Thursday 12 June 2008
For immediate release

The Carphone Warehouse Group PLC

Preliminary Results for the 52 weeks to 29 March 2008

A year of excellent operational and strategic progress

Financial Headlines

- Group revenue up 12% to £4,474m
- Like-for-like retail revenue up 2.8% and like-for-like gross profit up 4.7%
- Headline profit before tax up 75% to £216m
- Statutory profit before tax up 81% to £124m
- Headline EPS up 70% to 20.1p
- Statutory EPS up 73% to 13.0p
- Cash from operations up 83% to £468m
- Full year dividend up 31% to 4.25p

Operational Headlines

- Connections up 15% to 11.5m
- Subscription connections up 11% to 4.5m
- Total telecoms subscriptions up 13%
- 267 net new stores opened
- Success of local loop unbundling strategy, with 67% of broadband customers now on our own network
- Formation of new company with Best Buy to accelerate evolution of in-store proposition

	52 weeks ended 29 March 2008 £m	52 weeks ended 31 March 2007 £m	Growth
Revenue	**4,474**	3,992	12%
Headline results*			
Profit before tax	**216**	123	75%
Earnings per share	**20.1p**	11.8p	70%
Statutory results			
Profit before tax	**124**	68	81%
Earnings per share	**13.0p**	7.5p	73%
Cash from operations	**468**	256	83%
Dividend per share	**4.25p**	3.25p	31%

*Stated before reorganisation costs, amortisation of acquisition intangibles and goodwill expense, as reconciled in note 3

Charles Dunstone, CEO, said:
"This has been a very successful year for The Carphone Warehouse. Financially we have performed very well, with 12% growth in revenues and 75% growth in headline pre-tax profit. Perhaps more importantly, our operational performance has improved significantly. The additional investment in our telecoms customer service we highlighted last year has started to pay off, and our network investment is delivering better speeds and reliability to an ever increasing proportion of the population.

"At the same time, we have made really encouraging progress in the development of our retail proposition. Mobile data services are now becoming mass market and we have positioned the business well to provide customers with the best advice and choice in this segment. Sales of our own and third party residential broadband services have grown strongly through the year and are set to become an increasingly material element of our Distribution business.

"The new venture with Best Buy, announced in May and due for completion in the coming weeks, marks the next step in The Carphone Warehouse's growth story and offers the Group a phenomenal opportunity. We can accelerate the evolution of our existing retail business and enter a major new market where Best Buy has a superb track record of value creation. In addition, the transaction gives us the financial flexibility to invest in future growth opportunities as and when they arise."

Summary review
"Our Distribution business has performed well in a tougher market environment than we have experienced for many years. Networks continue to compete actively for new customers, and the emergence of mobile data services has created a new growth area in the market, but the mobile handset market in Europe has been flat over the last year, and the European consumer environment has been increasingly challenging.

"Against this backdrop, we have achieved solid connections growth and grown our market share, thanks to continued strong execution and exclusive products. High margin, recurring revenue streams from Insurance and Ongoing ARPU share continue to grow strongly. The one area of underperformance has been our "off-the-page" operations, where the market has contracted considerably year-on-year.

"Our UK Fixed Line operations have had an excellent year. We have extended our network footprint to over 1,600 fully-unbundled exchanges, giving us a significant cost advantage over our competitors across most of the country. Two thirds of all our broadband customers are now on our own network, and the benefits of this have fed straight to the bottom line, with profit margins by the end of the year giving us good visibility for the year ahead. In addition, we have continued to grow the base thanks to our strong distribution network and innovative services.

"New areas of growth have also made significant progress over the last 12 months. In France, our Virgin Mobile joint venture now has over 800,000 customers and has established itself as the only meaningful competitor to the main networks in that market. In the US, our Best Buy Mobile venture has exceeded all our expectations, and our plans to roll out the new format into all US Best Buy stores by the end of the calendar year are well on track.

"It has been a further year of significant investment across both our businesses. Our track record of value creation is good, and the Board is confident that the recent increased level of investment will generate a similarly attractive return. The proposed full year dividend increase of 31% underlines this confidence."

Outlook
"We remain cautious in our outlook for the year ahead, given the poor economic climate and inflationary pressures on European consumers. In our Distribution business, we believe that new areas of growth in the market, and our own focus on evolving our retail proposition, will help us offset some of the risks to consumption presented by the tougher economic environment. Our new venture with Best Buy will enable us to adapt our business to our customers' changing needs better and more quickly than we could on our own, as well as giving us a whole new avenue of potential growth in the wider consumer electronics market place.

"We are targeting mobile connections growth of 8-10% in the coming year, and we have made a positive start: mobile connections in the first ten weeks are up 12% year on year, with total telecoms subscriptions (including sales of our own and third party fixed broadband services) also up 12%. We began the roll out of our in-store laptop offer last week, and very early indications are positive. We expect a strong customer response to the iPhone 3G, which launches next month.

"The Fixed Line business is focused on further improvements to network quality and the customer experience, as we seek to become a market leader not only on price but also on service and innovation. Broadband net adds so far this year are lower than expected. The slowdown in the housing market and a strong performance in mobile broadband sales in our stores have led to lower gross adds. However, this has been offset to some extent by falling churn. If these trends continue, we expect lower revenue growth this year than previously indicated, compensated by improved margins.

"The process of giving greater autonomy to the two divisions has accelerated as a result of our new venture with Best Buy, and on completion we will have two discrete operations with a small central overhead. With two well-positioned businesses, a high quality asset base, significant new growth opportunities and a strong balance sheet, we feel well placed for what we are sure will be a tougher consumer and trading environment."

Summary of results
Group revenue for the period was £4,474m, a rise of 12% on last year's figure of £3,992m. Headline pre-tax profit was up 75% to £216m, reflecting the reversal of last year's steep losses incurred as we launched free broadband. The divisions' financial performance reflected a reversal of last year's trends. Distribution EBIT was broadly flat at £175m, as good top line growth was offset by rising costs as we evolved the business, a disappointing performance by some of our non-store channels and the losses incurred in exiting our Swiss retail business. UK Fixed Line EBITDA was up from £69m to £226m, and EBIT also grew strongly from £20m to £126m, as we moved a significant proportion of our broadband customer base onto our own network and enjoyed much lower running costs as a result.

Headline earnings per share rose 70% to 20.1p (2007: 11.8p). Statutory profit before tax, after the amortisation of acquisition intangibles, goodwill expense and reorganisation costs relating to the AOL acquisition, was £124m (2007: £68m), while statutory earnings per share rose 73% from 7.5p to 13.0p. Cash generated from operations was up 83% to £468m (2007: £256m) with year end net debt of £843m (2007: £617m) affected by the strengthening of the Euro and the Swiss Franc in the latter part of the year. The Board is proposing a final dividend of 3.00p, taking the total for the year to 4.25p (2007: 3.25p). This represents a year-on-year increase of 31% and underlines the Board's confidence in the Group's continued growth.

Distribution Division
The Distribution division comprises our Retail operations, mobile airtime reselling businesses and all directly-related business streams. The key operating assets of the division are our 2,411 stores

across nine European countries, and our Retail and Online brands. Equally important are our supplier and partner relationships.

Distribution revenues were up 7% year-on-year to £3,116m, and the division generated Headline EBIT of £175m, a fall of 1%. Growth was relatively consistent across core revenue streams, with only our non-core operations of Non-UK Fixed Line and Dealer showing a significantly weaker trend.

	2008 £m	**2007 £m**	**% change**
Revenue	**3,116**	**2,918**	**7%**
Retail inc Online	2,122	1,922	10%
Insurance	170	137	24%
Ongoing	89	72	24%
Mobile	518	505	3%
Non-UK Fixed Line	98	112	(13%)
Dealer	180	210	(14%)
Eliminations	(61)	(40)	53%
EBITDA	**277**	**262**	**5%**
Depreciation and amortisation	(102)	(85)	19%
EBIT	**175**	**177**	**(1%)**
EBIT %	**5.6%**	**6.1%**	

Retail (including Online)

The Division's main key performance indicator (KPI) is connections. A connection is defined as the sale and activation of a mobile phone SIM card to an end customer, usually combined with the sale of a subsidised handset; it also includes sales of mobile phones without a network connection (SIM-free sales).

Connections are either subscription (for which the customer commits to a contracted term with a network operator, typically of 12-24 months) or pre-pay (for which a customer just pays for usage but has no ongoing obligation). Subscription connections are the key driver of the Distribution division, since they contribute a much higher revenue and gross profit at the point of sale than pre-pay, and offer a greater lifetime value opportunity to the Group through ARPU-sharing and the cross-sale of insurance and fixed line telecoms services.

During the year, we achieved total connections of 11.5m, a rise of 15% on last year's figure of 10.0m. Subscription connections were up 11% to 4.5m. After several years of sustained growth in the European handset market, we estimate that over the last 12 months the market has been flat or marginally down year-on-year. We have therefore grown our market share through the continued strength of our proposition, based on the widest range of handsets coupled with impartial advice. The key drivers of the market continue to be fashion and new technology.

Growth was predominantly driven by new mobile services – notably by "smartphones", offering internet access and email capability; and mobile broadband modems, allowing customers to access broadband speeds via their laptop computers over the mobile network infrastructure. These are likely to be key areas of growth over the next 12 months for which we are well positioned. Our partnerships with key handset vendors give us a competitive advantage in the market place.

While the stores traded well in a flatter environment, some of our other distribution channels fared less well. Our "off-the-page" business, promoting mobile subscription services via newspaper advertisements and websites, had a tough year after several years of strong growth. This reflected a change in distribution strategies by the network operators, and a decline in "cashback" offers from

some providers in the market. Excluding the negative impact of off-the-page sales, total subscription connections were up 15%.

Pre-pay connections were up 19% to 6.5m. Year-on-year growth held up well in the first half but then began to slow in the second half, reflecting the very strong and sustained growth in prior periods. While pre-pay sales represent attractive and profitable business for the group, they do not carry the same weight as subscription business, with growth tending to be more volatile. We would expect pre-pay and SIM-free sales to be more susceptible to any changes in consumer demand driven by a tougher macroeconomic environment.

	2008 (000s)	**2007 (000s)**	**% change**
Subscription	4,450	4,016	11%
Pre-pay	6,456	5,428	19%
SIM-free	588	571	3%
Total	11,494	10,015	15%

We opened 467 stores during the year, including the acquisition of a chain of 77 stores in Portugal. We closed or relocated 138 stores, and just before the year end entered into an agreement to sell our 62 Swiss stores. As a result the total store base increased from 2,144 to 2,411 during the year. The total includes 236 franchise stores (2007: 194).

Total average selling space excluding franchises was up 17% to 113,000 sqm (2007: 97,000 sqm), and sales per square metre decreased by 3% to £16,653 (2007: 17,219). Including franchises, total average selling space was up 18% to 123,000 sqm (2007: 104,000 sqm).

Total Retail revenues were up 10% to £2,122m. On a like-for-like basis, stripping out the impact of new space, revenue growth was 2.8% and gross profit growth was 4.7%. Connections growth was the main driver of the increase in revenues, with average revenue per connection falling 2.3% as a result of an increasing proportion of pre-pay sales within the mix.

In the UK, our store portfolio increased from 769 stores to 808 stores, as we continued to deepen our presence in key urban and suburban areas. In addition, we made further progress with our programme of relocating stores in key locations to larger sites to maximise the business opportunities. At the same time, we carried out trials in a number of locations which focused the stores on a broader connectivity proposition, providing not only mobile voice services, but a full range of mobile data and fixed line broadband choices as well. In the coming year, we intend to roll out a fuller connectivity offer across all of our UK estate, including a range of laptops available in all our stores. Total UK connections were up 15%, with subscription connections up 16% excluding off-the-page business.

Our Spanish retail business continued its good performance of recent years. After a period of very rapid physical expansion, we have entered a more measured phase of expansion in Spain, with the focus now primarily on moving to larger sites where our stores are too small. We opened 12 net new stores in Spain, taking the total in that market to 420. Total connections were up 6% to 1.5m, reflecting a good performance in a slower local market. Including our fixed line business Xtra, total revenues in Spain were up 18% to £368m, and EBIT was up 21% to £28m.

In France we had a tougher year. Revenues fell 7% to £223m, but after adjusting for the sale of a majority stake in The Phone House Services, our French facilities management operations, revenues were up 5%. EBIT was down 57% to £7m. We opened 41 net new stores, and now have 311 stores in total, but total connections were up just 1% at 0.9m. The market was weaker after a strong period last year, and our own performance suffered as the faster store opening programme

diluted the levels of expertise in some of our stores. However, our market position remains strong and we are confident that the business will return to growth in the coming year.

Combined Distribution revenue from our other continuing operations, comprising Belgium, Ireland, Netherlands, Portugal, and Sweden, was up 19% to £406m. EBIT was down 8% to £19m. The financial performance of the Dutch business was weak year-on-year, although it remains profitable, and significant operational improvements were made during the year which give us confidence in its future. We saw good performances from our businesses in Sweden, Portugal and Ireland.

The Swiss Distribution business performed poorly, recording losses for the year of £5m on revenues of £61m. Excluding the profits from NTel, our Swiss fixed line business, losses were £9m. Just before the year end, we reached agreement with Swisscom, one of the mobile network operators in Switzerland, for the sale of our retail business. After several years of attempting to build a business that could deliver sustainable profits, we could no longer justify the ongoing level of losses and the absorption of management time in what is ultimately a relatively small market. We have retained our profitable insurance base and fixed line telecoms business in Switzerland.

Insurance

The Group offers a range of insurance products to its retail customers, providing protection for the replacement cost of a lost, stolen or damaged handset, as well as cover for any outstanding contractual liability and the cost of any calls made if a mobile phone falls into the wrong hands. Insurance is an important element of the Group's customer proposition. The main drivers of the Insurance business are customer numbers, average premiums, claims costs and operational efficiency.

The customer base rose by 5% over the year to 2.4m. We continued to see an improvement in mix, with growth in "high tier" customers who pay higher premiums for more extensive cover exceeding overall growth in the base. In addition, our development of risk-based pricing has allowed us to adjust premiums more flexibly based on the level of cover required and the risk profile of the customer. This has led to a positive trend in average premium per customer, which has risen 7% year-on-year. Insurance revenues rose 24% to £170m (2007: £137m).

The prospects for our Insurance business remain attractive. Our move into new areas of growth in the retail business, with increasing sales of laptops, high-end mobile phones and other connected devices, will present us with a greater number of opportunities to provide insurance services and other after-sales propositions to our customers.

Ongoing

Ongoing revenue represents the share of average revenue per user ("ARPU") we receive as a result of connecting subscription customers to certain networks. We are typically entitled to a share of revenue for as long as a customer is active, so this income stream represents an important element of our overall commercial agreement with many operators, and aligns our interests more closely. Again, the key underlying driver for Ongoing is our subscription connection sales. Ongoing revenues were up 24% year-on-year to £89m (2007: £72m). This reflects the sustained performance in subscriptions growth, combined with a continuing trend towards ARPU-sharing agreements.

Mobile

Mobile operations comprise our German service provision business, The Phone House Telecom, and our wholly-owned MVNO and Facilities Management ("FM") businesses. The main drivers are the number of customers we manage, and their ARPU.

Total Mobile revenues were up 3% to £518m (2007: £505m). The Phone House Telecom, which represents an increasing proportion of Mobile revenues, continued to perform well. Its overall customer base grew 23% to 1.8m, including 0.9m subscription customers on two year contracts.

Customer ARPUs, which have been falling consistently for three years in Germany while we expand our target customer base, have stabilised, with subscription ARPU down just 2% year-on-year. Total revenues in Germany, including results reported under the Retail, Insurance and Dealer revenue lines, were up 12% to £517m (2007: £459m), with EBIT up 30% to £25m (2007: £19m).

This business has paid us back handsomely since we acquired it five years ago, and continues to deliver steady growth and good visibility. It has recently begun to evolve its operating model, by changing its relationship with its main network partner from service provision to a "Retail Plus" model combining upfront commission with ARPU sharing arrangements. While this is not expected to impact overall profitability, it should translate into improved cash flows as we will no longer incur subscriber acquisition costs on these customers.

Our MVNO operations across Europe are beginning to attain more meaningful scale. In the UK, we launched a new proposition this year, Talk Mobile, after agreeing a new wholesale airtime deal with Vodafone. Mobile World, our MVNO offering cheap international rates, continues to make good progress. Elsewhere in Europe, after launches over the last year or so, we are making promising progress in one or two markets.

Our FM businesses are now a relatively small element of our overall Mobile operations. The base we manage on behalf of a network in the UK, providing billing and customer care services, is now being progressively migrated back to the direct control of the network. Near the start of the year, we sold a majority stake in our French FM business, with our share of net income now being reported under Joint Ventures and Associates.

EBITDA
The Distribution division generated EBITDA of £277m (2007: £262m), representing year-on-year growth of 5%. The EBITDA margin fell by 10 basis points to 8.9% (2007: 9.0%). The main drivers of this reduction in EBITDA margin were the continuing increase in retail costs, and the weak performance in our off-the-page business, which is highly operationally geared.

EBIT
EBIT for the division was £175m, compared to £177m in 2007. The EBIT margin fell by 50 basis points to 5.6%, reflecting both the fall in the EBITDA margin and increases in depreciation and amortisation. These charges rose 19% year on year to £102m, driven by continued investment in new stores, our IT platform and customer recruitment at The Phone House Telecom.

UK Fixed Line Division

The UK Fixed Line division comprises our residential and business-to-business fixed line telecoms businesses in the UK, trading under the TalkTalk, AOL and Opal brands; and our telecoms network operation, The Carphone Warehouse Networks. The main assets of the division are our network infrastructure, one of the largest and most advanced telecoms networks in the UK, and our base of over 2.7m residential broadband customers.

Divisional revenues were up 29% year-on-year to £1,400m, reflecting underlying growth in the residential business and the full year impact of the acquisition of AOL's internet business in the UK at the end of 2006. EBIT rose to £126m (2007: £20m) with EBIT margins expanding from 1.8% to 9.0%, with the increase driven by the significant margin uplift achieved by migrating broadband customers onto our own network. The EBIT margin in the second half of the year was 12.3%, giving us good visibility of our target of 12-12.5% EBIT margin in the coming year.

	2008 £m	2007 £m	% change
Revenue	**1,400**	**1,084**	**29%**
Residential	1,088	764	42%
Business	312	320	(3%)
EBITDA	**226**	**69**	**228%**
Residential	187	38	392%
Business	39	31	25%
Depreciation and amortisation	(100)	(49)	104%
EBIT	**126**	**20**	**530%**
EBIT %	**9.0%**	**1.8%**	

Residential

Residential revenues were up 42% year-on-year to £1,088m (2007: £764m). Excluding the acquisition of AOL's UK business in the prior year, revenues were up 7%. During the period we increased our broadband customer base by 442,000, or 19%, to more than 2.7m, representing approximately 17% share of the UK market. Our base of voice-only and internet dial-up customers declined by 29% to 1.7m, as we focused on migrating customers to bundled broadband contract products. Overall we are the number three player in the UK residential telecoms market, and have the largest unbundled telecoms network.

Blended broadband ARPU was £21.9, a little ahead of our expectations at the beginning of the year. This positive move reflects the increasing proportion of TalkTalk broadband customers, who take a package of calls, line rental and broadband services, within the total base. At the same time, we stabilised the falling ARPU trend within AOL by developing innovative new products, such as the free laptop offer we pioneered, and by selling voice services into the AOL customer base. At the end of the period, 53% of the total broadband customer base also took a voice service from us.

Even though many TalkTalk customers came out of contract during the second half of the year, churn rates edged down during the year as our customer service improved and network quality became more robust. Given our value proposition and the continued improvements to service we are making, we are confident that churn will continue to fall in the coming year.

EBITDA for the residential business was £187m, with the EBITDA margin increasing from 4.9% to 17.2%. The significant progress was down to three factors: the full year effect of the AOL acquisition; the unwinding of last year's start-up losses stemming from the launch of free broadband; and the migration of a significant number of customers onto our own unbundled network.

At the start of the financial year, we were providing service to only 31% of our broadband customer base from our own network infrastructure, via local loop unbundling. By March 2008, this figure had grown to 67%. It is significantly more cost effective to deliver service to customers over our own network rather than via BT, and this is reflected in the margin improvement. After another year of major capex investment, we now have our own fully-unbundled equipment (allowing us to provide broadband, exchange line rental and calls services off the lowest possible cost base) in more than 1,600 exchanges, and partially-unbundled equipment (from which we can provide efficient broadband-only services) in just over 1,000 exchanges. This makes us comfortably the biggest unbundler in the UK, both in terms of our geographic coverage and the number of customers on our network.

Our goal for the coming year is to continue to grow the residential customer base and to further extend our network coverage to maximise the opportunity. We expect to have almost 80% of our customers on our own network by March 2009.

Business-to-business
Our UK business-to-business operations, under the Opal brand, enjoyed a good year. While revenues were down 3% to £312m (2007: £320m), within the revenue mix there was a significant shift towards higher margin business streams, delivering an overall improvement to the quality of the business. Excluding revenues from very low margin premium rate phone services, which fell 50% year-on-year, business-to-business revenues were up 5%. EBITDA rose 25% to £39m (2007: £31m), reflecting the improvement in gross margin stemming from the higher quality revenue mix, and continuing cost control.

Looking forward, Opal continues to have attractive opportunities in its target small company segment, particularly since a number of major telecoms players have withdrawn from this part of the market. An ongoing challenge for the business is to seize the opportunity provided by The Carphone Warehouse Networks' industry-leading telecoms network to supply a wider range of telecoms and data services into its target customer base.

Divisional EBIT
UK Fixed Line EBIT was £126m (2007: £20m). The EBIT margin improved from 1.8% to 9.0%, driven by the expansion of the EBITDA margin described above, but partially offset by significant increases in depreciation and amortisation. Depreciation and amortisation rose 104% to £100m, as a result of both the continued investment in network infrastructure as we broaden our footprint and increase capacity, and increased investment in customer recruitment as we delivered further growth in the broadband customer base.

Joint ventures and associates
The share of results of joint ventures and associates in the income statement comprises our share of post-tax profits or losses from our joint venture and associate operations. During the year, these were composed of four separate interests: Virgin Mobile, our French MVNO; The Phone House Services, our French facilities management operations; Best Buy Mobile, our mobile retail profit sharing arrangement in the US with Best Buy; and The Geek Squad, our UK home technology support business. In the year to March 2008, net losses from joint ventures amounted to £6m (2007: £10m).

Virgin Mobile had a second successful year of customer growth, and finished the period with more than 800,000 active customers, split evenly between subscription and pre-pay. It continued to invest significantly in brand-building and customer recruitment, and is looking to broaden its distribution channels heading into its third year of operation as it heads towards the necessary scale for long term profitability. The Group's share of post-tax losses in the year was £6m. While it will record further losses in 2008-09 as it continues to invest in growth, we expect it to reach break-even in the year to March 2010.

During the year we disposed of a majority stake in The Phone House Services. For the period during which we accounted for it as an associate business, our share of net profits was £1m.

The US mobile retail venture, Best Buy Mobile, made excellent progress during the year. Stores converted to the new format achieved significant sales uplifts and our market share grew strongly through the course of the year. We aim to have the whole of Best Buy's US store portfolio converted by the end of calendar 2008 and are well on course to achieve this goal.

During the year we formalised the terms of our commercial agreement with Best Buy in relation to Best Buy Mobile. Under the agreement, Best Buy will fund the operation, with the venture paying a finance charge to Best Buy for the cost of funds. The Group will receive a share of incremental profits above the historical profitability of Best Buy's mobile retail operations, based on a sliding scale. The venture has not had a material impact on financial performance in the current year, but has the potential to provide significant profitability in the future.

Our joint venture with Best Buy to bring the Geek Squad to Europe continued to run a trial home visit service in certain regions of the UK, with nationwide call centre coverage, providing customers with user support for home technology problems. In January we launched services in Spain, and we expect the Geek Squad to be a key part of the future of the Distribution business.

Amortisation of acquisition intangibles and goodwill expense
The amortisation charge in respect of acquisition intangibles amounted to £75m (2007: £54m), reflecting the full year impact of the AOL acquisition. A goodwill expense of £1.0m (2007: £0.5m) has been recognised in respect of historical acquisitions. These figures are excluded from Headline profit before taxation and earnings per share figures.

Exceptional reorganisation costs
The Group acquired AOL's UK internet access business in December 2006. The Group has commenced the reorganisation of the business, initally 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 £15m have been incurred in the year and have been separately disclosed given their size and one-off nature. The transition is expected to be completed in the year to March 2009.

Interest and tax
Net interest of £43m was payable during the year, compared to a charge of £26m in the prior year. Further significant investment in capital expenditure, and deferred consideration relating to the AOL acquisition, were funded out of operating cash flow and debt facilities.

The effective tax rate on a Headline basis was 15.5% (2007: 14.3%). The tax rate benefited from the recognition of tax losses incurred in previous years and profits arising in low tax rate jurisdictions.

Earnings per share ("EPS")
Headline EPS was 20.1p, a rise of 70% year-on-year (2007: 11.8p). Statutory EPS was 13.0p (2007: 7.5p).

Cash flow and dividend
At 29 March 2008, the Group had net debt of £843m (2007: £617m). During the year the Group generated cash from operations of £468m (2007: £256m).

The year represented a further period of significant investment, with net capital investment of £399m (2007: £296m). Of this figure, £258m (2007: £224m) related to property, plant and equipment, key money for new stores and continued IT capex, with the main area of spend being the continued roll-out of our telecoms network in the UK. The balance of investment, a figure of £141m (2007: £72m), related to subscriber acquisition costs ("SAC"), reflecting a full year of the AOL acquisition and the increasing hardware subsidies such as free laptop offers that our higher margin business model can support.

A large proportion of the Group's borrowings are held in Euros and Swiss Francs, as a hedge against non-Sterling assets. The significant weakening of Sterling against these currencies from December 2007 onwards resulted in an increase of £157m in the value of these borrowings. At the end of March 2008 we had Euro denominated borrowings of £433m and Swiss Franc denominated borrowings of £447m.

Cash generation remains a prime objective of the Group and we expect to generate significant levels of free cash flow in the future, allowing us to re-invest in the growth of the business and pursue a progressive dividend policy. We are proposing a final dividend of 3.00p per share, taking the total dividend for the financial year to 4.25p and representing growth of 31% over last year's

3.25p total dividend. This level of distribution results in a dividend cover of 3.05 (2007: 2.33). The ex-dividend date is Wednesday 9 July 2008, with a record date of Friday 11 July 2008 and an intended payment date of Friday 8 August 2008.

Balance sheet
The investment described above, together with an increase in the value of non-sterling assets, resulted in an increase in non-current assets from £1,555m to £1,774m year-on-year. Stock increased from £162m to £212m over the year, reflecting our strategy of improving handset availability and stocks of laptops.

Trade and other receivables rose from £744m to £813m, while trade and other payables increased from £920m to £1,087m year-on-year, both reflecting organic growth across the business. Provisions decreased from £110m to £91m, largely as a result of lower "cashback" activity.

Post balance sheet event
On 8 May 2008, the Group announced that it had agreed to form a new venture with Best Buy Co., Inc., to accelerate growth by capitalising on the European consumer's evolving appetite for consumer electronics. The assets of the newly-formed company will comprise The Carphone Warehouse's existing retail business and its share of its existing relationships with Best Buy. Best Buy plans to acquire a 50% stake in the new company for a cash consideration of approximately £1.1 billion.

The transaction, which is now due to complete on 30 June 2008 subject to shareholder approval at the EGM on that date, is expected to be dilutive to the Group's earnings per share by approximately 10-15% in the year to March 2009.

Conference call
There will be a conference call for investors and analysts at 9am UK time this morning. The dial-in number is +44 20 7081 9482, or Freephone 1 866 432 7186 from the US. A replay will be available for one week, for which the numbers are +44 20 8196 1998 or Freephone 1 866 583 1035 from the US, with the access code 897311#. Slides are available on our website at www.cpwplc.com.

Next trading update
The Group will announce its first quarter trading update on the date of its Annual General Meeting, 31 July 2008.

For Further Information

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Consolidated income statement for the 52 weeks ended 29 March 2008

	Before amortisation of acquisition intangibles and reorganisation costs 52 weeks ended 29 March 2008 £m	**Amortisation of acquisition intangibles and reorganisation costs (see note 3) 52 weeks ended 29 March 2008 £m**	**After amortisation of acquisition intangibles and reorganisation costs 52 weeks ended 29 March 2008 £m**	Before amortisation of acquisition intangibles 52 weeks ended 31 March 2007 £m	Amortisation of acquisition intangibles (see note 3) 52 weeks ended 31 March 2007 £m	After amortisation of acquisition intangibles 52 weeks ended 31 March 2007 £m
Revenue	**4,474.4**	**-**	**4,474.4**	3,991.5	-	3,991.5
Cost of sales	**(2,860.1)**	**-**	**(2,860.1)**	(2,731.3)	-	(2,731.3)
Gross profit	**1,614.3**	**-**	**1,614.3**	1,260.2	-	1,260.2
Operating expenses excluding amortisation and depreciation	**(1,148.1)**	**(15.2)**	**(1,163.3)**	(966.2)	-	(966.2)
EBITDA	**466.2**	**(15.2)**	**451.0**	294.0	-	294.0
Depreciation	**(81.1)**	**-**	**(81.1)**	(65.9)	-	(65.9)
Amortisation and goodwill expense	**(120.7)**	**(76.2)**	**(196.9)**	(68.7)	(54.8)	(123.5)
Share of results of joint ventures and associates	**(6.1)**	**-**	**(6.1)**	(9.9)	-	(9.9)
Profit before interest and taxation	**258.3**	**(91.4)**	**166.9**	149.5	(54.8)	94.7
Interest payable	**(53.5)**	**-**	**(53.5)**	(32.4)	-	(32.4)
Interest receivable	**10.7**	**-**	**10.7**	6.1	-	6.1
Profit before taxation	**215.5**	**(91.4)**	**124.1**	123.2	(54.8)	68.4
Taxation	**(33.5)**	**27.0**	**(6.5)**	(17.7)	16.3	(1.4)
Net profit for the financial period	**182.0**	**(64.4)**	**117.6**	105.5	(38.5)	67.0
Earnings per share						
Basic	**20.1p**		**13.0p**	11.8p		7.5p
Diluted	**19.2p**		**12.4p**	11.2p		7.1p

Consolidated statement of changes in equity for the 52 weeks ended 29 March 2008

	52 weeks ended 29 March 2008 £m	52 weeks ended 31 March 2007 £m
At the beginning of the period	**689.6**	619.0
Net profit for the financial period	**117.6**	67.0
Currency translation and cash flow hedges	**(63.6)**	(0.2)
Tax on items recognised directly in reserves	**6.7**	3.2
Net change in available-for-sale investments	**(7.5)**	3.6
Unrealised gain on disposal of subsidiary	**-**	1.7
Total recognised income and expense for the period	**53.2**	75.3
Issue of share capital	**49.2**	8.4
Net (purchase) sale of own shares	**(35.2)**	0.6
Net cost of share-based payments	**9.6**	10.4
Equity dividends	**(31.4)**	(24.1)
At the end of the period	**735.0**	689.6

Consolidated balance sheet as at 29 March 2008

	29 March 2008 £m	31 March 2007 £m
Non-current assets		
Goodwill	**677.5**	626.5
Other intangible assets	**569.2**	513.6
Property, plant and equipment	**448.3**	337.4
Non-current asset investments	**4.8**	14.5
Interests in joint ventures and associates	**13.6**	1.4
Deferred tax assets	**60.9**	61.9
	1,774.3	1,555.3
Current assets		
Stock	**211.6**	161.5
Trade and other receivables	**812.5**	743.8
Current asset investments	**2.2**	2.3
Cash and cash equivalents	**87.9**	111.1
	1,114.2	1,018.7
Total assets	**2,888.5**	2,574.0
Current liabilities		
Trade and other payables	**(1,086.9)**	(919.9)
Corporation tax liabilities	**(42.1)**	(52.7)
Loans and other borrowings	**(38.6)**	(22.7)
Provisions	**(90.7)**	(109.9)
	(1,258.3)	(1,105.2)
Non-current liabilities		
Trade and other payables	**(1.0)**	(71.6)
Loans and other borrowings	**(894.2)**	(707.6)
	(895.2)	(779.2)
Total liabilities	**(2,153.5)**	(1,884.4)
Net assets	**735.0**	689.6
Equity		
Share capital	**0.9**	0.9
Share premium reserve	**476.0**	426.8
Translation reserve	**(61.7)**	1.9
Accumulated profits	**319.8**	260.0
Funds attributable to equity shareholders	**735.0**	689.6

Consolidated cash flow statement for the 52 weeks ended 29 March 2008

	52 weeks ended 29 March 2008	52 weeks ended 31 March 2007
	£m	£m
Operating activities		
Profit before interest and taxation	**166.9**	94.7
Adjustments for non-cash items:		
Share-based payments	**9.6**	10.4
Non-cash movements on joint ventures and associates	**3.6**	8.0
Depreciation	**81.1**	65.9
Amortisation and goodwill expense	**196.9**	123.5
Operating cash flows before movements in working capital	**458.1**	302.5
Profit on disposal of property, plant and equipment, investments and intangible assets	**(5.2)**	(3.7)
Increase in trade and other receivables	**(94.8)**	(175.4)
Increase in stock	**(58.4)**	(26.4)
Increase in trade and other payables	**190.9**	180.4
Decrease in provisions	**(22.5)**	(21.1)
Cash generated from operations	**468.1**	256.3
Taxation paid	**(11.1)**	(6.5)
Net cash generated from operating activities	**457.0**	249.8
Investing activities		
Interest received	**9.4**	6.1
Proceeds from sale of property, plant and equipment, investments and intangible assets	**27.6**	13.5
Proceeds from disposal of subsidiary	**11.1**	-
Acquisition of subsidiaries, net of cash acquired	**(72.9)**	(258.3)
Acquisition of intangible assets	**(228.8)**	(148.1)
Acquisition of property, plant and equipment	**(197.3)**	(161.4)
Acquisition of non-current asset investments	**(0.3)**	-
Investment in joint ventures and associates	**(12.1)**	(8.3)
Cash flows from investing activities	**(463.3)**	(556.5)
Financing activities		
Proceeds from the issue of share capital	**49.2**	8.4
Net (purchase) sale of own shares	**(35.2)**	0.6
Proceeds from borrowings	**38.5**	374.1
Interest paid	**(53.3)**	(32.4)
Receipts from current asset investments	**7.9**	2.3
Dividends paid	**(31.4)**	(24.1)
Cash flows from financing activities	**(24.3)**	328.9
Net (decrease) increase in cash and cash equivalents	**(30.6)**	22.2
Cash and cash equivalents at the start of the period	**98.9**	77.0
Effect of exchange rate fluctuations	**(0.4)**	(0.3)
Cash and cash equivalents at the end of the period	**67.9**	98.9
Cash and cash equivalents for the purposes of this statement comprise:		
Cash and cash equivalents	**87.9**	111.1
Bank overdrafts	**(20.0)**	(12.2)
	67.9	98.9

Notes to the financial statements for the 52 weeks ended 29 March 2008

1 Accounting policies

This financial information is prepared on the basis of the accounting policies set out in the Group's statutory accounts for the 52 weeks ended 31 March 2007.

The Directors of The Carphone Warehouse Group PLC are responsible, in accordance with the Listing Rules of the Financial Services Authority, for preparing and issuing this preliminary announcement, which was approved on 11 June 2008.

The financial information is extracted from the Group's full financial statements for the 52 weeks ended 29 March 2008 which were approved by the Directors on 11 June 2008 and which received an unqualified audit report. This financial information is abridged and does not constitute statutory accounts for the 52 weeks ended 29 March 2008 and 52 weeks ended 31 March 2007. Full financial statements for the 52 weeks ended 29 March 2008 will be filed with the Registrar of Companies in due course. The 2007 Annual Report and financial statements, on which the auditors gave an unqualified and unmodified report, have been filed with the Registrar of Companies.

2 Segmental analysis

Divisional results are analysed as follows:

	2008				2007			
	Distribution	**UK Fixed Line**	**PLC costs and eliminations**	**Group**	Distribution	UK Fixed Line	PLC costs and eliminations	Group
Revenue	**3,116.2**	**1,399.6**	**(41.4)**	**4,474.4**	2,917.8	1,084.3	(10.6)	3,991.5
Headline EBITDA	**276.8**	**225.6**	**(36.2)**	**466.2**	262.5	68.7	(37.2)	294.0
Depreciation	**(47.2)**	**(33.9)**	**-**	**(81.1)**	(43.2)	(22.7)	-	(65.9)
Amortisation of operating intangibles	**(54.6)**	**(66.1)**	**-**	**(120.7)**	(42.4)	(26.3)	-	(68.7)
Share of results of joint ventures and associates	**-**	**-**	**(6.1)**	**(6.1)**	-	-	(9.9)	(9.9)
Headline EBIT	**175.0**	**125.6**	**(42.3)**	**258.3**	176.9	19.7	(47.1)	149.5
Amortisation of acquisition intangibles	**-**	**(75.2)**	**-**	**(75.2)**	-	(54.3)	-	(54.3)
Goodwill expense	**(1.0)**	**-**	**-**	**(1.0)**	(0.5)	-	-	(0.5)
Reorganisation costs	**-**	**(15.2)**	**-**	**(15.2)**	-	-	-	-
Statutory EBIT	**174.0**	**35.2**	**(42.3)**	**166.9**	176.4	(34.6)	(47.1)	94.7

The Group previously presented primary segments of Distribution, Telecoms Services and Dealer. From the start of the current period, the Group moved to the divisional presentation above, for both internal and external reporting purposes. The comparative period has been restated to reflect the new divisional structure.

3 Reconciliation of Headline information to statutory information

	2008				2007			
	EBITDA £m	**Profit before interest and taxation £m**	**Profit before taxation £m**	**Net profit for the financial period £m**	EBITDA £m	Profit before interest and taxation £m	Profit before taxation £m	Net profit for the financial period £m
Headline	**466.2**	**258.3**	**215.5**	**182.0**	294.0	149.5	123.2	105.5
Reorganisation costs (see note 4)	**(15.2)**	**(15.2)**	**(15.2)**	**(15.2)**	-	-	-	-
	451.0	**243.1**	**200.3**	**166.8**	294.0	149.5	123.2	105.5
Amortisation of acquisition intangibles	-	**(75.2)**	**(75.2)**	**(75.2)**	-	(54.3)	(54.3)	(54.3)
Goodwill expense	-	**(1.0)**	**(1.0)**	**(1.0)**	-	(0.5)	(0.5)	(0.5)
	-	**(76.2)**	**(76.2)**	**(76.2)**	-	(54.8)	(54.8)	(54.8)
Taxation:								
On reorganisation costs	**-**	**-**	**-**	**4.6**	-	-	-	-
On amortisation of acquisition intangibles	**-**	**-**	**-**	**22.4**	-	-	-	16.3
	-	-	-	**27.0**	-	-	-	16.3
Statutory	**451.0**	**166.9**	**124.1**	**117.6**	294.0	94.7	68.4	67.0

EBITDA represents earnings before interest, taxation, depreciation, amortisation and goodwill expense. EBIT represents earnings before interest and taxation.

Headline information is provided because the Directors consider that it provides assistance in understanding the Group's underlying performance.

4 Reorganisation costs

The Group acquired AOL's UK internet access business in December 2006. Since this time the Group has 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 £15.2m were incurred in the period and have been separately disclosed given their size and one-off nature.

5 Taxation

The tax charge comprises:

	2008 £m	2007 £m
Current tax:		
UK corporation tax	**9.1**	4.9
Overseas tax	**12.4**	15.2
	21.5	20.1
Adjustments in respect of prior periods:		
UK corporation tax	**(8.2)**	(2.4)
Overseas tax	**(6.5)**	0.9
	(14.7)	(1.5)
Total current tax	**6.8**	18.6
Deferred tax:		
Origination and reversal of timing differences	**5.2**	(12.9)
Adjustments in respect of prior periods	**(5.5)**	(4.3)
Total deferred tax	**(0.3)**	(17.2)
Total tax charge	**6.5**	1.4

The tax charge relating to Headline earnings (see note 3) in the period is £33.5m (2007 - £17.7m) representing an effective tax rate of 15.5% (2007 - 14.3%). The tax charge relating to Statutory earnings in the period is £6.5m (2007 - £1.4m) representing an effective tax rate of 5.3% (2007 - 2.0%).

6 Earnings per share

	2008 £m	2007 £m
Statutory earnings	**117.6**	67.0
Headline earnings (see note 3)	**182.0**	105.5

	2008 Number of shares m	2007 Number of shares m
Weighted average number of shares:		
For basic earnings per share	**906.0**	892.1
Dilutive effect of share options	**40.1**	49.1
For diluted earnings per share	**946.1**	941.2

	Basic pence per share		**Diluted pence per share**	
	2008	2007	**2008**	2007
Earnings per share	**13.0**	7.5	**12.4**	7.1
Headline earnings per share	**20.1**	11.8	**19.2**	11.2

7 Reserves

	Share capital £m	Share premium reserve £m	Translation reserve £m	Accumulated profits £m	Total £m
At 1 April 2007	0.9	426.8	1.9	260.0	**689.6**
Net profit for the financial period	-	-	-	117.6	**117.6**
Currency translation and cash flow hedges	-	-	(63.6)	-	**(63.6)**
Tax on items recognised directly in reserves	-	-	-	6.7	**6.7**
Net change in available-for-sale investments	-	-	-	(7.5)	**(7.5)**
Issue of share capital	-	49.2	-	-	**49.2**
Net purchase of own shares	-	-	-	(35.2)	**(35.2)**
Net cost of share-based payments	-	-	-	9.6	**9.6**
Equity dividends (see note 9)	-	-	-	(31.4)	**(31.4)**
At 29 March 2008	**0.9**	**476.0**	**(61.7)**	**319.8**	**735.0**

8 Analysis of changes in net debt

	At 1 April 2007 £m	Cash flows £m	Exchange differences £m	Non-cash movements £m	**At 29 March 2008 £m**
Cash and cash equivalents	111.1	(22.8)	(0.4)	-	**87.9**
Bank overdrafts	(12.2)	(7.8)	-	-	**(20.0)**
	98.9	(30.6)	(0.4)	-	**67.9**
Current loans and other borrowings	(10.5)	(8.1)	-	-	**(18.6)**
Non-current loans and other borrowings	(707.6)	(30.4)	(156.2)	-	**(894.2)**
	(718.1)	(38.5)	(156.2)	-	**(912.8)**
Current asset investments	2.3	(7.9)	-	7.8	**2.2**
Total	(616.9)	(77.0)	(156.6)	7.8	**(842.7)**

9 Equity dividends

	2008 £m	2007 £m
Final dividend for the period ended 1 April 2006 of 1.75p per ordinary share	**-**	15.3
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**	-
Interim dividend for the period ended 29 March 2008 of 1.25p per ordinary share	**11.3**	-
	31.4	24.1
Proposed final dividend for the period ended 29 March 2008 of 3.00p per ordinary share	**27.2**	

The proposed final dividend for the period ended 29 March 2008 is subject to shareholders' approval at the Annual General Meeting and has not been included as a liability in these financial statements.