



Financial Results

27 February 2008



This presentation contains certain statements that are or may be forward-looking regarding the Group's financial position and results, business strategy, plans and objectives. Such statements involve risk and uncertainty because they relate to future events and circumstances, and there are accordingly a number of factors which might cause actual results and performance to differ materially from those expressed or implied by such statements.



Introduction - Charles Scott

Results - Simon Lane

Operational Update - Ralph Topping

International Update - Ian Spearing



Simon Lane
Group Finance Director

Financial summary

- EBIT pre-exceptionals at £286.7m (down £5.5m)
- Adjusted EPS up 4% at 47.4 pence
- Final dividend up 7% at 15.5 pence
- Total pre-tax exceptional items of £14.2m comprising:
 - NextGen impairment of £20.9m (non-cash)
 - Sale & leaseback profits of £6.7m

Summary of Financial Results

	<u>FY 2007</u>	<u>FY 2006</u>	<u>Change</u>
	<u>£m</u>	<u>£m</u>	<u>%</u>
⁽¹⁾ Gross win	983.7	931.3	+ 6%
GPT, VAT, duties, levies, royalties and related costs	(217.5)	(197.4)	+ 10%
Gross profit	766.2	733.9	+ 4%
Net operating expenses	(480.2)	(445.3)	+ 8%
SIS	3.3	3.6	- 8%
International JV income	(2.6)	-	- %
EBIT (excluding exceptionals)	286.7	292.2	- 2%
EBITDA (excluding exceptionals)	325.2	325.0	+ 0%

⁽¹⁾ Includes gaming machine cash in box including VAT

Group Summary of Earnings and Dividends

		<u>FY 2007</u>	<u>FY 2006</u>	<u>Change</u>
		<u>£m</u>	<u>£m</u>	<u>%</u>
EBIT (pre exceptionals)		286.7	292.2	- 2%
Net interest payable		(63.3)	(56.8)	+ 11%
Profit before taxation (pre exceptionals)		223.4	235.4	- 5%
Taxation		(56.3)	(68.6)	- 18%
PAT (pre-exceptionals)		167.1	166.8	+ 0%
Earnings per share (pence)	Adjusted ⁽¹⁾	47.4	45.5	+ 4%
	Diluted ⁽¹⁾	44.3	44.9	- 1%
FY dividend per share (pence)		23.25	21.75	+ 7%

⁽¹⁾ Adjusted basic and diluted earnings per share based upon 352.2m and 355.6m shares respectively. Adjusted EPS excludes exceptional items comprising £20.9m in impairment costs, £6.7m profit earned on sale and leaseback of properties and £4.5m of related tax relief.

Analysis of Group Gross Win

		<u>FY 2007</u>	<u>FY 2006</u>	<u>Change</u>	<u>52-week</u> <u>change</u>
		<u>£m</u>	<u>£m</u>	<u>%</u>	<u>%</u>
Retail	OTC	514.3	489.2	+ 5%	+ 3%
	Machines	288.3	246.8	+ 17%	+ 15%
	Total	802.6	736.0	+ 9%	+ 7%
Interactive	Sportsbook	39.5	49.0	- 19%	- 21%
	Games (incl. Bingo)	18.4	9.5	+ 94%	+ 89%
	Casino	39.2	42.9	- 9%	- 11%
	Poker	22.7	29.1	- 22%	- 24%
	Total	119.8	130.5	- 8%	- 10%
Telephone		53.0	57.5	- 8%	- 10%
Other	(1)	8.3	7.3	+ 14%	+ 12%
Total gross win		983.7	931.3	+ 6%	+ 3%

(1) Includes greyhound stadia, course and group promotions

Duty, Levies and Other Cost of Sales

	<u>FY 2007</u>	<u>FY 2006</u>	<u>Change</u>
	<u>£m</u>	<u>£m</u>	<u>%</u>
Gross win	983.7	931.3	+ 6%
GPT/VAT	(134.0)	(125.8)	+ 7%
Levies	(30.0)	(29.0)	+ 3%
Royalties, AMLD and other costs	(53.5)	(42.6)	+ 26%
Gross profit	<u>766.2</u>	<u>733.9</u>	<u>+ 4%</u>

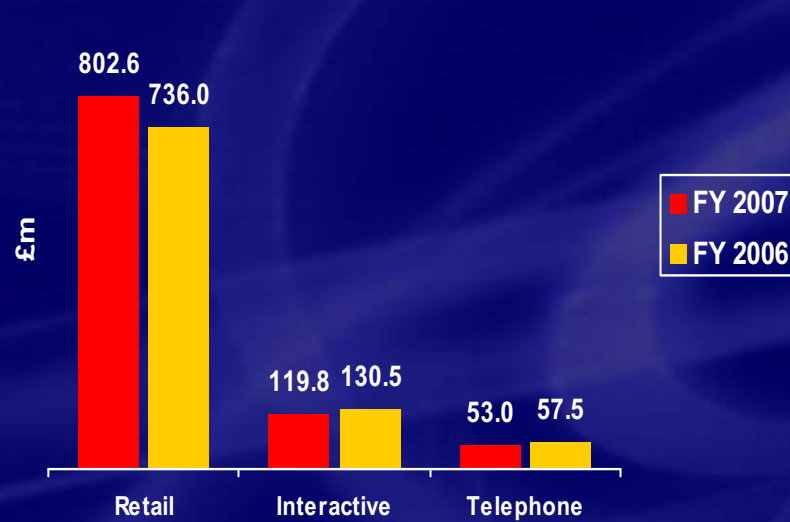
Net Operating Expenses

	<u>FY 2007</u>	<u>FY 2006</u>	<u>Change</u>	<u>52-week</u>
	<u>£m</u>	<u>£m</u>	<u>%</u>	<u>change</u>
				<u>%</u>
Staff costs	242.0	225.4	+ 7%	
Property costs	83.3	72.7	+ 15%	
Depreciation	35.9	29.8	+ 20%	
Pictures and data	33.1	30.4	+ 9%	
Advertising and sponsorship: General	23.1	23.1	- %	
World Cup	-	2.2	- %	
Finance charges (incl chargebacks)	7.3	8.4	- 13%	
Communications	7.8	9.4	- 17%	
Other	(1) 47.7	43.9	+ 9%	
Operating expenses	480.2	445.3	+ 8%	+ 6%
Less: costs allocated to divisions	(468.3)	(430.6)	+ 9%	
Central costs	11.9	14.7	- 19%	

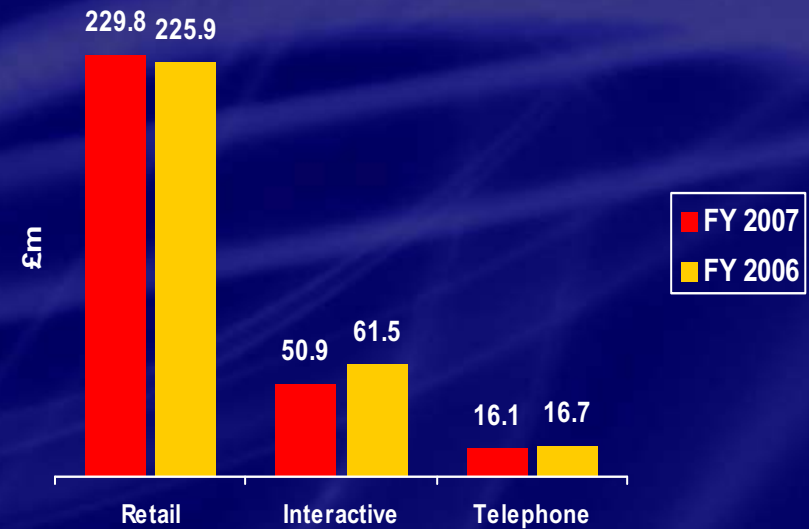
(1) Includes printing and stationery, legal, consultancy, cleaning, property profits and other miscellaneous costs

Results by channel - 2007 v 2006

Gross win by channel



Operating profit by channel



Capex spend and forecast

	<u>FY 2007</u>	<u>FY 2008</u>
	<u>£m</u>	<u>£m</u>
Retail development	46.8	43.0
Retail acquisitions	25.2	-
Core bookmaking systems	11.5	20.0
International JVs	8.2	26.0
Other	5.6	11.0
Total	<u>97.3</u>	<u>100.0</u>

Cash flow

	<u>FY 2007</u>	<u>FY 2006</u>	<u>Change</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>
EBITDA	325.2	325.0	0.2
Working capital/other	4.6	(5.2)	9.8
Capital expenditure	(63.9)	(67.9)	4.0
Cash from operations	265.9	251.9	14.0
Cash taxes	(71.8)	(53.9)	(17.9)
Net interest	(77.7)	(52.5)	(25.2)
Equity dividends	(78.5)	(70.9)	(7.6)
Free cashflow	37.9	74.6	(36.7)
Acquisitions (incl. JVs)	(33.4)	-	(33.4)
Share buybacks/SAYE redemptions	(43.5)	(177.4)	133.9
Net cashflow	(39.0)	(102.8)	63.8
Net debt	(1,083.9)	(1,043.4)	(40.5)

Current trading

In the 7 weeks to 19 February 2008

- Group gross win up 4%
- Strong 2007 comparatives
- Consumer slowdown – too early to assess definitively



Ralph Topping
Chief Executive

Introduction

- Retail business
- Telephone business
- Interactive business

Industry background

- **AML**
- **Turf TV**
- **Consumer spending**
- **Gambling Commission**
- **Gambling prevalence study**

Retail performance

£'000 per LBO	<u>FY 2007</u>	<u>FY 2006</u>
OTC GW	227.0	222.8
Machines GW	127.3	112.4
Total GW	354.3	335.2
EBIT	101.4	102.9

Average trading units	2,265	2,196
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Retail performance

- **Cost control**
- **Extended winter opening hours**
- **Machines**
 - 15% increase in gross win
 - Renegotiated contracts & dual supply for Machines
- **Smoking ban**
- **Abolition of demand criteria**

Retail prospects

- Market consolidation
- International opportunities
 - Spain
 - Italy
 - Ireland

Retail development

- * Trading units at end of 2006 2,224
- * 2007 developments
 - 38 acquisitions
 - 39 new licences
 - 7 closures
 - 39 resites
 - 26 extensions
 - 178 other shop fit
- * Trading units at end of 2007 2,294

Telephone performance

- Telephone – stable
 - Gross win fell by £4.5m
 - No World Cup
 - Costs reduced by 12%

Interactive market

- Crowded marketplace
- Growth in number of competitors
- WH disappointing performance

Gaming performance

- Revenues stabilised
- Arcade Games - strong performance
- New products – bingo & skill games
- Casino
 - New bonus system
 - Loss of revenue from Turkey & Italy
- Poker
 - Closed loop
 - Lower limit tables

Gaming – outlook

- **Casino**
 - “Live” casino
 - Branded slots
 - Reduced minimum stakes
- **Poker**
 - Non download poker
 - Flash Blackjack and Roulette
- **Games**
 - Mini-games in bingo & skill

Sportsbook

betlive tv
SYSTEM TEST
FAQ

BetliveTV BETLIVE TV TRAILER

Playing...

full screen
Small
Normal
Wide

Large
Fast
Flash

SCHEDULE

Trailer	Betlive Tv Trailer
Tennis	A T P Rotterdam - I Karlovic V M Zverev
22-02-2008	12:00
Tennis	A T P Rotterdam
22-02-2008	18:30
Tennis	A T P Rotterdam
23-02-2008	12:45
Football	Torino V Parma
23-02-2008	17:00

Live Betting Available Now

Launch Now

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Horse Racing > 2-20 Sandown

2-20 Sandown Price Display: [Decimal](#)

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2-20 Sandown (Going - On) Forecasts / Tricasts

RACING POST Verdict: This could be a bit of a bun fight with FABULOUS JET, Bleu Superbe and King Louis all regular front-runners. Fabulous Jet has been in such great form he is not easily taken on, even with the doubt about whether the ground will have been watered enough to suit him. Distance: 2m

Competitor	Take Price?	Unit Stake
<input type="checkbox"/> 5.Fabulous Jet <small>Paul Moloney / Evan Williams</small>	4/6	<input type="checkbox"/>
<input checked="" type="checkbox"/> Spotlight Form 40/3411 RP Rating 146 Age 8 Weight 10-6		<input type="checkbox"/> Each Way
<p>RACING POST Spotlight: Had tremendous run in handicaps at about 2m for new yard, impressive again at Taunton on Tuesday; big penalty to shrug off but still ahead of the handicapper (goes up to 115 after this) and more of a worry is how much watering has taken place as he became disappointing on quickish ground on the Flat in younger days.</p> <p>Show All Spotlights Hide All Spotlights</p>		
<input type="checkbox"/> 3.Rowdy Yeats <small>David England / N.A. Twiston-Davies</small>	7/2	<input type="checkbox"/>
<input checked="" type="checkbox"/> Spotlight Form P114F8 RP Rating 135 Age 7 Weight 10-13		<input type="checkbox"/> Each Way
<input type="checkbox"/> 2.King Louis <small>Dominic Elsworth / R Rowe</small>	4/1	<input type="checkbox"/>
<input checked="" type="checkbox"/> Spotlight Form P3-4124 RP Rating 138 Age 7 Weight 11-7		<input type="checkbox"/> Each Way
<input type="checkbox"/> 4.Roznic <small>Philip Hyde / P Winkworth</small>	11/1	<input type="checkbox"/>
<input checked="" type="checkbox"/> Spotlight Form 310-255 RP Rating 137 Age 10 Weight 10-10		<input type="checkbox"/> Each Way
<input type="checkbox"/> Favourite	SP	<input type="checkbox"/>

Sportsbook initiatives

- Customer focused
- ORBIS
 - Industry leader
 - Allows switch of platform & front end of Website
 - Programme management to ensure delivery by year-end
 - Led by experienced team
- Investment in content & streaming
- Payment methods
- Market leading pricing



Ian Spearing
Business Development
Director

International - Spain

- **Madrid**
 - **Licence**
 - **Offer**
 - **Locations - Canoe**
 - **2008**
 - **34 betting shops**
 - **37 3rd party**

International - Spain



International - Spain



International - Spain

- **Basque**
 - 3 licences
 - 25 betting shops; 500 betting points
 - Offer
 - 2008
 - 8 betting shops
 - 55 arcades
- **Other opportunities**
 - Further regions
 - Internet

International - Italy

- Concessions
- Offer
- 2008
 - 22 betting shops
 - 28 sports corners
 - Internet
 - Opportunities
- Other
 - Resources

Ralph Topping

Chief Executive

Q & A