



**Interim results  
for the 26 weeks ended 29 June 2010**

**26 August 2010**



# Agenda

- **Overview**  
**Ralph Topping, Chief Executive**
- Financial highlights  
Neil Cooper, Group Finance Director
- Progress and current trends  
Ralph Topping, Chief Executive
- Q&A

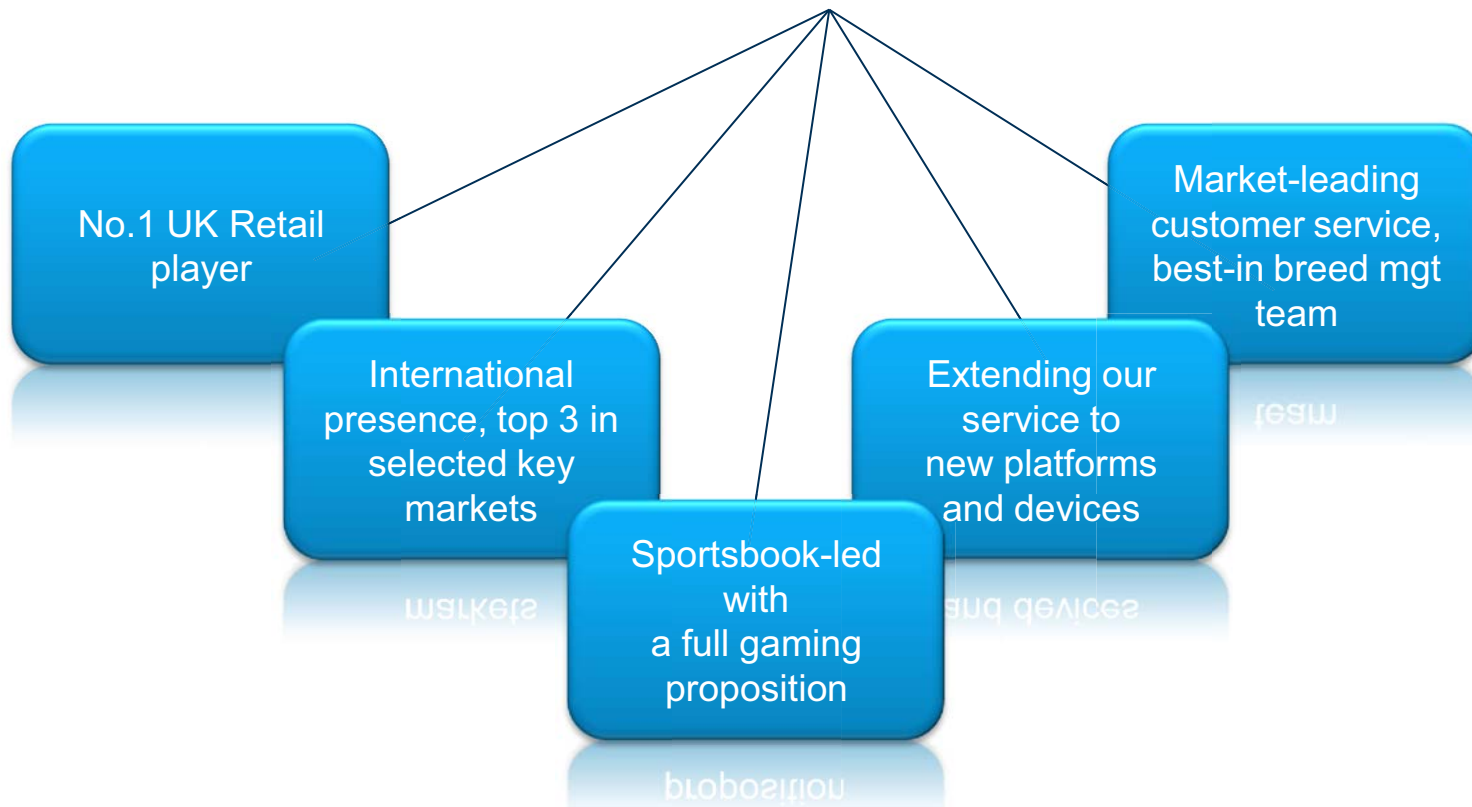


## Successful first half

- Strong Sportsbook spearheads 43% operating profit growth at William Hill Online
- Machines and the World Cup lead the way for Retail
- Telephone operating structure now resolved
- Balance sheet restructuring completed
- Organisational evolution continues



# A clear strategic focus



## How we see our business: external drivers

- Fiscal and regulatory changes remain key driver
- Technological changes transforming consumer patterns
- Competitive dynamics
- Macro-economic environment



# Two complementary but distinct divisions



# The evolution of the organisation continues

## Strengthened main Board



**Gareth Davis, Chairman**  
Starts 1 September 2010

Led a highly successful FTSE 100 company, championed international expansion



**Neil Cooper,**  
**Group Finance Director**  
Appointed May 2010

Strong City experience, extensive leisure / retail background

## Key operational appointments



**Kristof Fahy,**  
**Director of Brand and Marketing**  
Appointed January 2010

External expertise from Yahoo!, Orange and Blackberry



**Terry Pattinson,**  
**Trading Director**  
Appointed May 2010

Extensive experience in Asian/ Australian betting markets

# Agenda

- Overview  
Ralph Topping, Chief Executive
- Financial highlights  
Neil Cooper, Group Finance Director
- Progress and current trends  
Ralph Topping, Chief Executive
- Q&A





## A strong performance in uncertain times

26 weeks to	29 Jun 10	30 Jun 09	%
Turnover	8,642.4	7,744.7	+12%
Net revenue	529.9	515.5	+3%
<b>EBITA</b>	<b>135.6</b>	<b>134.6</b>	+1%
Amortisation	(1.8)	(2.8)	-36%
Net finance costs	(28.1)	(28.7)	-2%
Tax	(25.9)	(26.4)	-2%
Non-controlling interest	(12.9)	(9.1)	+42%
<b>Retained profit</b>	<b>66.9</b>	<b>67.6</b>	-1%
<b>Basic, adjusted EPS (p)</b>	<b>9.8</b>	<b>11.9</b>	-18%
Exceptional items (post-tax)	(2.4)	(8.9)	-73%
Net debt for covenant purposes	530.4	636.7	-17%

Notes:

1. Numbers are presented on a pre-exceptional basis
2. EPS is based on 697.8 million shares for 2010 and 586.6 million shares for 2009

Interim dividend of 2.5p per share

## Exceptional items

	Item	£m
<b>Cash items</b>	• Telephone restructure	(2.7)
	• Machines VAT refund	5.6
<b>Sub-total</b>		<b>2.9</b>
<b>Non-cash items</b>	• Ineffective hedging fair-value adjustment	(4.1)
	• Telephone restructure	(1.5)
<b>Sub-total</b>		<b>(5.6)</b>
<b>Pre-tax exceptional items</b>		<b>(2.7)</b>
Tax		0.3
<b>Post-tax</b>		<b>(2.4)</b>

## Machine strength benefits Retail

26 weeks to	29 Jun 2010 £m	30 Jun 2009 £m	%
OTC turnover	1,312.3	1,337.4	-2%
Machines turnover	6,067.2	5,584.7	+9%
<b>Total Retail turnover</b>	<b>7,379.5</b>	<b>6,922.1</b>	<b>+7%</b>
OTC gross win	227.7	243.9	-7%
<i>OTC gross win margin</i>	<i>17.4%</i>	<i>18.2%</i>	<i>-0.8 pts</i>
Machines gross win	190.9	171.9	+11%
<b>Total gross win</b>	<b>418.6</b>	<b>415.8</b>	<b>+1%</b>
<b>Net revenue</b>	<b>389.8</b>	<b>393.2</b>	<b>-1%</b>
Cost of sales	(64.4)	(65.8)	-2%
<b>Gross profit</b>	<b>325.4</b>	<b>327.4</b>	<b>-1%</b>
Operating costs	(222.8)	(215.9)	+3%
<b>Operating profit</b>	<b>102.6</b>	<b>111.5</b>	<b>-8%</b>

Note: numbers are presented on a pre-exceptional basis

# Key Retail trading measures

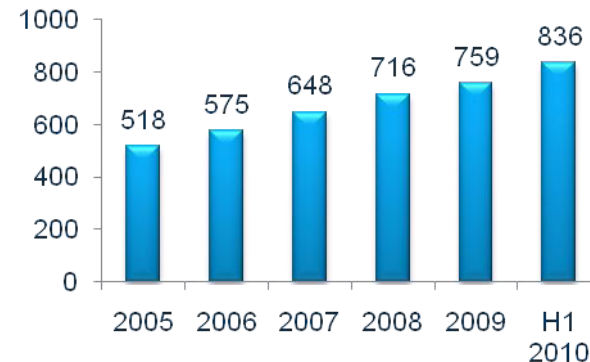
## OTC gross win margin

- Although in the normal 17-18% range at 17.4%, OTC Retail gross win margin fell by 0.8 percentage points year-on-year
  - Over-lapping strong football results in Q1 2009
  - Positive impact of World Cup more than outweighed by negative impact of Grand National and Ascot
  - Underlying horseracing margin impacted through decline in average number of runners per race, overrounds.

## Machines performance

26 weeks to	29 Jun 10	30 Jun 09	%
Average number of LBOs	<b>2,344</b>	2,316	+1%
Average number of machines	<b>8,779</b>	8,706	+1%
Machines amounts wagered (£m)	<b>6,067.2</b>	5,584.7	+9%
Gross win per machine per week	<b>836</b>	759	+10%
Machine gross win margin	<b>3.15%</b>	3.08%	+0.7 ppts

### Gross win per machine per week



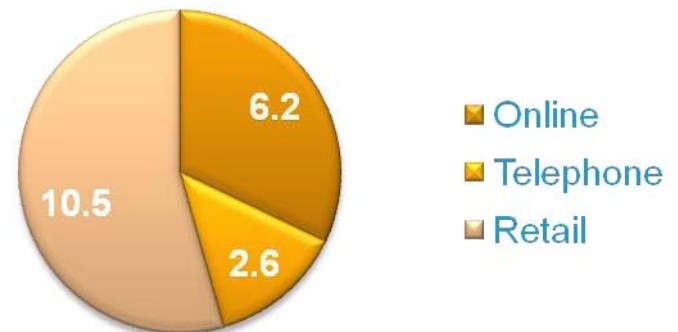
# A strong World Cup benefited June across the Group

- £19.3m of gross win at 25% margin in H1
- Top five earning matches show the benefit of draws and surprises
- Conversely, favourites winning easily cost us as bottom five earning matches show
- In five games, in-play outweighed pre-match in Online
- Estimated two-thirds of slippage was incremental

## Best and worst matches

- |                                  |   |
|----------------------------------|---|
| 1. England-Algeria (group)       | 64. Argentina-Mexico (last 16)              |
| 2. Netherlands-Spain (final)     | 63. Brazil-Chile (last 16)                  |
| 3. Germany-Spain (semi-final)    | 62. Netherlands-Slovakia (last 16)          |
| 4. England-USA (group)           | 61. Germany-Uruguay (3 <sup>rd</sup> place) |
| 5. Argentina-Germany (qtr final) | 60. Uruguay-South Africa (group)            |

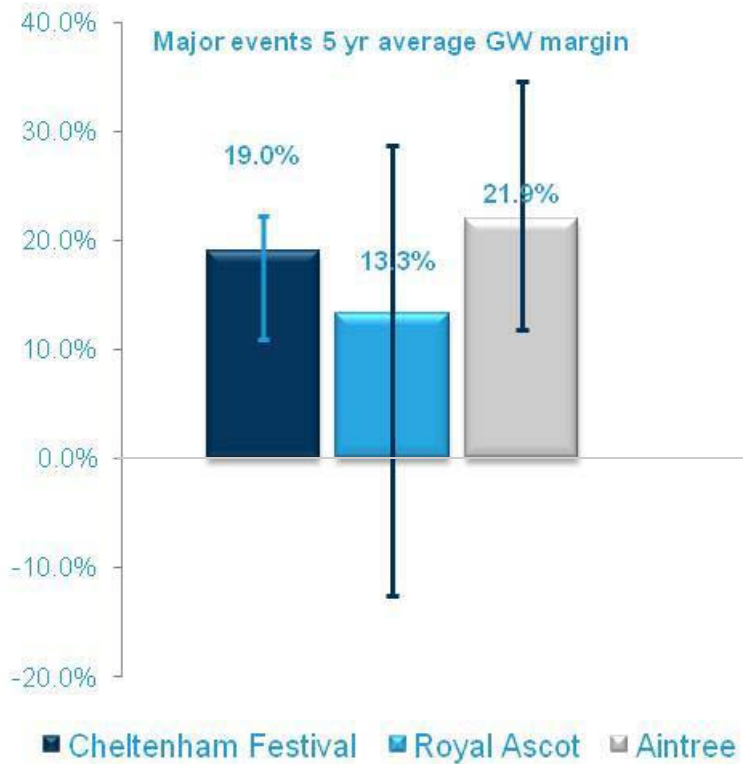
## £19.3m gross win by channel in H1



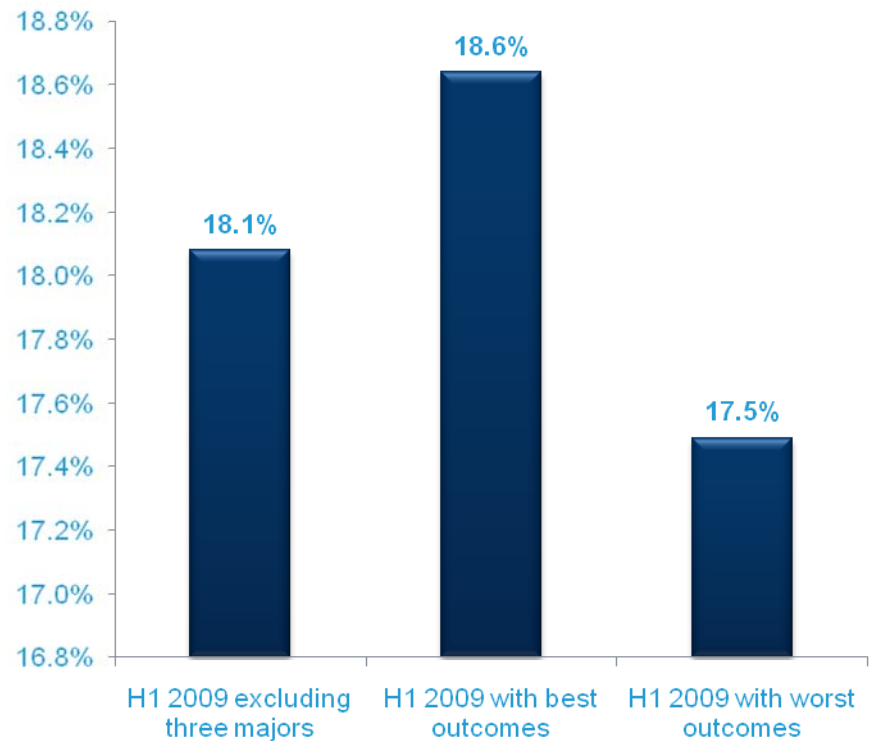
Note: full analysis of tournament in appendices

# How material are major events?

### Major events five-year GW%



### Impact of Cheltenham, Ascot and Aintree on OTC GW%





## Telephone results and key metrics

26 weeks to	29 Jun 2010 £m	30 Jun 2009 £m	%
Turnover (£m)	269.1	217.1	+24%
<b>Net revenue</b>	<b>12.5</b>	<b>18.6</b>	-33%
<i>Net revenue margin</i>	<i>4.6%</i>	<i>8.6%</i>	<i>-4.0 ppts</i>
Cost of sales	(3.2)	(4.3)	-26%
<b>Gross profit</b>	<b>9.3</b>	<b>14.3</b>	-35%
Staff costs	(3.1)	(3.5)	-11%
Marketing costs	(2.0)	(2.1)	-5%
Other costs incl. recharges	(6.5)	(7.5)	-13%
<b>Operating costs</b>	<b>(11.6)</b>	<b>(13.1)</b>	-11%
<b>Operating (loss)/profit</b>	<b>(2.3)</b>	<b>1.2</b>	
<b>Active players <sup>(1)</sup></b>	<b>90,300</b>	<b>103,000</b>	-12%

Notes:

Numbers are presented on a pre-exceptional basis

<sup>(1)</sup> Players who placed a bet during the period



## Sportsbook leads the way in Online growth

26 weeks to	29 Jun 10 £m	30 Jun 09 £m	%
Sportsbook	37.7	21.3	+77%
Casino	65.9	61.1	+8%
Poker	10.6	11.1	-5%
Bingo and skill	10.0	6.6	+52%
<b>Net revenue</b>	<b>124.2</b>	<b>100.1</b>	<b>+24%</b>
Cost of sales	(9.8)	(14.1)	-30%
<b>Gross profit</b>	<b>114.4</b>	<b>86.0</b>	<b>+33%</b>
Operating costs	(69.5)	(54.6)	+27%
<b>Operating profit</b>	<b>44.9</b>	<b>31.4</b>	<b>+43%</b>

Numbers are presented on a pre-exceptional basis and excludes £1.8m (2009: £2.8m) of amortisation relating to relating to trade names, affiliate relationships and non competition agreements

## William Hill Online – key metrics

26 weeks to	29 Jun 10	30 Jun 09	%
Unique active players <sup>(1)</sup>	<b>957,907</b>	800,859	+20%
Revenue per unique active player	<b>129.6</b>	124.9	+4%
New accounts <sup>(2)</sup>	<b>493,405</b>	356,412	+38%
Average cost per acquisition (£) <sup>(3)</sup>	<b>63.8</b>	60.2	+6%
Sportsbook turnover (£m)	<b>548.2</b>	343.9	+59%
Sportsbook gross win margin	<b>7.7%</b>	6.8%	+0.9 %pts
- Pre-match gross win margin	<b>9.2%</b>	8.3%	+0.9 %pts
- In-play gross win margin	<b>4.8%</b>	2.3%	+2.5 %pts

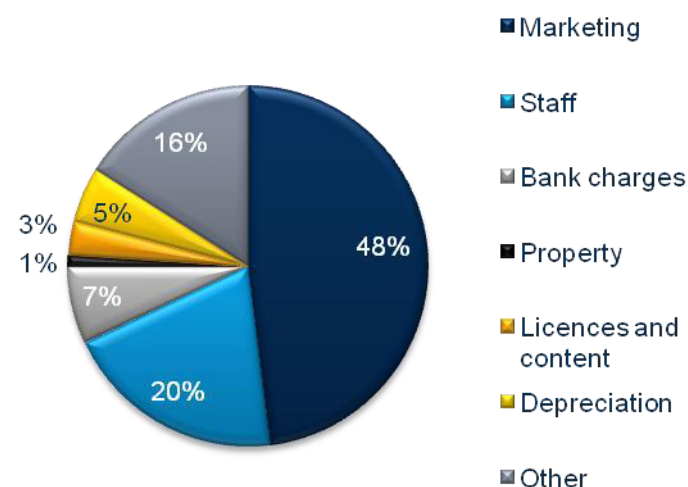
1. Placed a bet within the period
2. Deposited and placed a bet within the period
3. Including affiliates

## Expansion and marketing investment grow cost base

26 weeks to	29 Jun 2010 £m	30 Jun 2009 £m	%
Staff costs	12.8	10.1	+27%
Marketing	31.5	21.7	+45%
Bank charges	4.5	3.3	+36%
Depr. and amort.*	3.4	3.1	+10%
Other costs incl. recharges	17.3	16.4	+5%
<b>Operating costs</b>	<b>69.5</b>	<b>54.6</b>	<b>+27%</b>

\* Excludes £1.8m (2009: £2.8m) of amortisation relating to relating to trade names, affiliate relationships and non competition agreements

### Split of direct operating costs



## Interest

26 weeks to	29 Jun 2010	30 Jun 2009
Interest receivable	0.1	1.0
Bank loan interest	(7.0)	(18.6)
Effective interest rate hedges	(6.4)	(8.9)
Bond interest	(10.7)	-
Amortisation of finance fees	(3.0)	(0.7)
Net interest on pension scheme net liability	(1.1)	(1.5)
<b>Total net interest</b>	<b>(28.1)</b>	<b>(28.7)</b>

## Balance sheet restructuring completed

- Net debt reduced to £530.4m as a result of continued good cash flow
  - Full-year capex guidance of £60-65m maintained
- Debt facilities now show spread of maturities
  - £300m corporate bond due November 2016
  - £538.5m bank facility maturing March 2012
- Strong credit metrics:
  - Net debt:EBITDA of 1.9x vs maximum covenant of 3.5x
  - EBITDA:net cash interest of 4.8x vs minimum covenant of 3.0x
  - BB+/Ba1 stable outlook credit ratings from S&P/Moody's
- Headroom of c£310m from undrawn borrowing facility and unrestricted cash

## Other finance matters

- Pension deficit increased £13.3m from year end to £56.5m:
  - Assets fell by £5.2m driven by equities valuations
  - Liabilities rose by £8.1m as the discount rate fell
- Flattening of forward interest rate yield curve generates loss on legacy hedging position:
  - £4.1m exceptional interest cost on ineffective hedges
  - £7.4m adverse hedge reserve movement on effective hedges
- Interim dividend of 2.5p per share payable on 7 December 2010

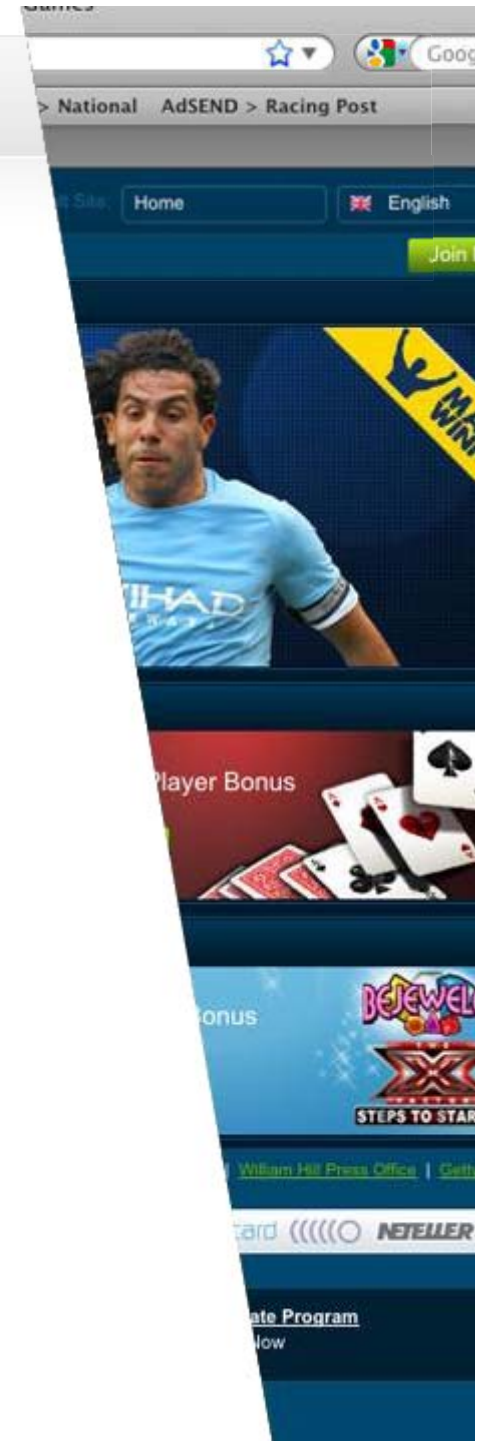
# Agenda

- Overview  
Ralph Topping, Chief Executive
- Financial highlights  
Neil Cooper, Group Finance Director
- **Progress and current trends**  
**Ralph Topping, Chief Executive**
- Q&A



## Strong turnover and profit growth delivered in Online

- Sportsbook broadening and deepening of markets
- Continuous improvement in gaming
- Increased marketing investment
- International development

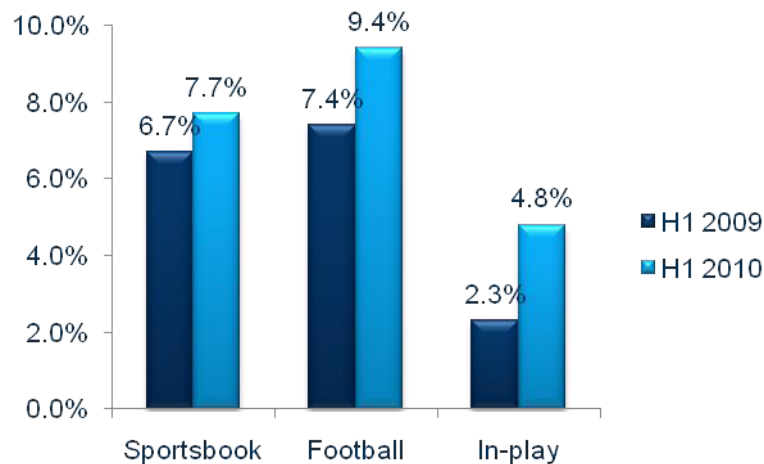




# Market-leading Sportsbook

- Strong in-play offering
- Gross win margin improvement
- Expanded football product
- Improved mobile service
- 16 additional languages launched

Gross win margin improvement



## High-quality gaming

- Launch of new branded games platform using OpenBet in April
- New 'Vegas' strategy implemented
- New instant-play Casino launched with Playtech in May
- 52% increase in Bingo net revenue: new language sites, customer recruitment through TV advertising
- Improved performance in poker, particularly against peers



## Increased marketing investment

- Increasing use of TV in competitive UK marketplace
- First-ever TV advertising campaign for Sportsbook
- TV advertising campaign with industry-leading “£66 Free No Deposit Required” bonus
- “Bingo Thrill” TV advertising throughout H1



## International development

- **Withdrawal from France**
  - Closed to France-based addresses in June
  - 7% of Online net revenue in H1, £5m EBIT impact in 2010 vs expectations
  - Regulatory framework not commercially viable for William Hill Online
  - Plan to apply for a licence but not a commercial priority
- **21 localised sites now offered through [williamhill.com](http://williamhill.com)**
  - Strong growth in territories with localised Sportsbooks
- **Awarded Italian licence**
  - Preparing for site launch ahead of licensing of online casino



# Online: how do we continue to grow?

Sportsbook-led international expansion

Channel extension

Increase share of wallet

Organisational improvement

- In-play
  - Expansion of football
  - Addition of further sports
  - Horseracing for all UK races
- Text betting
- Integrated mobile Casino
- Financial fixed odds betting
- More TV advertising



# Online: how do we continue to grow?

Sportsbook-led international expansion

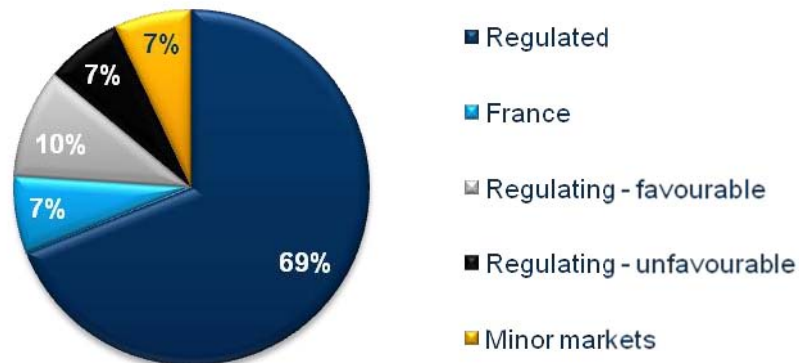
Channel extension

Increase share of wallet

Organisational improvement

- Impact of regulation
- Focus on regulated markets with commercial opportunity
- Focus on small number of markets
- UK remains short-term priority

Net revenues by regulatory risk



## Online: how do we continue to grow?

Sportsbook-led international expansion

Channel extension

Increase share of wallet

Organisational improvement

- Jim Mullen appointed as Chief Operating Officer, William Hill Online
  - News International: digital strategy and product development, including brand extension businesses under *The Sun* and *The Times* brands
  - Arc Worldwide: digital communications and marketing services arm of Leo Burnett advertising agency
- Recruiting an Executive Director of Customer Contact for CRM and Customer Service



## Retail: tangible benefits from our strategy

Market-leading customer service

- Growing market share: up to 70 new licences in 2010

Product development

- Market-leading machines offering

Estate development

- Strong cost control – expect 3% underlying growth plus impact of new licences

Profit management

- Strong competitive position for economic upturn

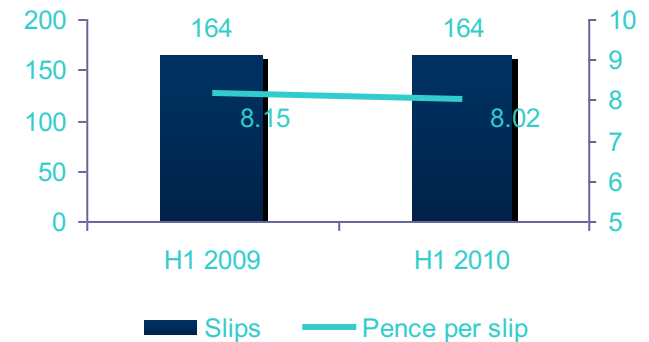




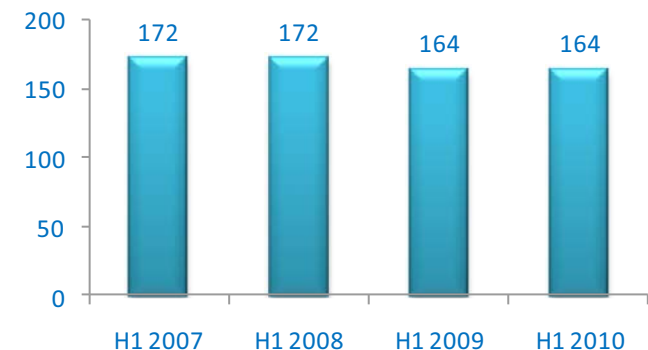
# What's really happening in Retail?

- Overall transactions increasing, slippage trend solid, pence per slip
- Machines
  - Continuous innovation
  - Capitalise on latest technology and software
  - Effective promotions
  - Well-established field-based management
  - Staff training, in-shop promotions
- SSTs being trialled
- Cost base
  - 31-month pay freeze ends October 2010
  - Pictures costs increasing
  - £8-9m cost of VAT increase
  - Rigorous focus on costs

Year-on-year slips (m) and PPS (£)



Four-year trend in slips (millions)



# Telephone

- Announcement reflects a response to competition from offshore operators and exchanges
- Changes take effect from Q4 2010
  - Existing Telephone betting business to close
  - William Hill Online to establish Telephone business
- William Hill Online establishing Gibraltar customer service centre and outsourcing UK call centre to Vertex
- £7m implementation cost in 2010, including capex
- £4-7m annual cost saving from 2011



# Trading leadership

- Revised approach under Terry Pattinson's leadership
- Core bookmaking skills remain important
- Market-leading in football pre-match and in-play markets
- Pricing domination of major events



## Racing Post Pricewise (Aug 09-May 10)

Company	Best price
William Hill	2,159
Bet365	1,433
Coral	1,235
Ladbrokes	1,167
BetFred	1,038
Tote	929
Blue Square	876
Victor Chandler	761
Paddy Power	701
Boylesports	617
Stan James	567

## Regulatory and industry leadership

- Led by David Steele and Andrew Lyman with support from Open Road political agency
- Leading industry positions
  - Vice Chair of the Association of British Bookmakers (David Steele)
  - Vice Chair of the Bookmakers' Committee (Thomas Murphy)
  - Executive Committee of Remote Gambling Association (Steven Reid)
- Industry update
  - Gambling Commission Prevalence Study ongoing, results expected Feb 2011
  - 50<sup>th</sup> Levy negotiations underway
  - HBLB consultation on betting exchanges
  - DCMS UK dual-licensing consultation closed



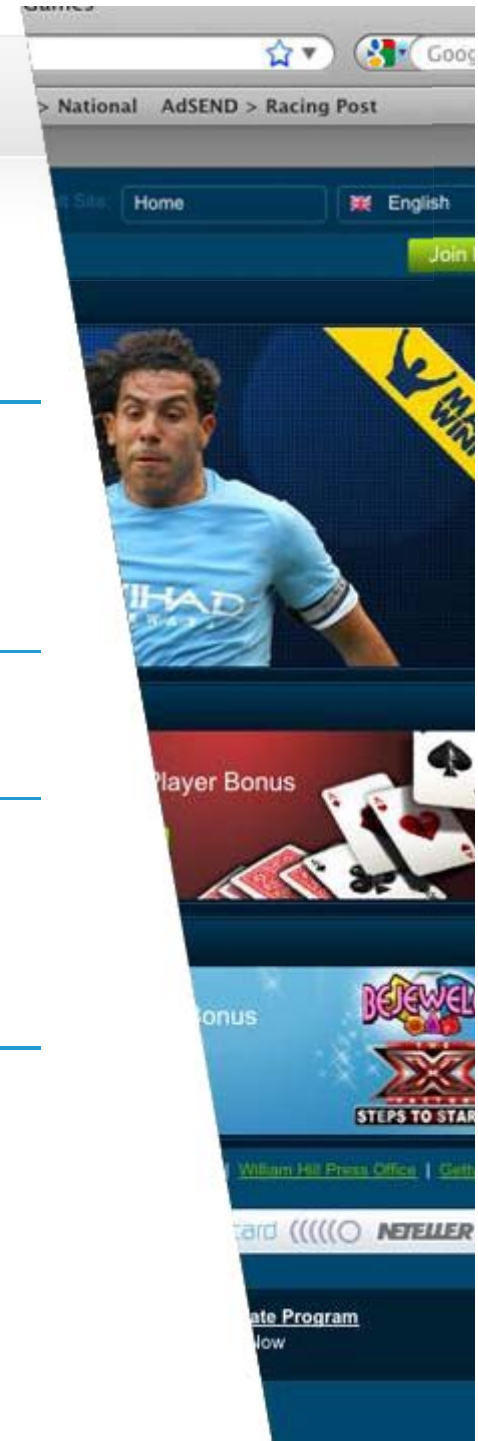
## Current trading

- Group net revenue up 26%
- Retail turnover up 13% and net revenue up 20%
  - Benefit of World Cup
  - Continuing good gaming performance
  - OTC margin in line with normal trading range vs weak comparator
- Online net revenue up 37%
  - Sportsbook performance benefitting from World Cup, offsetting flat gaming with Casino decline from France withdrawal
- Board's expectations for 2010 remain unchanged



# Outlook

<b>Overview</b>	<ul style="list-style-type: none"><li>• Management actions delivering growth</li><li>• Highly competitive product offering in shops and online</li><li>• VAT increase in 2011</li></ul>
<b>Retail</b>	<ul style="list-style-type: none"><li>• Cautious on UK consumer in 2011</li><li>• Strong machines performance</li></ul>
<b>Online</b>	<ul style="list-style-type: none"><li>• Market-leading product developments</li><li>• UK focus for near-term</li><li>• Focused international development over the long-term</li></ul>



## Summary

- Strong position in William Hill Online, spearheaded by market-leading Sportsbook
- Highly competitive machines offering driving growth in Retail
- Telephone operating structure now resolved
- Strong, diversified Balance Sheet gives flexibility
- Organisational evolution continues



# APPENDICES





# World Cup

	<b>H1 2010</b>	<b>Total</b>
Retail OTC turnover	£31.5m	£48.6m
Telephone turnover	£10.6m	£15.8m
Online Sportsbook turnover	£35.1m	£51.0m
<b>Total turnover</b>	<b>£77.2m</b>	<b>£115.4m</b>
Retail OTC gross win	£10.5m	£18.1m
Telephone gross win	£2.6m	£3.9m
Online Sportsbook gross win	£6.2m	£10.2m
<b>Total gross win</b>	<b>£19.3m</b>	<b>£32.2m</b>
Retail OTC margin	33%	37%
Telephone margin	25%	25%
Online Sportsbook margin	18%	20%
<b>Total margin</b>	<b>25%</b>	<b>28%</b>

## Summary of performance by division

26 weeks to	Net revenue			Operating profit		
	29 Jun 2010 £m	30 Jun 2009 £m	Change %	29 Jun 2010 £m	30 Jun 2009 £m	Change %
Retail	389.8	393.2	-1%	102.6	111.5	-8%
Online	124.2	100.1	+24%	44.9	31.4	+43%
Telephone	12.5	18.6	-33%	(2.3)	1.2	-291%
Other	3.4	3.6	-6%	-	0.2	
JVs				-	(2.1)	
Associates				1.4	1.6	-13%
Corporate				(11.0)	(9.2)	+20%
<b>EBITA</b>				<b>135.6</b>	<b>134.6</b>	<b>+1%</b>
Amortisation				(1.8)	(2.8)	-35%
<b>Total</b>	<b>529.9</b>	<b>515.5</b>	<b>+3%</b>	<b>133.8</b>	<b>131.8</b>	<b>+2%</b>

# Net revenue summary

26 weeks to		29 Jun 2010 £m	30 Jun 2009 £m	%
<b>Retail</b>	OTC	<b>227.7</b>	243.9	-7%
	Machines	<b>162.1</b>	149.3	+9%
	<b>Retail total</b>	<b>389.8</b>	393.2	-1%
<b>Online</b>	Sportsbook	<b>37.7</b>	21.3	+77%
	<i>Gaming – casino</i>	<b>65.9</b>	61.1	+8%
	<i>Gaming – poker</i>	<b>10.6</b>	11.1	-5%
	<i>Gaming – bingo, skill</i>	<b>10.0</b>	6.6	+52%
	Gaming total	<b>86.5</b>	78.8	+10%
	<b>Online total</b>	<b>124.2</b>	100.1	+24%
<b>Telephone</b>		<b>12.5</b>	18.6	-33%
<b>Other</b>		<b>3.4</b>	3.6	-6%
<b>Total net revenue</b>		<b>529.9</b>	<b>515.5</b>	<b>+3%</b>

For net revenue, machines are shown net of VAT, Sportsbook and gaming are shown net of fair-value adjustments for free bets, promotions and bonuses

## Group operating expenses by division

26 weeks ended	29 Jun 2010 £m	30 Jun 2009 £m	%
Retail	(222.8)	(215.9)	+3%
Online <sup>(1)</sup>	(69.4)	(54.6)	+27%
Telephone	(11.6)	(13.1)	-11%
Other	(3.0)	(2.9)	0%
Central	(11.0)	(9.2)	+20%
<b>Group operating expenses</b>	<b>(317.9)</b>	<b>(295.7)</b>	<b>+8%</b>

(1) Excluding amortisation relating to trade names, affiliate relationships and non-competition agreements

## Group operating expenses by cost category

26 weeks ended	29 Jun 2010 £m	30 Jun 2009 £m	%
Staff costs	(138.4)	(138.8)	0%
Property costs	(49.5)	(49.8)	-1%
Depreciation	(18.0)	(18.5)	-3%
Pictures and data	(25.4)	(24.1)	+5%
Marketing	(39.9)	(28.3)	+41%
Finance charges	(7.9)	(6.8)	+16%
Communications	(4.3)	(3.8)	+13%
Other	(34.5)	(25.6)	+35%
<b>Group operating expenses</b>	<b>(317.9)</b>	<b>(295.7)</b>	<b>+8%</b>

# Cash flow

26 weeks to	29 Jun 10 £m	30 Jun 09 £m
EBITDA <sup>(1)</sup>	156.3	155.8
Working capital / other	28.3	(6.6)
Capital expenditure	(12.7)	(20.3)
<b>Cash from operations</b>	<b>171.9</b>	<b>128.9</b>
Cash taxes	(24.4)	(20.9)
Net interest	(32.4)	(39.1)
Non-controlling dividends	(12.7)	(10.7)
<b>Free cashflow</b>	<b>102.4</b>	<b>58.2</b>
Acquisitions and JVs	-	(2.1)
Exceptional items	5.6	-
Dividends	(35.5)	-
SAYE redemptions	0.2	0.1
Capital principal repaid	(375.1)	(395.0)
Cash received on issue of shares	-	355.8
Capital principal drawn down	359.0	-
Debt facility issue costs	-	(12.4)
<b>Net cashflow</b>	<b>56.6</b>	<b>4.6</b>
Net debt for covenant purposes	530.4	636.7
Net debt:EBITDA (covenant basis)	1.9	2.1

(1) Before share remuneration charge of £2.7m

## Interest rate hedging profile: future estimates\*

	H2 2010	H1 2011	H2 2011	H1 2012	H2 2012
Cash outflow all hedges (£m)	13.3	9.9	6.9	4.8	4.2
P&L effective hedges (pre-tax)	6.1	3.3	3.1	3.1	2.7

\* Please note: all estimates are based on a specific interest rate forward curve assumption. Actual results will almost certainly vary from these projections.

## Reconciliation of net debt to net debt for covenant purposes

	29 Jun 2010 £m	30 Jun 2009 £m	29 Dec 2009 £m
Bank loans	359.0	675.0	375.0
Corporate bonds	300.0	-	300.0
Finance leases	0.4	0.7	0.5
Cash	(176.4)	(81.1)	(119.8)
<b>Net debt</b>	<b>483.0</b>	<b>594.6</b>	<b>555.7</b>
Obligations under bank guarantees	0.7	5.8	6.2
Restricted cash – client balances	42.6	31.8	35.0
Restricted cash – non-controlling interest share of cash balances	4.1	4.5	5.7
<b>Net debt for covenant purposes</b>	<b>530.4</b>	<b>636.7</b>	<b>602.6</b>



## Capital expenditure

26 weeks to	29 Jun 10 £m	30 Jun 09 £m
Retail development	5.2	7.5
William Hill Online	5.4	7.4
Investment in joint venture	-	2.1
Other (including IT)	2.1	5.4
<b>Total capital expenditure</b>	<b>12.7</b>	<b>22.4</b>

2010 capex expected to be c. £60-65m, including refurbishments