HMV Group plc, the UK's leading retailer of music, DVD, games and books, today announces its financial results for the 26 weeks ended 25 October 2008.

Financial highlights

- Total sales £754.5m (2007*: £729.0m). Like for like sales flat (2007: up 5.0%).
- HMV UK & Ireland like for like sales up 1.6%. Waterstone's like for like sales down 3.1% (down 1.4% after adjusting for *Harry Potter and the Deathly Hallows*).
- Loss before tax of £27.5m (2007*: £28.7m before exceptional items).
- Reduced seasonal loss after tax of £19.8m (2007*: loss of £23.1m).
- Basic EPS loss of 4.9p (2007*: basic loss of 5.7p, adjusted loss of 5.0p).
- Interim dividend 1.8p per share (2007: 1.8p).
- Underlying net debt increased by £27.2m to £73.6m (2007*: £46.4m).
- Successful refinancing with new three year £220m syndicated Bank Facility.

** Comparatives are for continuing operations, unless otherwise stated.*

Operational highlights

- Games and technology mix increased to 23% in HMV UK & Ireland (2007: 18%).
- Successful launch of pre-played games in HMV UK & Ireland.
- Trial of next generation store formats continued with six refits and two new stores in HMV UK & Ireland; seven refits and seven new stores in HMV Canada.
- MP3 downloads and streaming subscription music service now live on hmv.com.
- 2.1m Waterstone's loyalty cardholders exceeds three year target of 1.5m.
- Waterstone's London representation strengthened by successful integration and rebranding of eight former Books Etc stores.

Outlook

Since the end of the Group's first half the markets in which we operate have weakened in line with general consumer confidence. In particular, the book market has seen a marked deterioration in the five-week period to 29 November. Against this backdrop our market share in all product areas has remained resilient.

Over the last two weeks there have been unprecedented changes to the competitive landscape of the entertainment sector, which we believe will strengthen HMV UK for the medium term. We are very well prepared for the important peak trading weeks still ahead of us, though it is too soon to tell how these combined factors will impact the Group's financial performance over the remaining five months of the financial year.

Commenting, Chief Executive Simon Fox said:

"Whilst high street retailing conditions are undoubtedly tough, at this stage in our financial calendar we still have our peak trading period ahead of us. Our stores and websites are very well prepared for Christmas, and we are confident that our customers will receive great service and product availability however they choose to shop."

Enquiries

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* All enquiries on 11 December should be directed via Brunswick.

A Christmas trading update will be issued on 15 January 2009.

Slides to accompany this announcement are available for viewing or download at www.hmvgroup.com/investors/presentations.

Chief Executive's Review

After a solid start to the first half of the year by the Group, the global financial crisis that unfolded towards the end of this period adversely impacted consumer confidence. As a result general retail footfall declined and consequently sales in our UK stores slowed down. However, both our UK transactional websites and HMV Canada, our largest international business, continued to trade well, and across all businesses and product categories market share was at least maintained.

Further progress was made on the initiatives that comprise the Group's strategic and operational review, which was revealed on 13 March 2007, and at the end of the period an additional venture, pre-played games, launched in HMV UK & Ireland.

Reflecting this progress, I am pleased to report that, within a highly challenging financial marketplace, we successfully secured new bank funding to September 2011 via a new £220m revolving credit facility.

An update on our strategic initiatives is provided below. Over a three-year period, the Group's plan is to:

- drive cost efficiency
- protect and revitalise our core business
- grow revenue from new channels

Driving cost efficiency

Waterstone's book hub, which will simplify our supply chain, commenced operational trials during the period, with full implementation on track for the New Year. In HMV UK & Ireland, games and technology suppliers were successfully transferred to a dedicated, centralised distribution centre, which is enhancing availability and service levels for these product categories. A number of stores also migrated to off-site processing, reducing store-based tasks and, in some cases, creating additional sales capacity.

Savings from centralising the procurement of goods not for resale; the consolidation of HMV UK & Ireland and Waterstone's back office functions; and the review of Waterstone's store estate continue to be delivered as planned.

Protecting and revitalising our retail business

HMV

We continue to re-focus our mix of sales to higher growth products, with games and technology increasing to 23% of HMV UK & Ireland's sales, up from 18% in the same period a year ago.

HMV's growing credentials as a games specialist were enhanced by the launch of pre-played games. Merchandised and promoted as Re/Play, this new offer enables consumers to exchange their pre-played games for credit against the purchase of new release and other games titles. Uniquely among UK retailers, trade-ins for games can also be made against all other product categories sold within HMV.

HMV UK & Ireland also acquired, for a nominal amount, the assets and recruited the key personnel of Gamerbase, the operator of a multi-player gaming concession at HMV Trocadero in London. The concept, which attracts gamers to pay to play the latest games and to try before they buy, will now be rolled out to other selected HMV stores.

At the end of the period, HMV UK & Ireland commenced a two-region pilot of its new loyalty card, HMV Pure. The scheme, which will be rolled out nationally in the second half of the year, enables customers to redeem points accrued against a range of 'money-can't-buy' rewards, including backstage concert passes, tickets to movie premieres and games studio tours.

HMV Canada made further progress on transforming its product mix during the period, with games and technology representing 11% of sales, up from 4% in the same period in 2007.

We continued with trials of the 'next generation' HMV store, which contains improved display and merchandising for the new product categories and increased levels of interactivity for our customers.

Chief Executive's Review (continued)

In the year to date, HMV UK & Ireland has opened new stores in Liverpool One, Worthing and Westfield White City and refitted six stores in the format, while HMV Canada has opened seven such stores and refitted a further seven. In total, 32 'next generation' stores will trade through our peak Christmas period, which will provide further learning for our future plans.

Waterstone's

The Waterstone's multi-channel loyalty card, launched in September 2007, had by the end of the period attracted 2.1m members, exceeding our original three-year target for 1.5m cardholders. Waterstone's also took on eight Books Etc stores in London, which were successfully rebranded as Waterstone's, thereby strengthening our representation in the capital. High quality gift stationery ranges were added to 90 stores, following the initial roll out to 100 branches in the prior year.

Waterstone's contribution to specialist bookselling were recognised by the industry, when it was named both High Street Retailer of the Year and Bookselling Company of the Year at the Bookseller Retail Awards. In addition, the successful brand campaign the Writer's Year was named Book Marketing Campaign of the Year.

Growing revenue from new channels

hmv.com launched an MP3 music download offer, comprised of over four million tracks, priced from 69p for single track downloads and £6.99 for albums, which are now compatible with any digital music player, including the Apple iPod. In addition, the same music catalogue is now available to stream for a monthly subscription of £5.99. Further enhancements were made to hmv.com search, site navigation and categorisation, and during the period the site grew by over 20% on the previous year.

Waterstones.com is continuing to benefit from the multi-channel loyalty card, and grew by over 50% on the same period a year ago. The website also became the exclusive source for UK customers to download e-books for the Sony Reader, which had its UK launch exclusively through Waterstone's stores in September.

Business and financial review

The interim results are for the 26 weeks ended 25 October 2008. The Group's comparatives shown below exclude HMV Japan, which was disposed of in the prior year, to reflect continuing operations only, except where specified.

Financial highlights	**26 weeks ended 25 October 2008 £m**	26 weeks ended 27 October 2007 £m
Continuing operations:		
Sales	**754.5**	729.0
Like for like sales %	**0.0%**	5.0%
Operating loss before exceptional items	**(22.8)**	(21.5)
Loss before tax before exceptional items	**(27.5)**	(28.7)
Operating exceptional items	**-**	(2.7)
Loss after tax	**(19.8)**	(23.1)
Adjusted earnings per share loss	**(4.9)p**	(5.0)p
Dividend per share	**1.8p**	1.8p
Profit on discontinued operations	**-**	49.0
Underlying net borrowings	**73.6**	46.4
Cash (outflow) inflow from continuing operations	**(52.3)**	34.9

Total sales increased by 3.5% on the Group's continuing operations in the same period last year, with like for like sales flat. HMV UK & Ireland's total sales increased by 6.1%, including a like for like increase of 1.6%. In Waterstone's, total sales fell by 3.8%, and like for like sales decreased by 3.1%.

The Group generated a seasonal operating loss of £22.8m in the period (2007: £21.5m before exceptional items). Net finance costs fell from £7.2m to £4.7m, reflecting the benefit of the disposal of HMV Japan in August 2007 offset by higher interest rates. This contributed to a loss before tax of £27.5m, £1.2m better than the prior period result from continuing operations before exceptional items.

Discontinued operations in the prior period, reflecting the trading and disposal of HMV Japan, generated a profit after tax of £49.0m.

Underlying net borrowings were £73.6m, £27.2m higher than last year reflecting higher levels of capital investment and tax payments, combined with a working capital outflow reflecting the reversal of favourable working capital phasing at the start of the financial year, combined with accelerated seasonal purchases.

The Board has declared an interim dividend of 1.8p per share (2007: 1.8p per share).

Business and financial review (continued)

Sales	**26 weeks ended 25 October 2008 £m**	26 weeks ended 27 October 2007 £m	Year on year (decline) growth[1] %	Constant exchange (decline) growth[2] %	Like for like sales (decline) growth[3] %
HMV UK & Ireland	**417.5**	393.7	6.1	5.3	1.6
HMV International	**101.9**	90.8	12.2	5.1	1.7
Total HMV	**519.4**	484.5	7.2	5.3	1.6
Waterstone's	**235.1**	244.5	(3.8)	(4.5)	(3.1)
Total continuing operations	**754.5**	729.0	3.5	2.0	0.0

Operating loss (before exceptional items)	**26 weeks ended 25 October 2008 £m**	26 weeks ended 27 October 2007 £m	**26 weeks ended 25 October 2008 % of sales**	26 weeks ended 27 October 2007 % of sales
HMV UK & Ireland	**(12.7)**	(12.3)	**(3.1)**	(3.1)
HMV International	**(0.8)**	(0.3)	**(0.8)**	(0.4)
Total HMV	**(13.5)**	(12.6)	**(2.6)**	(2.6)
Waterstone's	**(9.3)**	(8.9)	**(3.9)**	(3.6)
Total continuing operations	**(22.8)**	(21.5)	**(3.0)**	(3.0)

1 Year on year (decline) growth over the corresponding period last year is based on results translated at the actual exchange rates being the weighted average exchange rates for the 26 weeks ended 25 October 2008 and the 26 weeks ended 27 October 2007 respectively.

2 Constant exchange (decline) growth over the corresponding period last year is based on the weighted average exchange rates for the 26 weeks ended 27 October 2007.

3 HMV Group's like for like sales performance is calculated at constant exchange rates and measures stores that were open at the beginning of the previous financial year (i.e. open at the beginning of May 2007) and that have not been expanded, closed or resited during that time. It includes sales from internet sites and is only ever the net amount received.

HMV UK & Ireland

HMV UK & Ireland's total sales increased by 6.1% at statutory exchange rates in the first half, including like for like sales up 1.6%. This consisted of continuing growth in online sales and a positive contribution from the UK store portfolio, partially offset by a disappointing performance in Ireland. In very competitive markets, HMV UK & Ireland continued to gain or hold market share in all product categories. In music, which accounted for 30% of sales, HMV gained a further 1.0% volume share in a market down 4%, while in DVD (44% of sales) share was held in a market which grew by 6% in volume, albeit offset by a c.4% fall in average selling price. The games market continues to grow, up 18% in value, with further share gains achieved. As a result, games and technology grew to over 23% of sales in the first half.

The operating loss of £12.7m is an increase of £0.4m on last year, reflecting the sales growth, offset by a gross margin reduction of 10 basis points and a 2.7% net increase in underlying operating costs. The gross margin performance continues to reflect improvements in margin rate by product type broadly offsetting the adverse mix effect of growing games and technology sales.

The seven Fopp stores acquired in the prior year are performing ahead of expectations. During the period HMV UK opened two new stores in Liverpool and Worthing and since the end of the period one further store has opened at Westfield White City.

Business and financial review (continued)

HMV International

HMV International now comprises 128 stores in Canada and seven stores in Hong Kong and Singapore. HMV Japan was sold in August 2007 and is disclosed as a discontinued operation in the comparative period.

At constant exchange rates, total sales were up 5.1% in the first half, including a like for like increase of 1.7%. This comprised a like for like sales increase of 3.1% in HMV Canada, offset by declines in Hong Kong and Singapore.

HMV Canada successfully grew market share in both DVD and music, and continued to expand the games and technology offer, which more than doubled to 11.6% of sales during the period.

The operating loss of HMV International increased by £0.5m to £0.8m, reflecting the difficult trading conditions in Hong Kong and Singapore combined with a 60 basis point dilution in gross margin from strong games and technology sales in Canada.

During the period HMV Canada opened seven and resited four further stores.

Waterstone's

Waterstone's total sales decreased by 3.8% in the period, including a like for like sales decline of 3.1% (1.4% decline after adjusting for the prior year release of *Harry Potter and the Deathly Hallows*). This reflected a very challenging book market, which contracted by over 5% in the period, impacted particularly by poor performance in the non-fiction category. Waterstone's grew share marginally, reflecting the benefit of continued online growth and the success of the Waterstone's loyalty card. New product ranges such as gift stationery also performed well, with sales up 20% on last year, and in-store and online sales benefited from the successful launch of the Sony Reader.

The operating loss for the period was £0.4m higher than last year at £9.3m, inclusive of a £1.5m year on year increase in costs from the 'BookHub' supply chain implementation. The underlying improvement in the operating loss reflected a 60 basis point increase in gross margin (after adjusting for Harry Potter) and tight control of operating costs (which fell 1.2%), more than offsetting the sales decline.

During the period Waterstone's integrated eight former Books etc stores, opened two new stores and closed three resulting in a total store portfolio of 320.

Net finance charges

Net finance costs decreased in the period from £7.2m to £4.7m primarily due to the annualisation of the £70.6m gross proceeds from the disposal of HMV Japan on 25 August 2007, partially offset by higher interest rates.

Taxation

The taxation credit for the period on operating losses is based on the estimated effective tax rate on profits for the full year of 28% (2007: 30% on pre-exceptional profits). The tax charge on exceptional items in the prior year was 22%.

In the prior year, the tax charge also included an estimated tax charge of £3.9m on the profit on disposal of intellectual property relating to HMV Japan and a charge of £0.1m on trading up to the date to disposal.

Earnings per share

Earnings per share was a loss of 4.9p, an improvement of 0.1p on the prior period adjusted earnings per share for continuing operations. In the prior period basic earnings per share for the total Group of 6.5p included the £49.0m profit on disposal of HMV Japan.

Dividend

The Board is recommending an interim dividend of 1.8p, which has been maintained in line with last year.

Business and financial review (continued)

Cash flow and net debt

	2008 £m	2007 £m
EBITDA	**(2.7)**	(0.1)
Capital expenditure*	**(30.1)**	(13.8)
Working capital (outflow) inflow	**(4.5)**	57.5
Net interest paid	**(4.6)**	(6.8)
Taxation	**(10.4)**	(1.9)
Free cash flow	**(52.3)**	34.9
Disposal of HMV Japan, net of related costs	**-**	69.2
Dividends paid	**(22.5)**	(22.5)
Other	**1.4**	2.6
Net cash (outflow) inflow	**(73.4)**	84.2
Underlying opening net debt	**(0.2)**	(130.6)
Underlying closing net debt	**(73.6)**	(46.4)

EBITDA – Earnings before Interest, Taxation, Depreciation, Amortisation and exceptional items.
Free cash flow – Cash flow from operating activities after capital expenditure and net interest.
Underlying net debt – underlying net debt is stated before unamortised deferred financing fees.
** Capital expenditure includes £6.1m of assets purchased using finance lease funding.*

Closing net debt of £73.6m was £27.2m higher than last year. Free cash outflow was £52.3m (2007: inflow of £34.9m). The adverse working capital movement reflects the reversal of opposing timing difference in the current and prior period, combined with the effect of accelerated seasonal purchases. In addition, capital expenditure of £30.1m this year is £16.3m higher than the prior period due to planned investment in the supply chain, store refits and other strategic initiatives, whilst tax payments have gown in line with the prior year increase in profitability.

The Group has secured funding to September 2011 via a new £220m revolving credit facility, which the Board believes is adequate to meet current cash requirements following the disposal of HMV Japan. Reflecting current credit markets, margin for the new facility increases to 250bps from 175bps. There are no changes to banking covenants associated with this new facility. As a result of the refinancing, fees of £1.1m have been incurred and will be amortised over three years.

Pensions

The Group has a number of pension schemes in operation, including defined benefit arrangements for approximately 600 employees almost entirely in the United Kingdom. A valuation of the Pension Benefit Section of the UK scheme as at 30 June 2007 was recently completed , which indicated a level of asset cover of 94%, representing a funding deficit of £5.1m, which is to be funded by three special contributions of £2.17m on 31 October 2008, 1 May 2009 and 1 May 2010. The valuation reflected both changes to future benefits, including capping future increases to pensionable salaries at RPI up to 5% p.a. and pensions at the lower of 2.5% p.a. or RPI, together with an increased regular funding rate from 1 November 2008 of 21.2% of pensionable pay from 19.9% previously. The increased regular funding is being met through higher member contributions, with the previous rate of 5.0% of pensionable pay increasing from 1 November 2008 to 6.5% for non-executive members and 10.0% for executive members, with the Group's contribution rate moving from 14.9% of pensionable pay rate to 14.7% for non-executive members and 22.5% for executive members. The next actuarial review will take place no later than 30 June 2010.

Under IAS 19 'Employee Benefits', the HMV defined benefit scheme had a deficit at 25 October 2008, net of deferred tax, of £11.5m (2007: £15.9m).

Business and financial review (continued)

Discontinued operations

The Group completed the disposal of its HMV Japan business on 25 August 2007 for £70.6m on a cash and debt free basis, giving rise to a provisional post-tax profit on disposal of £49.2m. Prior to disposal, HMV Japan made a loss after tax of £0.2m, giving a total profit after tax for discontinued operations of £49.0m.

The results of HMV Japan have been presented as comparatives in the income statement as a discontinued operation.

Board developments

Carl Symon, Non-Executive Chairman, resigned from the Group Board at the Annual General Meeting on 5 September 2008. Robert Swannell was appointed to the role, effective 2 February 2009. Lesley Knox, a Non-Executive Director, has been appointed Non-Executive Chairman for the interim period.

Principal risks and uncertainties

The Board has a policy of continuous identification and review of key business risks and uncertainties, which are set out on page 36 of the Annual Report and accounts for the 52 weeks ended 26 April 2008. The Board considers that these remain the principal risks affecting the Group in respect of the current financial year and they are, in summary, as follows; highly competitive markets for the Group's products, the growth of digital entertainment, seasonality of the business, external factors such as consumer confidence in the UK economy, failure of supply, damage to the reputation or brands of the Group, reliance on a number of Information Technology systems, availability and retention of key personnel, retaining a good quality store network and the success of key initiatives. In addition, certain financial risks are detailed in note 27 of the Annual Report and accounts, for example; liquidity risk, interest rate risk, credit risk and foreign exchange risk.

Forward-looking statements

Certain statements in this half-yearly report are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

We undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Notes for editors

HMV Group is one of the world's leading retailers of music, DVD and games and the leading retailer of books in the United Kingdom and Ireland in terms of total sales. As of 25 October 2008 it operated 387 HMV stores selling music, DVD and electronic games in five countries and 320 Waterstone's stores, principally in the United Kingdom and Ireland. All of the Group's operations, both in the United Kingdom and internationally, are wholly owned.

HMV Group web sites

hmvgroup.com
hmv.ca
waterstones.com
hmv.com
hmv.com.hk

Consolidated income statement (Unaudited)

	Notes	**26 weeks ended 25 October 2008**	26 weeks ended 27 October 2007		
		Total £m	Before exceptional items £m	Exceptional items £m	Total £m
Continuing operations					
Revenue	4	**754.5**	729.0	-	729.0
Cost of sales		**(733.3)**	(709.1)	(2.7)	(711.8)
Gross profit (loss)		**21.2**	19.9	(2.7)	17.2
Administrative expenses		**(44.0)**	(41.4)	-	(41.4)
Operating loss	4	**(22.8)**	(21.5)	(2.7)	(24.2)
Finance income		**0.4**	1.0	-	1.0
Finance costs		**(5.1)**	(8.2)	-	(8.2)
Loss before taxation		**(27.5)**	(28.7)	(2.7)	(31.4)
Taxation	6	**7.7**	7.7	0.6	8.3
Loss from continuing operations		**(19.8)**	(21.0)	(2.1)	(23.1)
Discontinued operation					
(Loss) profit after tax from discontinued operation	12	**-**	(0.2)	49.2	49.0
(Loss) profit for the period attributable to shareholders		**(19.8)**	(21.2)	47.1	25.9
Earnings per share for (loss) profit attributable to shareholders	7				
Basic		**(4.9)p**	(5.0)p	11.5p	6.5p
Diluted basic		**(4.8)p**	(5.0)p	11.5p	6.5p
Earnings per share for (loss) profit from continuing operations attributable to shareholders	7				
Basic		**(4.9)p**	(5.0)p	(0.7)p	(5.7)p
Diluted basic		**(4.8)p**	(5.0)p	(0.7)p	(5.7)p
Dividend per share	8	**1.8p**			1.8p

The notes on pages 14 to 21 form an integral part of this condensed consolidated half-yearly financial information.

See note 5 for a description of exceptional items.

Consolidated income statement (Audited)

	Notes	52 weeks ended 26 April 2008 Before exceptional items £m	Exceptional items £m	Total £m
Continuing operations				
Revenue	4	1,874.9	-	1,874.9
Cost of sales		(1,718.1)	(4.6)	(1,722.7)
Gross profit		156.8	(4.6)	152.2
Administrative expenses		(90.6)	-	(90.6)
Operating profit (loss)	4	66.2	(4.6)	61.6
Finance income		1.6	-	1.6
Finance costs		(11.2)	-	(11.2)
Profit (loss) before taxation		56.6	(4.6)	52.0
Taxation	6	(15.8)	1.1	(14.7)
Profit (loss) from continuing operations		40.8	(3.5)	37.3
Discontinued operations				
(Loss) profit after tax from discontinued operation	12	(0.1)	51.8	51.7
Profit for the period attributable to shareholders		40.7	48.3	89.0
Earnings per share for profit attributable to shareholders	7			
Basic		10.1p	12.0p	22.1p
Diluted		10.0p	12.0p	22.0p
Earnings per share for profit (loss) from continuing operations attributable to shareholders	7			
Basic		10.1p	(0.9)p	9.2p
Diluted		10.1p	(0.9)p	9.2p

The notes on pages14 to 21 form an integral part of this condensed consolidated half-yearly financial information.

See note 5 for a description of exceptional items.

Consolidated statement of recognised income and expense

	26 weeks ended 25 October 2008 (Unaudited) £m	26 weeks ended 27 October 2007 (Unaudited) £m	52 weeks ended 26 April 2008 (Audited) £m
(Loss) profit for the period attributable to shareholders	**(19.8)**	25.9	89.0
Foreign exchange translation differences	**3.6**	0.3	5.5
Foreign exchange recycled to income statement on discontinued operations	**-**	(0.1)	(0.1)
Profit (loss) on forward foreign exchange contracts	**0.5**	-	(0.4)
Actuarial gains on defined benefit pension schemes	**1.3**	0.2	7.3
Tax on items recognised directly in equity	**0.5**	0.3	(2.2)
Net income recognised directly in equity	**5.9**	0.7	10.1
Total recognised income and expense for the period	**(13.9)**	26.6	99.1

Consolidated balance sheet

	Notes	**25 October 2008 (Unaudited) £m**	27 October 2007 (Unaudited) £m	26 April 2008 (Audited) £m
Assets				
Non-current assets				
Property, plant and equipment	9	**159.5**	148.0	149.4
Intangible assets		**73.1**	73.1	73.1
Deferred income tax asset		**20.0**	22.8	20.6
Trade and other receivables		**0.8**	0.9	0.9
		253.4	244.8	244.0
Current assets				
Inventories		**269.0**	247.0	205.4
Trade and other receivables		**56.0**	51.1	58.9
Current income tax recoverable		**1.6**	-	1.7
Derivative financial assets		**0.1**	-	-
Cash and short-term deposits		**42.0**	90.9	35.5
		368.7	389.0	301.5
Total assets		**622.1**	633.8	545.5
Liabilities				
Non-current liabilities				
Deferred income tax liabilities		**(0.1)**	(0.1)	(0.1)
Retirement benefit liabilities		**(16.0)**	(22.7)	(16.3)
Interest-bearing loans and borrowings	10	**(5.8)**	(0.7)	(0.5)
Provisions	11	**(0.1)**	(0.3)	(0.2)
		(22.0)	(23.8)	(17.1)
Current liabilities				
Trade and other payables		**(465.6)**	(470.1)	(409.5)
Current income tax payable		**(2.1)**	(6.6)	(21.2)
Interest-bearing loans and borrowings	10	**(108.7)**	(136.2)	(35.0)
Derivative financial instruments		**-**	-	(0.4)
Provisions	11	**(1.7)**	(5.5)	(3.5)
		(578.1)	(618.4)	(469.6)
Total liabilities		**(600.1)**	(642.2)	(486.7)
Net assets (liabilities)		**22.0**	(8.4)	58.8
Equity				
Equity share capital	13,14	**323.1**	323.1	323.1
Other reserve – own shares	14	**(2.7)**	(2.1)	(2.0)
Hedging reserve	14	**0.1**	-	(0.4)
Foreign currency translation reserve	14	**11.2**	2.4	7.6
Capital reserve	14	**0.3**	0.3	0.3
Retained earnings	14	**(310.0)**	(332.1)	(269.8)
Total equity	14	**22.0**	(8.4)	58.8

The notes on pages 14 to 21 form an integral part of this condensed consolidated half-yearly financial information.

Consolidated cash flow statement

	26 weeks ended 25 October 2008 (Unaudited) £m	26 weeks ended 27 October 2007 (Unaudited) £m	52 weeks ended 26 April 2008 (Audited) £m
Cash flows from operating activities:			
(Loss) profit before tax from continuing operations	**(27.5)**	(31.4)	52.0
Profit before tax from discontinued operation	**-**	53.0	52.6
(Loss) profit before tax	**(27.5)**	21.6	104.6
Gain on disposal of discontinued operation	**-**	(53.1)	(52.7)
Net finance costs	**4.7**	7.4	9.8
Depreciation	**20.1**	21.4	41.9
Loss (profit) on disposal of fixed assets	**-**	1.5	(0.1)
Equity-settled share-based payment charge	**0.6**	0.6	2.6
Pension contributions less income statement charge	**0.6**	0.6	1.3
	(1.5)	-	107.4
Movement in inventories	**(63.0)**	(54.5)	(13.3)
Movement in trade and other receivables	**2.0**	10.2	2.2
Movement in trade and other payables	**57.0**	104.1	47.7
Movement in provisions	**(1.9)**	(2.2)	(1.5)
Cash generated from operations	**(7.4)**	57.6	142.5
Income tax paid	**(10.4)**	(1.9)	(9.3)
Net cash flows from operating activities	**(17.8)**	55.7	133.2
Cash flows from investing activities:			
Purchase of property, plant and equipment	**(24.0)**	(13.8)	(36.8)
Purchase of intangible asset	**-**	(0.1)	(0.1)
Proceeds from sale of property, plant and equipment	**0.2**	0.2	0.4
Interest received	**0.4**	1.0	1.6
Costs incurred on sale of business	**-**	(1.4)	(4.7)
Proceeds from sale of business (note 12)	**-**	70.6	70.6
Net cash flows from investing activities	**(23.4)**	56.5	31.0
Cash flows from financing activities:			
Movements in short-term facilities	**71.0**	(10.1)	(88.0)
Repayment of term debt	**-**	(80.0)	(80.0)
Costs of raising debt	**(1.1)**	-	-
Proceeds of issue of equity shares	**-**	0.1	0.1
Purchase of own shares	**(1.0)**	-	-
Interest paid	**(5.0)**	(7.8)	(10.9)
Equity dividends paid to shareholders	**(22.5)**	(22.5)	(29.8)
Repayment of capital element of finance lease	**(0.2)**	-	(0.3)
Net cash flows from financing activities	**41.2**	(120.3)	(208.9)
Net decrease in cash and cash equivalents	**-**	(8.1)	(44.7)
Opening cash and cash equivalents	**35.5**	73.9	73.9
Effect of exchange rate changes	**3.6**	2.0	6.3
Closing cash and cash equivalents	**39.1**	67.8	35.5

The notes on pages 14 to 21 form an integral part of this condensed consolidated half-yearly financial information.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and short-term deposits less bank overdrafts that are payable on demand.

Notes to condensed consolidated half-yearly financial information

1. General information

The Company is a public limited company incorporated and domiciled in the UK. The address of its registered office is Shelley House, 2-4 York Road, Maidenhead, Berkshire, SL6 1SR.

The Company is listed on the London Stock Exchange.

This condensed consolidated half-yearly financial information was approved for issue on 10 December 2008.

These interim financial results do not comprise statutory accounts within the meaning of Section 435 of the Companies Act 2006. Statutory accounts for the 52 weeks ended 26 April 2008 were approved by the Board of Directors on 30 June 2008 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

2. Basis of preparation

This condensed consolidated half-yearly financial information for the 26 weeks ended 25 October 2008 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, "Interim Financial Reporting" as adopted by the European Union. The half-yearly condensed consolidated financial report should be read in conjunction with the annual financial statements for the year ended 26 April 2008, which have been prepared in accordance with IFRSs as adopted by the European Union.

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the 52 weeks ended 26 April 2008, as described in those annual financial statements.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year ending 25 April 2009, but have no material impact on the Group.

- IFRIC 12 Service Concession Arrangements, effective for annual periods beginning on or after 1 January 2008
- IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, effective for periods beginning on or after 1 January 2008.

These have not yet been endorsed by the EU but are anticipated to be endorsed by the year end.

4. Segment information

					26 weeks to 25 October 2008 (unaudited)
	HMV UK & Ireland £m	**HMV International £m**	**Total HMV £m**	**Waterstone's £m**	**Total £m**
Segment revenue	417.5	101.9	**519.4**	235.1	**754.5**
Operating loss	**(12.7)**	**(0.8)**	**(13.5)**	**(9.3)**	**(22.8)**
Net finance costs					**(4.7)**
Loss before taxation					**(27.5)**
Taxation					**7.7**
Loss for the period					**(19.8)**

Notes to condensed consolidated half-yearly financial information (continued)

4. Segment information (continued)

							26 weeks to 27 October 2007 (unaudited)
					Continuing operations	Discontinued operation	
	HMV UK & Ireland £m	HMV International £m	Total HMV £m	Waterstone's £m	Total £m	HMV Japan £m	Total operations £m
Segment revenue	393.7	90.8	484.5	244.5	729.0	61.2	790.2
Operating (loss) profit before exceptional items	(12.3)	(0.3)	(12.6)	(8.9)	(21.5)	0.1	(21.4)
Exceptional items:							
Store closure costs	-	-	-	(2.7)	(2.7)	-	(2.7)
Gain on disposal of discontinued operation	-	-	-	-	-	53.1	53.1
Segment result	(12.3)	(0.3)	(12.6)	(11.6)	(24.2)	53.2	29.0
Net finance costs					(7.2)	(0.2)	(7.4)
(Loss) profit before taxation					(31.4)	53.0	21.6
Taxation					8.3	(4.0)	4.3
(Loss) profit for the period					(23.1)	49.0	25.9

							52 weeks to 26 April 2008 (audited)
					Continuing operations	Discontinued operation	
	HMV UK & Ireland £m	HMV International £m	Total HMV £m	Waterstone's £m	Total £m	HMV Japan £m	Total operations £m
Segment revenue	1,079.0	231.6	1,310.6	564.3	1,874.9	61.2	1,936.1
Operating profit before exceptional items	41.4	8.5	49.9	16.3	66.2	0.1	66.3
Operating exceptional items:							
Store closure costs	-	-	-	(4.6)	(4.6)	-	(4.6)
Segment operating profit	41.4	8.5	49.9	11.7	61.6	0.1	61.7
Net finance costs					(9.6)	(0.2)	(9.8)
Profit (loss) before taxation					52.0	(0.1)	51.9
Taxation					(14.7)	-	(14.7)
Profit after tax on disposal of discontinued operation					-	51.8	51.8
Profit for the period					37.3	51.7	89.0

Notes to condensed consolidated half-yearly financial information (continued)

5. Exceptional items

	26 weeks to 25 October 2008 (unaudited) £m	26 weeks to 27 October 2007 (unaudited) £m	52 weeks to 26 April 2008 (audited) £m
Continuing operations			
Recognised in arriving at operating profit:			
Acquisition of Ottakar's - store closure costs	-	(2.7)	(4.6)
Discontinued operation			
Gain on disposal of HMV Japan	-	53.1	52.7
	-	50.4	48.1

Exceptional costs of £2.7m were incurred in the prior period, in connection with the continuing review of the combined Waterstone's store portfolio, following the acquisition of Ottakar's. These were included within cost of sales. A tax credit of £0.6m arose in respect of these costs.

Also during the previous financial year the Group disposed of its HMV Japan business, giving rise to a profit on disposal after costs and before taxation at 27 October 2007 of £53.1m. See note 12 for further details.

6. Taxation

The taxation credit for the period is based on the estimated effective tax rate on profits for the full year of 28% (2007: 30% on pre-exceptional profits). The tax charge on exceptional items in 2007 was 22%.

In the previous year, the profit after tax of discontinued operations included an estimated tax charge of £3.9m on the profit on disposal of intellectual property relating to HMV Japan and a charge of £0.1m on trading up to the date to disposal.

7. Earnings per share

Earnings per share attributable to shareholders of the Company arises from continuing and discontinued operations as follows:

	26 weeks to 25 October 2008 (unaudited) £m	26 weeks to 27 October 2007 (unaudited) £m	52 weeks to 26 April 2008 (audited) £m
(Loss) profit attributable to shareholders	**(19.8)**	25.9	89.0
Discontinued operation trading after tax	-	0.2	0.1
Profit on disposal of discontinued operation after tax	-	(49.2)	(51.8)
(Loss) profit from continuing operations	**(19.8)**	(23.1)	37.3
Exceptional items less tax thereon	-	2.1	3.5
Adjustment to effective tax rate of 30%	-	1.0	-
Adjusted (loss) profit from continuing operations	**(19.8)**	(20.0)	40.8

Notes to condensed consolidated half-yearly financial information (continued)

7. Earnings per share (continued)

	26 weeks to 25 October 2008 (unaudited) pence	26 weeks to 27 October 2007 (unaudited) pence	52 weeks to 26 April 2008 (audited) pence
Total operations			
Basic	**(4.9)**	6.5	22.1
Adjusted	**(4.9)**	(5.0)	10.1
Diluted basic	**(4.8)**	6.5	22.0
Diluted adjusted	**(4.8)**	(5.0)	10.0
Continuing operations			
Basic	**(4.9)**	(5.7)	9.2
Adjusted	**(4.9)**	(5.0)	10.1
Diluted basic	**(4.8)**	(5.7)	9.2
Diluted adjusted	**(4.8)**	(5.0)	10.1
Discontinued operation			
Basic	**-**	12.2	12.9
Diluted basic	**-**	12.2	12.8

	26 weeks to 25 October 2008 (unaudited) Number million	26 weeks to 27 October 2007 (unaudited) Number million	52 weeks to 26 April 2008 (audited) Number million
Weighted average number of Ordinary shares – basic	401.9	401.7	402.0
Dilutive share options	8.1	1.8	1.7
Weighted average number of Ordinary shares – diluted	410.0	403.5	403.7

Basic earnings per share is calculated by dividing the profit (loss) attributable to equity shareholders of the Company by the weighted average number of ordinary shares in issue during the year, excluding interests in own shares held by the Employee Benefit Trust, which are accounted for as Treasury Shares. The diluted earnings per share calculations reflect the weighted average dilutive effect of options outstanding during the period of 8.1m.

Adjusted earnings per share excludes exceptional items less tax thereon (see note 5).

8. Dividends

	26 weeks to 25 October 2008 (unaudited) £m	26 weeks to 27 October 2007 (unaudited) £m	52 weeks to 26 April 2008 (audited) £m
Ordinary final dividend of 5.6p per share (2007: 5.6p)	**22.5**	22.5	22.5
Ordinary interim dividend of 1.8p per share	**-**	-	7.3
	22.5	22.5	29.8

In addition, the Directors have approved an interim dividend of 1.8p per share (2007: 1.8p), which has not been recognised within these results in line with IAS 10 Events after the Balance Sheet Date. This results in an interim dividend of £7.3m (2007: £7.3m) and will be paid on 2 February 2009 to shareholders on the Register at the close of business on 5 January 2009. Shares will be quoted ex-dividend from 31 December 2008.

Notes to condensed consolidated half-yearly financial information (continued)

9. Property, plant and equipment

During the 26 weeks ended 25 October 2008, the Group acquired assets with a cost of £30.1m (2007: £13.8m), including £6.1m purchased using finance lease funding.

Assets with a net book value of £0.4m were disposed of by the Group during the 26 weeks ended 25 October 2008 (2007: £1.8m), resulting in a net gain on disposal of £nil (2007: loss of £1.5m).

10. Loans and borrowings

The Company had a Senior Bank Facility, which at the beginning of the period under review consisted of a multi-currency £260m revolving credit facility (to 31 March 2010). On 10 October 2008 the Company successfully secured funding to September 2011 via a new £220m revolving credit facility. At 25 October 2008, £106.0m had been drawn down (2007: £136.5m).

Interest on the original facility was payable at a rate equal to LIBOR plus a margin of 1.75% and is payable on the new facility at LIBOR plus a margin of 2.50%.

11. Provisions

	£m
As at 28 April 2007 (audited)	8.3
Provisions utilised	(3.7)
Charged during the year	1.2
As at 27 October 2007 (unaudited)	5.8
As at 26 April 2008 (audited)	3.7
Provisions utilised	(2.0)
Currency retranslation	0.1
As at 25 October 2008 (unaudited)	**1.8**
Analysed as:	
Current	**1.7**
Non-current	**0.1**
	1.8

Provisions, and their utilisation in the period, almost entirely consist of amounts in respect of store closures.

Notes to condensed consolidated half-yearly financial information (continued)

12. Discontinued operation

On 25 August 2007 the Group announced the completion of the sale of its HMV Japan business for Yen17bn (£70.6m) on a debt and cash free basis. Its results in the prior year for the period to the date of disposal are presented in the comparatives of this condensed half-yearly financial information as a discontinued operation.

Income statement and cash flow information

	26 weeks to 25 October 2008 (unaudited) £m	26 weeks to 27 October 2007 (unaudited) £m	52 weeks to 26 April 2008 (audited) £m
Revenue	-	61.2	61.2
Cost of sales	-	(58.4)	(58.4)
Gross profit	-	2.8	2.8
Administrative expenses	-	(2.7)	(2.7)
Operating profit	-	0.1	0.1
Finance costs	-	(0.2)	(0.2)
Loss before tax from a discontinued operation	-	(0.1)	(0.1)
Exceptional gain on disposal of a discontinued operation	-	53.1	52.7
Tax expense	-	(4.0)	(0.9)
Profit after tax for the period from discontinued operation	-	49.0	51.7
The tax expense is analysed as follows:			
On loss from ordinary activities	-	(0.1)	-
On the gain on disposal	-	(3.9)	(0.9)
	-	(4.0)	(0.9)
Operating cash flows of discontinued operation	-	0.6	0.6
Investing cash flows of discontinued operation	-	(0.8)	(0.8)
Financing cash flows of discontinued operation	-	(0.2)	(0.2)
Net cash flows excluding disposal proceeds	-	(0.4)	(0.4)

Cash inflow on sale:

	26 weeks to 25 October 2008 (unaudited) £m	26 weeks to 27 October 2007 (unaudited) £m	52 weeks to 26 April 2008 (audited) £m
Gross consideration received	-	70.6	70.6
Cash disposed of with the business	-	8.2	8.2
Debt disposed of with the business	-	(21.7)	(21.7)
	-	57.1	57.1
Transaction costs incurred	-	(4.7)	(4.7)
Net cash consideration received	-	52.4	52.4

Notes to condensed consolidated half-yearly financial information (continued)

13. Share capital

	Number of ordinary shares thousands	Ordinary shares £m	Share premium £m	Total £m
As at 28 April 2007 (audited)	402,737	4.0	319.0	323.0
Issue of equity shares – employee share option scheme	633	-	0.1	0.1
As at 27 October 2007 (unaudited)	403,370	4.0	319.1	323.1
As at 26 April 2008 (audited)	403,370	4.0	319.1	323.1
Shares issued – employee share option scheme	49	-	-	-
As at 25 October 2008 (unaudited)	**403,419**	**4.0**	**319.1**	**323.1**

14. Reconciliation of movements in equity

	Equity share capital £m	Own shares £m	Hedging reserve £m	Foreign currency translation reserve £m	Capital reserve £m	Retained earnings £m	Total £m
As at 28 April 2007 (audited)	323.0	(2.5)	-	2.2	0.3	(336.2)	(13.2)
Total recognised income and expense for the period	-	-	-	0.2	-	26.4	26.6
Ordinary dividend	-	-	-	-	-	(22.5)	(22.5)
Issue of equity shares	0.1	-	-	-	-	-	0.1
Vesting of share-based payment awards	-	0.4	-	-	-	(0.4)	-
Share-based payments	-	-	-	-	-	0.6	0.6
As at 27 October 2007 (unaudited)	323.1	(2.1)	-	2.4	0.3	(332.1)	(8.4)
As at 26 April 2008 (audited)	323.1	(2.0)	(0.4)	7.6	0.3	(269.8)	58.8
Total recognised income and expense for the period	-	-	0.5	3.6	-	(18.0)	(13.9)
Ordinary dividend	-	-	-	-	-	(22.5)	(22.5)
Vesting of share-based payment awards	-	0.3	-	-	-	(0.3)	-
Purchase of own shares	-	(1.0)	-	-	-	-	(1.0)
Share-based payments	-	-	-	-	-	0.6	0.6
As at 25 October 2008 (unaudited)	**323.1**	**(2.7)**	**0.1**	**11.2**	**0.3**	**(310.0)**	**22.0**

15. Related party transactions

There have been no related party transactions during the interim period under review.

16. Seasonality

Retail sales of entertainment products are subject to seasonal fluctuations, with peak demand in the Christmas trading period, which falls in the second half of the financial year. For the 26 weeks ended 25 October 2008, the level of sales represented 40% (2007: 43%) of the annual level of sales in the 52 weeks ended 26 April 2008.

Statement of Directors' responsibilities

The Directors confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that 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 HMV Group plc are listed in the HMV Group plc Annual Report for the 52 weeks ended 26 April 2008, with subsequent changes as listed on page 8 of this statement. A list of current directors is maintained on the HMV Group plc website www.hmvgroup.com.

By order of the Board

Simon Fox	Neil Bright
Chief Executive Officer	Group Finance Director
10 December 2008	10 December 2008

INDEPENDENT REVIEW REPORT TO HMV GROUP PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the 26 week period ended 25 October 2008 which comprises a Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Recognised Income and Expense, and the related explanatory notes. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in ISRE 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note two, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 week period ending 25 October 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP
Birmingham
10 December 2008