



Interim Results

6 September 2004



Tom Singer

Group Finance Director

Summary of Financial Results 1H, 2004 v 1H, 2003

	<u>1H, 2004</u> <u>£m</u>	<u>1H, 2003</u> <u>£m</u> <u>(restated)</u>	<u>Movement</u> <u>%</u>	<u>FY 2003</u> <u>£m</u> <u>(restated)</u>
Turnover ⁽¹⁾	3886.6	2741.7	+42	5945.8
Gross win⁽²⁾	382.1	324.0	+18	654.3
<i>GW% betting business</i>	8.9%	10.6%		9.9%
Duty, levies and other costs	(85.2)	(69.5)		(143.2)
Gross profit (Contribution)	296.9	254.5	+17	511.1
Net operating expenses	(167.3)	(154.4)	+8	(313.6)
Group operating profit	129.6	100.1	+29	197.5
Associate income	1.6	1.3		2.9
EBIT	131.2	101.4	+29	200.4
EBITDA	139.1	110.9	+25	218.8

(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 1H, 2004 v 1H, 2003

	<u>1H, 2004</u>	<u>1H, 2003</u>	<u>Movement</u>	<u>FY 2003</u>
	<u>£m</u>	<u>£m</u>	<u>%</u>	<u>£m</u>
		<u>(restated)</u>		<u>(restated)</u>
Profit before interest and taxation	131.2	101.4	+29	200.4
Net interest payable	(12.8)	(16.3)		(30.9)
Profit before taxation	118.4	85.1	+39	169.5
Taxation	(34.1)	(23.1)		(45.2)
Profit after taxation	84.3	62.0	+36	124.3
Interim dividend	(22.4) ⁽¹⁾	(14.6)		(52.2)
Retained earnings	61.9	47.4		72.1
Earnings per share (pence)				
- Basic	20.1 ⁽²⁾	14.8	+36	29.7
- Diluted	19.8 ⁽²⁾	14.7	+35	29.3
Interim dividend per share (pence)	5.5	3.5	+57	12.5

(1) Based on 404.7m shares qualifying for the interim dividend of 5.5 pence per share

(2) Basic and diluted earnings per share based on 418.4m shares and 425.9m shares, respectively

Analysis of Gross Win 1H, 2004 v 1H, 2003

	1H, 2004		1H, 2003		Movement
	<u>£m</u>	<u>% mix</u>	<u>£m</u>	<u>% mix</u>	<u>%</u>
Retail					
- OTC	224.8	59	208.2	64	+8
- FOBTs/AWPs	66.0 ⁽¹⁾	17	45.5	14	+45
- Total	290.8	76	253.7	78	+15
Telephone	34.6	9	28.3	9	+22
Interactive	52.9	14	38.6	12	+37
Other ⁽²⁾	3.8	1	3.4	1	+12
	382.1 ⁽³⁾	100	324.0	100	+18

⁽¹⁾ Average number of FOBTs was 3,658 (first half 2003: 1,942); average number of AWPs was 2,020 (first half 2003: 2,869)

⁽²⁾ Includes greyhound stadia, Course and Group Promotions

⁽³⁾ Includes £10.0m in respect of Euro 2004 (additional £1.1m falls in 2H,04)

Duty, Levies and Other Costs, 1H, 2004 v 1H, 2003

	<u>1H, 2004</u> <u>£m</u>	<u>1H, 2003</u> <u>£m</u>	<u>Movement</u> <u>%</u>	<u>Explanation</u>
Gross Win	382.1	324.0	+18%	
GPT	(51.6)	(43.2)	+19%	• Increase in line with gross win
Levies	(15.3)	(13.2)	+16%	• Increase in line with gross win plus release of PY over accrual
VAT, royalties and other costs	(18.3)	(13.1)	+40%	• FOBT roll out
<hr/>				
Gross profit (Contribution)	296.9	254.5	+17%	

Net Operating Expenses, 1H, 2004 v 1H, 2003

	<u>1H, 2004</u> <u>£m</u>	<u>1H, 2003</u> <u>£m</u> <u>(restated)</u>	<u>Movement</u> <u>%</u>
Staff costs	85.9	77.2	+11
Property costs	24.2	24.3	-
Depreciation/asset write offs	7.9	9.5	-17
Communications ⁽¹⁾	13.5	10.8	+25
Advertising/sponsorship			
- Routine ⁽²⁾	9.0	10.6	-15
- Euro 2004	1.0	-	
FOBT/AWP rentals and installation costs	4.9	4.8	+2
RTP related costs ⁽³⁾	1.2	-	-
Other ⁽⁴⁾	19.7	17.2	+15
Operating expenses	167.3	154.4	+8
Less: Costs allocated to trading divisions	(161.8)	(146.9)	
Central costs ⁽⁵⁾	5.5	7.5	-27

(1) Includes costs of horse racing pictures and ISDN network in betting offices

(2) In current period £1.4m of free bets and bonus cash dealt with in arriving at gross profit

(3) Costs in respect of projects to replace text system and rollout electronic point of sale tills

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

(5) Primarily central support functions and property costs

Underlying Rate of Cost Growth, 1H, 2004 v 1H, 2003

	<u>1H, 2004</u>	<u>1H, 2003</u>	<u>Movement</u>
	<u>£m</u>	<u>£m</u>	<u>%</u>
Net operating expenses	167.3	154.4	+8%
Less:			
Euro 2004 advertising	(1.0)	-	
FOBT installation/communications	(1.8)	(0.5)	
FOBT/AWP rentals	(4.0)	(4.3)	
Internet bank charges	(0.5)		
Extended trading staff and picture costs	(5.9)	-	
RTP related costs	(1.2)	-	
Asset write offs and other non-recurring items	1.4	(1.5)	
PLC costs including management incentivisation	(2.6)	(1.7)	
	<u>151.7</u>	<u>146.4</u>	<u>+4%</u>

Profit Conversion, 1H 2004 v FY03/FY02 (Operating profit as a % of gross win)

	<u>1H, 2004</u>	<u>FY, 2003</u>	<u>FY, 2002</u>
	<u>%</u>	<u>%</u>	<u>%</u>
Retail	33.4	30.1	26.7
Telephone	39.9	39.3	34.0
Interactive	45.7	43.7	37.3

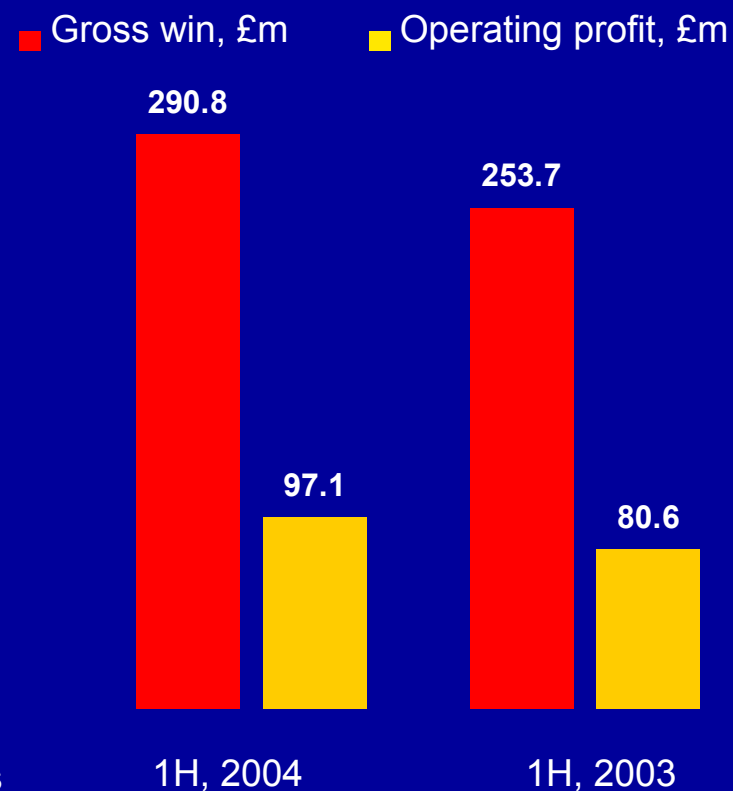
Retail ⁽¹⁾: Results

1H, 2004 v 1H, 2003

- OTC gross win growth driven by favourable horseracing results, extended trading hours and additional betting opportunities
- Continuing roll out of FOBTs (average 3,658 (1H, 2003: 1,942)) and net profitability stable at c. £400/terminal/week
- Favourable results in Euro 2004

Growth rate

Gross win	+15%
Operating profit	+20%



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

Telephone : Results 1H, 2004 v 1H, 2003

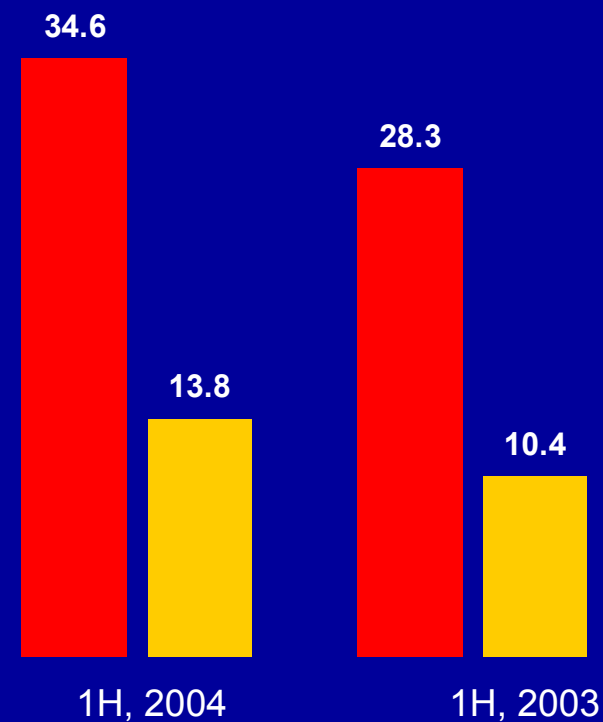
Growth rate

Gross win	+22%
Operating profit	+33%

Active accounts 184,000 (30 December 2003: 171,000)

- Favourable horseracing results in 1Q, 2004
- Growing popularity of betting in running on football
- Loss of ATR for two months adversely impacted turnover by 15% - 20%

■ Gross win, £m ■ Operating profit, £m



Interactive : Results 1H, 2004 v 1H, 2003

Sportsbook

- Favourable horseracing and football results

Arcade

- Extended offering to 6 games

Casino

- Multi-currency/multi-language variants since Autumn 2003
- Multi-vendor strategy since August 2003 to secure better terms

Poker

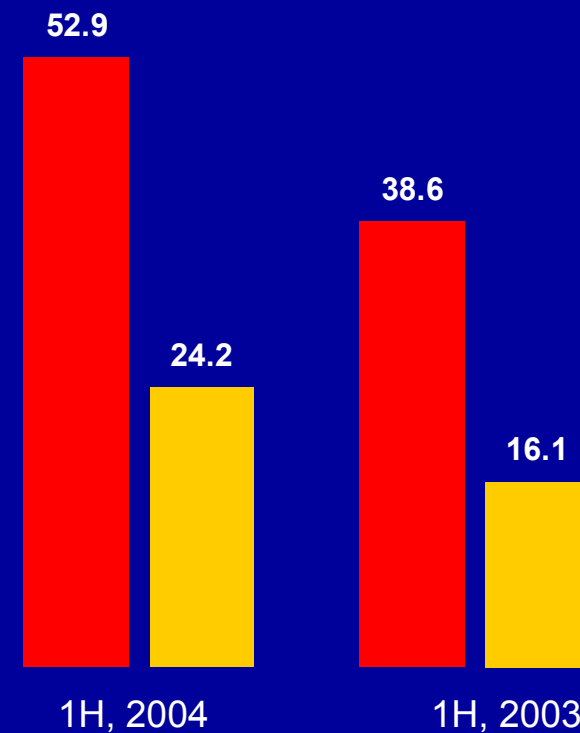
- Launched January 2003, strong demand for product
- Cross-market to Interactive and Telephone customer base

Growth rate

Gross win	+37%
Operating profit	+50%

Active accounts 278,000 (30 December 2003: 247,000)

■ Gross win, £m ■ Operating profit, £m



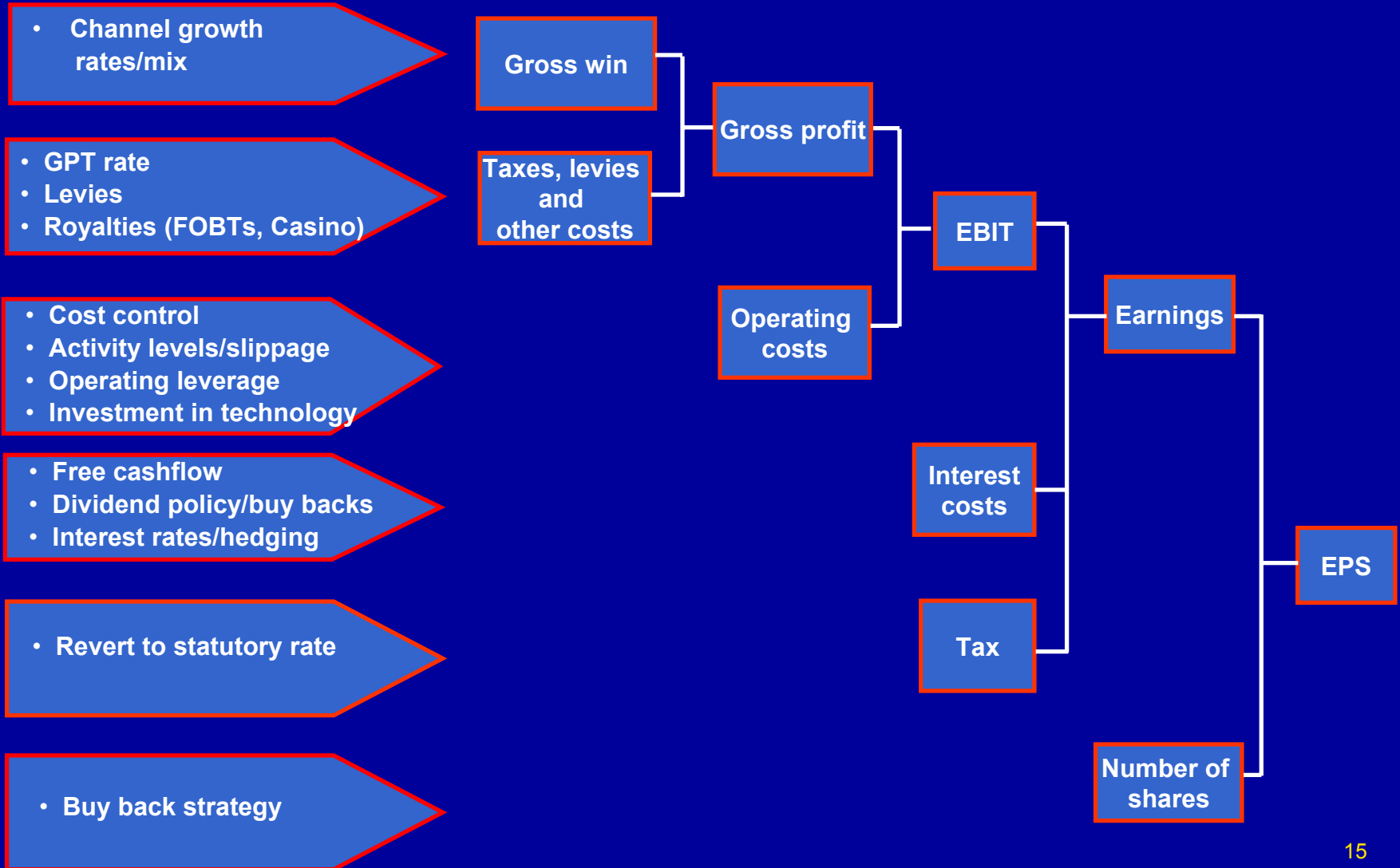
Cash Generation, 1H, 2004 v 1H, 2003

	<u>1H, 2004</u> <u>£m</u>	<u>1H, 2003</u> <u>£m</u> <u>(Restated)</u>	<u>Movement</u> <u>%</u>	<u>FY 2003</u> <u>£m</u>
EBIT	131.2	101.4	+29	200.4
Associate income	(1.6)	(1.3)		(2.9)
Depreciation/asset write-offs	7.9	9.5		18.4
Working capital movement	6.5	(3.8)		5.7
Capital expenditure	(7.2)	(9.9)		(18.5)
Acquisitions	-	(4.9)		(4.9)
Taxation paid	(27.9)	0.2		(21.7)
Other items (net)	(1.9)	1.4		2.9
Free cashflow	107.0 ⁽¹⁾	92.6	+16	179.4
Net indebtedness	338.2	430.2		366.1

⁽¹⁾ Utilised to meet interest payments (£12m), reduce indebtedness (£28m), pay dividends (£38m) and fund share buy backs (£29m)

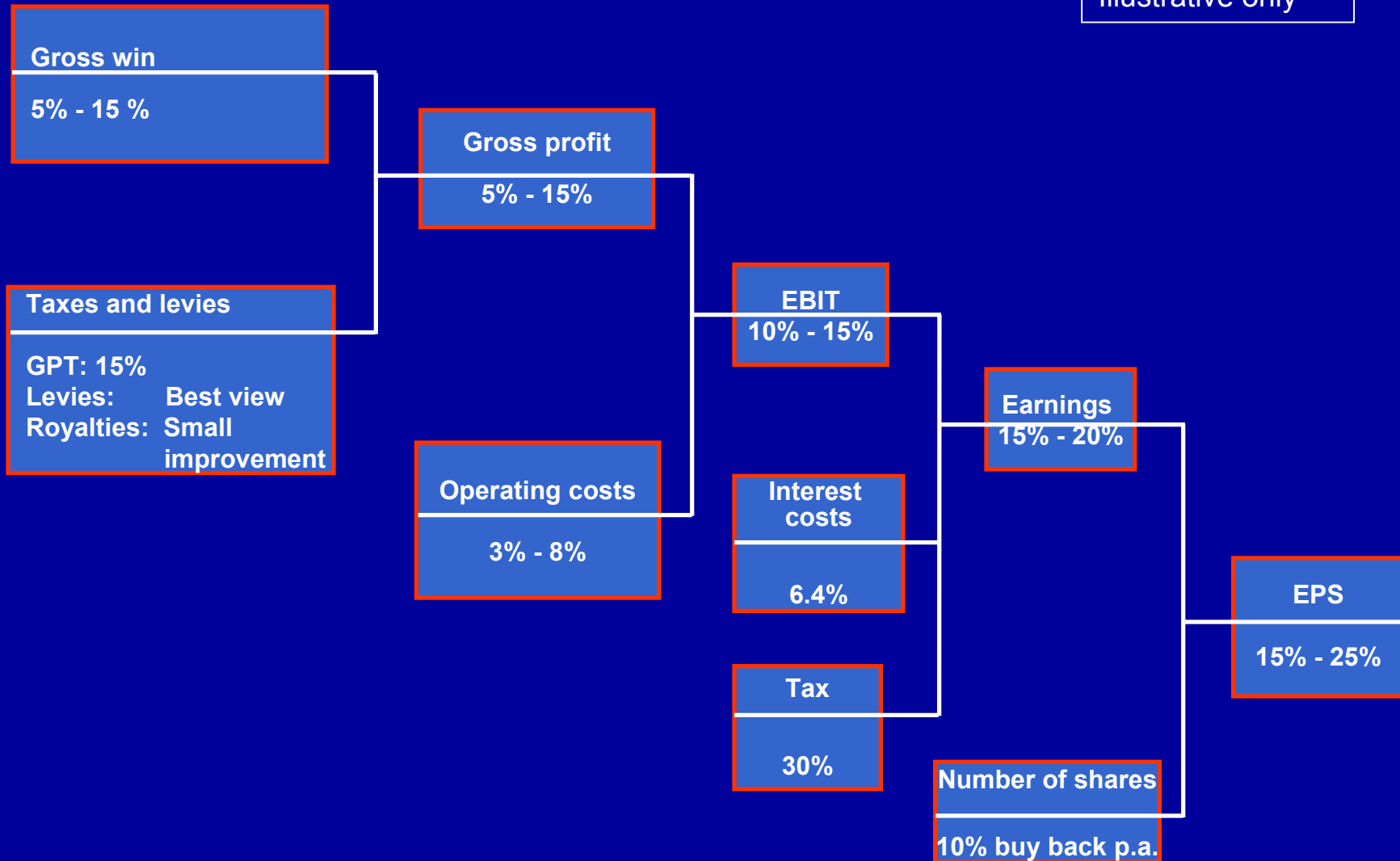
Prospects for Future Growth

Drivers of Growth in Earnings per Share



Range of Possible Outcomes for Earnings Per Share

Illustrative only

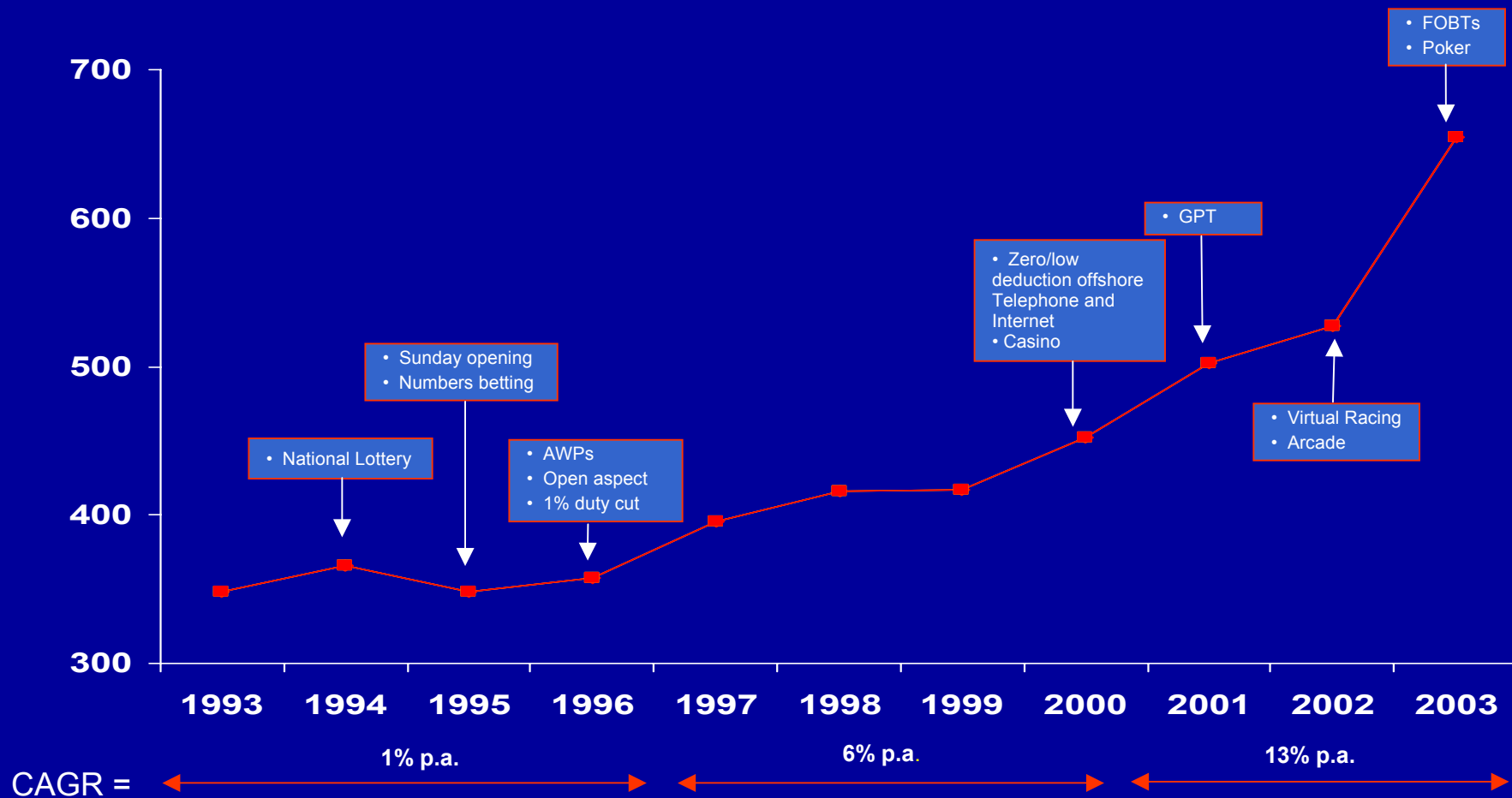




David Harding

Chief Executive

History of Gross Win Growth, 1993 - 2003



Future Earnings:-



What you believe:-

Government will do

Consumers will do

William Hill will do

.....Consumers are showing what they want

Machines	(FOBTs, interval games, electronic roulette)
Low margin/frequent play	(Virtual OTC, in running, most RNG products)
Ubiquity	(Retail, telephone, internet, idTV)
Convenience	(Location, access, cash/near cash)
Value	(Price, service, value added services)
Brand	(Non cash accounts)

If policy permits.....

.....Policy, however (regulation, tax and planning) is more confused than ever:

So William Hill will:-

* Keep convergence options under review

- Acquisition
- Joint venture
- Greenfield
- "Intel" inside
- vs Do nothing

* Lobby for sensible (De) regulation and equitable tax (FOBT and exchange layers)

* Preserve offshore option

William Hill will not:-

* Commit capital to large US style casinos

..... Whilst continuing with proven organic growth strategies:

- * Product innovation
 - FOBT
 - Arcade
 - Virtual
 - Casino/poker
- * Channel diversification
 - William Hill TV
- * International expansion
 - Low capital risk
- * Estate expansion and improvement
 - LBO acquisitions/new licences
 - Resites, extensions, refurb, facelifts
- * Cost reduction
 - Contract improvement
 - Retail technology programme
 - Resist increased media rights payments
- * Corporate social responsibility

..... And developing core capabilities for the future

- * Technology
 - Single account/proposition
 - Enhanced liability control/trading capability
 - Rapid NPD
 - Ubiquitous distribution
 - Customer self service

- * Estate development
 - Increased resources

- * Bookmaking
 - Strength in depth

Current Trading

In the eight weeks ended 24 August 2004:

- Gross win up 8% against the comparable period
- Operating costs up 6% against the comparable period