

WILLIAM HILL PLC
2014 interim results presentation



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Agenda

Gareth Davis, Chairman

- Welcome

Ralph Topping

- Farewell

Neil Cooper, Group Finance Director

- 2014 H1 financial results

James Henderson, Chief Executive Officer

- 2014 H1 operating review and priorities

Ralph Topping

Germany captain Philipp Lahm raises the World Cup, shortly before announcing his retirement from international football. The bet of the tournament was by the one and only customer who backed Germany to be 5-0 up at half time against Brazil, winning £240 at 300/1 from an 80p bet. No-one backed Germany to win 7-1



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[View Next 3 Greyhounds](#)[11-46 Wimbledon](#)[View Next 3 Horse Races](#)[12-00 Lingfield](#)[View All Imminent Matches](#)**Betting Highlights : Horse Racing**

- Fontwell [Early Prices](#) | [Quick Pick](#)
- Southwell [Early Prices](#) | [Quick Pick](#)
- Lingfield [Early Prices](#) | [Quick Pick](#)

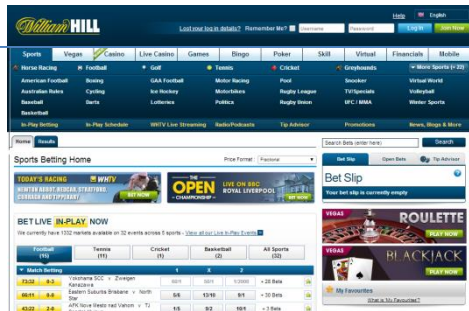
**Online Casino**
£50 New Player Bonus,
£25 Monthly Match.**Online Poker**
£25 Free Every Player
Every Month.**Greenside Park**
Virtual Racing Every 5
Minutes - 24 / 7.**No. 1 for Horses**
Early Prices available
on all UK races.

A business transformed

Then



Now



- Gaming is 46% of net revenue
- Digital¹ is 52% of operating profit²
- Online profits have almost trebled
- An outstanding team

1. Digital channels include Online and William Hill Australia but exclude Telephone and mobile for William Hill US
 2. Operating profit/(loss) is defined as pre-exceptional profit/(loss) before interest and tax, before the amortisation of specifically identified intangible assets recognised on acquisitions

Neil Cooper

2014 H1 financial results

Germany's Manuel Neuer, the 'sweeper-keeper', was the second best backed to claim the Golden Glove at the 2014 World Cup



Strong fundamentals offset sports results swing

26 weeks to	1 Jul 2014 £m	2 Jul 2013 £m	Change %
Amounts wagered ¹	4,611.5	3,670.1	+26%
Net revenue	805.2	751.6	+7%
Operating profit²	176.9	181.4	-2%
Amortisation	(4.5)	(5.4)	-17%
Net finance costs	(24.2)	(19.8)	+22%
Tax	(28.5)	(10.3)	+177%
Non-controlling interest	-	(15.3)	-
Retained profit	119.7	130.6	-8%
Basic, adjusted EPS (p)³	14.1	16.7	-16%
Net debt for covenant purposes	719.5	821.1	-12%
Dividend per share (p)	4.0	3.7	+8%

Numbers are presented on a pre-exceptional basis

1. Amounts wagered comprises the gross takings in OTC, Telephone, US, Australia and Online Sportsbook, and net revenue in Retail gaming machines and Online gaming products
2. Operating profit/(loss) is defined as pre-exceptional profit/(loss) before interest and tax, before the amortisation of specifically identified intangible assets recognised on acquisitions, amounting to £4.5m in H1 2014 (H1 2013: £5.4m)
3. Basic, adjusted EPS is based on profit for the period before exceptional items and amortisation of intangible assets arising on acquisitions. Basic adjusted EPS is based on 870.1 million average shares for H1 2014 and 815.6 million average shares for H1 2013

Exceptional items

Item	£m
tomwaterhouse.com integration	(3.3)
Revaluation of tomwaterhouse.com earn-out	(2.2)
Write-off of unamortised finance fees	(2.0)
Australia management restructuring cost	(1.8)
One-off shop closures	(16.6)
Repayment of VAT refund interest	(0.5)
Pre-tax	(26.4)
Tax	5.3
Post-tax	(21.1)

Record-breaking World Cup wagering

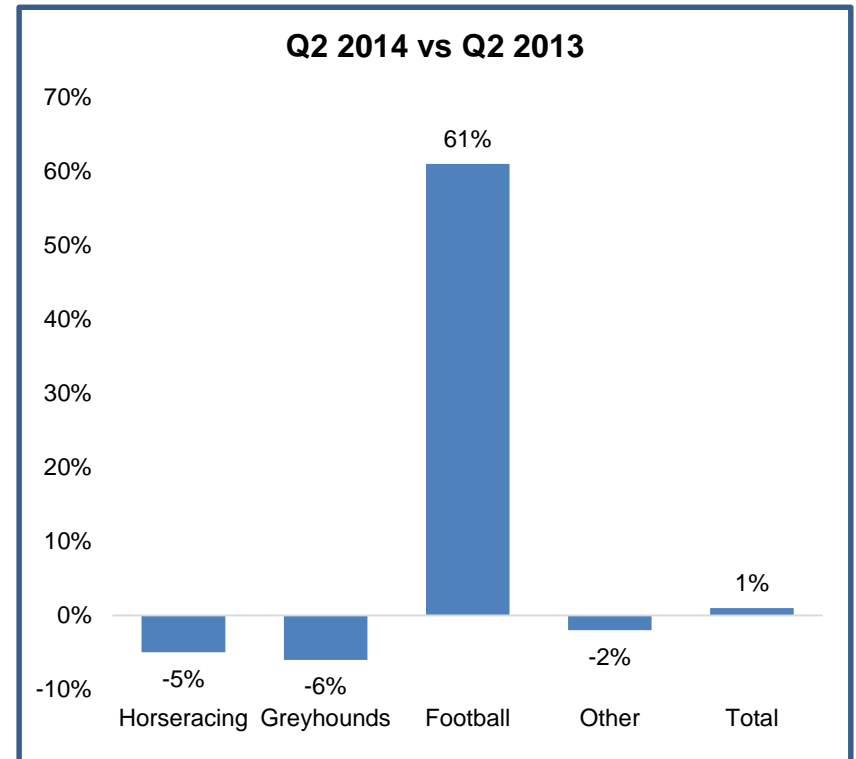
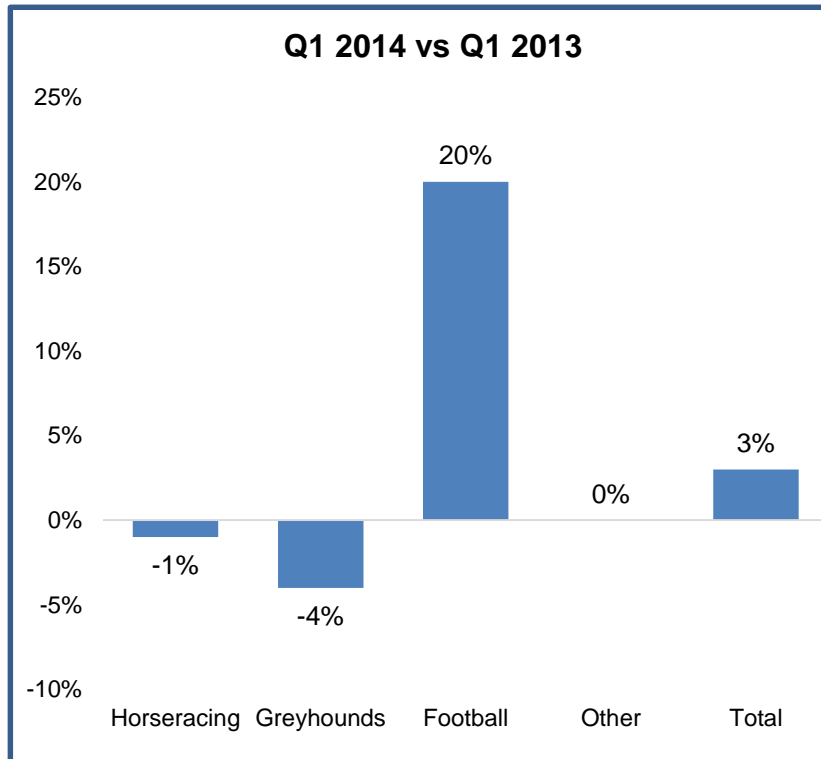
	H1 2014 £m	FY 2014 £m	FY 2010 £m	Change %
Retail	33.5	44.3	48.6	-9%
Online	122.3	158.6	51.0	+211%
Telephone	3.7	5.3	15.8	-66%
Other ¹	13.0	18.6	-	-
Total amounts wagered	172.5	226.8	115.4	+97%
Retail	8.0	12.9	18.1	-29%
Online	17.7	24.7	10.2	+142%
Telephone	0.4	0.6	3.9	-85%
Other ¹	1.7	2.3	-	-
Total gross win	27.8	40.5	32.2	+26%
Retail	24.0%	29.2%	37.2%	-8.0 pts
Online	14.5%	15.6%	20.0%	-4.4 pts
Telephone	9.5%	11.3%	24.5%	-13.2 pts
Other ¹	13.1%	12.4%	-	-
Total gross win margin	16.1%	17.8%	27.9%	-10.1 pts

Retail: wagering and machine growth offset margin decline

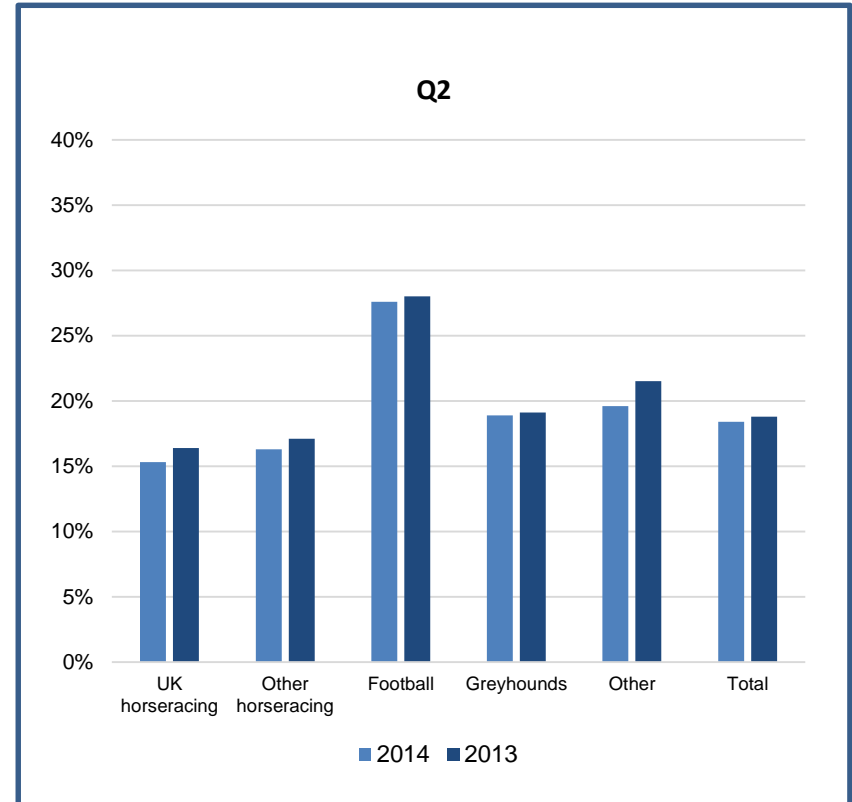
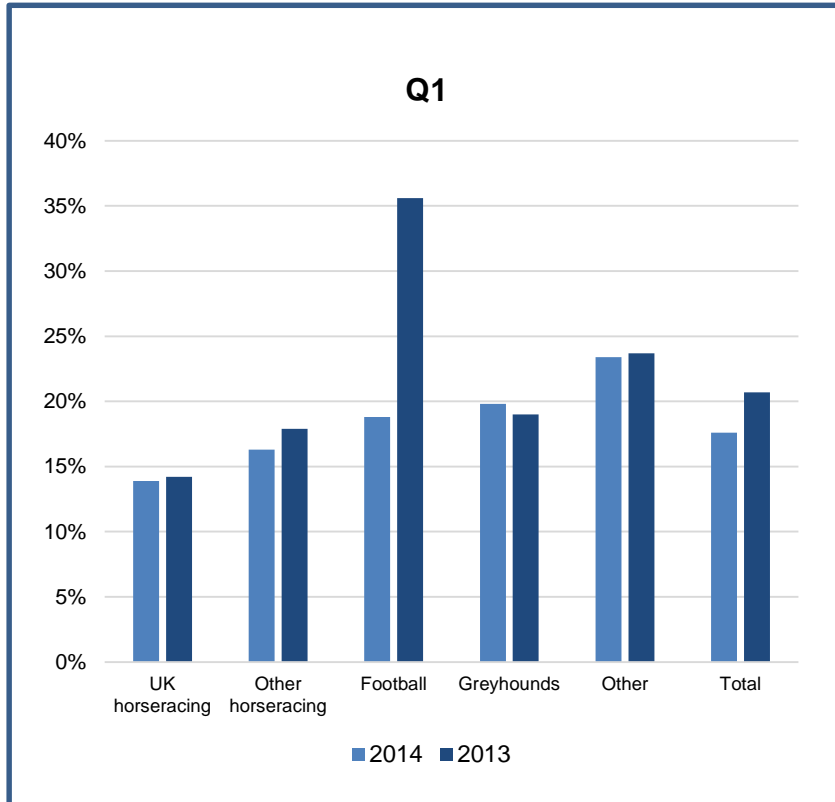
26 weeks to	1 Jul 2014 £m	2 Jul 2013 £m	Change %
OTC amounts wagered	1,281.9	1,256.3	+2%
OTC gross win	231.1	247.4	-7%
<i>OTC gross win margin</i>	<i>18.0%</i>	<i>19.7%</i>	<i>-1.7ppts</i>
Machines gross win	232.1	222.0	+5%
Total gross win	463.2	469.4	-1%
Net revenue¹	463.1	463.6	-0%
Cost of sales	(106.8)	(101.4)	+5%
Gross profit	356.3	362.2	-2%
Operating costs	(256.0)	(254.6)	+1%
Operating profit²	100.3	107.6	-7%

1. Adjusting for the Machine Games Duty effect, Retail net revenue was down 1%
2. Operating profit/(loss) is defined as pre-exceptional profit/(loss) before interest and tax, before the amortisation of specifically identified intangible assets recognised on acquisitions

Retail: OTC wagering trends



Retail: OTC gross win margin

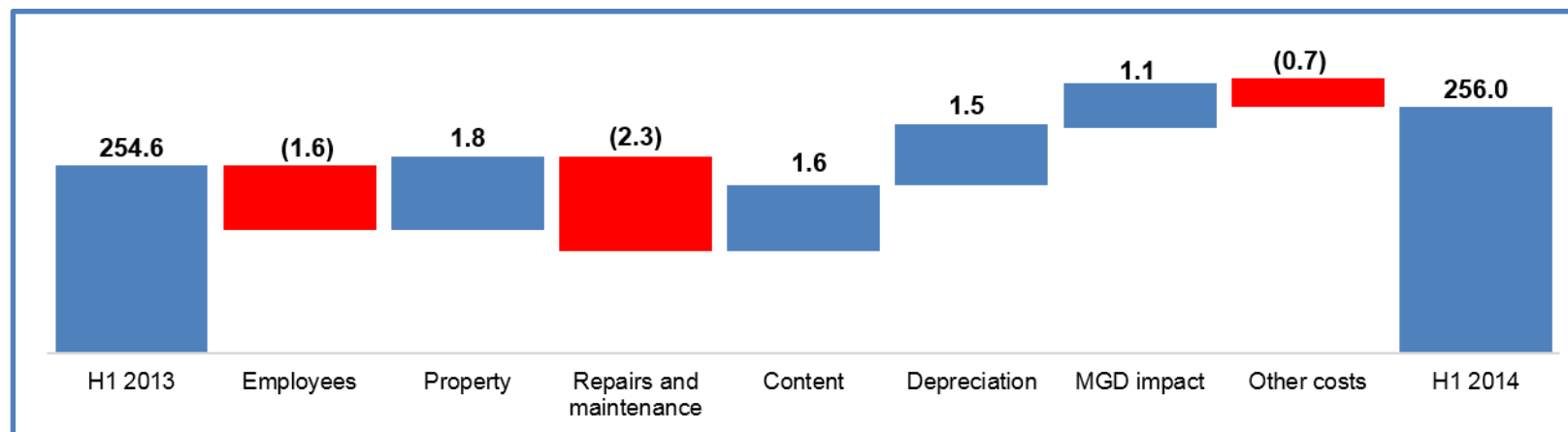


Retail: consistent machine performance

26 weeks to	1 Jul 2014	2 Jul 2013	Change %
Average number of LBOs	2,436	2,392	+2%
Average number of machines	9,591	9,384	+2%
Machine density	3.94	3.92	+1%
Gross win per machine per week	£931	£910	+2%
Machine gross win margin	3.44%	3.34%	+0.1ppts

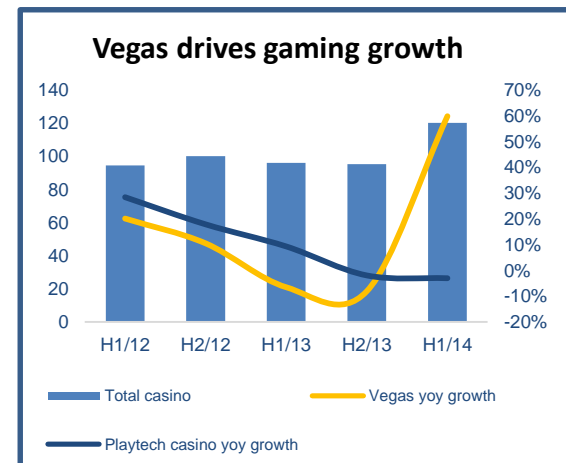
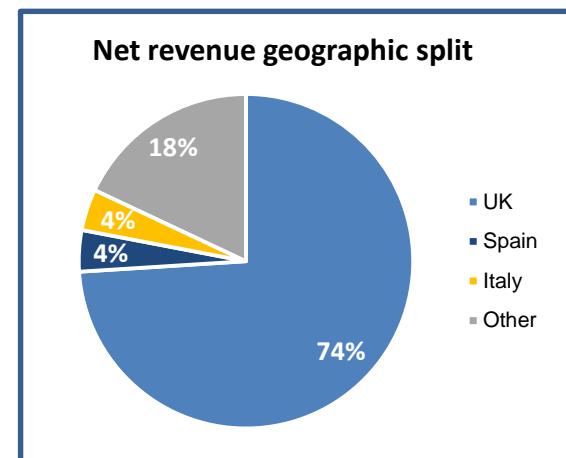
Retail: good cost control in the half

26 weeks to	1 Jul 2014 £m	2 Jul 2013 £m	Change %
Employee costs	(98.2)	(99.8)	-2%
Property costs	(52.5)	(53.0)	-1%
Content costs	(35.3)	(33.7)	+5%
Depreciation	(12.6)	(11.1)	+14%
Other costs incl. recharges	(57.4)	(57.0)	+1%
Operating costs	(256.0)	(254.6)	+1%



Online: mobile casino-led gaming growth

26 weeks to	1 Jul 2014 £m	2 Jul 2013 £m	Change %
Sportsbook	121.4	116.0	+5%
Casino	120.0	95.9	+25%
Poker	7.9	9.5	-17%
Bingo	11.8	12.5	-6%
Gaming net revenue	139.7	117.9	+18%
Net revenue	261.1	233.9	+12%
Cost of sales	(24.8)	(20.2)	+23%
Gross profit	236.3	213.7	+11%
Operating costs	(155.2)	(133.5)	+16%
Operating profit¹	81.1	80.2	+1%

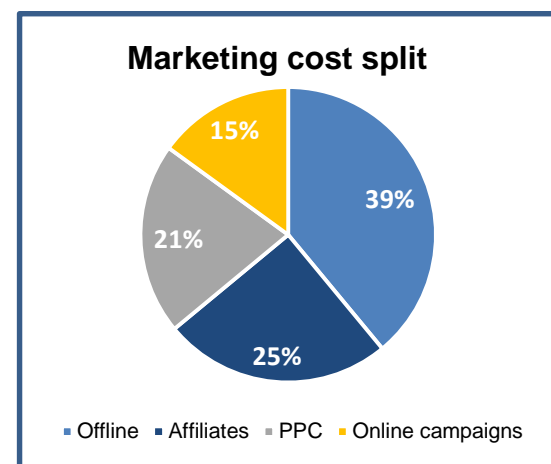


Online: World Cup drives actives and accounts growth

26 weeks to	1 Jul 2014	2 Jul 2013	Change %
Unique active players ('000) ¹	1,710.2	1,451.8	+18%
Revenue per unique active player (£)	152.7	161.1	-5%
New accounts ('000) ²	742.2	659.3	+13%
Average cost per acquisition (£) ³	97.8	99.7	-2%
Sportsbook amounts wagered (£m)	1,951.4	1,383.5	+41%
- Pre-match amounts wagered (£m)	1,139.7	811.9	+40%
- In-play amounts wagered (£m)	811.7	571.6	+42%
Sportsbook gross win margin	7.1%	9.0%	-1.9 pts
- Pre-match gross win margin	8.4%	11.6%	-3.2 pts
- In-play gross win margin	5.2%	5.4%	-0.2 pts

Investing in user experience, product and marketing

26 weeks to	1 Jul 2014 £m	2 Jul 2013 £m	Change %
Employee costs	(26.5)	(24.2)	+10%
Marketing	(72.6)	(65.7)	+11%
Finance charges	(10.4)	(8.5)	+22%
Depr. and amortisation ¹	(12.0)	(8.2)	+46%
Other costs incl. recharges	(33.7)	(26.9)	+25%
Operating costs	(155.2)	(133.5)	+16%



- Sportsbook free bets / amounts wagered ratio 0.9%
- Marketing / net revenue ratio 28%

Australia: good operational progress

	26 weeks to 1 Jul 2014 £m	15 weeks to 2 Jul 2013 £m	26 weeks to 2 Jul 2013 ² (pro forma) £m	26 weeks Change %
Amounts wagered	724.1	422.3	659.0	+10%
Gross win	62.6	32.8	57.3	+9%
<i>Win margin</i>	8.6%	7.8%	8.7%	-0.1ppts
Net revenue	58.9	30.8	54.8	+7%
Cost of sales	(14.6)	(6.7)	(12.0)	+22%
Gross profit	44.3	24.1	42.8	+4%
Operating costs	(33.8)	(20.4)	(37.4)	-10%
Operating profit¹	10.5	3.7	5.4	+94%
Unique active players ('000)	203.0	98.4	167.5	+21%
Revenue per unique active (£)	291.2	312.0	327.3	-11%
New accounts ('000)	56.2	12.8	49.1	+14%
Average cost per acquisition (£)	223.7	724.0	347.0	-36%

1. Operating profit/(loss) is defined as pre-exceptional profit/(loss) before interest and tax, before the amortisation of specifically identified intangible assets recognised on acquisitions
2. Based on constant currency exchange rate £1:A\$1.83

William Hill US

26 weeks to	1 Jul 2014 £m	2 Jul 2013 £m	Change %
Amounts wagered	156.2	127.7	+22%
Gross win margin	7.8%	7.5%	+0.3ppts
Net revenue	12.2	9.6	+27%
Cost of sales	(0.9)	(0.9)	0%
Gross profit	11.3	8.7	+30%
Operating costs	(8.4)	(8.1)	+4%
Operating profit¹	2.9	0.6	+383%

Capex and working capital

26 weeks to	1 Jul 2014 £m	2 Jul 2013 £m
Retail development ¹	16.5	17.5
Online	11.2	12.8
Australia	3.1	1.3
US	0.8	2.5
Other (including IT)	2.7	0.6
Total cash capital expenditure	34.3	34.7

- Estate grew by a net 11 shops to 2,443 (20 openings, nine closures, five re-sites). Another 70 shops closed after the period end, with a further 12 due to close in August
- 2014 cash capex expected to be £80-90m
- Working capital inflow of £10.5m, mainly due to provisions for staff incentives. Similar level of inflow expected for full year

Other finance matters

- Effective pre-exceptional income statement tax rate of 19.2% and cash tax rate of 19%
 - Prior year rate at 6.6%, benefited from deferred tax credit, a key factor in H1 2013 to H1 2014 basic adjusted EPS decline
 - Effective full-year income statement rate expected to be 19% in 2014 and 2015, expected cash tax rate to be 20% in 2014 and 2015
- Formal three-year actuarial pension valuation process completed
 - c£9.4m annual deficit repair payment to March 2019
 - Accounting surplus, driven by reduced liability valuation and strong investment returns
- Interim dividend of 4.0p per share, +8%

James Henderson

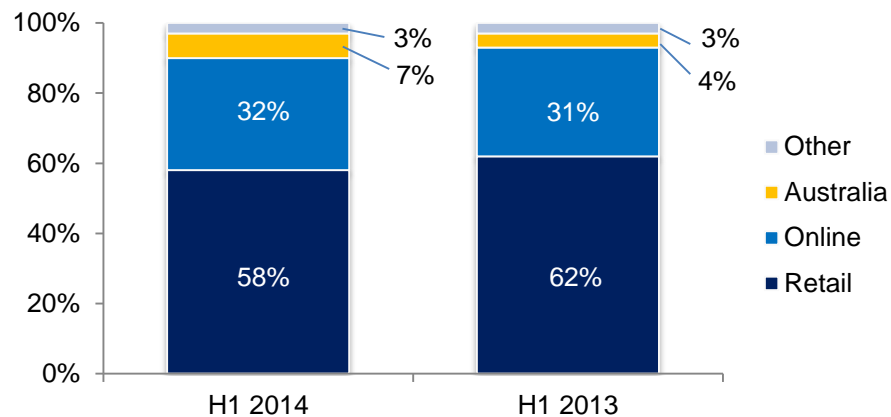
H1 operating review and priorities

Backing James Rodriguez of Colombia for the Golden Boot in Brazil was a fantastic result for the 209 far-sighted punters who backed him at the start of the tournament at odds of 100/1. The biggest bet at that price was a £20 wager. Just 1% of the entire top scorer market was for the Colombian striker, with Aguero, Messi, Neymar and Müller dominating the market.

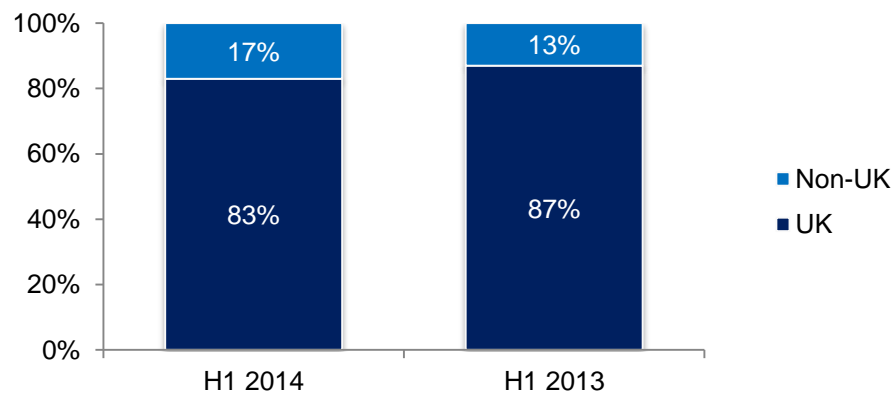


H1 strategic progress

Digital channels¹ increased to 39% of Group net revenue from 35%



International increased to 17% of Group net revenue from 13%



H1 priorities: mobile, gaming and the World Cup

PRODUCT/CHANNELS

- Eclipse machine rolled out to 1,161 shops, further roll-out in H2
- Mobile increased to 28% of gaming net revenue, 53% of Sportsbook net revenue
- Continued mobile gaming content development
- 'The mobile World Cup': 61% of Online bets on mobile
- 170,000 new accounts during the tournament, ahead of target

INTERNATIONAL



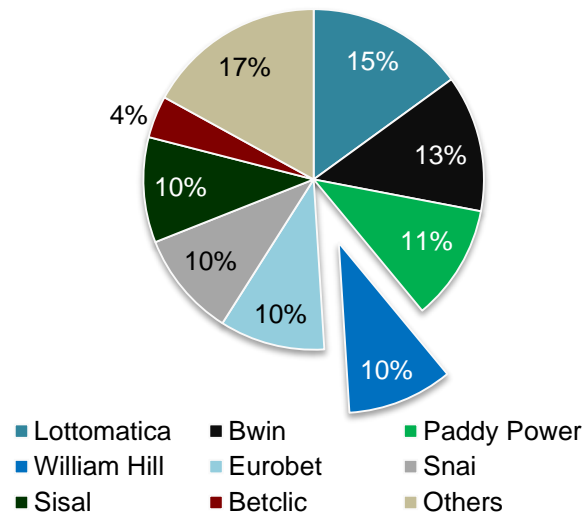
H1 priorities: strong gains in Italy and Spain

- Mobile already generating c30% of net revenue on average
- Strengthening brand awareness: No.1 in Italy, No.2 in Spain¹
- Strong market share gains
- On track for break-even in 2015

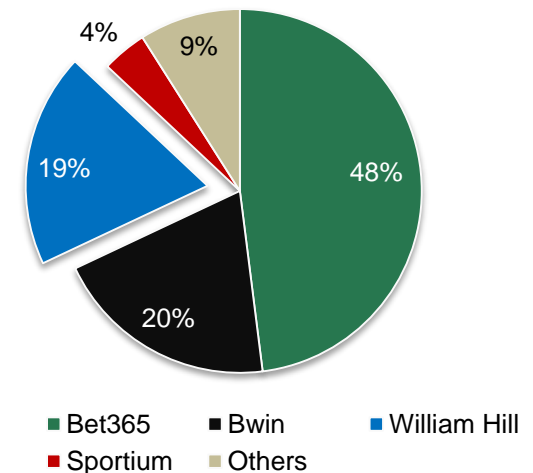
PRODUCT/CHANNELS

INTERNATIONAL

Italy online sports market share²



Spain online sports market share³



Acquisitions move forward

PRODUCT/CHANNELS

William Hill US

- Strong Superbowl result
- Mobile 36% of wagering

William Hill Australia

- Strong improvement in KPIs
- A\$10m of additional cost of race field fees¹
- Three businesses combined under new leadership team

INTERNATIONAL

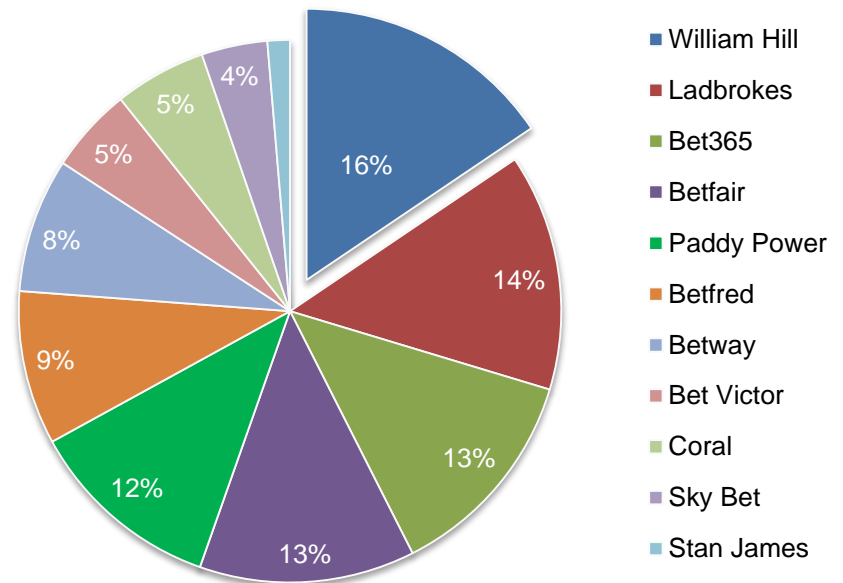
Key Australia milestones delivered

- Launch responsive design website ✓
- Integrate tomwaterhouse.com ✓
- Improve search engine optimisation ✓
- Establish new affiliates approach ✓
- Build management team ✓
- Optimise marketing budget Ongoing

Competitive Online strength ahead of PoCT

- 41% share of voice in print with red-top key sponsorships
 - Leading share of voice on TV last domestic football season
-
- Key contracts delivered
 - Top tier ITV World Cup package
 - Top tier Sky package to July 2015
 - Sponsor of BT Sport EPL coverage
 - Offline spend optimisation
 - Enhanced SEO and social driving good acquisition
 - Pursuing other efficiencies
 - Contract costs
 - Customer offers
 - Organisational review

Share of voice across all TV advertising in the 2013/14 domestic football season¹



Regulatory update

UK ONLINE LICENSING

- Gambling (Licensing and Advertising) Bill passed in May
- 1 October deadline for licences
- Provision included to extend UK horseracing levy

UK RETAIL

- £22m impact of Machine Games Duty increase¹
- Government position clearly outlined
 - New approach to gaming machine staking over £50
 - Consultation ongoing on voluntary advertising code
 - Consultation awaited on planning changes
- RGT / NatCen research expected in autumn: to identify harmful patterns of play and appropriate solutions without ruining the experience for the majority
- Consultations on offshore levy / levy replacement

Our priorities

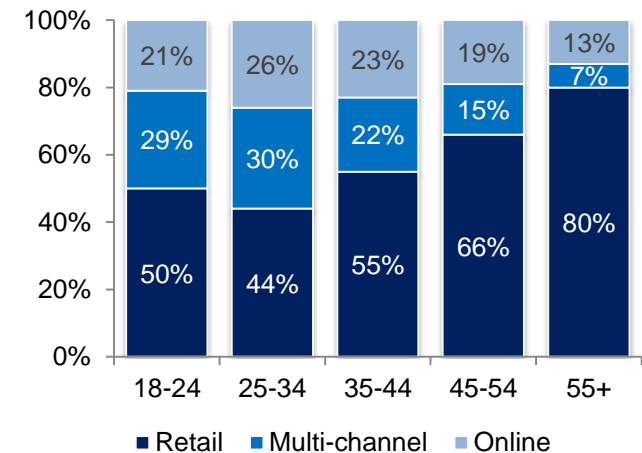
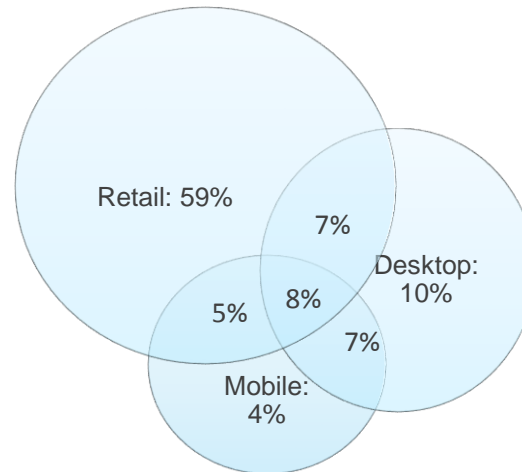
MULTI-CHANNEL

- Emerging trend in multi-channel usage in the UK
- William Hill best placed as no.1 in Retail and no.1 in Online
- Already successful in gaming launches
- Drive towards one customer proposition
- Higher yields, higher retention, lower CPA

INNOVATION, TECHNOLOGY AND DATA

UK betting population by channel and age

INTERNATIONAL



Our priorities

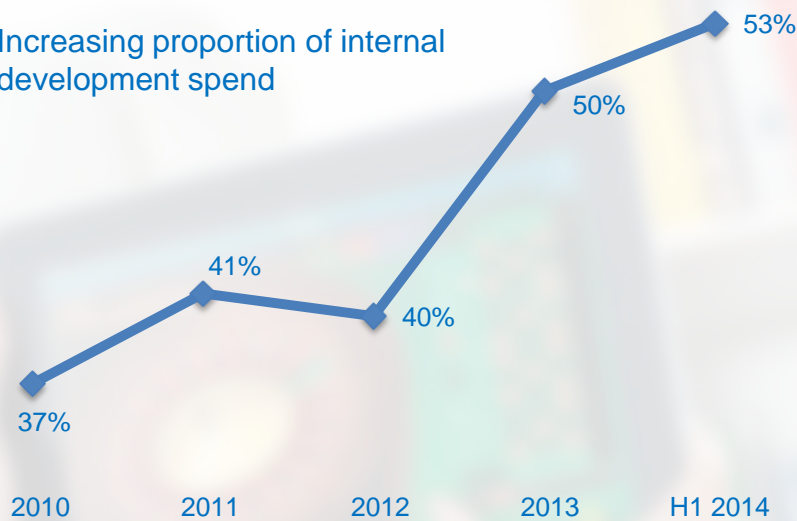
MULTI-CHANNEL

INNOVATION,
TECHNOLOGY AND DATA

INTERNATIONAL

- Blend of internal and external excellence and innovation
- Strong in-house track record: Trading platform and Vegas
- Project Trafalgar
 - Change to website front end management, increased flexibility and speed
 - Responsive design
 - Ability to speed up changes
- Improved data management, more personalisation

Increasing proportion of internal development spend



Source: company data

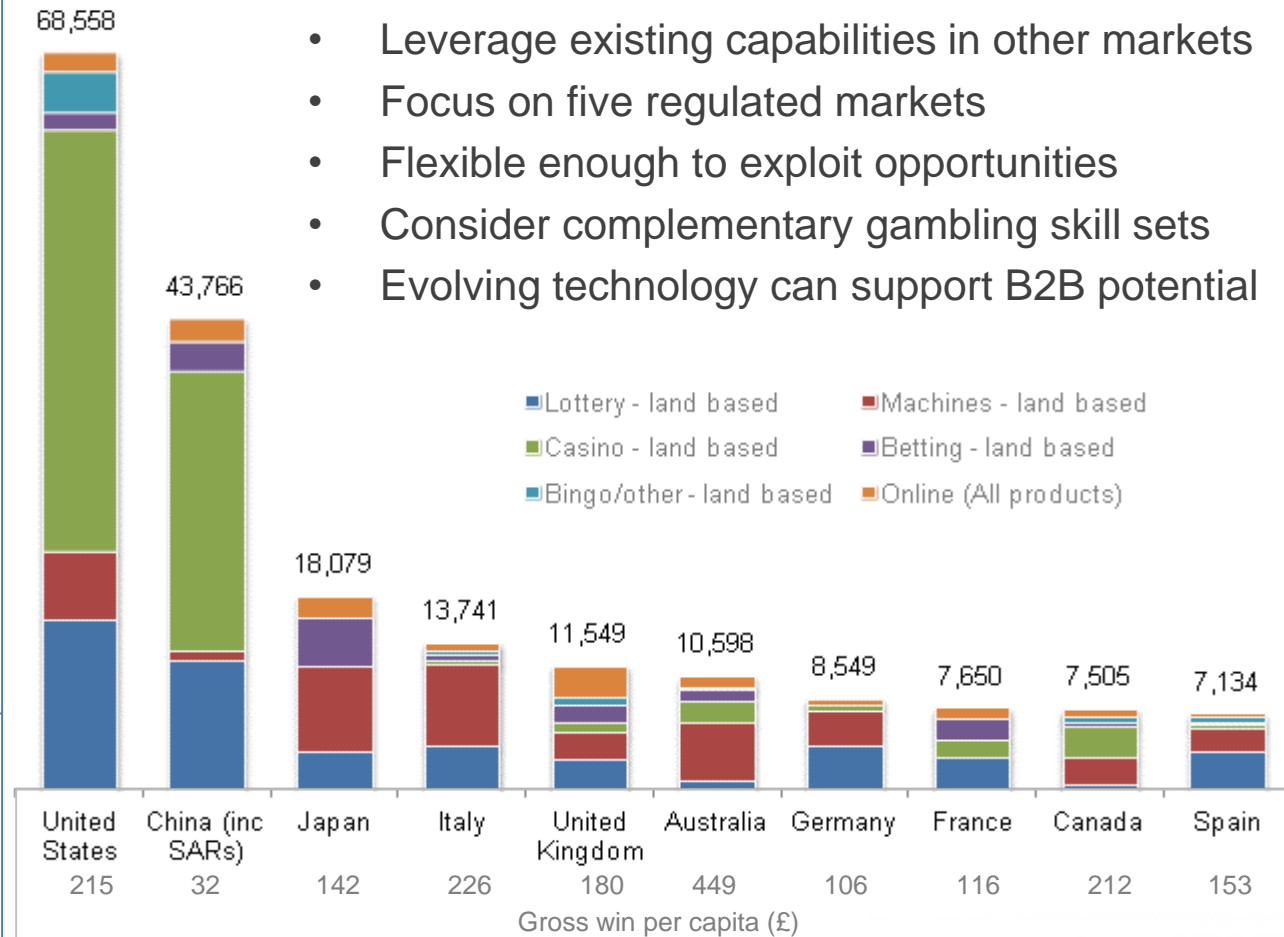
Our priorities

MULTI-CHANNEL

INNOVATION,
TECHNOLOGY AND DATA

INTERNATIONAL

Top ten gambling markets by gross win (2013, £bn)



- Leverage existing capabilities in other markets
- Focus on five regulated markets
- Flexible enough to exploit opportunities
- Consider complementary gambling skill sets
- Evolving technology can support B2B potential

■ Lottery - land based ■ Machines - land based
■ Casino - land based ■ Betting - land based
■ Bingo/other - land based ■ Online (All products)

Summary

- Strong underlying performance in H1
- Increased clarity on UK regulatory position with current government
- Clear strategy and strong team in place to continue to drive growth

APPENDICES

Performance by division

26 weeks to	Net revenue ¹			Operating profit ²		
	1 Jul 2014 £m	2 Jul 2013 £m	Change %	1 Jul 2014 £m	2 Jul 2013 £m	Change %
Retail	463.1	463.6	0%	100.3	107.6	-7%
Online	261.1	233.9	+12%	81.1	80.2	+1%
Telephone	6.3	10.1	-38%	(0.5)	1.9	-
William Hill Australia	58.9	30.8	+91%	10.5	3.7	+184%
William Hill US	12.2	9.6	+27%	2.9	0.6	+383%
Other	3.6	3.6	0%	0.0	0.1	-
Associates				(0.1)	1.3	-
Corporate				(17.3)	(14.0)	+24%
Operating profit²				176.9	181.4	-2%
Amortisation				(4.5)	(5.4)	-17%
Total	805.2	751.6	+7%	172.4	176.0	-2%

1. Group, Retail and gaming machine net revenue growth is flattered by the transition from VAT and Amusement Machine Licence Duty to Machine Games Duty on 1 February 2013
2. Operating profit /(loss) is defined as pre-exceptional profit /(loss) before interest and tax, before the amortisation of specifically identified intangible assets recognised on acquisitions

Net revenue summary

26 weeks to		1 Jul 2014 £m	2 Jul 2013 £m	Change %
Retail	OTC	231.1	247.4	-7%
	Machines ¹	232.0	216.2	+7%
	Retail total¹	463.1	463.6	-0%
Online	Sportsbook	121.4	116.0	+5%
	<i>Gaming – Casino</i>	120.0	95.9	+25%
	<i>Gaming – Poker</i>	7.9	9.5	-17%
	<i>Gaming – Bingo</i>	11.8	12.5	-6%
	Gaming total	139.7	117.9	+18%
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Telephone		6.3	10.1	-38%
William Hill Australia		58.9	30.8	+91%
William Hill US		12.2	9.6	+27%
Other		3.6	3.6	0%
Total net revenue¹		805.2	751.6	+7%

1. Group, Retail and gaming machine net revenue growth is flattered by the transition from VAT and Amusement Machine Licence Duty to Machine Games Duty on 1 February 2013

Net operating expenses by division¹

26 weeks to	1 Jul 2014 £m	2 Jul 2013 £m	Change %
Retail	(256.0)	(254.6)	+1%
Online	(155.2)	(133.5)	+16%
Telephone	(6.8)	(8.2)	-17%
William Hill Australia	(33.8)	(20.4)	+66%
William Hill US	(8.4)	(8.1)	+4%
Other	(3.2)	(3.1)	+3%
Corporate	(17.3)	(14.0)	+24%
Group net operating expenses	(480.7)	(441.9)	+9%

1. Numbers are presented on a pre-exceptional basis, excluding the amortisation of the specifically identified intangible assets arising on acquisitions of £4.5m (H1 2013: £5.4m) and net of other income of £4.1m (H1 2013: £3.3m)

Net operating expenses by cost category¹

26 weeks to	1 Jul 2014 £m	2 Jul 2013 £m	Change %
Employee costs	(177.9)	(169.4)	+5%
Property costs	(61.0)	(60.4)	+1%
Depreciation	(31.6)	(25.8)	+22%
Pictures and data	(39.0)	(36.4)	+7%
Marketing	(93.3)	(81.7)	+14%
Finance charges	(15.2)	(12.7)	+20%
Communications	(6.1)	(5.9)	+3%
Other	(56.6)	(49.6)	+14%
Group net operating expenses	(480.7)	(441.9)	+9%

1. Numbers are presented on a pre-exceptional basis, excluding the amortisation of the specifically identified intangible assets arising on acquisitions of £4.5m (H1 2013: £5.4m) and net of other income of £4.1m (H1 2013: £3.3m)

Telephone

26 weeks to	1 Jul 2014 £m	2 Jul 2013 £m	Change %
Amounts wagered	115.1	135.4	-15%
Gross win	6.9	10.7	-36%
<i>Gross win margin</i>	<i>6.0%</i>	<i>7.9%</i>	<i>-1.9ppts</i>
Net revenue	6.3	10.1	-38%
Cost of sales	0.0	0.0	0%
Gross profit	6.3	10.1	-38%
Staff costs	(0.6)	(0.9)	-33%
Marketing costs	(1.2)	(1.0)	+20%
Other costs incl. recharges	(5.0)	(6.3)	-21%
Operating costs	(6.8)	(8.2)	-17%
Operating (loss)/profit¹	(0.5)	1.9	-

Net finance costs

26 weeks to	1 Jul 2014 £m	2 Jul 2013 £m
Interest receivable	(0.5)	(0.6)
Bank loan interest	4.4	5.9
Bond interest	18.6	11.9
Amortisation of finance fees	1.4	2.3
Net interest on pension scheme net liability	0.3	0.3
Total pre-exceptional net finance costs	24.2	19.8

Cash flow

26 weeks to	1 Jul 2014 £m	2 Jul 2013 £m
EBITDA ¹	212.4	211.5
Working capital / other	8.5	(17.6)
Capital expenditure net of disposals	(30.7)	(34.4)
Cash from operations	190.2	159.5
Cash taxes	(17.0)	(28.7)
Net interest	(22.2)	(17.3)
Distributions to non-controlling interests	-	(21.6)
Free cashflow	151.0	91.9
Dividends	(68.9)	(55.0)
Exceptional items	(5.6)	(11.4)
Acquisitions and investments	-	(870.4)
Bank loans	(60.0)	120.0
Bond issue	-	375.0
Rights issue net of expenses	-	374.0
Other financing flows	(3.9)	(5.6)
Net cashflow	12.6	18.5

1. EBITDA is calculated as pre-exceptional profit before interest, tax, depreciation, amortisation (including amortisation of specifically identified intangible assets recognised on acquisition), and before share remuneration charges

Net debt for covenant purposes

As at	1 Jul 2014 £m	31 Dec 2013 £m
Bank loans	170.0	230.0
Corporate bonds	675.0	675.0
Cash	(219.3)	(206.7)
Net debt	625.7	698.3
Obligations under bank guarantees	2.9	3.0
Restricted cash – client balances	84.4	85.8
Other restricted cash	6.5	8.9
Net debt for covenant purposes	719.5	796.0

- Net debt:EBITDA of 1.8x vs maximum covenant of 3.5x (31 Dec 2013: 2.0x)
- EBITDA:net cash interest of 8.8x vs minimum covenant of 3.0x
- BB+/Ba1 stable outlook credit ratings from S&P/Moody's

Australia performance in local currency

	H1 2014 Statutory A\$m	H1 2013 Ownership A\$m	Change %	H1 2013 Pro forma A\$m	Change %
Amounts wagered	1,331.2	634.1	+110%	1,206.1	+10%
Gross win	114.9	49.1	+134%	104.9	+10%
<i>Win margin</i>	<i>8.6%</i>	<i>7.7%</i>	<i>+0.9ppts</i>	<i>8.7%</i>	<i>-0.1ppts</i>
Net revenue	108.2	46.1	+135%	100.3	+8%
Cost of sales	(27.2)	(10.0)	+172%	(22.0)	+24%
Gross profit	81.0	36.1	+124%	78.3	+3%
Operating costs	(61.8)	(30.7)	+101%	(68.5)	-10%
Operating profit¹	19.2	5.4	+256%	9.8	+96%
Unique active players ('000)	203.0	98.4	+106%	167.5	+21%
Revenue per unique active (A\$)	533	468	+14%	599	-11%
New accounts ('000)	56.2	12.8	+339%	49.1	+14%
Average cost per acquisition (A\$)	409	1,064	-62%	635	-36%