	(14.6)	0.3	0.6
Increase in borrowings	152.3	186.6	374.1
Receipts from current asset investments	1.4	0.7	2.3
Interest paid	(21.1)	(10.4)	(32.4)
Dividends paid	(20.1)	(15.4)	(24.2)
Cash flows from financing activities	124.4	166.3	328.9
Net increase in cash and cash equivalents	15.5	40.1	22.2
Cash and cash equivalents at the start of the period	98.9	77.0	77.0
Effect of exchange rate fluctuations	-	(0.3)	(0.3)
Cash and cash equivalents at the end of the period	114.4	116.8	98.9
Cash and cash equivalents for the purposes of this statement comprise:			
Cash and cash equivalents	114.5	117.1	111.1
Bank overdrafts	(0.1)	(0.3)	(12.2)
	114.4	116.8	98.9

1 Basis of preparation and accounting policies

The interim report has been prepared using accounting policies and methods of computation consistent with those set out on pages 37 to 40 of The Carphone Warehouse Group PLC annual report for the 52 weeks ended 31 March 2007. The financial information for the 26 weeks ended 29 September 2007 and the 26 weeks ended 30 September 2006 has not been subject to audit or review by the Group's auditors. The Group has adopted IAS34 "Interim Financial Statements" in this interim report.

The information set out in this interim report for the 26 weeks ended 29 September 2007 does not comprise statutory accounts within the meaning of section 240 of the Companies Act 1985. The statutory accounts for the 52 weeks ended 31 March 2007, incorporating the unqualified auditor's report, have been filed with the Registrar of Companies.

2 Segmental reporting

Divisional results are analysed as follows:

	Revenue			Profit before interest and taxation		
	26 weeks ended 29 September 2007 £m	26 weeks ended 30 September 2006 £m	52 weeks ended 31 March 2007 £m	26 weeks ended 29 September 2007 £m	26 weeks ended 30 September 2006 £m	52 weeks ended 31 March 2007 £m
Distribution						
- Headline results	1,457.4	1,346.9	2,917.8	55.9	53.6	176.9
- Goodwill expense				-	-	(0.5)
Total Distribution	1,457.4	1,346.9	2,917.8	55.9	53.6	176.4
UK Fixed Line						
- Headline results	697.3	469.1	1,084.3	39.1	(11.4)	19.7
- Amortisation of acquisition intangibles				(39.0)	(18.8)	(54.3)
- Reorganisation costs				(7.3)	-	-
Total UK Fixed Line	697.3	469.1	1,084.3	(7.2)	(30.2)	(34.6)
- Central costs				(19.3)	(15.5)	(37.2)
- Share of results of joint ventures and associates				(3.9)	(4.6)	(9.9)
- Elimination of intra-group transactions	(14.4)	(6.6)	(10.6)	-	-	-
Total Group	2,140.3	1,809.4	3,991.5	25.5	3.3	94.7

Headline results are shown before amortisation of acquisition intangibles and goodwill expense and before reorganisation costs. Headline information is provided because the Directors consider that it provides assistance in understanding underlying performance.

The Group has changed the way it reports divisional results, both internally and externally, with effect from the current period. The comparative periods have been restated to reflect this divisional structure.

3 Reorganisation costs

The Group acquired AOL's UK internet access business in December 2006. During the period ended 29 September 2007, the Group commenced the reorganisation of the business, initially through a programme to transfer network operations, hosting, billing and customer management away from a transitional platform provided by AOL Time Warner onto the Group's own systems and infrastructure. Reorganisation costs of £7.3m were incurred in the period and have been separately disclosed given their size and one-off nature.

4 Taxation

Taxation has been provided using the estimated effective rate of taxation on Headline results for the 52 weeks ending 29 March 2008 of 20% (52 weeks ended 31 March 2007: 14%).

The charge on Headline earnings is offset by a credit of 30% (2006: 30%) on the amortisation of acquisition intangibles and reorganisation costs.

5 Earnings per share

	26 weeks ended 29 September 2007	26 weeks ended 30 September 2006	52 weeks ended 31 March 2007
Headline earnings (£m)	44.7	13.9	105.5
Amortisation of acquisition intangibles (£m)	(39.0)	(18.8)	(54.3)
Goodwill expense (£m)	-	-	(0.5)
Reorganisation costs (£m)	(7.3)	-	-
Tax thereon (£m)	13.9	5.6	16.3
Statutory earnings (£m)	12.3	0.7	67.0

Weighted average number of shares (millions)			
For basic earnings per share	899.5	889.4	892.1
Dilutive effect of share options	60.5	46.3	49.1
For diluted earnings per share	960.0	935.7	941.2

Basic

Earnings per share (pence)	1.36	0.08	7.51
Headline earnings per share (pence)	4.97	1.56	11.82

Diluted

Earnings per share (pence)	1.28	0.07	7.11
Headline earnings per share (pence)	4.65	1.48	11.20

6 Reserves

	Share capital £m	Share premium reserve £m	Capital redemption reserve £m	Translation reserve £m	Accumulated profits £m	Total £m
At 31 March 2007	0.9	426.8	-	1.9	260.0	689.6
Net profit for the financial period	-	-	-	-	12.3	12.3
Currency translation	-	-	-	(0.6)	-	(0.6)
Tax on items recognised directly in reserves	-	-	-	-	9.9	9.9
Net change in available-for-sale investments	-	-	-	-	(2.9)	(2.9)
Issue of share capital	-	26.5	-	-	-	26.5
Net purchase of own shares	-	-	-	-	(14.6)	(14.6)
Net cost of share-based payments	-	-	-	-	5.1	5.1
Equity dividends	-	-	-	-	(20.1)	(20.1)
At 29 September 2007	0.9	453.3	-	1.3	249.7	705.2

Movements in share capital in the period arose from the sale of 6 million shares to the Group's Employee Share Ownership Trust and the exercise of employee share options.

7 Movements on net debt

	At 31 March 2007 £m	Cash flows £m	Exchange differences £m	Non-cash movements £m	At 29 September 2007 £m
Cash and cash equivalents	111.1	3.4	-	-	114.5
Bank overdrafts	(12.2)	12.1	-	-	(0.1)
	98.9	15.5	-	-	114.4
Current loans and other borrowings	(10.5)	9.9	-	-	(0.6)
Non-current loans and other borrowings	(707.6)	(162.2)	(14.6)	-	(884.4)
	(718.1)	(152.3)	(14.6)	-	(885.0)
Current asset investments	2.3	(1.4)	-	6.6	7.5
Total	(616.9)	(138.2)	(14.6)	6.6	(763.1)

8 Equity dividends

	26 weeks ended 29 September 2007 £m	26 weeks ended 30 September 2006 £m	52 weeks ended 31 March 2007 £m
Final dividend for the period ended 1 April 2006 of 1.75p per ordinary share	-	15.4	15.4
Interim dividend for the period ended 31 March 2007 of 1.00p per ordinary share	-	-	8.8
Final dividend for the period ended 31 March 2007 of 2.25p per ordinary share	20.1	-	-
	20.1	15.4	24.2
Proposed interim dividend for the period ending 29 March 2008 of 1.25p per ordinary share	11.3		

9 Capital commitments

	29 September 2007 £m	30 September 2006 £m	31 March 2007 £m
Expenditure contracted, but not provided for in the financial statements	21.5	28.2	23.0

10 Related party transactions

During the period, the Group had transactions with Virgin Mobile France, a company in which the Group has an interest of 48.5%, comprising the sale of stock of £7.5m (30 September 2006: £7.7m) and the provision of services with a value of £0.6m (30 September 2006: £2.1m). At 29 September 2007 the Group was owed £8.6m from Virgin Mobile France (30 September 2006: £4.4m). All products and services were provided at market rates.

Risks and uncertainties

The Board continuously assesses and monitors the key risks of the business. The key risks that could affect the Group's medium-term performance, and the factors which mitigate these risks, have not changed from those set out on page 17 of the Group's 2007 Annual Report, a copy of which is available on the Group's website www.cpwplc.com. The Chief executive's Review includes consideration of uncertainties affecting the Group in the remaining six months of the year.

Statement of Directors' responsibilities

The condensed financial statements have been prepared in accordance with IAS 34, as adopted by the European Union, and the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8.

The Directors of The Carphone Warehouse Group PLC are listed on page 21 of the Group's 2007 Annual Report and on the Group's website www.cpwplc.com.

By order of the Board

Roger Taylor
Chief Financial Officer

7 November 2007