



Announcement of Interim Management Statement and Trading Update

5 January 2011

HMV Group plc today announces its Interim Management Statement for the 10 weeks ended 1 January 2011, and provides an update to the market on its trading performance for the five-week Christmas period.

TRADING UPDATE

%	Five weeks ended 1 January 2011 ¹		10 weeks ended 1 January 2011 ¹	
	Like for like sales (decline) growth ²	Total sales (decline) growth ²	Like for like sales (decline) growth ²	Total sales (decline) growth ²
HMV				
UK & Ireland	(13.6)	(11.9)	(14.1)	(12.6)
International ³	(8.9)	(10.2)	(8.3)	(9.7)
Total HMV	(12.9)	(11.7)	(13.3)	(12.1)
Waterstone's	(0.4)	(0.4)	(2.1)	(2.1)
HMV Group excl Live	(10.2)	(9.3)	(10.8)	(10.0)
HMV Group inc Live	-	(8.8)	-	(9.1)

Christmas trading update

- As reported with the Group's Interim Results on 9 December 2010, the beginning of our peak trading period was significantly undermined by severe weather in the UK, which continued through until Christmas.
- In addition, in HMV UK & Ireland, notwithstanding strong sales of certain key products, underlying entertainment markets have remained weak in the Group's financial year to date. Consequently, the anticipated improvement to first half like for like sales did not materialise.
- At Waterstone's, improved like for like sales reflects the success of the turnaround actions implemented during 2010 and improved stock availabilities from the book hub.

Outlook

The challenging entertainment markets, combined with the severe weather over our peak trading period have had a negative impact on our trading year to date. In addition, there are well-reported consumer headwinds as we enter 2011.

We are taking aggressive action as we continue to tightly manage our cost base. We expect to exit around 60 stores across our UK businesses over the next 12 months as we seek to re-shape our store portfolio. In addition, we have identified a further £10m per annum of cost savings from across the Group.

The combination of more challenging trading conditions, off-set to an extent by a significant step-up in cost savings, leads us to expect, with four months of the year to go, that profit before tax and exceptional items for the full financial year will be around the lower end of the current range of market expectations.*

Given the difficult trading conditions over Christmas and the likely outturn for the year, the Board now expects that compliance with the April covenant test under the Group's bank facility will be tight and is taking further mitigating actions during the next four months to address this.

Commenting, Chief Executive Simon Fox said:

“Whilst HMV has had a challenging year to date, it remains a profitable and cash-generative business and a powerful entertainment brand. The pace of change in the markets in which we operate underlines the urgency with which we must continue to transform this business.

“Progress at Waterstone’s this year has been pleasing, and we remain on track to meet our business and financial objectives for the end of the first year of our turnaround programme.”

Notes

*The range of current market expectations for profit before tax and exceptional items for the financial year ended April 2011 is £46-60m (HMV Group plc/Reuters Knowledge).

** All enquiries on 5 January 2011 should be directed via Brunswick

Notes to table:

1. The five-week period ended 1 January 2011 reflects trading over the key Christmas period, while the 10 weeks ended 1 January 2011 covers trading since the half year. The corresponding periods last year are the five weeks and the 10 weeks ended 2 January 2010
2. Like for like sales (decline) growth and total sales (decline) growth are stated at constant exchange rates
3. HMV International comprises the results of HMV Canada, Hong Kong and Singapore.

As required by the Interim Management Statement provisions, we confirm that there has been no significant change in the financial position of the Group in the period since the Interim results to the date of the Christmas trading update, save for the information provided in today’s IMS.

Enquiries

HMV Group	Simon Fox	Group Chief Executive	020 7404 5959**
	Martin Miles	Interim Group Finance Director	020 7404 5959**
	Paul Barker	Director of Corporate Communications	020 7404 5959**
Brunswick	Laura Cummings/Jennifer Renwick/Helen Smith		020 7404 5959