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William Hill PLC

Significant strategic progress and profit growth continues

19 April 2013

William Hill PLC (LSE: WMH) (William Hill or the Group) announces its Interim Management Statement for the 13 weeks ended 2 April 2013 (the period or Q1). All comparisons are with the equivalent 13-week period in 2012 (Q1 2012).

Financial highlights in the period

- Group net revenue grew by 15%¹ and Operating profit² was up 8%
- Online net revenue grew by 21% and Operating profit² was up 13%
- Retail net revenue grew by 8%¹ and Operating profit² was 3% lower
- Sportsbook net revenue was up 47%
- Mobile Sportsbook amounts wagered grew by 145%
- Mobile gaming net revenue grew by 298%

Key Group highlights of the year-to-date

Development of Online and mobile business continues apace

- Online operations including Australia contributed 45% of Operating profit² in the period
- Sportsbook³ amounts wagered surpassed OTC amounts wagered in all 13 weeks of the quarter, averaging 110% of OTC wagering levels in the period
- Mobile amounts wagered beat our £15m target, averaging £18.2m a week
- Mobile accounted for 35% of Sportsbook amounts wagered in the period

Successful completion of significant corporate activity:

- £424m acquisition of outstanding 29% of William Hill Online completed on 15 April 2013
- c£373m (net) raised from rights issue; completed on 5 April, with over 98% take-up
- £459m acquisition of Sportingbet Australian business completed on 19 March 2013

Ralph Topping, Chief Executive of William Hill, commented:

“It has been a successful start to 2013 in trading terms, moving forward with our strategy, expanding into Australia and taking full control of William Hill Online.

“It was pleasing to receive such clear support from shareholders for the William Hill Online acquisition and the rights issue. We also welcomed Sportingbet Australia into the William Hill Group in March and, having spent more time on the ground with the Aussie team, I am confident of its ability to take advantage of the opportunities in this key territory.

“Operationally, performance remains good, with strong gross win margins a feature of the period in both Retail and Online. We have two strong channels, with both responding well to opportunities and challenges. Cheltenham results were not as good for us this year but just after the quarter end, Auroras Encore made the Grand National a major success for William Hill, even beating our record win achieved on the race in 2009 when Mon Mome romped home at 100-1. Both of these big meetings proved to be significant attractions for mobile bettors. Our app was downloaded 45,000 times on Grand National day and 51,000 times during the Cheltenham Festival, putting us at the top of the downloads league for both events.

“Mobile remains a high priority and is now a major contributor to Sportsbook’s continued growth. We have beaten two of our three Sportsbook and mobile targets ahead of schedule and are focusing on making mobile more than 40% of Sportsbook stakes before the end of this year.

“Having grown our UK online market share from 10% to 15% over the last four years, we aim to increase our share and are making significant investments in marketing, technology and people to achieve that.”

Trading overview

(a) Group performance

Group net revenue increased 15%, which was flattered by the transition from VAT and Amusement Machine Licence Duty to Machine Games Duty (MGD) on 1 February 2013. Retail net revenue also benefitted in the same way. Adjusting the prior year from the date of introduction of MGD to reflect the current tax regime, Group net revenue grew 11%.

Operating profit² grew by 8% helped by good sporting results across all channels. Profit progression also benefitted from good cost control.

Pre-tax exceptional costs of c£10m were recorded in the period relating to the Sportingbet acquisition. The Group continues to expect £16m of exceptional costs in total relating to the Sportingbet acquisition. A further £3m relating to the acquisition of the William Hill Online minority interest will be incurred and expensed directly to reserves.

(b) William Hill Online

William Hill Online continued to perform strongly, delivering 21% growth in net revenue and Operating profit² of £43.3m, 13% higher than the prior year. Playtech’s non-controlling interest was £12.6m.

Sportsbook amounts wagered increased 30% in the period, with good growth in both in-play and pre-match wagering levels. Sportsbook gross win margin was 1.2 percentage points higher at 10.0%, reflecting favourable sporting results. As a result, Sportsbook net revenue grew by 47%. Mobile Sportsbook amounts wagered grew 145% and accounted for 35% of the total Sportsbook amounts wagered in the period.

Gaming net revenue was up 2%, with Casino growth of 4% partially offset by declines in Bingo and Poker. Mobile gaming net revenue grew 298% following the launch of a series of gaming mobile websites and apps in 2012. The prior year results included the contribution of certain markets that were closed to customers during the course of 2012. Total Operating profit² contribution from those markets in Q1 2012 was c£2m.

Online operating costs were 28% higher, with marketing investment representing 29% of net revenue in the period, broadly in line with expectations. Other operating costs grew 17%, largely driven by increases in headcount, trading and IT, depreciation and content costs.

(c) Retail

Retail net revenue grew 8%, with OTC net revenue up 3% and gaming machines net revenue up 15% on a reported basis. Adjusting the prior year from the date of introduction of MGD to reflect the current tax regime, Retail net revenue grew 2% and gaming machines net revenue grew 1%. Gross win per machine per week was £904 (Q1 2012: £918).

Whilst OTC net revenue benefitted, staking levels were impacted by a strong gross win margin of 20.7%, significantly above the normalised 17-18% range and 1.3 percentage points ahead of Q1 2012. OTC wagering fell 4%, with weather-related fixture cancellations and lower turnover at Cheltenham also contributing. Machine gross win trends were also impacted by the positive swing on OTC margin, with 75% of regular machine players also betting over the counter.

Operating costs were up 5% reflecting the tax change highlighted above. This was slightly better than expectation, given good cost control and given the release of prior year staff cost provisions no longer required, which amounted to c£2m. Operating profit² was 3% lower.

(d) Other channels

Telephone made a small Operating profit² in the period with gross win flat on an improved margin of 8.0% (Q1 2012: 7.3%).

William Hill US also made a small Operating profit², with gross win margin returning to more normalised levels at 7.9%.

(e) Taxation

Given the announcement in the budget relating to a further reduction in the corporation tax rate to 20% in 2015, together with the early enactment in 2013 of this additional 1% saving, the Group's effective income statement tax rate is now anticipated to be 12% for 2013, rising to 17% in 2014 as the deferred tax credit arising from the corporate tax reductions fully unwinds. Cash tax guidance remains at 20% for 2013 and 19% for 2014.

Fiscal and regulatory developments

Submissions have been made to the Department of Culture, Media and Sport on its consultation on gaming machine stakes and prizes. Publication of the submissions and the Department's response is expected in due course but no timeline has been specified.

In Australia, the Department of Broadband, Communications and the Digital Economy published its final report of the Review of the Interactive Gambling Act 2001. The Federal Government is seeking to work with the states and territories to implement a national harm minimisation and consumer protection standard for all licensed online gambling activities, before giving consideration to the Review's recommended changes relating to the trial of in-play sports betting and online tournament poker.

Material events, transactions and financial position

During the period, the Group completed the acquisition of Sportingbet plc's Australian business and was granted a call option over its locally licensed Spanish business for a total cash consideration of £459.4m. The acquisition was made as part of a recommended offer for Sportingbet by William Hill and GVC Holdings plc. The acquisition was completed on 19 March and, as such, the operating performance of the business had an immaterial impact on the Group's performance during the period. Amortisation of c£7m is expected to be recorded in 2013 in relation to this acquisition.

As a result of the transaction above, the Group's net debt for covenant purposes increased by £403m to £742m at the end of the period (£339m as at 1 January 2013).

Subsequent to the period end, on 5 April 2013, the Group completed a 2-for-9 rights issue, raising c£373m (net of expenses) with 98.23% of shareholders taking up their rights.

On 15 April 2013, the Group acquired from Playtech the outstanding 29 per cent. of William Hill Online for a total cash consideration of £424m on a debt-free and cash-free basis with an offsetting movement in reserves. In accordance with the Framework Agreement, a cash adjustment will be made to reflect unpaid dividends and a working capital adjustment in William Hill Online. The acquisition was financed by the proceeds from the rights issue and £50m of debt from the Group's bank facilities.

Movements in the financial position, including levels of borrowings, of the Group since the last balance sheet date are reflective of the trading performance and transactions outlined above. Other than this, there have been no significant changes in the financial position of the Group.

Notes:

¹ Group and Retail net revenue performance numbers are flattered by the transition from VAT and Amusement Machine Licence Duty to Machine Games Duty (MGD) on 1 February 2013. Underlying numbers are provided in the narrative.

² Operating profit is defined as pre-exceptional profit before interest and tax, before the amortisation of specifically identified intangible assets recognised on acquisitions.

³ 'Sportsbook' in this context relates to William Hill Online sports betting only

⁴ The figures in this Interim Management Statement are unaudited

Enquiries		
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Analyst conference call

Ralph Topping, Chief Executive, and Neil Cooper, Group Finance Director, will be hosting a conference call for analysts at 8.30 a.m. BST. Dial-in details for the call are:

UK telephone: 0845 634 0041

International: +44 20 8817 9301

Passcode: 10461546

An archive of the call will be available after the call until Friday, 3 May. Dial-in details for the archive call are:

Telephone: +44 (0) 20 7769 6425

Passcode: 10461546#

An audio webcast of the call will be available at www.williamhillplc.com.

Notes to editors

William Hill, The Home of Betting, is one of the world's leading betting and gaming companies, employing more than 17,000 people. Founded in 1934, it is now the UK's largest bookmaker with around 2,400 licensed betting offices that provide betting opportunities on a wide range of sporting and non-sporting events, gaming on machines and numbers-based products including lotteries. William Hill Online (www.williamhill.com) is one of Europe's leading online betting and gaming businesses, providing customers with the opportunity to access William Hill's products online, through their mobile, by telephone and by text services. William Hill US was established in June 2012 and provides land-based and mobile sports betting services in Nevada, and is the exclusive risk manager for the State of Delaware's sports lottery. The Group acquired the Sportingbet Australia business in March 2013, which is one of the leading online corporate bookmakers in Australia, offerings sports betting products online, by telephone and via mobile devices. William Hill PLC is listed on the London Stock Exchange and generates revenues of over £1.2bn a year.