



# Financial Results

2 March 2005



Tom Singer  
Group Finance Director

1. Financial results FY2004

2. Guidance FY2005

3. IFRS

4. Return of capital

# Summary of Financial Results

## FY04 v FY03

	<u>FY04</u> <u>£m</u>	<u>FY03 (restated)</u> <u>£m</u>	<u>Mvmt</u> <u>%</u>
Turnover <sup>(1)</sup>	8287.7	5945.8	+39
<b>Gross win</b> <sup>(2)</sup>	722.1	654.3	+10
<i>Gross win % betting business</i>	7.9%	9.9%	
GPT, duties, levies, royalties and other related costs	(160.7)	(143.2)	-12
Gross profit (Contribution)	561.4	511.1	+10
Net operating expenses	(332.5)	(313.6)	+6
Associate income	3.1	2.9	+7
<b>EBIT</b>	232.0	200.4	+16
<b>EBITDA</b>	251.5	221.7	+13

(1) Includes casino drop and AWP cash-in-box net of VAT

(2) Includes casino drop and AWP cash-in-box inclusive of VAT

# Summary of Earnings and Dividends

## FY04 v FY03

	<u>FY04</u> <u>£m</u>	<u>FY03 (restated)</u> <u>£m</u>	<u>Mvmt</u> <u>%</u>
Profit before interest and taxation (EBIT)	232.0	200.4	+16
Net interest payable	(26.7)	(30.9)	+14
Taxation	(57.0)	(45.2)	-26
Profit after taxation	148.3	124.3	+19
Dividend			
- Interim	(22.0)	(14.6)	
- Final	(43.1) <sup>(1)</sup>	(37.6)	
	(65.1)	(52.2)	+25
Retained earnings	83.2	72.1	+15
<b>Earnings per share (pence)</b>			
Basic	36.2 <sup>(2)</sup>	29.7	+22
Diluted	35.5 <sup>(2)</sup>	29.3	+21
<b>Dividend per share (pence)</b>			
Interim	5.5	3.5	+57
Final	11.0	9.0	+22
Total	16.5	12.5	+32

(1) Based on 391.6m shares qualifying for the final dividend

(2) Basic and diluted earnings per share based on 410.1m and 417.5m shares, respectively

# Analysis of Gross Win FY04 v FY03

	<u>1H04</u> <u>£m</u>	<u>1H03</u> <u>£m</u>	<u>Mvmt</u> <u>%</u>	<u>2H04</u> <u>£m</u>	<u>2H03</u> <u>£m</u>	<u>Mvmt</u> <u>%</u>	<u>YoY Mvmt</u> <u>%</u>
Retail							
- OTC	224.8	208.2	+8	181.8	196.9	-8	+0
- FOBTs <sup>(1)</sup> /AWPs <sup>(2)</sup>	66.0	45.5	+45	75.5	55.0	+37	+41
- Total	290.8	253.7	+15	257.3	251.9	+2	+8
Telephone	34.6	28.3	+22	25.7	28.2	-9	+7
Interactive	52.9	38.6	+37	53.2	46.3	+15	+25
Other <sup>(3)</sup>	3.8	3.4	+12	3.8	3.9	-3	+5
Group	382.1 <sup>(4)</sup>	324.0	+18	340.0 <sup>(4)</sup>	330.3	+3	+10

(1) Average for FY 2004: 4,442 (FY 2003: 2,454)

(2) Average for FY 2004: 1,392 (FY 2003: 2,711)

(3) Includes greyhound stadia, Course and Group Promotions

(4) Euro 2004 contributed £10.0m in 1H, 2004 and £1.1m in 2H, 2004

## Duties, Levies and Other Costs FY04 v FY03

	<u>FY04</u> <u>£m</u>	<u>FY03</u> <u>£m</u>	<u>Mvmt</u> <u>%</u>	<u>Explanation</u>
Gross Win	722.1	654.3	+10	
GPT	(96.7)	(86.7)	+12	<ul style="list-style-type: none"> <li>• Reflects increase in betting gross win</li> </ul>
Levies	(28.2)	(27.7)	+2	<ul style="list-style-type: none"> <li>• Reflects increase in rate of greyhound levy</li> </ul>
VAT, royalties and other costs <sup>(1)</sup>	(35.8)	(28.8)	+24	<ul style="list-style-type: none"> <li>• Reflects strong growth in FOBTs and poker</li> </ul>
<hr/>				
Gross Profit (Contribution)	561.4	511.1	+10	
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(1) From FY2004, includes free bets and casino bonuses

# Profit Conversion

(Operating profit as a % of gross win)

	<u>FY04</u>	<u>FY03</u>	<u>FY02</u>
	<u>%</u>	<u>%</u>	<u>%</u>
Retail	30.2	30.1	26.7
Telephone	36.7	39.3	34.0
Interactive	48.7	43.7	37.3



# Net Operating Expenses

## FY04 v FY03

	<u>FY04</u>	<u>FY03 (restated)</u>	<u>Mvmt</u>
	<u>£m</u>	<u>£m</u>	<u>%</u>
Staff costs	172.1	156.5	+10
Property costs	49.5	47.3	+5
Depreciation	16.2	18.4	-12
Pictures and data	19.9	18.2	+9
Advertising and Sponsorship			
Routine	7.6	7.0	+9
Retail/Telephone/Group			
Interactive	9.8	13.3	-26
Euro 2004	0.9	-	-
AWP/FOBT rental	7.3	8.7	-16
Finance charges (incl chargebacks)	6.6	7.0	-6
Communications	6.9	5.2	+33
Other <sup>(1)</sup>	35.7	32.0	+12
Operating expenses	332.5	313.6	+6
Less: costs allocated to trading divisions	(322.4)	(298.5)	+8
Central costs <sup>(2)</sup>	10.1	15.1	-33

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

(2) Primarily central support functions and property costs

## Underlying Rate of Cost Growth FY04 v FY03

	<u>FY04</u> <u>£m</u>	<u>FY03 (restated)</u> <u>£m</u>	<u>Mvmt</u> <u>%</u>
Net operating expenses	332.5	313.6	+6
Less:			
Euro 2004 advertising	(0.9)	-	
FOBT installation/communications	(3.2)	(2.7)	
FOBT/AWP rentals	(7.3)	(8.7)	
Internet bank charges	(3.1)	(2.3)	
Additional staff and picture costs due to extended trading hours	(10.0)	-	
Costs relating to Retail Technology Programme	(2.4)	(1.5)	
Free bets and casino bonuses <sup>(1)</sup>	2.7	-	
PLC costs including management incentivisations	(9.1)	(11.5)	
Other non-recurring items	(1.4)	(1.3)	
	<u>297.8</u>	<u>285.6</u>	<u>+4</u>

(1) From FY 2004, shown as deductions from gross win rather than expenses

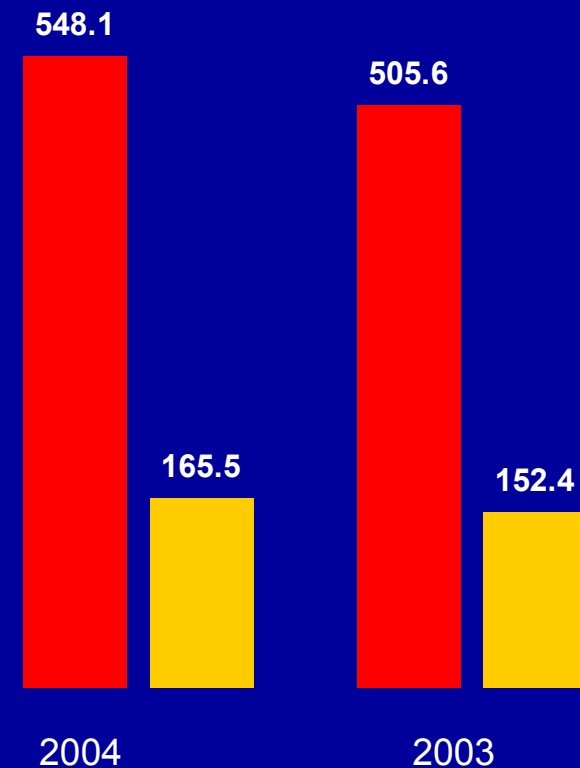
# Retail: Results

## FY04 v FY03

- Extended evening and Sunday trading (+ 5.7% hours)
- Increase in average number of FOBTs to 4,442 terminals (2003: 2,454)
- Decrease in average number of AWP's to 1,392 machines (2003: 2,711)
- Opened or acquired a net 20 shops plus 39 development projects and 86 other actions

### Growth rate (Y on Y)

■ Gross win	+8.4 %
■ Operating profit	+8.6 %

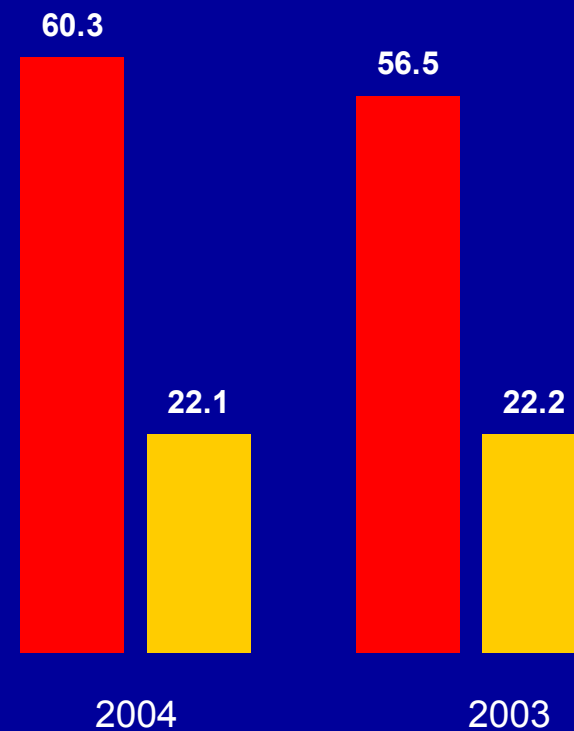


# Telephone: Results FY04 v FY03

- Increase in active accounts to 184,000 (2003: 171,000)
- Adversely impacted by unfavourable results in second half
- Channel most vulnerable to impact of betting exchanges
- Expanding markets and betting-in-running
- Improving offering to best clients

## Growth rate (Y on Y)

■ Gross win	+6.7 %
■ Operating profit	-0.4 %

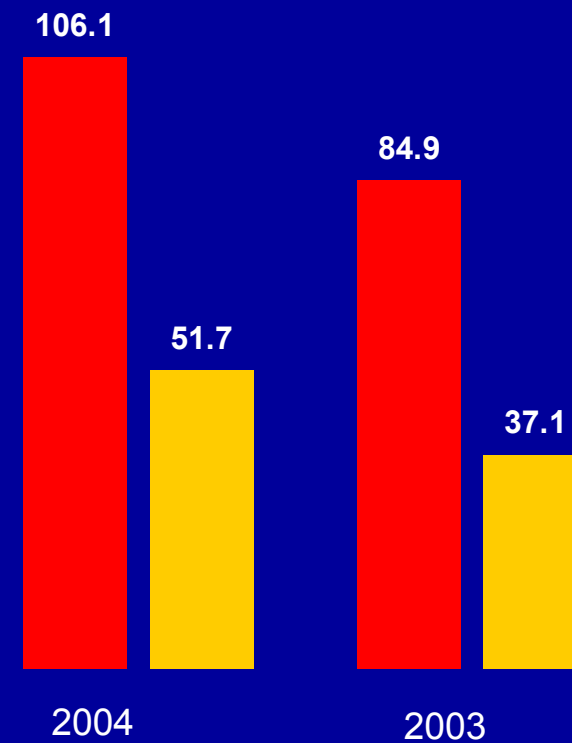


# Interactive : Results FY04 v FY03

- Increase in active accounts to 292,000 (2003: 247,000)
- Improved Sportsbook functionality and offering
- Strong underlying growth in Arcade, poker and casino products
- Launched William Hill TV in October 2004 (significantly expand coverage of sports and poker in 2005)
- Introduced new range of casino and slot games for mobile internet

## Growth rate (Y on Y)

■ Gross win	+25.0 %
■ Operating profit	+39.4 %



## Cash Generation: FY04 v FY03

	<u>FY04</u> <u>£m</u>	<u>FY03 (restated)</u> <u>£m</u>
<b>EBIT</b>	232.0	200.4
Associate income	(3.1)	(2.9)
Depreciation/amortisation	19.5	21.3
Working capital/other	(1.1)	5.7
Capital expenditure		
- routine	(19.4)	(18.5)
- Retail Technology Programme	(7.9)	-
- acquisitions	(3.8)	(4.9)
Cash taxes	(57.4)	(21.7)
<b>Free cashflow</b>	158.8	179.4
<b>Net indebtedness</b>	437.0	366.1

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## Guidance for FY2005

- Effective interest rate of 6.5%
- Effective tax rate of 30%
- Total capex of £60m (estate: £22m, corporate IT systems: £13m, and RTP <sup>(1)</sup>: £25m)
- Exceptional costs of £17m comprising:
  - Implementation of RTP <sup>(1)</sup>: £10m
  - Return of capital/re-financing exercise: £7m

<sup>(1)</sup> Investment to date in Retail Technology Programme amounts to c. £10m



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# International Financial Reporting Standards

- UK GAAP primary accounting basis for FY2005
- IFRS primary accounting basis for FY2006
- Change unlikely to impact materially financial performance, taxation or banking arrangements
- Illustrative audited IFRS financial statements for FY2004 available on corporate information website ([www.williamhillplc.co.uk](http://www.williamhillplc.co.uk)) from mid April
- Impact of introducing IFRS unlikely to be material – for FY2004, under UK GAAP, basic EPS is 36.2 pence compared to 36.3 pence under IFRS

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# Background to Return of Capital

- On listing in June 2002, capital structure:
  - Supported organic growth strategy
  - Allowed for bolt on acquisitions
  - Included sufficient debt to ensure efficiency
- In last 12 months, Group has accelerated its return of capital to shareholders
  - Progressive and well covered dividend
  - Active share buy back programme
- Reduced need for financial flexibility
  - Proposed Gambling Bill reduces likelihood of significant cross platform M&A
  - Need to ensure efficiency of capital structure

## Conclusion Reached by Board

- Return significant capital (£453m) to restore broadly the same coverage ratios pertaining at float <sup>(1)</sup>
- Maintain efficiency of capital structure going forward through combination of dividends and on market share buy backs
- Address actuarial funding deficit in pension plan (aggregate £40m special contribution over 3 years)
- Take advantage of favourable credit markets to refinance Group (secured £1.2bn facility with a 5 year term)

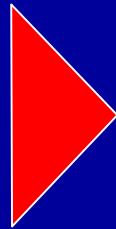
<sup>(1)</sup> Interest cover of 4 to 5 times; ratio of net indebtedness to EBITDA of 3 to 3.5 times

## Desired Characteristics of Chosen Method

- Fairness - Ensure equitable and pro rata treatment for all shareholders
- Maximise choice - Allow shareholders to elect for income (dividends)/capital (redemption) treatment
- Certainty of outcome - Board retains control over quantum and timing
  - Court approved process
- Well understood structure - Number of close precedents

## B Share Scheme with Choice

Existing ordinary shares in WH PLC <sup>(1)</sup>



New ordinary shares in new Topco PLC <sup>(1)</sup>

New B shares in new Topco PLC with each share having the right to elect for one of the following:

- Immediate dividend of 115 pence
- Immediate redemption at value of 115 pence
- Deferred redemption at value of 115 pence

<sup>(1)</sup> Consolidation ratio for share for share exchange has yet to be determined

# Impact on Group Earnings per Share

	<u>Actual</u>	<u>Proforma <sup>(1)</sup></u>			<u>Assumptions</u>
	<u>2004</u>	<u>Illustration 2005</u>			
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	
EBIT	232.0	243.6	255.0	266.8	<ul style="list-style-type: none"> <li>• Dependent on trading performance</li> <li>• Illustrative scenarios assume 5%/10%/15% increase in EBIT</li> </ul>
Net interest payable	(26.7)	(58.5)	(58.5)	(58.5)	
Taxation	(57.0)	(55.5)	(59.0)	(62.5)	
Profit after taxation	148.3	129.6	137.5	145.8	
No. ordinary shares for EPS calculation (m)	410.1	315.2	315.2	315.2	<ul style="list-style-type: none"> <li>• Assume illustrative 5:4 consolidation ratio <sup>(2)</sup> applied to 394m existing ordinary shares</li> </ul>
Basic EPS (pence)	36.2	41.1	43.6	46.3	
Increase in EPS 2005/2004		13.5%	20.4%	27.9%	

(1) Assumes transactions took place at start of FY2005

(2) Consolidation ratio for share for share exchange has yet to be determined



# Future Financial Strategy and Dividend Policy

- Maintain an efficient capital structure through a combination of dividends and share buy backs
- For 2005, maintain dividend cover on a per share basis broadly in line with level in 2004
- Renew mandate for 10% share buy back in new Topco

## Illustrative Dates for Return of Capital

- |                |   |  |
|----------------|---|--|
| 2 March 2005   | - | Preliminary announcement of FY2004 results and intention to return capital |
|                | - | New bank facilities committed  |
| Mid April 2005 | - | Post circular to shareholders  |
| 19 May 2005    | - | AGM and Court meeting to approve these and other proposals                 |
| June 2005      | - | High Court sanctions Scheme of Arrangement/Reduction of Capital            |
|                | - | Dealings in New Ordinary Shares and B shares commences                     |
| July 2005      | - | Payment of immediate B share dividend and proceeds of immediate redemption |



David Harding  
Chief Executive

# Looking forward

Fiscal and regulatory environment

M & A opportunities

Organic growth initiatives

Corporate social responsibility

Retail Technology Programme

Current trading

# Fiscal and regulatory environment

- Licensing – premises/personal
- Commission – codes
- Gaming machines
- Remote – location/marketing/taxation
- Winter opening
- Betting exchanges

# M & A opportunities/considerations

## CORE

- LBOs
- Online

## HORIZONTAL DIVERSIFICATION

- Casino/bingo
- Spread/niche

## VERTICAL INTEGRATION

- Content
- International distribution

- Hurdle rate
- Payback period
- Synergies
- Competency/intellectual property risk
- Competition risk
- Regulatory risk/cost

# Organic growth – basis of competition

- Estate development
  - Location/cost vs ambience/size
  
- Bookmaking capability
  - Economies of scale
  - Product depth/range
  - Liability control in low margin environment
  
- Brand and distribution ubiquity
  
- Technology
  - Bet capture and settlement
  - Liability control and opportunity management
  - Account and cash management
  - Time to market

## Organic growth drivers – Retail

- Estate development
- Retail Technology Programme
- Machine optimisation
- Product innovation/betting opportunities
- Opening hours
- Margin improvement

## Organic growth drivers – Telephone

- Cross channel betting
- Retention
- Product innovation
- Margin improvement



## Organic growth drivers – Interactive

- Poker
- Mobile Java
- WHTV
- Product innovation
- Cross channel betting
- Europe
- International
- Payment methods
- Margin improvement

**Corporate  
Social  
Responsibility**

Security  
Money laundering

Crime prevention

Age verification  
Self exclusion  
Industry codes

Protecting vulnerable

Rules/IBAS  
RNG independence  
Privacy

Customer fair play

Environment

Staff

Sports

Retail investment

Health & Safety  
Equal Opportunity  
Harassment  
Training & Education  
Communications

Subsidy  
Integrity

# Retail Technology Programme

- Over 400 text systems installed
- Over 100 EPOS tills installed
- Over 400 staff trained
- No system, installation, customer or staff problems
- Initial benefits encouraging

# Current Trading

- Group gross wins up 4% vs tough comparators
- Group costs on plan