



Interim Results

5 September 2005



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.



Highlights & Development

David Harding

Detailed Financials

Shai Wasani

Stanley Integration
Capital Structure
Current Trading

Tom Singer



David Harding

Chief Executive

Highlights

- Flat gross win despite tough comparators
- Profit impact limited by good cost management
- All technology programmes on track
- Stanley acquisition complete and integration underway
- Positive forward indicators

Flat gross win despite tough comparators

- Poor racing and sports results reduce margins in all channels

GW%	Retail	OTC	Down	2 pts
	Telephone		Down	4 pts
	Sportsbook		Down	1.3 pts

- Balanced by strong FOBT growth

Gross wins up 51% (53% including Stanley)

Average weekly net profit per terminal £400

Average terminals 5710

- And strong Casino/Poker growth

Gross wins up 31%

All UK/Europe (USA <1%)

Profit impact limited by good cost management

Operating expense growth 4.6% (6% including Stanley)
(excluding exceptionals)

All technology programmes on track

LBOs fitted with EPOS	950
LBOs fitted with text	1150
Future IT projects	Q1 deliverables
Random number generated products	Ongoing

Positive Forward Indicators

Retail
(merged estate)

- New terminals and contract terms
- Full RTP benefits
- WHTV second channel
- Accelerated estate development
- Stanley synergies
- GPT in Ireland

Telephone

- Underlying account recruitment
- Greece
- Cross sell Ireland/Channel Islands

Interactive

- Underlying account recruitment
- Poker/Casino
- Java mobile
- WHTV red button

Other

- Data/cost of content
- World Cup/technology enhancement
- International



Shai Wasani

Summary of Financial Results H1 2005 v H1 2004

	<u>W Hill</u> <u>£m</u>	<u>Stanley</u> <u>£m</u>	<u>H1, 2005</u> <u>£m</u>	<u>H1, 2004</u> <u>£m</u> <u>(restated)</u> ⁽³⁾	<u>Var %</u> <u>Excl.</u> <u>Stanley</u>	<u>Var %</u> <u>Incl.</u> <u>Stanley</u>	<u>FY 2004</u> <u>£m</u> <u>(restated)</u>
Turnover ⁽¹⁾	4,989.6	64.9	5,054.5	3,886.6	28	30	8,287.7
Gross win ⁽²⁾	381.0	2.4	383.4	382.1	(0)	0	722.1
Gross win % - betting business	6.9%	3.7%	6.9%	8.9%			7.9%
GPT, duties, levies, royalties and related costs	(85.0)	(0.6)	(85.6)	(85.2)	(0)	0	(160.7)
Gross Profit (Contribution)	296.0	1.8	297.8	296.9	(0)	0	561.4
Net operating expenses	(173.7)	(2.2)	(175.9)	(166.0)	(5)	(6)	(330.4)
Associate income	2.0	0.0	2.0	1.6	25	25	3.1
EBIT excluding exceptional items	124.3	(0.4)	123.9	132.5	(6)	(6)	234.1
EBITDA excluding exceptional items			133.2	140.4		(5)	250.3

1. Includes casino drop and AWP cash-box- net of VAT
2. Includes casino drop and AWP cash-in-box inclusive of VAT
3. Restatement of share-based remuneration costs on the adoption of FRS 20

Total Group Summary of Earnings and Dividends H1 2005 v H1 2004 Excluding Exceptionals

	<u>H1, 2005</u> <u>£m</u>	<u>H1, 2004</u> <u>£m</u> <u>(restated)</u>	<u>Movement</u> <u>%</u>	<u>FY 2004</u> <u>£m</u> <u>(restated)</u>
Profit before interest and taxation	123.9	132.5	(6)	234.1
Net interest payable	(14.7)	(12.8)		(26.7)
Profit before taxation	109.2	119.7	(9)	207.4
Taxation	(33.9)	(34.5)		(57.6)
Profit after taxation	75.3	85.2	(12)	149.8
Interim dividend	(23.8) ⁽¹⁾	(22.4)		(65.1)
Retained earnings	51.5	62.8		84.7
Earnings per share adjusted to exclude exceptionals (pence)	19.2 ⁽²⁾	20.4	(6)	36.5
Interim dividend per share (pence)	6.1	5.5	11	16.5

1. Based on 390.5m shares qualifying for the interim dividend

2. Based on basic weighted average number of shares during the period of 392.1m

Total Group Summary of Earnings and Dividends H1 2005 v H1 2004

	<u>Before Exceptional Items £m</u>	<u>Exceptional Items £m</u>	<u>H1, 2005 £m</u>	<u>H1, 2004 £m (restated)</u>	<u>Movement %</u>	<u>FY 2004 £m (restated)</u>
Profit before interest and taxation	123.9	(7.2)	116.7	132.5	(12)	234.1
Net interest payable	(14.7)	(2.3)	(17.0)	(12.8)		(26.7)
Profit before taxation	109.2	(9.5)	99.7	119.7	(17)	207.4
Taxation	(33.9)	1.8	(32.1)	(34.5)		(57.6)
Profit after taxation	75.3	(7.7)	67.6	85.2	(21)	149.8
Interim dividend	(23.8)	0.0	(23.8)	(22.4)		(65.1)
Retained earnings	51.5	(7.7)	43.8	62.8		84.7
Earnings per share (pence)						
Basic			17.2 ⁽¹⁾	20.4		36.5
Diluted			16.9 ⁽¹⁾	20.0		35.9

1. Basic and diluted earnings per share based upon 392.1m and 399.2m shares, respectively

Analysis of Gross Win excl Stanley Retail H1 2005 v H1 2004

		<u>H1 2005</u>		<u>H1, 2004</u>		<u>Movement</u>
		<u>£m</u>	<u>% mix</u>	<u>£m</u>	<u>% mix</u>	<u>%</u>
Retail						
	OTC	198.9	52	224.8	59	(12)
	FOBTs (1)/AWPs (2)	88.1	23	66.0	17	33
	Total	287.0	75	290.8	76	(1)
Telephone		28.6	8	34.6	9	(17)
Interactive						
	Sportsbook/Arcade/TV	29.3	8	28.0	7	5
	Casino/Poker	32.6	9	24.9	7	31
		61.9	16	52.9	14	17
Other (3)		3.5	1	3.8	1	(8)
		381.0	100	382.1	100	0
						(4)

1.Average number of FOBTs H1 2005; 5,710 (H1 2004: 3,658)

2.Average number of AWPAs H1 2005: 468 (H1 2004: 2,020)

3.Includes Greyhound Stadia, Course and Group Promotions

4.Euro 2004 contributed £10m in H1 2004 and £1.1m in H2 2004

Duty, Levies and Other Costs of Sales excl Stanley Retail H1 2005 v H1 2004

	<u>H1 2005 £m</u>	<u>H1, 2004 £m</u>	<u>Movement</u> %
Gross win	381.0	382.1	0
GPT	(51.4)	(51.6)	0
Levies	(14.1)	(15.3)	8
Vat, royalties, free bets and other costs	(19.5)	(18.3)	(7)
Gross profit (Contribution)	<u>296.0</u>	<u>296.9</u>	0

Profit Conversion H1 2005 v H1 2004 (Operating profit a % of gross win)

	<u>H1 2005</u> %	<u>FY 2004</u> %	<u>FY 2003</u> %
Retail	30.8	30.2	30.1
Telephone	27.3	36.7	39.3
Interactive	51.2	48.7	43.7

Net Operating Expenses excl Stanley Retail H1 2005 v H1 2004

		<u>H1, 2005</u>	<u>H1, 2004</u>	<u>Movement</u>
		<u>£m</u>	<u>£m</u>	<u>%</u>
			<u>(restated)</u>	
Staff costs		85.4	84.6	(1)
Property costs		26.6	24.2	(10)
Depreciation		9.3	7.9	(19)
Pictures and data		10.7	9.7	(10)
Advertising and sponsorship				
	Routine	4.1	3.8	(7)
	Retail/Telephone/Group Interactive	6.0	5.2	(16)
	Euro 2004	-	1.0	100
AWP/FOBT rental and installation costs		2.7	4.9	44
Finance charges (incl chargebacks)		2.9	2.6	(13)
RTP related costs		-	1.2	100
Communications		3.5	3.8	9
Legal and consultancy		4.0	2.3	(75)
Other (1)		18.5	14.9	(24)
Operating expenses		173.7	166.0	(5)
Less: costs allocated to trading divisions		(167.4)	(160.7)	(4)
Central costs		6.3	5.3	(19)

1. Includes printing and stationery, cleaning and miscellaneous other costs

2. Primarily central support functions and property costs

Retail ⁽¹⁾: Results (inc Stanley Retail) H1, 2005 v H1, 2004

Growth rate

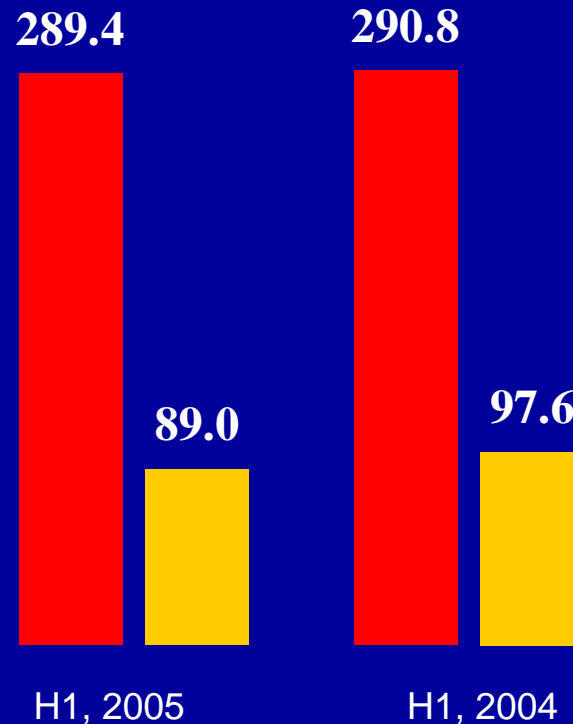
■ Gross win	nil
■ Operating profit	-9%

➤ OTC gross win reduction driven by adverse sporting results and tough comparative (results & Euro 2004)

➤ FOBTs gross win showed continued growth but some substitution likely from OTC

➤ Average number of trading LBOs 1,646 (H1 2004: 1,587)

(1) Includes over the counter business, FOBTs and AWP

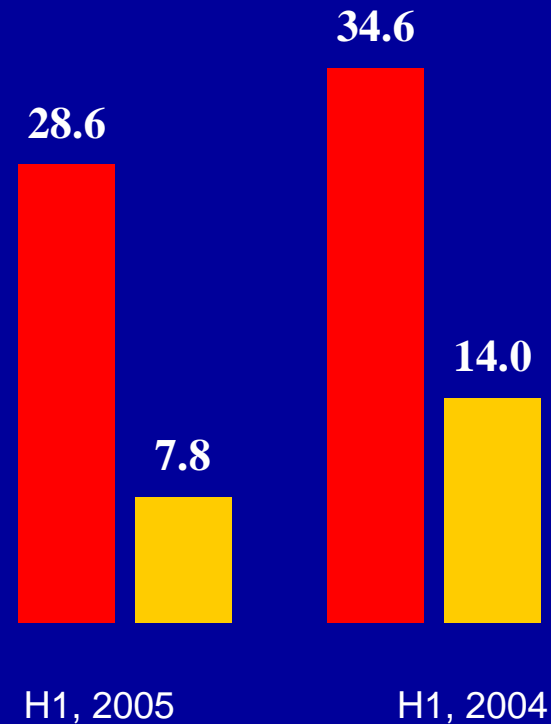


Telephone : Results H1, 2005 v H1, 2004

- More pronounced impact of adverse results
- Operational leverage

Growth rate

■ Gross win	-17%
■ Operating profit	-44%



Interactive: Results

H1, 2005 v H1, 2004

Sportbook

- Adverse sporting results offset by increased activity

Arcade

- Extended to 8 games (now 10)

WHTV

- New and experimental
- Expanding showcase of events
- Trial in LBOs

Casino

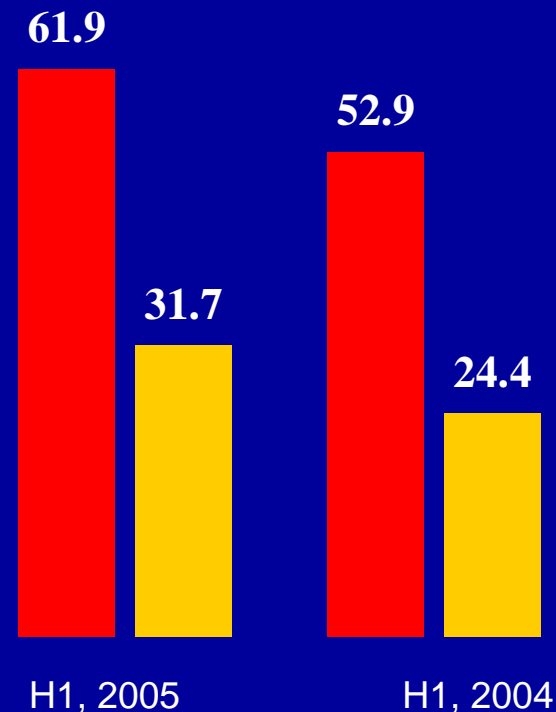
- 130 games

Poker

- Upgraded product
- Tournament based model utilising WHTV

Growth rate

■ Gross win	+17%
■ Operating profit	+30%



Cashflow H1 2005 v H1 2004

	<u>H1 2005</u> <u>£m</u>	<u>H1 2004</u> <u>£m</u>	<u>Movement</u> <u>£m</u>	<u>FY 2004</u> <u>£m</u>
EBIT	116.7	132.5	(15.8)	234.1
Associate Income	(2.0)	(1.6)	(0.4)	(3.1)
Depreciation/Asset write offs	9.3	7.9	1.4	16.2
Working Capital	9.9	3.7	6.2	0.7
Capital Expenditure	(24.7)	(7.2)	(17.5)	(27.3)
Taxation	(26.6)	(27.9)	1.3	(57.4)
Other	(0.3)	(0.4)	0.1	(0.6)
	82.3	107.0	(24.7)	162.6
Net Interest	(13.9)	(11.9)	(2.0)	(23.3)
Equity dividends	(43.1)	(37.7)	(5.4)	(59.6)
	25.3	57.4	(32.1)	79.7
Acquisitions	(501.1)		(501.1)	(3.8)
Refinancing/Loan Repaid	575.4	(15.0)	590.4	(55.5)
Share buybacks		(28.8)	28.8	(6.3)
Increase in cash	99.6	13.6	86.0	14.1
Net debt	(915.5)	(338.2)	(577.3)	(437.0)

Capital Expenditure

	<u>H1 2005</u> <u>£m</u>	<u>FY 2005 Forecast</u> <u>£m</u>	<u>FY 2004</u> <u>£m</u>
EPOS/Text	9	28	8
Shop development	12	25	19
Corporate IT systems	4	11	3
Other	1	2	2
	<hr/> 25	<hr/> 66	<hr/> 31
Stanley Retail – integration	0	3	0
Stanley Retail – development	0	1	0
Total	<hr/> 25	<hr/> 70	<hr/> 31

One off cost 2005

Profit and Loss

	H1 2005 £m	Forecast FY 2005 £m	Previous Guidance £m
Text/EPOS Installation	2.7	8	10
Stanley Due Diligence/ Integration	1.7	12	10
- Cash		3	
- non Cash		3	
Aborted return of capital	2.8	3	
	7.3	26	10
<u>Balance Sheet</u>			
Capitalised Finance costs	4.6	5	
Professional fees	4.5	5	
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		36	30
Non cash items		(3)	-
Cash spend		33	30



Tom Singer

Chief Operating Officer

Update on Integration of Stanley Retail

- 28 shops sold to the Tote
- Received OFT clearance subject to agreeing undertakings (c. 50 additional disposal shops)
- Full time integration team based in Liverpool
- Positive feedback from Stanley Retail shop staff
- To date no surprises
- Initial estimate of synergies of £13m p.a. looks secure

Drivers of Near Term Value Creation

<u>Issue</u>	<u>Explanation</u>
1. Single customer proposition	<ul style="list-style-type: none">• Already harmonised prices/risk management• Ceased to promote Stanleybet brand in August (post OFT clearance)• Move to harmonise progressively products, concessions, shop environment and processes• Introduce WH version of EPOS/ALBOS by March 2006
2. FOBTs	<ul style="list-style-type: none">• Increasing proportion of FOBTs in machine mix• Re-negotiate contracts
3. Closure of Stanley Retail head office	<ul style="list-style-type: none">• Gradual wind down of Head Office between October 2005 and March 2006
4. Re-negotiate variety of supply contracts	<ul style="list-style-type: none">• Exploit purchasing power regarding consumables, utilities etc. as existing contracts expire
5. Potential unforeseen upside in Eire	<ul style="list-style-type: none">• Currently consulting on betting tax

Update on Capital Structure

- Group targeting a net debt/EBITDA ratio of 3.5x to be achieved over the medium term
- Retention of some capital flexibility to accommodate:
 - Trading downturns
 - Unforeseen capital opportunities (eg bolt on acquisitions)
 - Negative developments in tax and/or regulation
- Expect to return £200 – 300m to shareholders over the next 18 months assuming no material change in operating environment (in addition to pursuing a progressive dividend policy)
- Preferred method is on market share buy backs
- Will update market on progress in March 2006 including possible capital reorganisation to create additional distributable reserves

Current Trading

In the nine weeks ended 30 August 2005:

- Gross win was up 5.5% ⁽¹⁾
- Operating costs were up 2.5% ⁽¹⁾

⁽¹⁾ Excludes Stanley Retail