

The Carphone Warehouse Group PLC

Interim Results 2008

18 November 2008

Best Buy  Europe



TalkTalk
Group

THE Carphone Warehouse

Agenda

- Introduction, structural review and outlook
- Financials

Introduction, structural review and outlook

Best Buy  Europe



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H1 highlights

- Transaction with Best Buy to create Best Buy Europe
- Best Buy Europe revenues up 12% to £1.6bn
- Subscriptions connections up 15% to 2.3m
- 82,000 broadband net adds in a slowing market
- Interim dividend up 8% to 1.35p
- Strong balance sheet

Chapter 2 of the company's history

Best Buy Europe

- 2,400 stores, 9 European markets
- £3bn+ revenue
- Significant and growing share
- Evolution of CPW/TPH format
- Introduction of Best Buy format
- Investment phase

TalkTalk Group

- 2.7m broadband customers
- 2m customers on-net
- £1.4bn revenue
- Clear value proposition
- Cash generative phase

Opportunity to build businesses that look like this:

Best Buy  **Europe**

- Non-commissioned salesforce
- Advice and service based
- Leading market share in all wireless and data products
- Investment in interactivity
- Underpinned by Geek Squad

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- On-shore call centres
- Pull, not push, marketing
- Industry-leading churn
- One brand
- Product and service innovation leadership

Best Buy  **Europe**



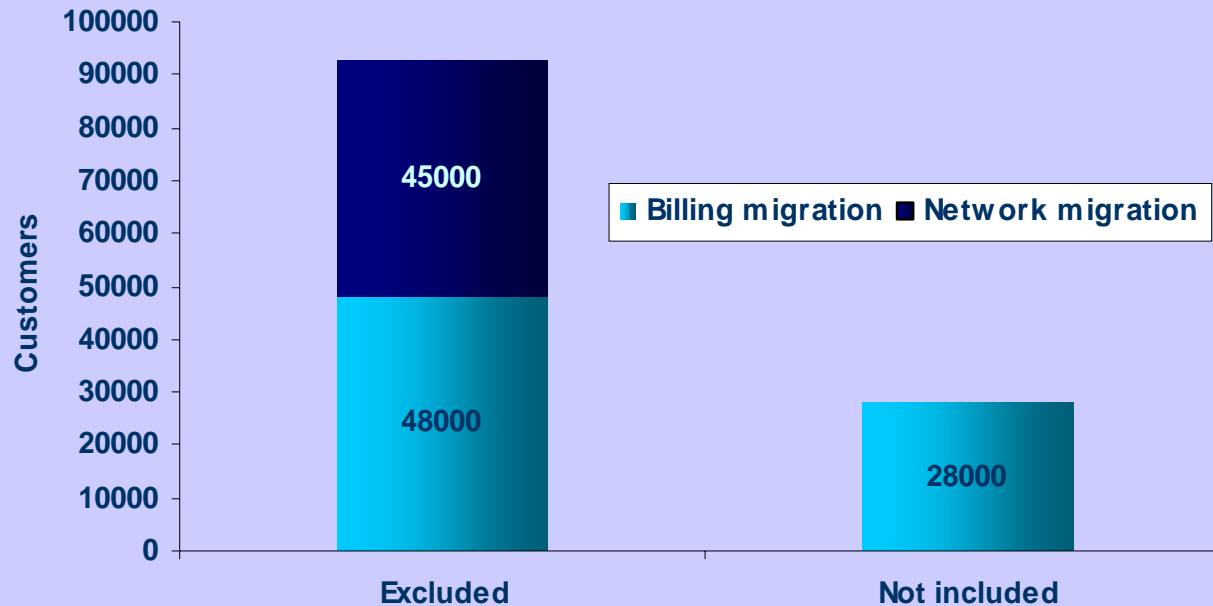
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TalkTalk Group outlook

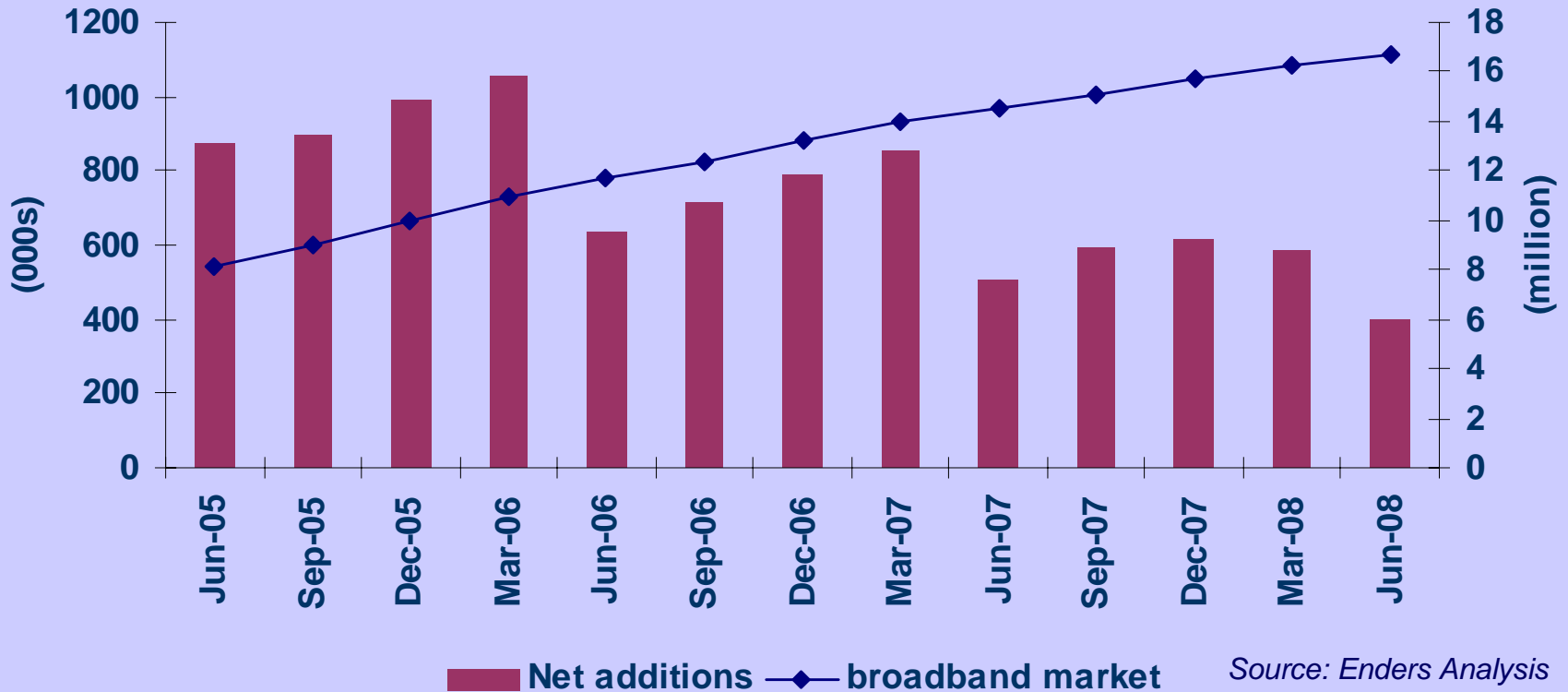
- Market growth slowing
- TalkTalk churn low and falling
- AOL migration complete
 - Base review resulting in 93,000 inactive customers now excluded
- New propositions launched today
- Focus on simplicity, value and choice

AOL Broadband base reconciliation



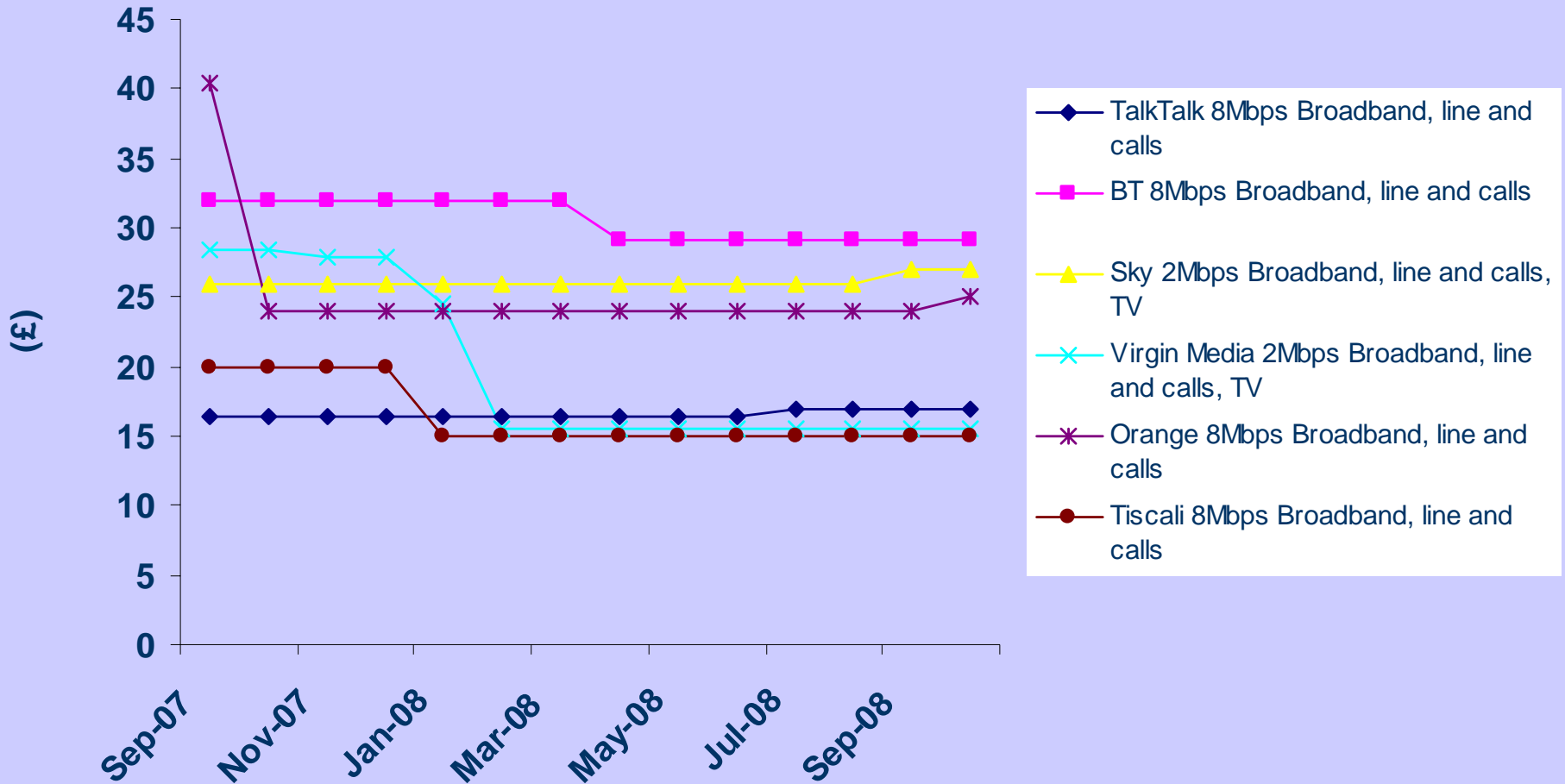
- 45,000 of remaining 50,000 network migration customers now excluded
- 48,000 customers now excluded after billing migration
- 28,000 customers who we are providing service to but not billing – not included in customer numbers
- Profit impact provided for

UK Broadband market

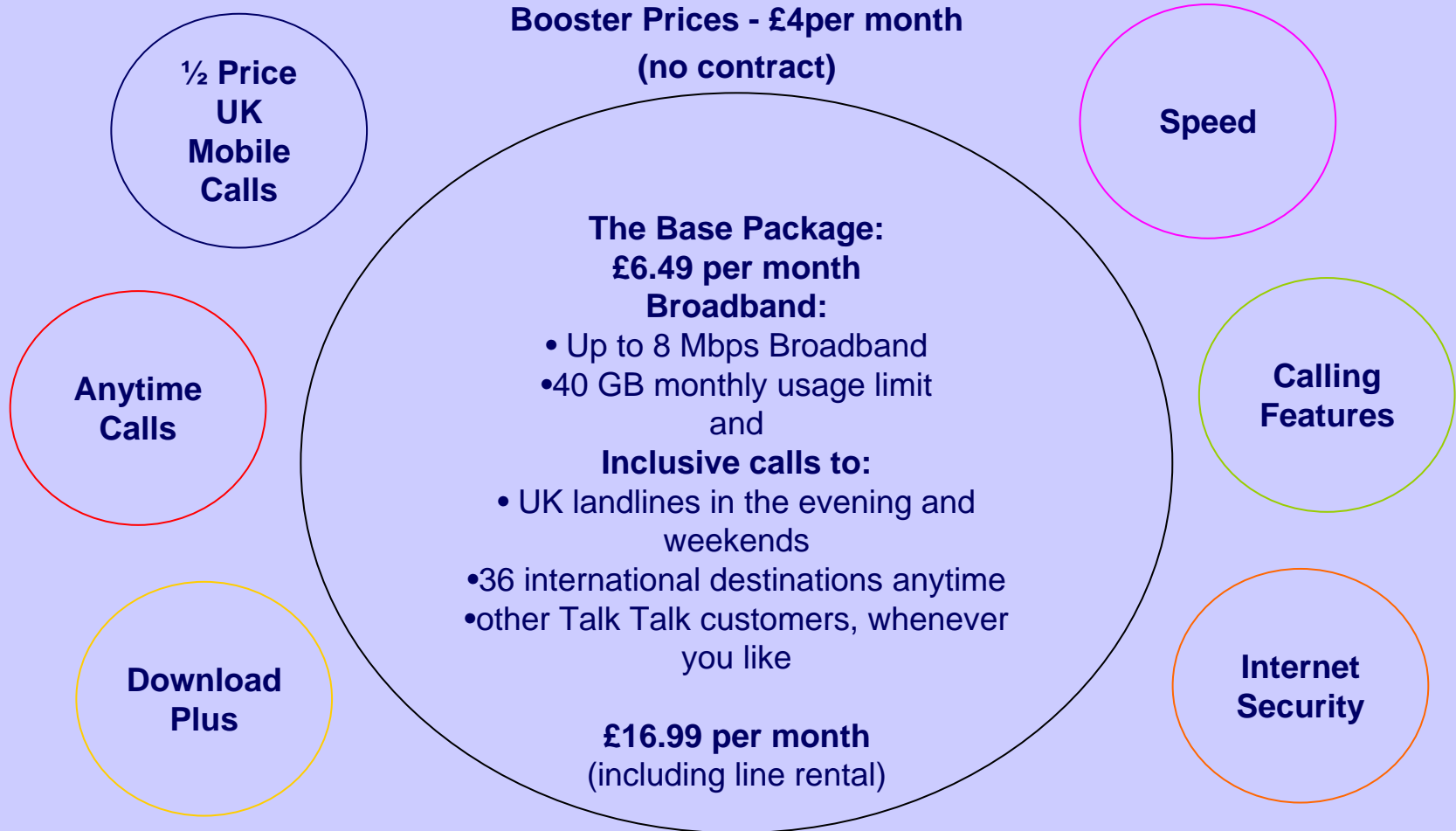


- Market growth slowing
- Customer lifetime values increasing

Broadband pricing trends



myTalkTalk - Boosters



“Pay for what you want, not what you don’t want”

myTalkTalk

“Pay for what you want, not what you don’t want”

**½ Price
UK
Mobile
Calls**

85% of Brits told us that they felt calls to mobiles are expensive.

Speed

73% of Brits stated that they would like to have a faster broadband connection.

**Anytime
Calls**

82% of Britons told us it would be great not to have to worry about the time of day when they use their home phone.

**Calling
Features**

94% of Brits told us that they don’t want to pay for elements of their broadband & calls package they simply don’t use.

**Download
Plus**

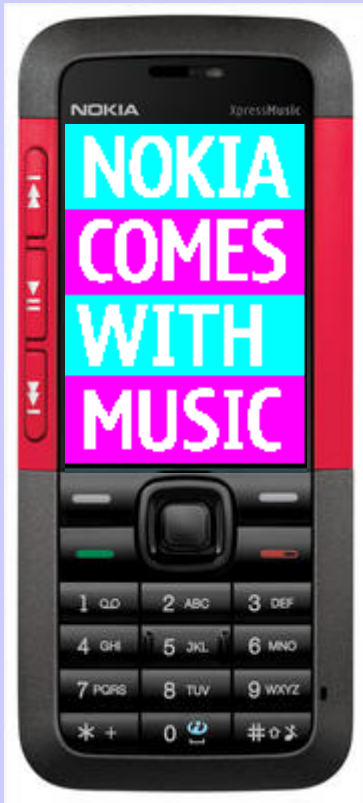
55% of Brits told us it would be great not to have to worry about going over their monthly download limit.

**Internet
Security**

92% of Brits told us that it is important that children are safe when they are online.

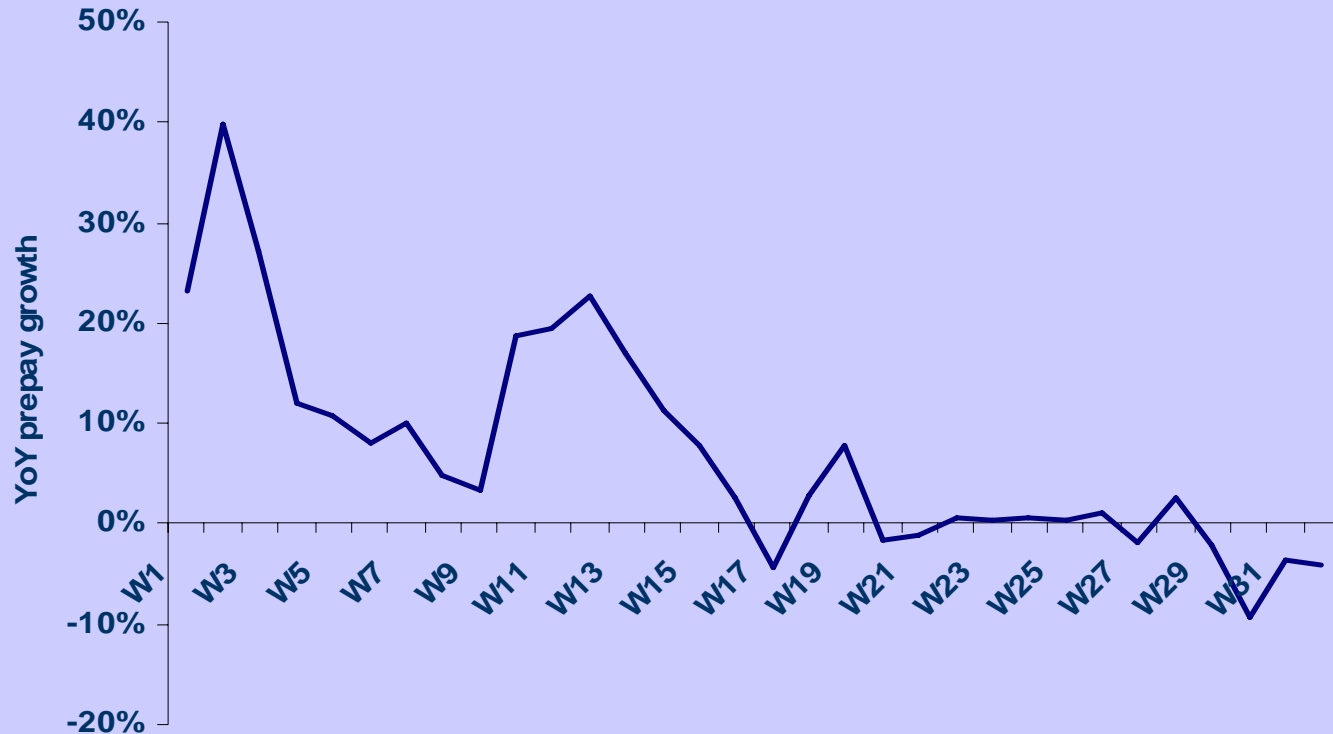
Source: Ipros MORI, Nov08

Best Buy Europe outlook



- Exclusives and “recession-busters” for Christmas...

Pre-pay sales trends



- ...but consumer environment very uncertain

Summary outlook

- Met targets for H1, poor cash performance
- Main focus for H2 is cash
- Significant short term challenges
- Building for better times

Financial review

Best Buy  Europe



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Summary headline income statement

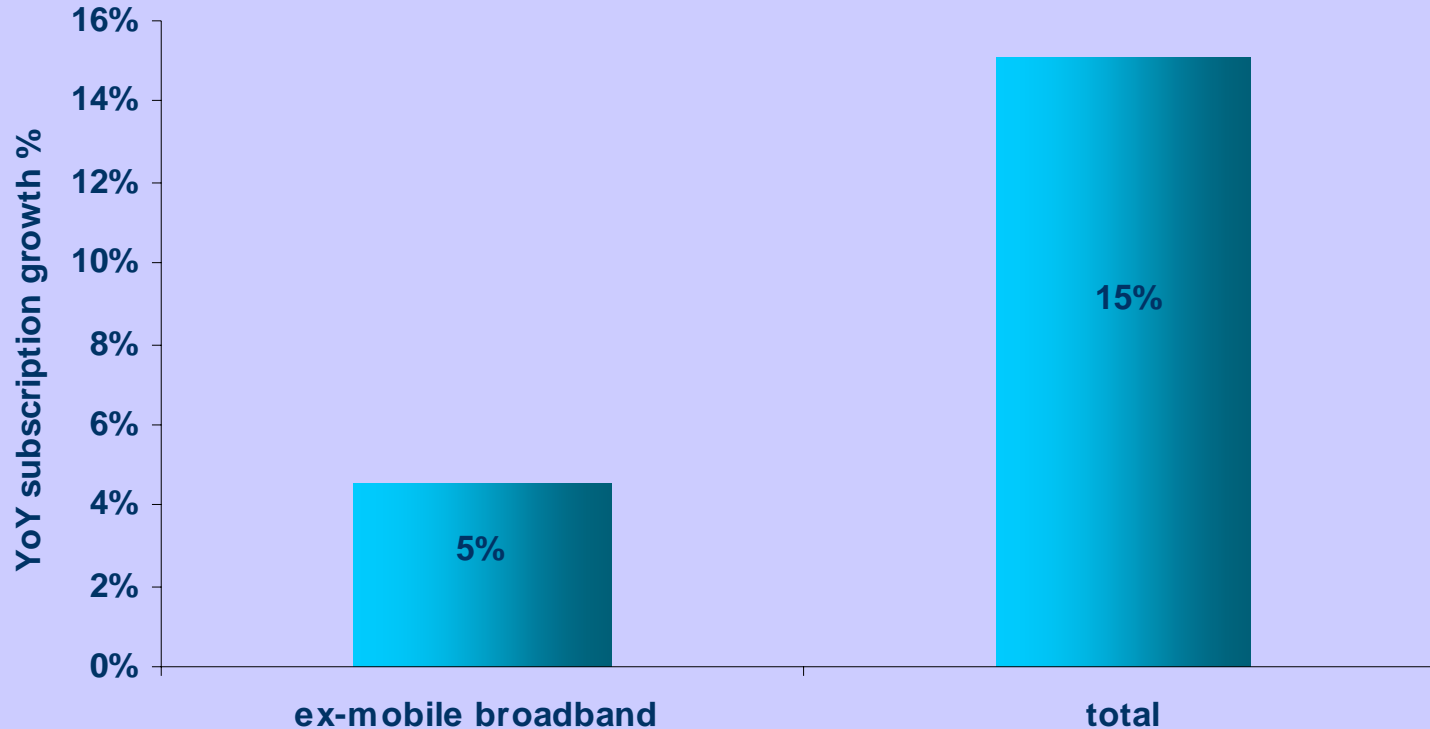
£m	H1 08/09	H1 07/08	Represents
Revenue	697	711	TalkTalk Group
EBITDA	112	74	TalkTalk Group/PLC
D&A	(67)	(45)	TalkTalk Group
Share of associates	10	(4)	Q2 share of Best Buy Europe, less Virgin Mobile
Interest and tax	(19)	(20)	Group
Discontinued operations	3	39	Wholly-owned Distribution operations, net of tax
PAT	39	44	

Best Buy Europe quarterly split

£m	Q1 08/09	Q2 08/09	H1 08/09
Revenue	729	888	1,617
Net income	3	26	29
Disclosed in	Discontinued operations	Share of associates (50%)	

- H1 EBIT down from £46m to £37m year-on-year – impacted by MVNO, Geek Squad, big box and Best Buy Mobile

Subscription connections growth



- Growth driven by smartphones and mobile broadband

Geographical analysis

£m	H1 08/09	H1 07/08	YoY%
UK	779	725	8%
France	109	103	5%
Germany	285	238	20%
Spain	193	167	16%
Other	251	210	19%
Total	1617	1443	12%

- LFL revenue growth 5.1%

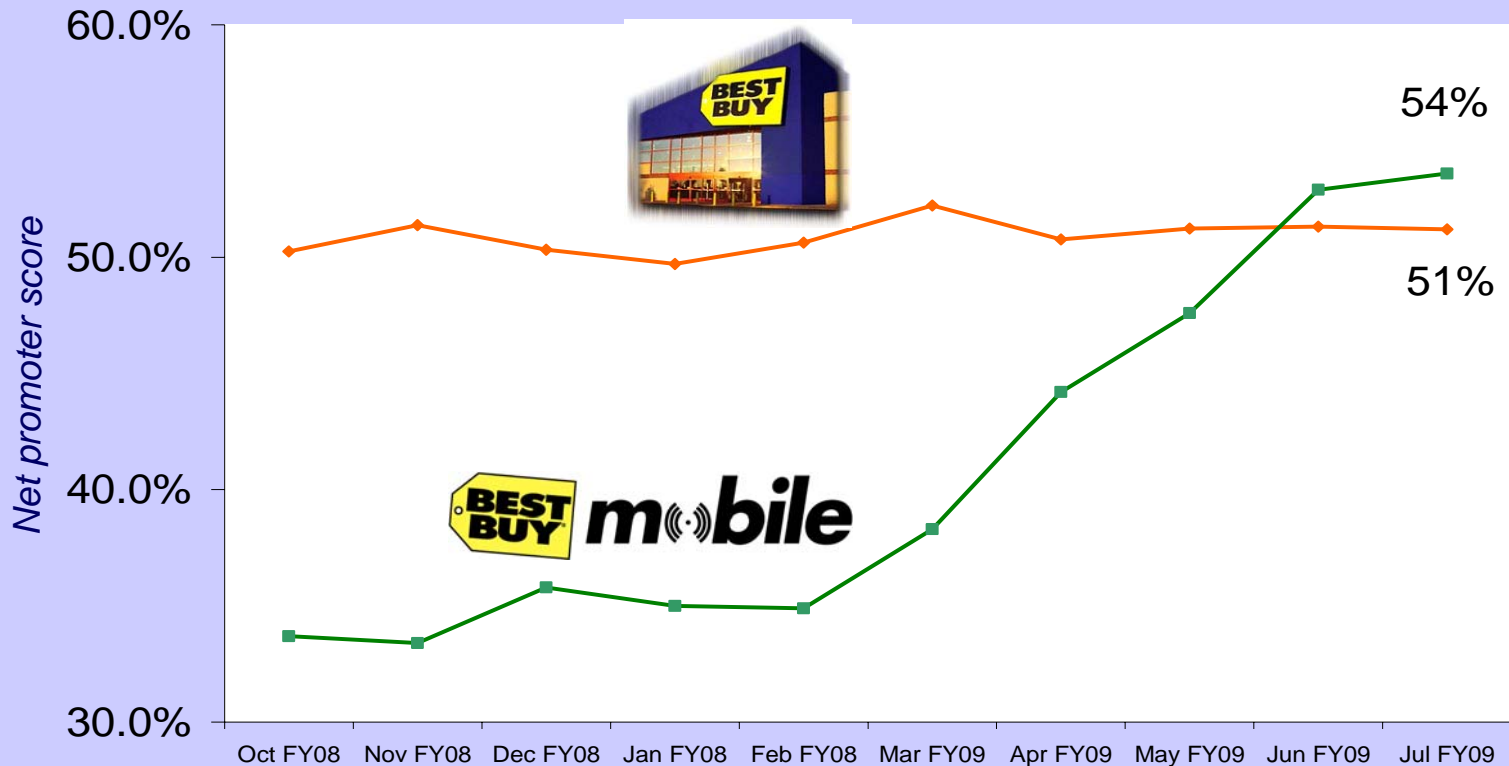
White City store



Now also open in Portsmouth and Romford



Best Buy Mobile is a big hit with customers



Source: company internal data Net Promoter Score is the percentage of customers who rated our service 8 to 10 on a 10-point scale, minus the percentage of customers who rated our service 1 to 3 on the same scale

- Market share doubled in last 12 months
- Contribution of £5m to Best Buy Europe results

Best Buy Mobile: SAS 2.0



Best Buy Europe



TalkTalk Group

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Walk Out Working

Walk Out Working™



Our **Walk Out Working™** service provides Geek Squad® setup and personalization on purchases of BlackBerry®, Windows Mobile® and Palm® smart phones, and all GPS receivers. It's only \$29.99 with 2-year activation (regularly \$49.99) **SAVE \$20.**



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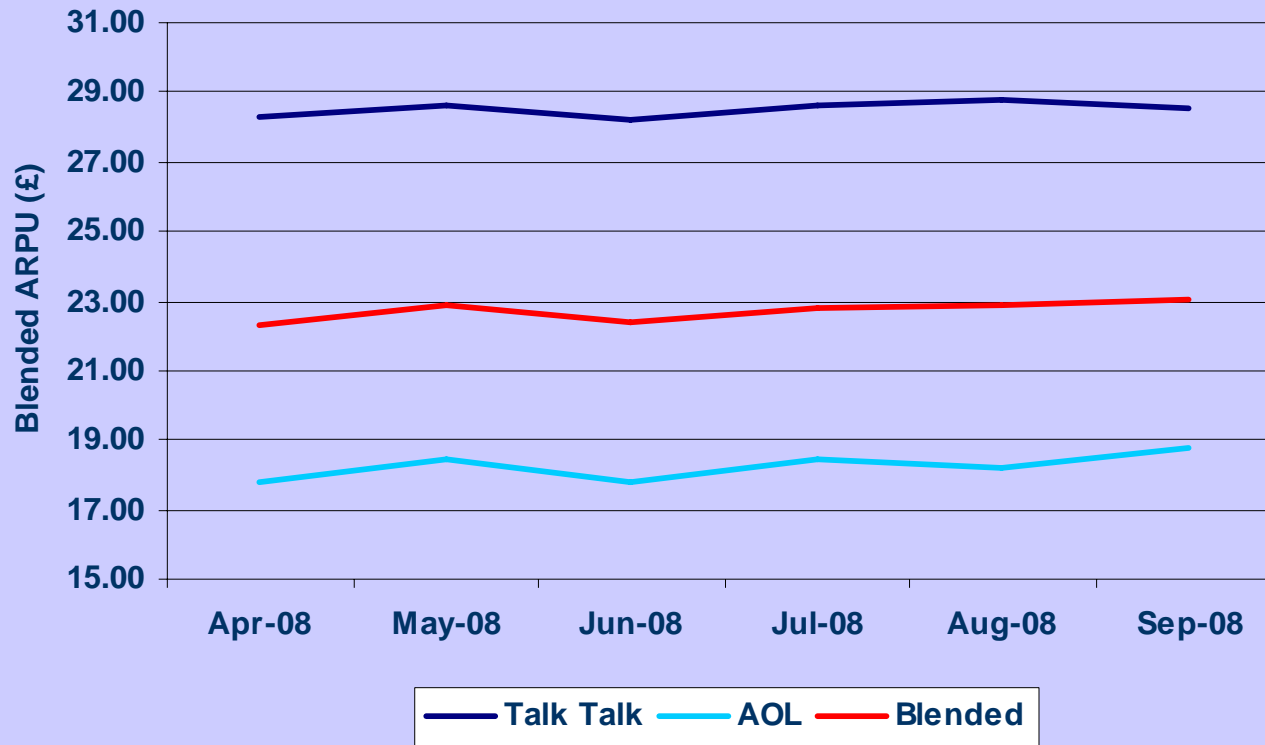
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TalkTalk Group income statement

(£m)	H1 08/09	H1 07/08	YoY %	H2 07/08
Revenue	697	711	(2%)	713
B2B	148	155	(5%)	157
Residential	549	556	(1%)	556
EBITDA	120	82	48%	140
B2B	20	18	8%	21
Residential	100	64	56%	119
Depreciation & Amortisation	(67)	(45)	49%	(55)
EBIT	53	37	47%	85

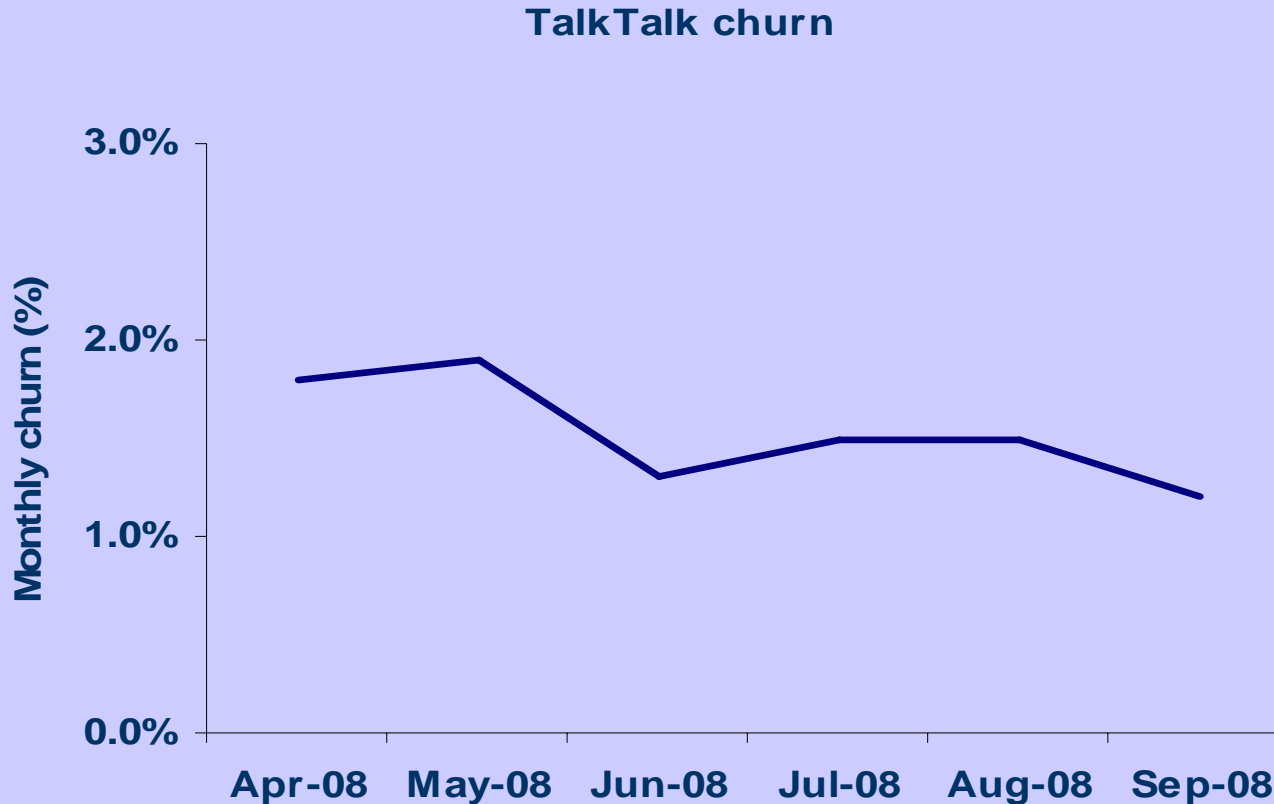
- Still expecting EBITDA margin >20% for full year
- Margin decline from H2 reflects marketing phasing and annual income items in H2

Monthly ARPU



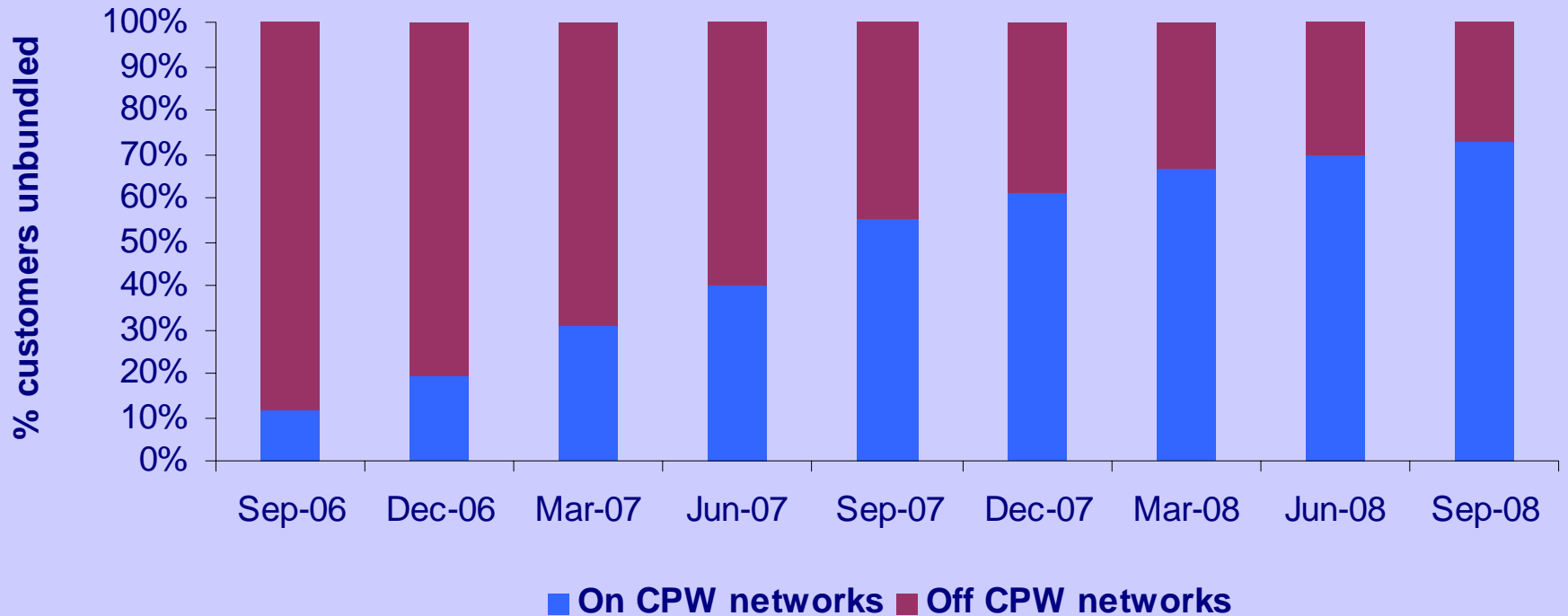
- ARPU gradually rising, now over £23
- Non-broadband ARPU now over £19, slightly ahead of plan

Monthly churn



- Churn continues to fall, driven by improving service, value and retention activity

Customer migration



- Over 70% of our broadband customer on our own network

Best Buy Europe cash flow

£m	H1 08/09	H1 07/08
EBITDA	99	96
Working capital/provisions	(217)	(96)
Other operating items	(13)	(1)
Operating cash flow	(131)	(1)
Capex	(50)	(57)
SAC	(25)	(16)
Other net investment	(4)	9
Divisional cash flow	(210)	(65)

TalkTalk Group cash flow

£m	H1 08/09	H1 07/08
EBITDA	120	82
Working capital/provisions	(35)	35
Other operating items	(13)	(7)
Operating cash flow	72	110
Capex	(52)	(79)
SAC	(47)	(40)
Final payment for AOL Broadband	(72)	(32)
Divisional cash flow	(99)	(41)

Working capital

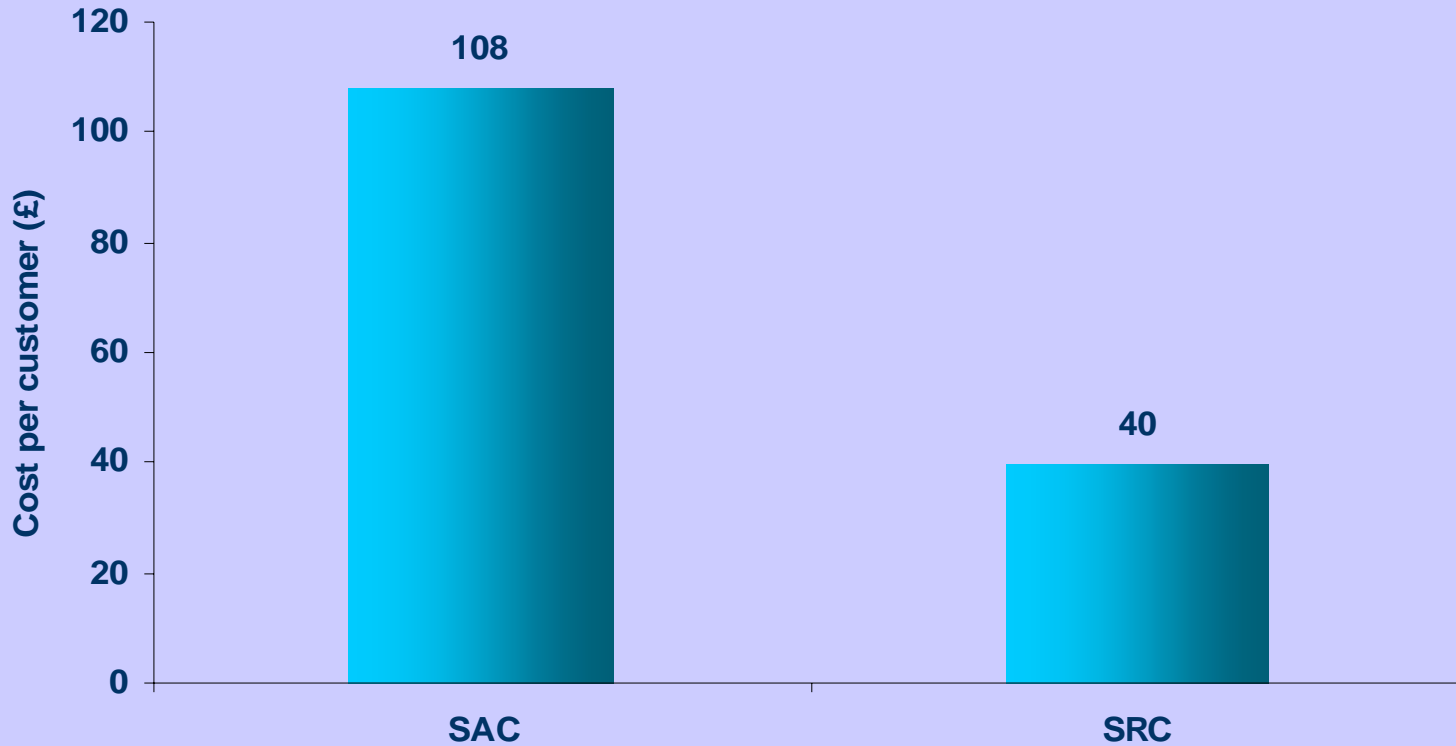
- Working capital outflow across Best Buy Europe and TalkTalk Group affected by:
 - timing of payment runs
 - Further early settlement discounts taken from handset vendors
 - Continuing to evolve terms of trade with operators
 - Increasingly based on contract line rental share
 - Impacts on cash flow but not revenue recognition
 - Normal inventory build-up

TalkTalk Group capex analysis

£m	H1 08/09	H1 07/08	YoY%
Network	37	61	(39%)
IT and other	15	18	(17%)
Total	52	79	(34%)

- AOL migration and exchange build-out now substantially complete

Effective investment in retention



Net debt and targets

£m	September 2008	March 2009 target
Underlying Group net debt	80*	50-100
Best Buy Europe:		
Gross debt (drawn on CPW Group PLC facilities**)	206*	
Cash equivalents	(104)	
	102	0-50 cash
CPW share 50%	51	

*Gross position on Group balance sheet at September 2008

**50% Guaranteed by Best Buy Co., Inc

- £925m of facilities to 2012
- £800m+ of foreign currency assets and hedging in place



Exceptional items

£m	100%	Group share	Commentary
Profit on disposal	613	613	Gain on sale of 50% of Distribution business
Other costs arising from the transaction	(19)	(10)	Store closures and disposals; de-ringing of handsets
AOL integration	(10)	(10)	Final costs relating to migration of AOL customers
Divisionalisation	(6)	(6)	Costs incurred in divisional reorganisation ahead of Best Buy transaction, yielding £7m annualised savings

Financial summary

- Strong balance sheet after Best Buy deal
 - >£900m of facilities in place
- Working capital recovery in H2 with clear year end targets
- TalkTalk Group cash generative going forward
- Long term growth opportunities for Best Buy Europe

Appendix

Best Buy  Europe



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Group cash flow (£m)

£m	H1 08/09	H1 07/08
Divisional cash flow	(290)	(106)
PLC operating cash flow	(4)	(3)
	(294)	(109)
Tax and interest	(8)	(17)
Dividends and shares	(79)	(8)
Acquisitions and disposals	938	(3)
Net cash flow	557	(137)
Opening net debt	(843)	(617)
F/X/ and non-cash	-	(9)
Closing net debt	(286)	(763)